

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

Fleet Air Arm Museum Account 2010-2011

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ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 18 JULY 2011

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and other bodies have used their resources.

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Foreword to the Accounts

The Trustees are pleased to present their report together with the financial statements of the charity for the year ended 31 March 2011.

Reference and administrative details

Charity Number	250079
Company Number of Trading subsidiary	4037763
Principal Office	FAA Museum, RNAS Yeovilton, Somerset BA22 8HT
Management (Finance and General Purposes Committee)	Chairman Commanding Officer RNAS Yeovilton (Deputy Chairman of Trustees)
	Trustees Mr Neil Davidson (resigned 25 October 2010) Mr Michael Ryan (resigned 1 October 2010) Mr Martin Hagen (appointed 13 October 2010) Mr Ray Hatton (appointed 13 October 2010)
	Director Mr C G Mottram, MA (Cantab) C.Eng, MIM
Bankers	Barclays Bank Plc King George Street Yeovil Somerset BA20 1PX
Auditors	Comptroller & Auditor General National Audit Office 157–197 Buckingham Palace Road London SW1W 9SP
Accountants and advisors	Baker Tilly Tax and Advisory Services LLP Chartered Accountants Hartwell House 55–61 Victoria Street Bristol BS1 6AD
Solicitors	Porter Dodson Central House Church Street Yeovil Somerset BA20 1HH

Directors and trustees

The following people served as the Museum's Trustees during 2010-11, and since the year under review.

Chairman	Rear Admiral TW Loughran CB
Ex-officio Trustees	<p>Commanding Officer, RNAS Yeovilton Brig BM Noble RM</p> <p>ACOS CSAV Cdre MW Westwood RN</p> <p>Commanding Officer, RNAS Culdrose Capt G Mackay RN (to 22 June 2010) Capt T W Williamson RN (from 22 June 2010)</p> <p>Head of Helicopters, Defence Equipment and Logistics (RW), DLO, MoD. Cdre D Evans RN (to 8 October 2010) Cdre M J Toy RN (from 8 October 2010)</p> <p>Assistant Director Joint Manoeuvre, DJC, MOD: (now Asst Hd Jt Man/ISTAR) Captain S R Gordon RN</p>
Elected Trustees	<p>Dr D Bancroft Sir Robert Crawford CBE (to 13 October 2010) Mr Neil Davidson (to 13 October 2010) Mr Simon Face Mr M J Ryan (to 13 October 2010) Mr Hector Stamboulieh Mr James Trafford (to 13 October 2010) Mr J H Stanford (from 13 October 2010) Mr M J Hagen FCA (from 13 October 2010) Mr G R Hatton (from 13 October 2010) Ms JT Spinks (from 13 October 2010) Mr C C Tite (from 13 October 2010)</p>
Director	Mr CG Mottram MA(Cantab), C.Eng, MIM

Trustees' Report

Structure, governance and management

The Fleet Air Arm Museum is a charity registered with the Charity Commission (charity 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, 24 November 1982, 10 April 1985, 22 March 1994, 17 December 1997 and 17 March 2003 and resolutions dated 11 July 2005, February 2006 and 13 October 2010.

The receipt of Grant in Aid from the public purse from 1986- 2009 conferred upon the Museum the status of a Public Corporation and carried with that status the requirement that the Trustees comply with various Codes of Practice, Audit Rules and any other influences upon NDPBs as and when they arose.

From 1 April 2009 the Museum ceased to receive Grant In Aid direct from the MoD. The Grant In Aid is received from the MoD by the NMRN, which in turn pays a Grant to the Museum in line with a Service Level Agreement between the two entities. In preparation for incorporation within NMRN, a company limited by guarantee was registered with Companies House in February 2011. The Trustees will transfer to this company the assets and activities of the Trust, as part of full integration with the NMRN.

NMRN has Corporate Membership (as one of six Members) with specified powers in the new company, as well as a Nominated Directorship. The Trustees of the current Charity have been elected as Directors of the new Charitable Company.

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.

Appointment of trustees

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, 3rd Sector Heritage, 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.

Trustee induction and training

new Trustees attend for at least one half day and usually more, between their appointment and attending their first Trustees' Meeting, to meet other Trustees and senior staff, and to see the Museum at work. All Trustees receive copies of the Corporate Plan, the first part of which contains the key strategy and aims of the Museum, and a recent innovation has been the Trustees Information Folder which contains, amongst other documents, the Trust Deed.

Trustees are expected to choose at least one element of the Museum's activities as their own specialism, and to visit the museum from time to time to learn more of, and to contribute to, this area.

Organisation

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 the Trustees the responsibility for the effective management of the Trust and the stewardship and care of the collections.

The Trust Deed provides for there to be five ex-officio Trustees and nine elected ones. In recent years the Trustees have met four times per year. There are two sub-committees, the Finance and General Purposes Committee which meets typically six times per year, chaired by the Deputy Chairman of Trustees, and the Audit Committee which meets usually once per year to review the Audited Accounts.

The Trustees delegate the day to day running of the Charity to the Director and his staff of approximately 54 FTE (2010: 53), who are supported by the efforts of volunteers in several areas of activities, notably Curatorial and Visitor Services Divisions. Around 64 people (2010: 71) gave some of their time to support the Museum, contributing around 8,159 hours (2010: 8,697 hours) in the year.

Related parties

The National Museum of the Royal Navy

The Chairman of Trustees is an ex-officio Trustee of The National Museum of the Royal Navy (NMRN). The Grant In Aid is received from the MoD by the NMRN, which in turn pays a Grant to the Museum in line with a Service Level Agreement between the two entities.

The Grant is included as a separate fund for accounting purposes and therefore the amount received from NMRN each year is disclosed separately 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 £13,054 (2010: £23,857) toward the Museum's activities.

The Fly Navy Heritage Trust ('FNHT', 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. No donations were made to the Museum during the year.

