

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 2009-2010

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Directors and Trustees

The following people served as the Museum's Trustees during 2009-2010, and since the year under review.

Chairman

Rear Admiral TW Loughran CB

Ex-officio Trustees

Commanding Officer, RNAS Yeovilton
Cdre CL Palmer RN (to 21 July 2009)
Brig BM Noble RM (from 21 July 2009)

ACOS CSAV
Cdre MW Westwood RN

Commanding Officer, RNAS Culdrose
Capt G Mackay RN

Head of Helicopters, Defence Equipment and Logistics (RW), DLO, MoD.
Cdre D Evans RN

Assistant Director Joint Manoeuvre, DJC, MOD: (now Asst Hd Jt Man/ISTAR)
Captain TM Stockings RN (to 22 February 2010)
Captain S R Gordon RN (from 22 February 2010)

Elected Trustees

Dr D Bancroft
Sir Robert Crawford CBE
Mr Neil Davidson
Mr Simon Face
Mr MJ Ryan
Mr Hector Stamboulieh
Mr James Trafford

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, 13 February 1979, 24 November 1982, 10 April 1985, 22 March 1994, and 17 December 1997.

The receipt of Grant in Aid from the public purse confers upon the Museum the status of a Public Corporation and carries 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 arise.

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.

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, CNS 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 57 FTE (2009: 55), who are supported by the efforts of volunteers in several areas of activities, notably Curatorial and Visitor Services Divisions. Around 71 people (2009: 73) gave some of their time to support the Museum, contributing around 8,697 hours (2009: 10,696 hours) in the year.

Related parties

The National Museum of the Royal Navy

Certain Trustees of the Museum are also Trustees of The National Museum of the Royal Navy (NMRN). 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.

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 £23,857 (2009: £3,307) 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. Under the Fly Navy initiative, some FNHT and FAAM Trustees' meetings are held as joint events. 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

Risk management

Risk Management and the system of internal control are discussed within the Statement on Internal Control on page 13 and Note 1 to the financial statements on page 20.

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 £2,502,539 (2009: £2,410,386). Total resources expended amounted to £2,568,715 (2009: £2,640,725). After adjustment for notional charges and other recognised gains and losses totalling a net loss of £673,653 (2009: a net gain of £20,475), the net movement in funds for the year was a decrease of £739,829 (2009: £209,864). The Group's net assets as at 31 March 2010 amounted to £10,687,019 (2009: £11,426,848).

The year was extremely busy with the main thrust of activities centring around the Centenary of Naval Aviation, 'Fly Navy 100'. Work had begun in the autumn of 2008 on preparations for the massive new exhibition to illustrate the Centenary and continued throughout the early months of 2009. Although the input of the Design Consultant, Alan Murray, was essential to the aesthetics of the exhibition, a very large proportion of the hands-on work of construction, research, software production and layout was carried out by staff across all departments.

The Museum was honoured by the presence of the Past Patron, HRH Prince Philip to open the exhibition on 8 July 2009. Prior to the Opening Ceremony the Museum hosted a reception for 250 FAA veterans and other invited guests, in connection with Armed Forces Day.

Another major element of FN100 was the publication of a major hardback book, '100 Years of Naval Aviation', written by Christopher Shores and produced by Haynes Publishing, as part of their licence arrangement with IMG. Museum staff were heavily involved in providing research and photographs, and guiding the author. The book was launched officially at the Museum on 4 June 2009, when a Sea King helicopter delivered the 'first copy' to Museum President, Admiral of the Fleet Sir Benjamin Bathurst.

Squeezed into this frantic period was an event to mark the 40th anniversary of the Museum's Concorde 002. Chairing the presentation sessions by Concorde aircrew and flight crew was the President of the Royal Aeronautical Society, Mr. David Rowland. The event prompted substantial media interest resulting in live broadcasts from the Museum into both BBC Breakfast and Evening news bulletins.

Another significant project with input from several Museum areas was 'Their Past Your Future 2', led by Head of Visitor Services Julia Hodson who had obtained £10,000 support from the Heritage Lottery Fund. Fifteen FAA veterans have been recorded on video and thus far five of these have been abstracted and embedded in on line educational resource packs. Work will continue to expand this valuable online resource in 2010.

A newly designed website was brought on line during the year, and work continues to add material to it, particularly in the areas of research information. The website has placed the FAA Roll of Honour online for the first time to aid families researching their ancestors' service backgrounds.

For the fifth year in succession, a museum team supported DNR and 'Imagineering' in their presence at the Bath & West Show, providing hands-on interactives and a Wasp helicopter with open cockpit.

With funding support from AgustaWestland a small display gallery was converted into additional classroom space as 'AgustaWestland Learning Centre', containing up to date IT and AV equipment. This additional space is particularly valuable for hosting the various Family Activities organised for peak holiday periods. February's theme was 'Pirates' and 815 Squadron provided a speaker throughout the week to inform the public about their work against today's pirates off Somalia.

