

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

Fleet Air Arm Museum Account 2007-2008

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Fleet Air Arm Museum Account 2007-2008

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 25 NOVEMBER 2008

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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 ending 31 March 2008.

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 Mr Michael Ryan
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 151 Buckingham Palace Road London SW1W 9SS
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

Directors and Trustees

The following people served as the Museum's Trustees during 2007-2008, and since the year under review

Chairman

Rear Admiral T W Loughran CB

Ex-officio Trustees

Commanding Officer, RNAS Yeovilton
Cdre C L Palmer RN
Commodore Fleet Aviation (now ACOS CSAV)
Cdre J H Stanford
Commanding Officer, RNAS Culdrose
Capt P Thicknesse RN
Director Logistics (RW), DLO, MoD
Cdre I P G Tibbett RN (to May 2007)
Cdre D Evans (from May 2007)
Assistant Director Joint Manoeuvre, DJC, MOD
Captain W Keble RN

Elected Trustees

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

Director and Accounting Officer

Mr C G 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 (reference no. 250079). The governing document of the body is the Trust Deed of 22 June 1966 as varied by schemes of the Commissioners of 27 December 1973, 13 February 1979, 24 November 1982, 10 April 1985, 22 March 1994, and 17 December 1997.

The receipt of Grant-in-Aid from the public purse confers upon the Museum the status of an executive Non Departmental Public Body (NDPB) 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.

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.

During the year, due to the proportion of its income that is derived from commercial activities, the Museum was classified as a Public Corporation.

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 55 FTE, who are supported by the efforts of volunteers in several areas of activities, notably Curatorial and Visitor Services Divisions. Around 66 people gave some of their time to support the Museum, contributing around 10,073 hours in the year.

Related parties

The Fleet Air Arm Museum is a registered charity (no 250079). It is also a Non-Departmental Public Body, sponsored by the Ministry of Defence, and is classified as a Public Corporation due to the proportion of its income that is derived from commercial activities. The MoD is regarded as a related party. Grant-in-Aid Funds from the MoD are separately disclosed in the Statement of Financial Activities.

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

Although none of the Trustees of the Museum are also Trustees of The Society of Friends of The Fleet Air Arm Museum, the objectives of the Society are to provide financial aid to the museum and foster interest in the history of the Fleet Air Arm and its museum. During the year the Society has donated £558 (2007: £8,576) toward the Museum's activities. The Society aims to provide at least £20,000 towards conservation costs for the 2009 centenary exhibition.

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. 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. Both Charities 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.

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 £2,421,392 (2007: £2,831,084). Total resources expended amounted to £2,354,362 (2007: £2,230,712). After adjustment for notional charges and other recognised gains and losses totalling £2,316,656 (2007: £463,631), the net movement in funds for the year was an increase of £2,383,686 (2007: £1,064,003). The Group's net assets as at 31 March 2008 amounted to £11,636,712 (2007: £9,253,026).

The Museum's long running conservation and forensic investigation of its 1944 Corsair aircraft continued to collect accolades. The book on the project published in Spring 2006 is effectively out of print, and a softback edition is under consideration by the publishers. Curator of Aircraft (and the book's author) David Morris was invited on an all expenses paid lecture tour of Japanese museums, to explain the techniques developed in the project. His book is likely to be translated and published in Japanese.

Many of these techniques are being applied to the restoration of the Museum's only vessel, the 1917 seaplane lighter. It is hoped that this vessel will eventually form the centrepiece of a new museum entrance building. An application was submitted to the Heritage Lottery Fund for a major grant, but this was turned down. Trustees authorised a re-submission once the revised rules for grants, applicable from April 2008, had been published by HLF.

In collaboration with the Directorate of Naval Recruiting and companies from the aerospace and defence industries, the Museum helped to arrange and hosted a number of successful engineering events for older students of schools in the region.

The second Fly Navy Conference was held at the Museum in November 2007.

The Museum was honoured to receive a private visit from HRH Prince Michael of Kent. His Royal Highness had opened the World Forum of Motor Museums at Haynes Motor Museum and had asked to visit FAAM, following up on his previous visit of some ten years ago.

The Museums, Libraries and Archives council (MLA) granted FAAM Full Accreditation, after the re-submission of a Documentation Plan, compiled by Collections Manager Moira Gittos, to overcome backlogs. Two part-time Documentation Assistants were recruited to provide increased capacity.

September 2007 saw the first time that a stage of the Tour of Britain Cycle Race went through the county of Somerset. FAAM's strong links with the county's tourism strategy prompted the decision to start the Somerset stage from the Museum Car Park. Full co-operation from RNAS Yeovilton helped to provide a spectacular backdrop and smooth organisation. The starting flag was dropped by Deputy Chairman and CO of Yeovilton, Cdre Chris Palmer. The whole proceedings brought lots of very positive PR for both the Museum and the Air Station, in local, regional and national media.