The results of these charities are not consolidated into the accounts of the Fleet Air Arm Museum. SOFFAAM and FNHT can be contacted at the following address:

RNAS Yeovilton
Nr Ilchester
Somerset
BA22 8HT

Fleet Air Arm Museum Trading Limited

Fleet Air Arm Museum Trading Limited is a fully owned trading subsidiary of the museum. During the year £17,985 (2010: £35,151) was donated to the museum. Details of the amounts outstanding at the year end are shown under the debtors note.

Risk management

Risk Management and the system of internal control are discussed within the Statement on Internal Control on page 12 and Note 1 to the financial statements on page 24.

Aims and objectives

As stated in the Museum's Trust Deed 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.

Strategic aims

The Trustees undertake to direct the activities of the Trust in compliance with the Trust Deed and Charity Law. The requirements of the Trust Deed, are interpreted as follows:

- (i) Historical
To maintain for public display and examination: aircraft, related documents and general exhibits which are of historical interest and value. The collection, thus created, will be predominantly related to the Royal Naval Air Service and Fleet Air Arm but will also comprise a small proportion of material which will help to place naval aviation into the general history of aviation and of the Royal Navy.
- (ii) Educational
To demonstrate to Naval personnel, those of other services, the general public and students, the evolution and development of naval aviation and thus to kindle their interests and encourage them in a study of the subject at every level.
- (iii) Recruiting and Marketing
To provide a "Shop window" which has a wide popular appeal to civilians in order to keep the Royal Navy in the public eye and to act as a valuable recruiting aid to the Royal Navy in general and to the Fleet Air Arm in particular and to the West of England Defence and Aerospace industries.

The strategies used to achieve these aims are:

1. To achieve at all times a balance between the museological, educational, recruiting and marketing aspects of the Museum's activities.
2. To achieve at all times a balance between revenue income and capital development, maintaining a minimum level of reserves equal to six months operating costs.
3. To present exhibitions in line with best museum practice and modern developments in display technologies, to provide optimum levels of client entertainment and enjoyment.
4. To maintain best museum practices in support of the Mission Statement.
5. To contain the rate of collection growth within practical and supportable bounds, and in compliance with the Collections Management Plan.
6. To optimise commercial activities within the limits of available resources, thus maximising revenue generation.
7. To review continually the Museum's facilities and activities, and the need for improvements and developments.
8. To mount capital fundraising campaigns as required.
9. To contribute to the achievement of the Fly Navy Vision in particular, and to Royal Navy outputs in general.

Achievements and performance

Total incoming resources for the Group in the year amounted to £2,490,387 (2009: £2,502,539). Total resources expended amounted to £2,671,331 (2010: £2,568,715). After adjustment for recognised gains and losses totalling a net loss of £1,726,986 (2010: a net loss of £707,708), the net movement in funds for the year was a decrease of £1,907,930 (2010: £739,829). The Group's net assets as at 31 March 2011 amounted to £11,366,089 (2010: £13,274,019).

Following the major exhibition rebuild in support of "Fly Navy 100" in 2009 work focused on many smaller aspects of the Museum's activities. A new head of Curatorial Division, David Hill, joined in April 2010 and absorbed the Collections Manager role from Mrs Moira Gittos, who retired in October 2010 after nearly 20 years of outstanding service. David led the curatorial team in updating the Museum's Taranto exhibition, to mark the 70th anniversary of this epochal battle in the history of naval aviation.

The Director, and David Morris, Curator of Aircraft, contributed lectures to the "Mutual Concerns of Air and Space Museums" international conference in the National Air and Space Museum in Washington DC. The Director gave the Keynote Address, "A Century of Naval Aviation".

The Curatorial team put in a massive amount of off-site cataloguing work due to the acquisition of two major archival collections, both related to the Fairey Aviation Company, which was a major supplier of naval aircraft for nearly 50 years.

Work continued in the wake of "Their Past Your Future 2" in recording the experiences of FAA veterans. This was led by the Visitor Services team which also, for the sixth year in succession, supported DNR and "Imagineering" at the Royal Bath and West Show. In addition they provided interactive learning sessions at both Yeovilton and Culdrose Air Days.

Special events and activities have become an integral part of museum operations to attract visitors and generate revenue. Now in its fifth year, the "Dalek Invasion" produced the single busiest weekend in living memory, with nearly 6,000 visitors over the two days. New events included a Big Band concert and, in partnership with Silverline Tools, Power Tool drag Racing. Televised by channel 5's "Gadget Show", their presenter Jason Bradbury drove a chainsaw luge built by an engineering team from RNAS Yeovilton. Narrowly beaten into third place the team's involvement nevertheless resulted in around 15 minutes of prime time television exposure for the navy, for RNAS Yeovilton and for the Museum.

The major capital investment of the year was a complete refurbishment of the Swordfish Restaurant and its toilets, to provide better service for the everyday visitor and to enhance the facility as a conference venue.

Operational and Financial Review

History

With the approval of the Admiralty Board, the Fleet Air Arm Museum was established in 1964. Seven acres and 11 Hangar 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.

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 1994.

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.

In connection with Royal Navy's "Fly Navy 100 programme", a major new exhibition "The Centenary of Naval Flying" was built. The exhibition was opened by HRH Prince Philip on 8 July 2009.

Investment powers and policy

Where surplus monies 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.

Reserves policy

The Trustees have a policy of holding sufficient reserves, excluding those held as fixed assets, to meet 6 months' expenditure. Any amounts held in excess of this requirement are placed in an interest-bearing deposit account.

Plans for future periods

The first centenary of naval aviation in general, "Fly Navy 100", was marked by the Navy in 2009. The Museum created a new exhibition which demonstrated some of the key areas of the 100 years and the exhibition was constructed so that it could be modified/added to as other important centenaries came up. For 2011 material is being added to mark the beginning of fixed wing flying.

Dependent upon financial circumstances the Corporate Plans seeks to attend to the growing load of maintenance of 20+ year old buildings.

Work will continue on moving and cataloguing collections to Cobham Hall, the Museum's Reserve Store, with the aim of having the majority of the core collections held in optimal environmental conditions.