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 Royal Navy has mounted a major programme of events to mark the centenary of naval aviation, with the title of 'Fly Navy 100'.

The FAA Museum is an integral part of this programme and the Trustees approved a plan to create a new exhibition dealing with the period 1909–2009. There will be a number of other important centenaries in the coming years and the Fleet Air Arm Museum will be contributing to those as and when appropriate. Dependent on financial circumstances, the corporate plan 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.

Sickness absence data

The total working days lost to sickness in the year was 239 (2009: 289), averaging 4.5 days per employee (2009: 5.3). The percentage lost to long term sickness was 2 per cent (2009: 2 per cent).

Personal data related incidents

The Museum has not identified any personal data related incidents during 2009-2010, nor 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 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 29 days (2009: 33 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.

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 £8,050 (2009: £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; and
- b we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

TW Loughran
On behalf of the Board of Trustees
8 July 2010

CG Mottram
Director

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 2010 of £58,727 per annum (2009: £55,787). The director is aged 62. His total accrued pension at 31 March 2010 is £27,391 (2009: £25,322) and this represents a real increase in his pension of £2,069 (2009: £271). His lump sum benefit as at 31 March 2010 is £82,172 (2009: £75,965) representing a real increase of £6,207 (2009: £814). The director's CETV (Cash Equivalent Transfer Value) at 31 March 2010 is £632,000 (2009, restated: £589,000), representing a real increase of £47,000 (2009: £5,000).

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 (2009: nil). Reimbursement of trustee expenses during the year totalled £1,360 (2009: nil) of which £1,040 (2009: nil) related to prior years.

No members of the Finance and General Purposes Committee other than the Director, received any remuneration during the year (2009: 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 £46,775 were payable (2009: £51,985) at rates in the range 16.7 to 24.3 per cent 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 Retail Prices Index (RPI). 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 per cent of pensionable earnings for classic and 3.5 per cent 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 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the RPI. 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 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent 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.

TW Loughran
On behalf of the Board of Trustees
8 July 2010

CG Mottram
Director

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

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

The 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.

TW Loughran
On behalf of the Board of Trustees

CG Mottram
Director

Dr D Twedde
National Museum of the Royal Navy Accounting Officer

8 July 2010

Statement on Internal Control

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 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 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

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

The risk and control framework

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

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

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the internal audit function (described below), and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

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

The Internal Auditor's reports are reviewed by the Audit Committee, 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.

TW Loughran
On behalf of the Board of Trustees

CG Mottram
Director

8 July 2010

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 and group for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Consolidated Statement of Financial Activities, the Charity and Consolidated 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 Board of Trustees and Auditor

The Board of Trustees are responsible for preparing the Trustees Report, the Remuneration Report and the financial statements in accordance with the Charities Act 1993 and for ensuring the regularity of financial transactions funded by Parliamentary grant. These responsibilities are set out in the Statement of Trustees' responsibilities.

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

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

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

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

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

Basis of audit opinions

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

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

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 of the state of the Fleet Air Arm Museum's and the group's affairs as at 31 March 2010 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993; and
- information which comprises the financial review included within the Trustees' Report is consistent with the financial statements.