The Director, in collaboration with the Nautical Archaeology Society, delivered the 'M2 Memorial Lecture', as one of a series of events to mark the 75th anniversary of the loss of Britain's only aircraft submarine. Chairman of Trustees Admiral Terry Loughran was present on the diveboat during a commemorative dive on the wreck, during which RNAS Yeovilton provided a Lynx helicopter to lay a wreath on the wreck site.

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.

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.

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 six 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 is putting together a major programme of events in 2009 to mark the centenary of naval aviation, with the title of 'Fly Navy 100'.

The FAA Museum will be an integral part of this programme and the Trustees have approved a plan to create a new exhibition dealing with the period 1909 – 2009. The Trustees have also agreed that a revised submission be made to the Heritage Lottery Fund for a new entrance building.

Because such major undertakings will consume a large proportion of staff resources, other activities will be limited, but 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.

Payment of creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming to settle all undisputed bills within 30 days or in accordance with the suppliers' terms of business. The average payment time in the year under review was 32 days (2007: 36 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.

Post balance sheet events

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

Auditors

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

The cost of the audit was £7,850 (2007: £7,800). No non-audit work was carried out by the National Audit Office during the year.

So far as I, as Accounting Officer 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.

T W Loughran
On behalf of the Board of Trustees
13 November 2008

C G Mottram
Accounting Officer
13 November 2008

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 receives an annual pay increase in accordance with nationally agreed pay awards.

Salary and pension entitlements

The director, Graham Mottram, had a basic salary during the year ended 31 March 2008 of £54,045 per annum (2007: £52,707). The director is aged 59. His total accrued pension at 31 March 2008 is £23,858 (2007: £22,615) and this represents a real increase in his pension of £361 (2007: £594). His lump sum benefit as at 31 March 2008 is £71,573 (2007: £67,844) representing a real increase of £1,082 (2007: £1,781). The director's CETV (Cash Equivalent Transfer Value) at 31 March 2008 is £619,000 (2007: £544,000), representing a real increase of £9,000 (2007: £13,000).

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

None of the Trustees of the Fleet Air Arm Museum received any remuneration or reimbursement of expenses during the year (2007: £Nil).

No members of the Finance and General Purposes Committee other than the Director, received any remuneration during the year (2007: £Nil).

'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.

The Director did not receive any Benefits in Kind.

For the year under review, the employer's pension contributions for the Museum as a whole of £49,335 were payable (2007: £46,698) at rates in the range 17.1 to 25.5 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

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, 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 2007) 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 updated 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 CSVote 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 on page 24.

T W Loughran
On behalf of the Board of Trustees
13 November 2008

C G Mottram
Accounting Officer
13 November 2008

The Accounting Officer's and Trustees' responsibilities in the preparation of financial statements

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

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

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

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

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

T W Loughran
On behalf of the Board of Trustees
13 November 2008

C G Mottram
Accounting Officer
13 November 2008

Statement on Internal Control

Scope of responsibility

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

I, as Chairman of the Trustees, on behalf of the Board of Trustees of the Fleet Air Arm Museum, am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fleet Air Arm Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Fleet Air Arm Museum for the year ended 31 March 2008 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 Human Resources 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
13 November 2008

C G Mottram
Accounting Officer
13 November 2008

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 2008 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Statement of Financial Activities, the Balance Sheet and the 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, the Director and Auditor

The Board of Trustees and the Director as Accounting Officer are responsible for preparing the Trustees Report, the Remuneration Report and the financial statements in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence and for ensuring the regularity of financial transactions funded by Parliamentary grant (grant-in-aid). These responsibilities are set out in the Statement of Board of Trustees' and the Director's 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-in-aid 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 and directions made thereunder by the Secretary of State for Defence, of the state of the Fleet Air Arm Museum's and the group's affairs as at 31 March 2008 and of its 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 directions made thereunder by the Secretary of State for Defence; 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.