There are aspirations for two major building schemes, one of which is for a larger engineering workshop much closer to the Restoration Hangar, to replace the current small one which dates from 1977. The larger one is a £3M scheme to mount the Museum's unique 1917 seaplane lighter in a new entrance which will also provide universal access at ground floor level.

Sickness absence data

The total working days lost to sickness in the year was 105 (2010: 165), averaging 1.9 days per employee (2010: 3.1). The percentage lost to long term sickness was 1% (2010: 2%).

Personal data related incidents

The Museum has not identified any personal data related incidents during 2010-11, nor in the previous 6 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

Payment of creditors

The Museum aims to settle all undisputed bills within 30 days or in accordance with the suppliers' terms of business. The average payment time in the year under review was 28 days (2010: 29 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.

Social, community and environmental issues

The Museum actively engages with the public that it serves, especially through its education and public events programmes. Its admission charging policy is sensitive to social and educational needs with a range of concessionary rates. Pre-booked school groups enjoy a 50% discount.

In addition to the Society of Friends of the FAA Museum (SOFFAAM), whose membership is international the museum has built a large team of volunteers who assist the Museum in a variety of ways. Whilst many of these volunteers are fairly local, some travel significant distances to carry out their duties. Some have recently committed themselves to an intensive training programme and passed the examination for Level 2 of the Institute of Tour Guides.

The Museum is committed to, as far as is reasonably possible, ensuring that the Museum's operations are carried out in an environmentally sensitive and sustainable manner, recycling waste materials and ensuring that contractors undertake work in a manner compatible with sustainable development.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government and Resources Accounts Act 2000 (Audit of Public Bodies) Order 2003.

The cost of the audit was £8,600 (2010: £8,050). No non-audit work was carried out by the National Audit Office during the year.

So far as I, as Director of the Museum, and we, as Trustees of the Museum, are aware:

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

T W Loughran
On behalf of the Board of Trustees

C G Mottram
Director

Dr D Tweddle
National Museum of the Royal Navy
Accounting Officer

4 July 2011

Remuneration Report

The Director of the Fleet Air Arm Museum is employed by the Trustees of the Museum on terms and conditions that are similar to MoD civil servants. He is on pay band B2 and is paid in accordance with nationally agreed pay awards.

Director (audited information)

The director, Graham Mottram, had a basic salary during the year ended 31 March 2011 of £62,304 per annum (2010: £58,727). The director is aged 63. His total accrued pension at 31 March 2011 is £29,837 (2010: £27,391) and this represents a real increase in his pension of £1,598 (2010: £2,069). His lump sum benefit as at 31 March 2011 is £89,512 (2010: £82,172) representing a real increase of £4,793 (2010: £6,207). The director's CETV (Cash Equivalent Transfer Value) at 31 March 2011 is £660,000 (2010: £632,000), representing a real increase of £34,000 (2010: £47,000).

The director did not receive any Benefits in Kind.

Trustees

None of the Trustees of the Fleet Air Arm Museum received any remuneration during the year (2010: nil). Reimbursement of trustee expenses during the year totalled £1,081 (2010: 1,360) of which £nil (2010: 1,040) related to prior years.

No members of the Finance and General Purposes Committee other than the Director, received any remuneration during the year (2010: nil).

Staff

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

'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.

For the year under review, the employer's pension contributions for the Museum as a whole of £46,579 were payable (2010: £46,775) at rates in the range 16.7 to 24.3 percent of pensionable pay, based on salary bands.

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

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2008, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). Classic, premium and classic plus are now closed to new members. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under nuvos, classic, premium, and classic plus are increased annually in line with changes in the Pensions increase Legislation. Recent entrants to premium (after 1 October 2002) and nuvos (from 30 July 2008) may choose between membership of the scheme or joining a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). The accrued pensions quoted above are the pensions the members are entitled to receive when they reach 60 (nuvos 65), or immediately on ceasing to be an active member of the scheme if they are already 60 (nuvos 65).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service; in addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service; unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in Premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the Pensions increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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 their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from the year to 31 March 2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Additional disclosures are provided within Note 2 to the Accounts.

T W Loughran
On behalf of the Board of Trustees

C G Mottram
Director

Dr D Tweddle
National Museum of the Royal Navy
Accounting Officer

4 July 2011

The Trustees' responsibilities in the preparation of Financial Statements

Under the 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;
- 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 Accounting Officer for the National Museum of the Royal Navy (NMRN) also has responsibility for the propriety and regularity of expenditure from the Grant provided by the NMRN to the Fleet Air Arm Museum.

T W Loughran
On behalf of the Board of Trustees

C G Mottram
Director

Dr D Tweddle
National Museum of the Royal Navy
Accounting Officer

4 July 2011

Statement on Internal Control

1. Scope of responsibility

As Director, 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 requirements in Managing Public Money, and for ensuring compliance with the requirements of the Fleet Air Arm Museum's Service Level Agreement with the NMRN.

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 Accounting Officer for the National Museum of the Royal Navy (NMRN) also has responsibility for the propriety and regularity of expenditure from the Grant provided by the NMRN to the Fleet Air Arm Museum.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. 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.

4. 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.

5. Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the 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, and where the report has highlighted a particular threat which requires immediate management action, 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 Head of Finance and Business Operations 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.

T W Loughran
On behalf of the Board of Trustees

C G Mottram
Director

Dr D Tweddle
National Museum of the Royal Navy
Accounting Officer

4 July 2011

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 Fleet Air Arm Museum for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Board of Trustees is 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 Fleet Air Arm 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 Trustees' 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 Fleet Air Arm Museum's and the Group's affairs as at 31 March 2011 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and directions issued thereunder by the Secretary of State for Defence.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Charities Act 1993; and
- the information given in the Trustees' 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 Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General