Opinion on regularity

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

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General

16 July 2010

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

Consolidated Statement of Financial Activities for the year ended 31 March 2010

| | Notes | Unrestricted Funds 2010 £ | Restricted Funds 2010 £ | Restricted Grant in Aid 2010 £ | Total Funds 2010 £ | Total Funds 2009 |
|---|-------|------------------------------------|----------------------------------|--|-----------------------------|------------------------|
| Incoming resources | | | | | | |
| Incoming resources from generated funds | | | | | | |
| <i>Voluntary Income.</i> | | | | | | |
| Grants and donations | 8 | 67,505 | 2,500 | 635,023 | 705,028 | 694,405 |
| <i>Activities for generating funds</i> | | | | | | |
| Commercial trading operations | 9 | 732,035 | 0 | 0 | 732,035 | 712,779 |
| <i>Investment Income</i> | | | | | | |
| | 10 | 25,689 | 0 | 0 | 25,689 | 55,898 |
| | | <u>825,229</u> | <u>2,500</u> | <u>635,023</u> | <u>1,462,752</u> | 1,463,082 |
| Incoming resources from charitable activities | | | | | | |
| Operation of museum and related activities | 12 | 1,038,422 | 0 | 1,365 | 1,039,787 | 947,304 |
| Total incoming resources | | <u>1,863,651</u> | <u>2,500</u> | <u>636,388</u> | <u>2,502,539</u> | 2,410,386 |
| Resources expended | | | | | | |
| Costs of generating funds | | | | | | |
| Fundraising costs of grants and donations | | 0 | 0 | 5,000 | 5,000 | 2,000 |
| Commercial trading operations | 9 | 656,884 | 0 | 0 | 656,884 | 644,471 |
| | | <u>656,884</u> | <u>0</u> | <u>5,000</u> | <u>661,884</u> | 646,471 |
| Costs relating to charitable activities | | | | | | |
| Operation of museum and related activities | 14 | 1,113,509 | 102,560 | 545,464 | 1,761,533 | 1,854,403 |
| Governance costs | | | | | | |
| Notional cost of capital | 13 | 23,246 | 0 | 87,997 | 111,243 | 104,820 |
| | | 0 | 0 | 34,055 | 34,055 | 35,031 |
| Total resources expended | | <u>1,793,639</u> | <u>102,560</u> | <u>672,516</u> | <u>2,568,715</u> | 2,640,725 |
| Net (outgoing)/incoming resources before transfers | | 70,012 | (100,060) | (36,128) | (66,176) | (230,339) |
| Adjustment for the notional cost of capital | | 0 | 0 | 34,055 | 34,055 | 35,031 |
| Net incoming/(outgoing) resources for the year | | <u>70,012</u> | <u>(100,060)</u> | <u>(2,073)</u> | <u>(32,121)</u> | (195,308) |
| Unrealised gains | | | | | | |
| Revaluation of assets | 3b | (350,996) | (245,897) | (52,412) | (649,305) | 129,711 |
| Backlog depreciation | 3b | (56,198) | (10,393) | 8,188 | (58,403) | (144,267) |
| Net movement in funds | | <u>(337,182)</u> | <u>(356,350)</u> | <u>(46,297)</u> | <u>(739,829)</u> | (209,864) |
| Fund balances brought forward | | <u>6,650,187</u> | <u>3,780,526</u> | <u>996,135</u> | <u>11,426,848</u> | 11,636,712 |
| Fund balances carried forward | | <u>6,313,005</u> | <u>3,424,176</u> | <u>949,838</u> | <u>10,687,019</u> | 11,426,848 |

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 | 2010 | | 2009 | |
|--|-------|-------------------|-------------------|------------|------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Heritage assets | | | 117,776 | | 87,501 |
| Other tangible assets | | | 9,306,753 | | 10,127,611 |
| | 3b | | 9,424,529 | | 10,215,112 |
| Current assets | | | | | |
| Stocks | | 121,851 | | 125,914 | |
| Debtors | 4 | 85,949 | | 101,256 | |
| Investments | 5 | 1,150,000 | | 750,000 | |
| Cash at bank and in hand – trustees | | 54,603 | | 563,121 | |
| | | 1,412,403 | | 1,540,291 | |
| Creditors | | | | | |
| Amounts falling due within one year | 6 | (149,913) | | (268,555) | |
| Net current assets | | | 1,262,490 | | 1,271,736 |
| Total assets less current liabilities | | 11,486,848 | | 10,687,019 | |
| Provisions for liabilities | 22 | | 0 | | (60,000) |
| | | | 10,687,019 | | 11,426,848 |
| The funds of the charity | | | | | |
| Unrestricted funds | | | 6,313,005 | | 6,650,187 |
| Restricted funds | 15 | | 3,424,176 | | 3,780,526 |
| Grant in Aid funds – asset and operating account | 16 | | 776,556 | | 844,828 |
| – purchase of exhibits reserve | 16 | | 173,282 | | 151,307 |
| | | | 10,687,019 | | 11,426,848 |

Approved by the board and authorised and issued on 8 July 2010

TW Loughran
On behalf of the Board of Trustees

CG Mottram
Director

Dr D Tweddle
National Museum of the Royal Navy Accounting Officer

Balance Sheet (Charity only) as at 31 March 2010

| | Notes | 2010 | | 2009 | |
|--|-------|------------------|-------------------|-----------|------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Heritage assets | 3b | | 117,776 | | 87,501 |
| Other tangible assets | 3b | | 9,306,753 | | 10,127,611 |
| Investment | 3a | | 2 | | 2 |
| | | | 9,424,531 | | 10,215,114 |
| Current assets | | | | | |
| Stocks | | 13,117 | | 0 | |
| Debtors | 4 | 152,900 | | 167,859 | |
| Investments | 5 | 1,150,000 | | 750,000 | |
| Cash at bank and in hand – trustees | | 50,330 | | 548,696 | |
| | | 1,366,347 | | 1,466,555 | |
| Creditors | | | | | |
| Amounts falling due within one year | 6 | (116,738) | | (209,102) | |
| Net current assets | | | 1,249,609 | | 1,257,453 |
| Total assets less current liabilities | | | 10,674,140 | | 11,472,567 |
| Provisions for liabilities | 22 | | 0 | | (60,000) |
| | | | 10,674,140 | | 11,412,567 |
| The funds of the charity | | | | | |
| Unrestricted fund | | | 6,300,126 | | 6,635,906 |
| Restricted funds | 15 | | 3,424,176 | | 3,780,526 |
| Grant in Aid funds – asset and operating account | 16 | | 776,556 | | 844,828 |
| – purchase of exhibits reserve | 16 | | 173,282 | | 151,307 |
| | | | 10,674,140 | | 11,412,567 |