7 July 2011

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

Consolidated Statement of Financial Activities for the year ended 31 March 2011

	Notes	Unrestricted Funds 2011 £	Restricted Funds 2011 £	Restricted Support Grant 2011 £	Total Funds 2011 £	Restated Total Funds 2010 £
Incoming resources						
Incoming resources from generated funds						
<i>Voluntary Income:</i>						
Grants and donations	9	68,239	13,054	624,519	705,812	705,028
<i>Activities for generating funds:</i>						
Commercial trading operations	10	695,929	–	–	695,929	732,035
<i>Investment Income</i>						
	11	16,919	–	–	16,919	25,689
		<u>781,087</u>	<u>13,054</u>	<u>624,519</u>	<u>1,418,660</u>	<u>1,462,752</u>
Incoming resources from charitable activities						
Operation of museum and related activities	13	1,068,452	–	3,275	1,071,727	1,039,787
Total incoming resources		<u>1,849,539</u>	<u>13,054</u>	<u>627,794</u>	<u>2,490,387</u>	<u>2,502,539</u>
Resources expended						
Costs of generating funds						
Fundraising costs of grants and donations		–	–	–	–	5,000
Commercial trading operations	10	647,275	–	–	647,275	656,884
		<u>647,275</u>	<u>–</u>	<u>–</u>	<u>647,275</u>	<u>661,884</u>
Costs relating to charitable activities						
Operation of museum and related activities	15	1,282,517	81,529	531,574	1,895,620	1,761,533
Governance costs						
	14	38,001	–	90,435	128,436	111,243
Total resources expended		<u>1,967,793</u>	<u>81,529</u>	<u>622,009</u>	<u>2,671,331</u>	<u>2,568,715</u>
Net incoming/(outgoing) resources for the year						
		<u>(118,254)</u>	<u>(68,475)</u>	<u>5,785</u>	<u>(180,944)</u>	<u>(32,121)</u>
Unrealised gains						
Revaluation of assets	3b	(949,346)	(618,300)	(139,482)	(1,707,128)	(649,305)
Backlog depreciation	3b	(37,269)	(9,189)	26,600	(19,858)	(58,403)
Net movement in funds		<u>(1,104,869)</u>	<u>(695,964)</u>	<u>(107,097)</u>	<u>(1,907,930)</u>	<u>(739,829)</u>
Total funds brought forward (restated)		<u>8,900,005</u>	<u>3,424,176</u>	<u>949,838</u>	<u>13,274,019</u>	<u>14,013,848</u>
Fund balances carried forward		<u>7,795,136</u>	<u>2,728,212</u>	<u>842,741</u>	<u>11,366,089</u>	<u>13,274,019</u>

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

Consolidated Balance Sheet as at 31 March 2010

	Notes	£	2011 £	£	2010 restated £
Fixed assets					
Heritage assets			2,714,771		2,704,776
Other tangible assets			7,560,241		9,306,753
	3b		10,275,012		12,011,529
Current assets					
Stocks		111,987		121,851	
Debtors	4	106,035		85,949	
Investments	5	500,000		1,150,000	
Cash at bank and in hand – trustees	6	575,966		54,603	
			1,293,988	1,412,403	
Creditors					
Amounts falling due within one year	7	(202,911)		(149,913)	
Net current assets			1,091,077		1,262,490
Total assets less current liabilities			11,366,089		13,274,019
			11,366,089		13,274,019
The funds of the charity					
Unrestricted funds			7,795,136		8,900,005
Restricted funds	16		2,728,212		3,424,176
Support Grant funds – asset and operating account	17		644,435		776,556
– purchase of exhibits reserve	17		198,306		173,282
			11,366,089		13,274,019

Approved by the board and authorised and issued on 4 July 2011

TW Loughran
Chairman

CG Mottram
Director

Dr D Tweddle
National Museum of the Royal Navy Accounting Officer

Balance Sheet (Charity only) as at 31 March 2010

	Notes	2011		2010	
		£	£	£	£
Fixed assets					
Heritage assets	3b		2,714,771		2,704,776
Other tangible assets	3b		7,560,241		9,306,753
Investment	3a		2		2
			10,275,014		12,011,531
Current assets					
Stocks		10,980		13,117	
Debtors	4	167,697		152,900	
Investments	5	500,000		1,150,000	
Cash at bank and in hand – trustees		572,999		50,330	
		1,251,676		1,366,347	
Creditors					
Amounts falling due within one year	7	(172,115)		(116,738)	
Net current assets			1,079,561		1,249,609
Total assets less current liabilities			11,354,575		13,261,140
			11,354,575		13,261,140
The funds of the charity					
Unrestricted fund	16		7,783,622		8,887,126
Restricted funds	17		2,728,212		3,424,176
Grant in Aid funds – asset and operating account	17		644,435		776,556
– purchase of exhibits reserve			198,306		173,282
			11,354,575		13,261,140

Approved by the board and authorised and issued on 4 July 2011

TW Loughran
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Director

Dr D Tweddle
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Consolidated Cash Flow statement for the year ended 31 March 2011

	Unrestricted Funds 2011	Restricted Funds 2011	Restricted Grant in Aid 2011	Total Funds 2011	Total Funds 2010	
Notes	£	£	£	£	£	
Net cashflow from operating activities	24a	152,363	13,054	25,024	190,441	150,052
Return on investments and servicing of finance						
Interest received		16,919	-	-	16,919	25,689
Capital expenditure and financial investment	24b	(322,943)	(13,054)	-	(335,997)	(284,259)
Management of liquid resources						
Transfers to short term deposit account		650,000	-	-	650,000	(400,000)
Increase in cash	24c	496,339	-	25,024	521,363	(508,518)

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 2005 ('SORP 2005') and with the Accounts Direction given by the Secretary of State for Defence with the approval of the Treasury.

The Financial Statements have been prepared on a going concern basis. This remains valid given that the activities of the museum will be transferred to the newly incorporated entity during 2011-12.

The financial statements consolidate those of the Museum and its wholly owned subsidiary trading company, Fleet Air Arm Museum Trading Limited. In accordance with paragraph 397 of the SORP 2005, no separate Statement of Financial Activities has been presented for the Museum alone.

The results reflect the initial adoption of the accounting requirements of FRS 30 Heritage Assets. The value of aircraft assets brought forward had been recognised in the accounts as a prior year adjustment and comparative figures for 2009 have been restated. The effect on net incoming resources of implementing this new accounting policy was nil (2010: nil), increasing the value of fixed assets and subsequently unrestricted reserves by £2,587,000.

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 5 years and indices are used to reflect changes in the value in the intervening years.

Other assets

All other assets, including heritage assets and donated assets where the cost can be reliably ascertained, are capitalised at historic cost and revalued annually using the retail prices indices.

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 Heritage assets

The Museum holds collections of heritage assets which are held in support of the Museum's primary objective of 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. The collections are accounted for as follows:

Aircraft

The museum's collection of aircraft is reported in the Balance Sheet at market value. Valuations are made internally by the curator of exhibition assets and the finance director, these are reviewed every five years. Gains and losses on revaluation are recognised in the Consolidated Statement of Financial Activities.

Artwork

The Museum holds over 300 paintings which are not recognised in the Balance Sheet as cost information is not readily available and the Trustees believe the benefits of obtaining valuations for these items would not justify the cost. No item in the collection is thought to have a financial value of more than £10,000 and the total collection is estimated to be under £500,000. The vast majority of the items in the collection were acquired over ten years ago.

Medals

The Museum holds a collection of medals, of over 1,700 items. If medals were purchased using grant in aid these items are recognised in the Balance Sheet as exhibits in the fixed asset note. If donated prior to SORP 2005 these are excluded from the balance sheet because cost information is not readily available and the Trustees believe the benefits of obtaining valuations for these items would not justify the cost. The majority of medals have a value of less than £10,000 each, however the collection includes a Victoria Cross, estimates by Trustees to be valued at £125,000.

Documents and photographs

In additions, the Museum holds a collection of documents and photographs, of over 1.7m documents and 800,000 photographs. The majority of these items have been donated to the museum and are not included within the balance sheet because cost information is not readily available and the Trustees believe the benefits of obtaining valuations for these items would not justify the cost. Items in the documents collection are thought to have a financial value of less than £500 each and photographs are estimated to have a combined value of £1.6m.

Heritage assets maintenance and management policy

It is the Museum's policy to maintain its collection, maintenance costs are charged to the Income and Expenditure Account when incurred. The aircraft and memorabilia are deemed to have indeterminate lives and the Trustees do not therefore consider it appropriate to charge depreciation for capitalised items.

Subject to the approval of the Trustees, the Museum may dispose of items from the collection, although this will only happen in exceptional circumstances, for example when the item cannot be properly displayed or the disposal proceeds can be used to purchase a better example and this does not detract from the integrity of the collection.

Access to the collection

At any time approximately 15 per cent of the 3D items in the collections items are on display. The majority of the remaining items are held in the reserve collection in a Heritage Lottery funded climate-controlled building called Cobham Hall.

Cobham Hall opens to the public at least once a year when it attracts visitors from all over the UK to see its unique collection of aircraft, records and artefacts, many of which have never before been seen on public display.

Within Cobham Hall there are over forty historic aircraft and some five miles of shelving accommodating many of the museum's two million records and thirty thousand artefacts.

Cobham Hall also houses one of the largest collections of Westland Helicopters including a Whirlwind and a Wasp and the Gazelle helicopter in which HRH The Duke of York learnt to fly. Other aircraft include a de Havilland Sea Vixen and the first swept wing jet aircraft to land on an aircraft carrier, a Supermarine 510.

The aircraft housed in Cobham Hall are in various stages of preservation or repair.

e Grants

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

f Resources expended and basis of allocation

Resources expended are recognised in the period in which they are incurred and include irrecoverable VAT. They have been classified under headings that aggregate all costs relating to that activity. In accounts prepared on the accruals basis, liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the Museum to the expenditure.

Cost of generating funds comprises costs incurred in encouraging people and organisations to contribute financially to the charity's work and to promote the Fleet Air Arm Museum as a visitor attraction.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Charitable expenditure includes expenditure associated with Galleries and Exhibitions, Curatorial Matters and Education and include costs directly attributable to each activity. Costs not directly attributable to one activity including the proportion of support costs relating to charitable expenditure have been allocated on a reasonable basis of resources used.

g 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 is shown as a separate restricted fund.

h Unrestricted funds

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

i Support grant asset and operating account

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

j Support grant exhibits reserve (purchase of exhibits)

Support grants received for the purchase of exhibits are allocated directly to the Restricted Support Grant exhibits reserve. Investment income received on Support Grant deposits held is credited to the Support Grants exhibits reserve.

k Donated assets and core collection

No value is attributed to donated assets, other than aircraft, 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.

*l Pensions**Quasi-civil servants*

Specific staff of the museum funded by Grant are provided pension benefits through the Civil Service pension arrangements. This 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 2007. 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 2011 employer's contributions of £29,480 were paid to the Scheme (2010: £30,581) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.

Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary. From 1 April 2011 the rates were unchanged.

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

Other staff

The Charity operates a defined contributions pension scheme for eligible staff, which represents the majority of employees, who are not members of the Civil Service scheme.

The assets of the pension scheme, which is a Group Cash Transfer 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 £3,753 (2010: £5,227).

m Cost of Capital

Following changes to the Treasury Reporting Requirements, the cost of capital charge is no longer required to be disclosed within the Statement of Financial Activities. The Statement of Financial Activities has been restated to exclude the charge.

n Insurance

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

o 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.

p 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.

q Investments

The Museum's shareholding in the subsidiary, Fleet Air Arm Museum Trading Limited, is included in the balance sheet at the cost of the share capital owned.

r 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 or credit risks arising from these instruments.

Term deposits of less than one year are classified as investments within current assets.

The Museum has a non-interest bearing loan due from its subsidiary of which, due to the rate at which the loan will be repaid, £54,750 is repayable after more than one year. In accordance with financial reporting requirements of the Treasury, the loan balance has been discounted to the total of the net present value of the future cash receipts. A discount rate of 3.5% has been used.

s Risk management

Cash and short term investments are with major financial institutions and therefore the Museum is not exposed to significant credit risks.

Interest rate risk is managed by securing the most beneficial rate available.

The Museum manages liquidity risk by ensuring it has adequate cash reserves to enable it at all times to have the funds available to continue to operate its business at a minimum level.