Approved by the board and authorised and issued on 8 July 2010

TW Loughran
On behalf of the Board of Trustees

CG Mottram
Director

Dr D Tweddle
National Museum of the Royal Navy Accounting Officer

Consolidated Cash Flow Statement for the year ended 31 March 2010

| | Unrestricted Funds 2010 | Restricted Funds 2010 | Restricted Grant in Aid 2010 | Total Funds 2010 | Total Funds 2009 |
|---|--|--------------------------------------|---|---------------------------------|---------------------------------|
| Notes | £ | £ | £ | £ | £ |
| Net cashflow from operating activities | | | | | |
| 23a | 133,133 | (5,056) | 21,975 | 150,052 | 532,936 |
| Return on investments and servicing of finance | | | | | |
| Interest received | 25,689 | 0 | 0 | 25,689 | 55,898 |
| Capital expenditure and financial investment | | | | | |
| 23b | (284,259) | 0 | 0 | (284,259) | (121,822) |
| Management of liquid resources | | | | | |
| Transfers to short term deposit account | (400,000) | 0 | 0 | (400,000) | (250,000) |
| 23c | (525,437) | (5,056) | 21,975 | (508,518) | 217,012 |

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 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.

b Tangible fixed assets

Land and buildings

No depreciation is provided on freehold land.

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

Other assets

All other assets, including 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 Exhibition costs and Heritage assets

Exhibition costs are capitalised as fixed assets and depreciated over their expected useful lives in accordance with (b) above. Temporary exhibition costs are written off as resources expended in the year they are incurred.

Artefacts held in trust together with photographs, books and a reserve collection have not been included in the financial statements due to the costs of valuing these items. Additionally the Museum considers that the valuation of many such items would be necessarily arbitrary as their worth lies in their historic nature.

With effect from 1 April 2000, additions to the collection with a cost of £117,776 (2009: £87,501) have been capitalised. In accordance with guidance issued by HM Treasury these assets are not revalued or depreciated.

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 Grant in Aid asset and operating account

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

j Grant in Aid exhibits reserve (purchase of exhibits)

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

k Donated assets and core collection

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

l Pensions

Quasi-civil servants

Specific staff of the museum funded by Grant in Aid 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 2010 employer's contributions of £30,581 were paid to the Scheme (2009: £36,768) 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 2010 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 £5,227 (2009: £13,483).

m Cost of Capital

In accordance with Treasury guidance, a notional cost of capital is disclosed in respect of the Grant in Aid Fund. This is calculated at 3.5 per cent (2009: 3.5 per cent) on the average capital employed in this fund and is charged to Resources Expended in the Statement of Financial Activities. The charge is reversed before arriving at the Net Movement in Funds.

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, £57,250 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 per cent 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 meet its objectives.

2 Employees

| | 2010 No. | 2009 No. |
|--|---------------------|-------------|
| The average weekly number of persons employed by the Museum during the year was. | | |
| Technical | 4 | 5 |
| Administration | 8 | 7 |
| Marketing | 2 | 2 |
| Other | 22 | 23 |
| | 36 | 37 |

| | Grant in Aid 2010 £ | Trustees 2010 £ | Total 2010 £ | Total 2009 £ |
|------------------------------------|--|--------------------------------|-----------------------------|--------------------|
| Staff costs for the above persons. | | | | |
| Wages and salaries | 293,356 | 442,374 | 735,730 | 719,802 |
| Social security costs | 25,002 | 35,981 | 60,983 | 59,185 |
| Other pension costs | 38,478 | 8,297 | 46,775 | 51,985 |
| | 356,836 | 486,652 | 843,488 | 830,972 |

The Director's remuneration during the year was £58,727 (2009: £55,787).

The Director is an ordinary member of the Principal Civil Service Scheme and Superannuation. Contributions totalling £12,803 (2009: £12,717) were paid during the year.

The Director's total accrued pension at 31 March 2010 is £27,391 (2009: £25,322) and this represents a real increase in his pension of £2,069 (2009: £271). His lump sum benefit as at 31 March 2010 is £82,172 (2009: £75,965) representing a real increase of £6,207 (2009: £814). The director's Cash Equivalent Transfer Value at 31 March 2010 is £632,000 (2009: £589,000), representing a real increase of £47,000 (2009: £5,000).

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

None of the Trustees of the Fleet Air Arm Museum received any remuneration during the year (2009: nil). Reimbursement of trustee expenses during the year totalled £1,360 (2009: nil).