2 Employees

	2011	2010
	No.	No.
The average weekly number of persons employed by the Museum during the year was:		
Technical	5	4
Administration	8	8
Marketing	2	2
Other	21	22
	36	36

	Grant	Trustees	Total	Total
	2011	2011	2011	2010
	£	£	£	£

Staff costs for the above persons:

Wages and salaries	315,914	481,016	796,930	735,730
Social security costs	28,435	38,702	67,137	60,983
Other pension costs	36,351	10,228	46,579	46,775
	380,700	529,946	910,646	843,488

3a Investments (charity)

	2011	2010
	No.	No.
Investment in subsidiary company (see note 10)	2	2

3b Tangible fixed assets (group and charity)

	Motor Vehicles	Assets under construction	Exhibits	Freehold property	Exhibition costs	Short leasehold property	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£	£	£	£	£	£
Valuation									
At 1 April 2010 (previously reported)	-	17,104	117,776	5,304,410	4,383,989	4,431,590	798,522	365,695	15,419,086
Effect of FRS 30 implementation	2,587,000	-	-	-	(325,303)	-	-	-	2,261,697
At 1 April 2010 (restated)	2,587,000	17,104	117,776	5,304,410	4,058,686	4,431,590	798,522	365,695	17,680,783
Additions	-	-	9,995	-	48,533	43,896	5,289	228,284	335,997
Revaluation in year	-	650	-	(1,059,590)	168,436	(893,174)	33,359	43,191	(1,707,128)
Disposals and transfers	-	-	-	-	(46)	(1,091)	(47,967)	(645)	(49,749)
At 31 March 2011	2,587,000	17,754	127,771	4,244,820	4,275,609	3,581,221	789,203	636,525	16,259,903
Depreciation									
At 1 April 2010 (previously reported)	-	12,385	-	212,111	4,168,984	730,998	623,898	246,181	5,994,557
Effect of FRS 30 implementation	-	-	-	-	(325,303)	-	-	-	(325,303)
At 1 April 2010	-	12,385	-	212,111	3,843,681	730,998	623,898	246,181	5,669,254
Charge	-	4,438	-	84,896	34,013	125,368	9,865	85,714	344,294
Backlog depreciation	-	471	-	(42,370)	158,421	(146,239)	26,669	22,906	19,858
Disposals	-	-	-	-	(9)	(235)	(47,967)	(304)	(48,515)
At 31 March 2011	-	17,294	-	254,637	4,036,106	709,892	612,465	354,497	5,984,891
Net book value									
At 31 March 2011	2,587,000	460	127,771	3,990,183	239,503	2,871,329	176,738	282,028	10,275,012
At 31 March 2010	2,587,000	4,719	117,776	5,092,299	215,005	3,700,592	174,624	119,514	12,011,529

Further details regarding the implementation of FRS 30 are shown in note 1a.

Leasehold property, including fittings and equipment, and freehold property was last valued by John G Bennett BSc FRICS, the District Valuer, South West on a depreciated replacement cost as at 31 March 2008. Valuations are carried out every five years.

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

The net book value of IT assets (disclosed within fixtures and fittings) at year-end was £34,290 (2010: £43,602).

3c Tangible fixed assets heritage assets (Group and Charity)

The exhibits and aircraft are classified as Heritage Assets, using the definitions set out in SORP 2005.

Cost or valuation	Aircraft	Support Grant assets
	£	£
1 April 2010	2,587,000	117,776
Additions	–	9,995
Disposals	–	–
Revaluation	–	–
1 March 2011	<u>2,587,000</u>	<u>127,771</u>

The above represents a valuation carried out in 2010-11, which has been accounted for as a prior year adjustment due to change in accounting policy, further information is given in note 1a.

3d Five year financial summary of heritage asset transactions (Group and Charity)

	2010-11	2009-10	2008-09	2007-08	2006-07
	£	£	£	£	£
<i>Additions:</i>					
Purchases	9,995	30,275	27,403	31,866	2,241
Donations	–	–	–	–	–
Total additions	9,995	30,275	27,403	31,866	2,241
<i>Disposals</i>					
Carrying value	–	–	–	–	–
Sale proceeds	–	–	–	–	–

The above information relates to transactions in exhibits purchased from the support grant, there were no transactions relating to aircraft in the five year period. Medals, documents and artwork acquired by donation were made in the five year period, however in the Trustees' view, the value of the individual donations is not material and obtaining a current valuation would involve disproportionate cost.

4 Debtors

Group	Trustee 2011 £	Grant 2011 £	Total 2011 £	Total 2010 £
Trade debtors	10,814	–	10,814	17,255
Gift Aid debtor	17,209	–	17,209	5,503
Other debtors	36,376	–	36,376	3,337
Prepayments and accrued income	41,636	–	41,636	59,854
	106,035	–	106,035	85,949

Charity	Trustee 2011 £	Grant 2011 £	Total 2011 £	Total 2010 £
Trade debtors	9,932	–	9,932	11,882
Gift Aid debtor	17,209	–	17,209	5,503
Amounts due from subsidiary	64,666	–	64,666	74,358
Other debtors	36,221	–	36,221	3,157
Prepayments and accrued income	39,669	–	39,669	58,000
	167,697	–	167,697	152,900

Included within amounts due from subsidiary is £37,801 (2010: £38,938), 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. The balance is discounted to the present value of the expected future repayments.

5 Investments

The current asset investments represent cash held in a bank deposit account. Access to the funds is restricted in the short term.