No members of the Finance and General Purposes Committee other than the Director, received any remuneration during the year (2009: nil).

3a Investments (charity)

| | 2010 No. | 2009 No. |
|---|---------------------|-------------|
| Investment in subsidiary company (see note 9) | <u>2</u> | <u>2</u> |

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 2009 | 16,719 | 40,126 | 87,501 | 5,709,469 | 4,097,496 | 4,779,358 | 770,936 | 306,711 | 15,808,316 |
| Additions | 0 | 114,430 | 30,275 | 3,471 | 33,393 | 0 | 12,233 | 66,943 | 260,745 |
| Revaluation in year | 385 | 0 | 0 | (408,530) | 98,565 | (347,768) | 15,353 | (7,310) | (649,305) |
| Disposals and transfers | 0 | (154,556) | 0 | 0 | 154,535 | 0 | 0 | (649) | (670) |
| At 31 March 2010 | | | | | | | | | |
| Depreciation | | | | | | | | | |
| At 1 April 2009 | 7,927 | 0 | 0 | 114,189 | 4,045,891 | 613,598 | 605,424 | 206,175 | 5,593,204 |
| Charge | 4,276 | 0 | 0 | 106,088 | 27,917 | 152,320 | 7,136 | 45,334 | 343,071 |
| Backlog depreciation | 182 | 0 | 0 | (8,166) | 95,178 | (34,920) | 11,338 | (5,209) | 58,403 |
| Disposals | 0 | 0 | 0 | 0 | (2) | 0 | 0 | (119) | (121) |
| At 31 March 2010 | <u>12,385</u> | <u>0</u> | <u>0</u> | <u>212,111</u> | <u>4,168,984</u> | <u>730,998</u> | <u>623,898</u> | <u>246,181</u> | <u>5,994,557</u> |
| Net book value | | | | | | | | | |
| At 31 March 2010 | <u>4,719</u> | <u>0</u> | <u>117,776</u> | <u>5,092,299</u> | <u>215,005</u> | <u>3,700,592</u> | <u>174,624</u> | <u>119,514</u> | <u>9,424,529</u> |
| At 31 March 2009 | <u>8,792</u> | <u>40,126</u> | <u>87,501</u> | <u>5,595,280</u> | <u>51,605</u> | <u>4,165,760</u> | <u>165,512</u> | <u>100,536</u> | <u>10,215,112</u> |

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

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.

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 £43,602 (2009: £47,383).

4 Debtors

| Group | Trustee 2010 | Grant in Aid 2010 | Total 2010 | Total 2009 |
|--------------------------------|-----------------|-------------------------|---------------|---------------|
| | £ | £ | £ | £ |
| Trade debtors | 17,255 | 0 | 17,255 | 14,010 |
| Gift Aid debtor | 5,503 | 0 | 5,503 | 13,370 |
| Other debtors | 3,337 | 0 | 3,337 | 5,940 |
| Prepayments and accrued income | 59,854 | 0 | 59,854 | 67,936 |
| | 85,949 | 0 | 85,949 | 101,256 |

| Charity | Trustee 2010 | Grant in Aid 2010 | Total 2010 | Total 2009 |
|--------------------------------|-----------------|-------------------------|----------------|---------------|
| | £ | £ | £ | £ |
| Trade debtors | 11,882 | 0 | 11,882 | 12,478 |
| Gift Aid debtor | 5,503 | 0 | 5,503 | 13,370 |
| Amounts due from subsidiary | 74,358 | 0 | 74,358 | 71,140 |
| Other debtors | 3,157 | 0 | 3,157 | 5,940 |
| Prepayments and accrued income | 58,000 | 0 | 58,000 | 64,931 |
| | 152,900 | 0 | 152,900 | 167,859 |

Included within amounts due from subsidiary is £38,938 (2009: £40,036), 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

| | 2010 | 2009 |
|--------------------------|------------------|----------------|
| | £ | £ |
| At the start of the year | 750,000 | 500,000 |
| Additions | 400,000 | 250,000 |
| At the end of the year | 1,150,000 | 750,000 |

6 Creditors

| Group | Trustee 2010 | Grant in Aid 2010 | Total 2010 | Total 2009 |
|--------------------------------------|-----------------|-------------------------|----------------|---------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year. | | | | |
| Trade creditors | 46,641 | 0 | 46,641 | 85,148 |
| Tax and social security costs | 27,547 | 0 | 27,547 | 21,014 |
| Other creditors | 11,031 | 0 | 11,031 | 16,242 |
| Accruals and deferred income | 56,644 | 8,050 | 64,694 | 146,151 |
| | 141,863 | 8,050 | 149,913 | 268,555 |

| Charity | Trustee 2010 | Grant in Aid 2010 | Total 2010 | Total 2009 |
|--------------------------------------|-----------------|-------------------------|----------------|---------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year. | | | | |
| Trade creditors | 35,251 | 0 | 35,251 | 47,538 |
| Tax and social security costs | 14,084 | 0 | 14,084 | 12,867 |
| Other creditors | 2,709 | 0 | 2,709 | 2,546 |
| Accruals and deferred income | 56,644 | 8,050 | 64,694 | 146,151 |
| | 108,688 | 8,050 | 116,738 | 209,102 |

7 Connected charities and related parties

The National Museum of the Royal Navy

Certain Trustees of the Museum are also Trustees of The National Museum of the Royal Navy (NMRN). 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.

The Grant is included as a separate fund for accounting purposes and therefore the amount received from NMRN each year is disclosed in the Statement of Financial Activities.

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

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

During the year the Society has donated £23,857 (2009: £3,307) 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.

8 Voluntary income

| | Unrestricted funds 2010 | Restricted funds 2010 | Restricted Grant in Aid 2010 | Total funds 2010 | Total funds 2009 |
|--------------|--|--------------------------------------|---|---------------------------------|---------------------------------|
| | £ | £ | £ | £ | £ |
| Grant in Aid | 0 | 0 | 635,023 | 635,023 | 630,079 |
| Donations | 67,116 | 2,500 | 0 | 69,616 | 63,877 |
| Covenants | 389 | 0 | 0 | 389 | 449 |
| | 67,505 | 2,500 | 635,023 | 705,028 | 694,405 |

9 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 2010 is shown below

| | 2010 | 2009 |
|--|------------------|-------------|
| | £ | £ |
| Turnover | 732,035 | 712,779 |
| Cost of sales and administration costs | (656,884) | (644,471) |
| Management charge to Museum | (40,000) | (40,000) |
| Donation to Museum | (35,151) | (28,308) |
| Profit in the period | 0 | 0 |
| The assets and liabilities of the subsidiary were | | |
| Current assets | 120,414 | 144,876 |
| Current liabilities | (68,595) | (90,557) |
| Net current assets | 51,819 | 54,319 |
| Creditors: amounts falling due after more than one year | (57,250) | (59,750) |
| | (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) |

10 Investment income

| | Unrestricted funds 2010 | Restricted funds 2010 | Restricted Grant in Aid 2010 | Total funds 2010 | Total funds 2009 |
|--|--|--------------------------------------|---|---------------------------------|---------------------------------|
| | £ | £ | £ | £ | £ |
| Income from interest bearing deposit account | 25,689 | 0 | 0 | 25,689 | 55,898 |

11 Analysis of net assets between funds

| Group | Tangible fixed assets | Net current assets (liabilities) | Long term liabilities | Total |
|--|--------------------------|--|--------------------------|-------------------|
| | £ | £ | £ | £ |
| Restricted Funds | | | | |
| Carrier Exhibition | 221,571 | 0 | 0 | 221,571 |
| Cobham Hall and Leading Edge | 3,167,769 | 0 | 0 | 3,167,769 |
| Other assets | 13,497 | 21,339 | 0 | 34,836 |
| | <u>3,402,837</u> | <u>21,339</u> | <u>0</u> | <u>3,424,176</u> |
| Unrestricted Funds | 5,127,360 | 1,185,645 | 0 | 6,313,005 |
| Total Trustee Funds | <u>8,530,197</u> | <u>1,206,984</u> | <u>0</u> | <u>9,737,181</u> |
| Grant in Aid – asset and operating account | 776,556 | 0 | 0 | 776,556 |
| – purchase of exhibits | 117,776 | 55,506 | 0 | 173,282 |
| | <u>9,424,529</u> | <u>1,262,490</u> | <u>0</u> | <u>10,687,019</u> |

12 Incoming resources from charitable activities

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

| | Unrestricted funds 2010 £ | Restricted funds 2010 £ | Restricted Grant in Aid 2010 £ | Total funds 2010 £ | Total funds 2009 £ |
|---|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Income from museum collections and exhibitions | | | | | |
| Admission charges | 812,111 | 0 | 1,365 | 813,476 | 737,119 |
| Gift aid on admissions | 153,522 | 0 | 0 | 153,522 | 137,503 |
| | <u>965,633</u> | <u>0</u> | <u>1,365</u> | <u>966,998</u> | <u>874,622</u> |
| Income from museum special events and activities | | | | | |
| Simulator and experiences | 32,682 | 0 | 0 | 32,682 | 32,165 |
| Events and activities | 26,740 | 0 | 0 | 26,740 | 29,470 |
| | <u>59,422</u> | <u>0</u> | <u>0</u> | <u>59,422</u> | <u>61,635</u> |
| Education and research | <u>13,367</u> | <u>0</u> | <u>0</u> | <u>13,367</u> | <u>11,047</u> |
| Total income from charitable activities | <u>1,038,422</u> | <u>0</u> | <u>1,365</u> | <u>1,039,787</u> | <u>947,304</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.