The movement in the year was as follows:

	2011 £	2010 £
At the start of the year	1,150,000	750,000
Additions	–	400,000
Investments maturing	(650,000)	–
At the end of the year	500,000	1,150,000

6 Cash at bank and in hand

	2011	2010
	£	£
Non-public funds	502,464	(5,176)
<i>Public funds:</i>		
Grant (purchase of exhibits)	70,535	55,506
Cash at bank and in hand – Charity	572,999	50,330
Trading Subsidiary	2,967	4,273
Cash at bank and in hand – Group	575,966	54,603

7 Creditors

Group	Trustee 2011	Grant in Aid 2011	Total 2011	Total 2010
	£	£	£	£
Amounts falling due within one year.				
Trade creditors	100,696	–	100,696	46,641
Tax and social security costs	29,196	–	29,196	27,547
Other creditors	4,274	–	4,274	11,031
Accruals and deferred income	60,145	8,600	68,745	64,694
	194,311	8,600	202,911	149,913

Charity	Trustee 2011	Grant in Aid 2011	Total 2011	Total 2010
	£	£	£	£
Amounts falling due within one year.				
Trade creditors	90,437	–	90,437	35,251
Tax and social security costs	17,017	–	17,017	14,084
Other creditors	2,821	–	2,821	2,709
Accruals and deferred income	53,240	8,600	61,840	64,694
	163,515	8,600	172,115	116,738

8 Connected charities and related parties

The National Museum of the Royal Navy

The Chairman of Trustees is an ex-officio Trustee of The National Museum of the Royal Navy (NMRN). The Grant In Aid is received from the MoD by the NMRN, which in turn pays a Grant to the Museum in line with a Service Level Agreement between the two entities.

The Grant is included as a separate fund for accounting purposes and therefore the amount received from NMRN each year is disclosed separately 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 £13,054 (2010: £23,857) 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.

Fleet Air Arm Museum Trading Limited

Fleet Air Arm Museum Trading Limited is a fully owned trading subsidiary of the museum. During the year £17,985 (2010: £35,151) was donated to the museum. Details of the amounts outstanding at the year end are shown under the debtors note.

9 Voluntary income

	Unrestricted funds 2011 £	Restricted funds 2011 £	Restricted Grant in Aid 2011 £	Total funds 2011 £	Total funds 2010 £
Grant	–	–	624,519	624,519	635,023
Donations	67,850	13,054	–	80,904	69,616
Covenants	389	–	–	389	389
	<u>68,239</u>	<u>13,054</u>	<u>624,519</u>	<u>705,812</u>	<u>705,028</u>

10 Income from activities for generating funds

As from 1 October 2000 the Museum has carried out its trading activities, comprising the running of the Museum gift shop, 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 profits generated by the trading subsidiary will be donated to the Museum through Gift Aid.

A summary of trading results for the year to 31 March 2011 is shown below:

	2011	2010
	£	£
Turnover	695,929	732,035
Cost of sales and administration costs	(647,275)	(656,884)
Management charge to Museum	(30,669)	(40,000)
Donation to Museum	(17,985)	(35,151)
Profit in the period	-	-
The assets and liabilities of the subsidiary were:		
Current assets	106,982	120,414
Current liabilities	(57,663)	(68,595)
Net current assets	49,319	51,819
Creditors: amounts falling due after more than one year	(54,750)	(57,250)
	(5,431)	(5,431)
Capital and reserves		
Called up share capital	2	2
Profit and loss account	(5,433)	(5,433)
	(5,431)	(5,431)

11 Investment income

	Unrestricted funds 2011 £	Restricted funds 2011 £	Restricted Grant in Aid 2011 £	Total funds 2011 £	Total funds 2010 £
Income from interest bearing deposit account	16,919	-	-	16,919	25,689

12 Analysis of net assets between funds

Group	Tangible fixed assets	Net current assets/ (liabilities)	Long term liabilities	Total
Restricted Funds	£	£	£	£
Carrier Exhibition	202,760	–	–	202,760
Cobham Hall and Leading Edge	2,485,079	–	–	2,485,079
Other assets	19,034	21,339	–	40,373
	2,706,873	21,339	–	2,728,212
Unrestricted Funds	6,795,933	999,203	–	7,795,136
Total Trustee Funds	9,502,806	1,020,542	–	10,523,348
Grant – asset and operating account	644,435	–	–	644,435
– purchase of exhibits	127,771	70,535	–	198,306
	<u>10,275,012</u>	<u>1,091,077</u>	<u>–</u>	<u>11,366,089</u>

13 Incoming resources from charitable activities

The income was primarily from the operation of the museum and related activities.

	Unrestricted funds 2011	Restricted funds 2011	Restricted Grant 2011	Total funds 2011	Total funds 2010
	£	£	£	£	£
Income from museum collections and exhibitions					
Admission charges	850,101	–	3,275	853,376	813,476
Gift aid on admissions	155,862	–	–	155,862	153,522
	<u>1,005,963</u>	<u>–</u>	<u>3,275</u>	<u>1,009,238</u>	<u>966,998</u>
Income from museum special events and activities					
Simulator and experiences	28,176	–	–	28,176	32,682
Events and activities	20,931	–	–	20,931	26,740
	<u>49,107</u>	<u>–</u>	<u>–</u>	<u>49,107</u>	<u>59,422</u>
Education and research	13,382	–	–	13,382	13,367
Total income from charitable activities	<u>1,068,452</u>	<u>–</u>	<u>3,275</u>	<u>1,071,727</u>	<u>1,039,787</u>

All admissions income is allocated to 'Income from museum collections and exhibitions'. However this does not take into account the purpose of a user's visit whether it be interest, education and/or research.

14 Allocation of support costs

The trust allocated its support costs on a basis consistent with the use of resources:

	Operation of Museum (Grant) 2011 £	Museum collections and exhibitions 2011 £	Museum Special Events and Activities 2011 £	Museum Education and Research 2011 £	Governance 2010 £	Total 2011 £	Total 2010 £
Staff costs and salaries	303,865	407,524	30,753	86,669	81,835	910,646	838,488
Premises costs	113,314	71,598	–	14,800	–	199,712	205,811
General office	27,141	51,450	–	2,783	–	81,374	72,322
Finance office	–	12,130	–	–	–	12,130	11,415
Information technology	5,463	14,966	–	–	–	20,429	18,748
External audit	–	–	–	–	8,600	8,600	8,050
Accountancy services	–	–	–	–	16,391	16,391	15,770
Legal and professional fees	–	–	–	–	21,610	21,610	15,411
	<u>449,783</u>	<u>557,668</u>	<u>30,753</u>	<u>104,252</u>	<u>128,436</u>	<u>1,270,892</u>	<u>1,186,015</u>

Of the total governance costs of £128,436; the staff costs (£81,835); a portion of the legal and professional fees (£nil); and the external audit costs (£8,600) are allocated against the restricted Grant reserve.