13 Allocation of support costs

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

| | Operation of Museum (Grant in Aid) 2010 £ | Museum collections and exhibitions 2010 £ | Museum Special Events and Activities 2010 £ | Museum Education and Research 2010 £ | Governance 2010 £ | Total 2010 £ | Total 2009 £ |
|---|---|--|--|---|-------------------------|--------------------|--------------------|
| Staff costs and salaries | 284,824 | 365,850 | 27,204 | 88,598 | 72,012 | 838,488 | 825,419 |
| Premises costs | 111,658 | 79,753 | 0 | 14,400 | 0 | 205,811 | 208,110 |
| General office | 27,923 | 39,310 | 0 | 5,089 | 0 | 72,322 | 70,927 |
| Finance office | 0 | 11,415 | 0 | 0 | 0 | 11,415 | 10,341 |
| Information technology | 7,124 | 11,624 | 0 | 0 | 0 | 18,748 | 19,429 |
| External audit – GIA | 0 | 0 | 0 | 0 | 8,050 | 8,050 | 8,050 |
| Accountancy services | 0 | 0 | 0 | 0 | 15,770 | 15,770 | 16,915 |
| Legal and professional fees | 0 | 0 | 0 | 0 | 15,411 | 15,411 | 7,989 |
| Write-off of assets under construction | 0 | 0 | 0 | 0 | 0 | 0 | 65,165 |
| | 431,529 | 507,952 | 27,204 | 108,087 | 111,243 | 1,186,015 | 1,232,345 |

Of the total governance costs of £111,243; the staff costs (£72,012); a portion of the legal and professional fees (£7,935); and the external audit costs (£8,050) are allocated against the restricted Grant in Aid reserve.

14 Analysis of charitable expenditure

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

| | Unrestricted funds 2010 £ | Restricted funds 2010 £ | Restricted Grant in Aid 2010 £ | Total funds 2010 £ | Total funds 2009 £ |
|---|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Operation of museum (grant in aid) | | | | | |
| Support costs (see note 13) | 0 | 0 | 431,529 | 431,529 | 432,828 |
| Museum collections and exhibitions | | | | | |
| Museum maintenance | 144,191 | 7,556 | 56,191 | 207,938 | 221,683 |
| Depreciation | 224,019 | 95,004 | 24,048 | 343,071 | 381,360 |
| Advertising and marketing | 66,258 | 0 | 28,607 | 94,865 | 83,927 |
| Support costs (see note 13) | 507,952 | 0 | 0 | 507,952 | 574,136 |
| | 942,420 | 102,560 | 108,846 | 1,153,826 | 1,261,106 |
| Museum special events and activities | | | | | |
| Fundraising costs | 31,807 | 0 | 0 | 31,807 | 29,294 |
| Support costs (see note 13) | 27,204 | 0 | 0 | 27,204 | 23,656 |
| | 59,011 | 0 | 0 | 59,011 | 52,950 |
| Museum education and research | | | | | |
| Education and training | 3,991 | 0 | 5,089 | 9,080 | 10,614 |
| Support costs (see note 13) | 108,087 | 0 | 0 | 108,087 | 96,905 |
| | 112,078 | 0 | 5,089 | 117,167 | 107,519 |
| Total charitable expenditure | 1,113,509 | 102,560 | 545,464 | 1,761,533 | 1,854,403 |

15 Analysis of restricted funds (trustees)

| | Cobham Hall and leading Edge | Carrier | Other | Total |
|-------------------------------------|------------------------------------|----------------|---------------|------------------|
| | £ | £ | £ | £ |
| As at 1 April 2009 | 3,510,873 | 224,092 | 45,561 | 3,780,526 |
| Donations | 0 | 0 | 2,500 | 2,500 |
| Revaluation in the year | (251,759) | 5,650 | 212 | (245,897) |
| Utilised in the year – depreciation | (70,384) | (29,757) | (5,256) | (105,397) |
| Utilised in the year – expenses | 0 | 0 | (7,556) | (7,556) |
| As at 31 March 2010 | <u>3,188,730</u> | <u>199,985</u> | <u>35,461</u> | <u>3,424,176</u> |

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

16 Analysis of restricted funds – (grant in aid)

| | Asset and operating account | Purchase of exhibits reserve | Total |
|----------------------|-----------------------------------|------------------------------------|----------------|
| | £ | £ | £ |
| As at 1 April 2009 | 844,828 | 151,307 | 996,135 |
| Movement in the year | (68,272) | 21,975 | (46,297) |
| As at 31 March 2010 | <u>776,556</u> | <u>173,282</u> | <u>949,838</u> |

17 Capital commitments

There were no capital commitments as at 31 March 2010 (2009 – £nil).

18 Operating lease commitments

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

| | Motor Vehicle 2010 | Other equipment 2010 | Total 2010 | Total 2009 |
|-------------------------------|--------------------------|----------------------------|---------------------|---------------|
| | £ | £ | £ | £ |
| Expiring in one year | 2,005 | 0 | 2,005 | 0 |
| Expiring in one to five years | 2,681 | 1,560 | 4,241 | 5,688 |
| | <u>4,686</u> | <u>1,560</u> | <u>6,246</u> | <u>5,688</u> |

19 Auditor's remuneration

| | 2010 | 2009 |
|--|----------------------|---------------|
| | £ | £ |
| Comptroller & Auditor General – Audit fee – Museum and Group | 8,050 | 8,050 |
| Baker Tilly UK Audit LLP – Audit fee – subsidiary | 4,150 | 4,150 |
| | <u>12,200</u> | <u>12,200</u> |

20 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.

| | 2010 | 2009 |
|--|----------------|---------|
| | £ | £ |
| Admission numbers | 115,832 | 111,999 |
| Ratio of self generated income to Grant in Aid | 2.93 | 2.82 |
| Grant in Aid subsidy per admission | £5.49 | £5.64 |
| Number of pre-booked educational parties | 240 | 274 |
| Total educational visitors | 9,359 | 13,162 |
| Research enquiries received and answered | 674 | 278 |

21 Taxation

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

22 Provisions

Provision was made for possible costs of final retentions in respect of the Cobham Hall.

| | 2010 | 2009 |
|----------------|-------------|--------|
| | £ | £ |
| Retained costs | 0 | 60,000 |

The costs were invoiced to the Museum in the year, and therefore the provision has been used.

23 Notes to the cashflow statement**a Net cashflows from operating activities**

| | Unrestricted funds 2010 | Restricted funds 2010 | Restricted Grant in Aid 2010 | Total funds 2010 | Total funds 2009 |
|--|-------------------------------|-----------------------------|------------------------------------|---------------------|---------------------|
| | £ | £ | £ | £ | £ |
| Surplus/(deficit) for year | 70,012 | (100,060) | (36,128) | (66,176) | (230,339) |
| Interest received | (25,689) | 0 | 0 | (25,689) | (55,898) |
| Operating surplus/(deficit) | 44,323 | (100,060) | (36,128) | (91,865) | (286,237) |
| Loss on sale of fixed asses | 326 | 0 | 0 | 326 | 75,094 |
| Depreciation and amounts written off | 224,019 | 95,004 | 24,048 | 343,071 | 381,360 |
| Notional cost of capital | 0 | 0 | 34,055 | 34,055 | 35,031 |
| Movement in debtors | 15,307 | 0 | 0 | 15,307 | 209,044 |
| Movement in stock | 4,063 | 0 | 0 | 4,063 | (2,751) |
| Movement in creditors | (118,643) | 0 | 0 | (118,643) | 145,133 |
| Movement in provisions | (60,000) | 0 | 0 | (60,000) | 0 |
| Movement in creditors for fixed assets | 23,738 | 0 | 0 | 23,738 | (23,738) |
| Net operating cash flows | 133,133 | (5,056) | 21,975 | 150,052 | 532,936 |

b Capital expenditure and financial investment

| | | | | | |
|--|---------|---|---|---------|----------|
| Total capital expenditure | 260,747 | 0 | 0 | 260,747 | 145,560 |
| Movement in creditors for fixed assets | 23,738 | 0 | 0 | 23,738 | (23,738) |
| Payments to acquire fixed assets | 284,485 | 0 | 0 | 284,485 | 121,822 |
| Proceeds from sale of fixed assets | (226) | 0 | 0 | (226) | 0 |
| Capital expenditure | 284,259 | 0 | 0 | 284,259 | 121,822 |

c Reconciliation of cash movements

| | | |
|------------------|-----------|---------|
| At 1 April | 563,121 | 346,109 |
| At 31 March | 54,603 | 563,121 |
| Movement in year | (508,518) | 217,012 |

d Reconciliation of net cashflow to movement in net funds

| | | |
|--|-----------|-----------|
| (Decrease)/increase in cash | (508,518) | 217,012 |
| Cash used to increase liquid resources | 400,000 | 250,000 |
| Movement in net funds | (108,518) | 467,012 |
| Net funds at 1 April | 1,313,121 | 846,109 |
| Net funds at 31 March | 1,204,603 | 1,313,121 |

e Analysis of net debt

| | At 31 March 2009 | Cashflow | Non-cash changes | At 31 March 2010 |
|---------------------------|---------------------|-----------|---------------------|---------------------|
| | £ | £ | £ | £ |
| Cash at bank | 563,121 | (508,518) | 0 | 54,603 |
| Current asset investments | 750,000 | 400,000 | 0 | 1,150,000 |
| | 1,313,121 | (108,518) | 0 | 1,204,603 |

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

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