15 Analysis of charitable expenditure

The charity undertakes direct charitable activities only and does not make grant payments.

	Unrestricted funds 2011 £	Restricted funds 2011 £	Restricted Grant 2011 £	Total funds 2011 £	Total funds 2010 £
Operation of museum					
Support costs (see note 14)	–	–	449,783	449,783	431,529
Museum collections and exhibitions					
Museum maintenance	213,424	–	50,354	263,778	207,938
Depreciation	243,526	81,529	19,239	344,294	343,071
Advertising and marketing	83,145	–	9,205	92,350	94,865
Support costs (see note 14)	557,668	–	–	557,668	507,952
	1,097,763	81,529	78,798	1,258,090	1,153,826
Museum special events and activities					
Fundraising costs	43,264	–	–	43,264	31,807
Support costs (see note 14)	30,753	–	–	30,753	27,204
	74,017	–	–	74,017	59,011
Museum education and research					
Education and training	6,485	–	2,993	9,478	9,080
Support costs (see note 14)	104,252	–	–	104,252	108,087
	110,737	–	2,993	113,730	117,167
Total charitable expenditure	1,282,517	81,529	531,574	1,895,620	1,761,533

16 Analysis of restricted funds (Trustees)

	Cobham Hall and leading Edge £	Carrier £	Other £	Total £
As at 1 April 2010	3,188,730	199,985	35,461	3,424,176
Donations	–	–	13,054	13,054
Revaluation in the year	(627,578)	8,420	858	(618,300)
Utilised in the year – depreciation	(55,112)	(27,231)	(8,375)	(90,718)
Utilised in the year – expenses	–	–	–	–
As at 31 March 2011	2,506,040	181,174	40,998	2,728,212

The donations received in the year relate to capital projects, as well as purchases of fixed assets in the year.

17 Analysis of restricted funds – Grant

	Asset and operating account	Purchase of exhibits reserve	Total
	£	£	£
As at 1 April 2010	776,556	173,282	949,838
Movement in the year	(112,121)	25,024	(87,097)
As at 31 March 2011	<u>664,435</u>	<u>198,306</u>	<u>862,741</u>

18 Capital commitments

There were no capital commitments as at 31 March 2011 (2010 - £nil).

19 Post balance sheet events

Authorised for issue on the date of the Comptroller and Auditor General's audit certificate.

20 Operating lease commitments

The Museum has the following commitments in respect of operating leases:

	Motor Vehicle 2011	Other equipment 2011	Total 2011	Total 2010
	£	£	£	£
Expiring in one year	2,681	–	2,681	2,005
Expiring in one to five years	3,648	1,560	5,208	4,241
	<u>6,329</u>	<u>1,560</u>	<u>7,889</u>	<u>6,246</u>

21 Auditor's remuneration

	2011	2010
	£	£
Comptroller & Auditor General – Audit fee – Museum and Group	8,600	8,050
Baker Tilly UK Audit LLP – Audit fee – subsidiary	4,400	4,150
	<u>13,000</u>	<u>12,200</u>

22 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:

	2011	2010
Admission numbers	113,205	115,832
Ratio of self generated income to Grant	2.97	2.93
Grant subsidy per admission	£5.55	£5.49
Number of pre-booked educational parties	249	240
Total educational visitors	10,032	9,359
Research enquiries received and answered	972	674

23 Taxation

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

24 Notes to the cashflow statement

a. Net cashflows from operating activities

	Unrestricted funds 2011 £	Restricted funds 2011 £	Restricted Grant 2011 £	Total funds 2011 £	Total funds 2010 £
Surplus/(deficit) for year	(118,254)	(68,475)	5,785	(180,944)	(32,121)
Interest received	(16,919)	-	-	(16,919)	(25,689)
Operating surplus/(deficit)	(135,173)	(68,475)	5,785	(197,863)	(57,810)
Loss on sale of fixed assets	1,235	-	-	1,235	326
Depreciation and amounts written off	243,526	81,529	19,239	344,294	343,071
Movement in debtors	(20,086)	-	-	(20,086)	15,307
Movement in stock	9,864	-	-	9,864	4,063
Movement in creditors	52,997	-	-	52,997	(118,643)
Movement in provisions	-	-	-	-	(60,000)
Movement in creditors for fixed assets	-	-	-	-	23,738
Net operating cash flows	152,363	13,054	25,024	190,441	150,052

b. Capital expenditure and financial investment

	Unrestricted funds 2011 £	Restricted funds 2011 £	Restricted Grant 2011 £	Total funds 2011 £	Total funds 2010 £
Total capital expenditure	322,943	13,054	–	335,997	260,747
Movement in creditors for fixed assets	–	–	–	–	23,738
Payments to acquire fixed assets	322,943	13,054	–	335,997	284,485
Proceeds from sale of fixed assets	–	–	–	–	(226)
Capital expenditure	322,943	13,054	–	335,997	284,259

c. Reconciliation of cash movements

At 1 April	54,603	563,121
At 31 March	575,966	54,603
Movement in year	521,363	(508,518)

d. Reconciliation of net cashflow to movement in net funds

	Total funds 2011 £	Total funds 2010 £
(Decrease)/increase in cash	521,363	(508,518)
Cash used to (decrease)/ increase liquid resources	(650,000)	400,000
Movement in net funds	(128,637)	(108,518)
Net funds at 1 April	1,204,603	1,313,121
Net funds at 31 March	1,075,966	1,204,603

e. Analysis of net debt

	At 31 March 2010 £	Cashflow £	Non-cash changes £	At 31 March 2011 £
Cash at bank	54,603	521,363	–	575,966
Current asset investments	1,150,000	(650,000)	–	500,000
	1,204,603	(128,637)	–	1,075,966

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