T J Burr
Comptroller and Auditor General

18 November 2008

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Consolidated Statement of Financial Activities for the year ended 31 March 2008

	Notes	Unrestricted Funds 2008 £	Restricted Funds 2008 £	Restricted Grant in Aid 2008 £	Total Funds 2008 £	Total Funds 2007 £
Incoming resources						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grants and donations	8	57,975	21,500	614,357	693,832	1,363,777
<i>Activities for generating funds</i>						
Commercial trading operations	9	730,246	0	0	730,246	642,576
Investment income	10	25,153	0	0	25,153	3,897
		813,374	21,500	614,357	1,449,231	2,010,250
Incoming resources from charitable activities						
Operation of museum and related activities	12	970,306	0	1,855	972,161	820,834
Total incoming resources		1,783,680	21,500	616,212	2,421,392	2,831,084
Resources expended						
Costs of generating funds						
Fundraising costs of grants and donations		0	0	2,000	2,000	2,000
Commercial trading operations	9	605,145	0	0	605,145	599,999
		605,145	0	2,000	607,145	601,999
Costs relating to charitable activities						
Operation of museum and related activities	14	956,422	113,930	541,615	1,611,967	1,496,574
Governance costs	13	20,768	0	81,136	101,904	101,032
Notional cost of capital		0	0	33,346	33,346	31,107
Total resources expended		1,582,335	113,930	658,097	2,354,362	2,230,712
Total (outgoing)/incoming resources before transfers						
		201,345	(92,430)	(41,885)	67,030	600,372
Adjustment for the notional cost of capital		0	0	33,346	33,346	31,107
Net incoming/(outgoing) resources for the year		201,345	(92,430)	(8,539)	100,376	631,479
<i>Unrealised gains</i>						
Revaluation of assets	3b	2,201,187	95,872	119,432	2,416,491	615,854
Backlog depreciation	3b	(115,505)	(12,552)	(5,124)	(133,181)	(183,330)
Net movement in funds		2,287,027	(9,110)	105,769	2,383,686	1,064,003
Fund balances brought forward		4,466,053	3,887,106	899,867	9,253,026	8,189,023
Fund balances carried forward		6,753,080	3,877,996	1,005,636	11,636,712	9,253,026

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

Consolidated Balance Sheet as at 31 March 2008

	Notes	2008		2007	
		£	£	£	£
Fixed assets					
Heritage assets			60,098		28,232
Other tangible assets			10,480,465		8,464,740
	3b		10,540,563		8,492,972
Current assets					
Stocks		123,163		98,801	
Debtors	4	310,299		605,375	
Investments	5	500,000		200,000	
Cash at bank and in hand – trustees		346,109		42,804	
		1,279,571		946,980	
Creditors					
Amounts falling due within one year	6	(123,422)		(126,926)	
Net current assets					
			1,156,149		820,054
Total assets less current liabilities			11,696,712		9,313,026
Provisions for liabilities			(60,000)		(60,000)
	22		11,636,712		9,253,026
The funds of the charity					
Unrestricted funds			6,753,080		4,466,053
Restricted funds	15		3,877,996		3,887,106
Grant-in-Aid funds – asset and operating account	16		873,329		786,009
– purchase of exhibits reserve	16		132,307		113,858
			11,636,712		9,253,026

Approved by the Board and authorised and issued on 13 November 2008.

T W Loughran
Chairman

C G Mottram
Director

Balance Sheet (Charity only) as at 31 March 2008

	Notes	£	2008 £	£	2007 £
Fixed assets					
Heritage assets	3b		60,098		28,232
Other tangible assets	3b		10,480,465		8,464,740
Investment	3a		2		2
			10,540,565		8,492,974
Current assets					
Stock – finished goods			11,511		0
Debtors	4		397,803		696,345
Investments	5		500,000		200,000
Cash at bank and in hand – trustees			331,186		35,198
			1,240,500		931,543
Creditors					
Amounts falling due within one year	6		(78,920)		(101,737)
Net current assets			1,161,580		829,806
Total assets less current liabilities			11,702,145		9,322,780
Provisions for liabilities	22		(60,000)		(60,000)
			11,642,145		9,262,780
The funds of the charity					
Unrestricted fund			6,758,513		4,475,807
Restricted funds	15		3,877,996		3,887,106
Grant-in-Aid funds – asset and operating account	16		873,329		786,009
– purchase of exhibits reserve	16		132,307		113,858
			11,642,145		9,262,780

Approved by the Board and authorised and issued on 13 November 2008.

T W Loughran
Chairman

C G Mottram
Director

Consolidated Cash Flow Statement for the year ended 31 March 2008

	Notes	Unrestricted Funds 2008 £	Restricted Funds 2008 £	Restricted Grant in Aid 2008 £	Total Funds 2008 £	Total Funds 2007 £
Net cashflow from operating activities	23a	656,830	21,500	17,299	695,629	415,422
Return on investments and servicing of finance						
Interest received		25,153	0	0	25,153	3,897
Capital expenditure and financial investment						
Purchase of fixed assets		(96,604)	(20,873)	0	(117,477)	(121,856)
Sale of fixed assets		0	0	0	0	150
		(96,604)	(20,873)	0	(117,477)	(121,706)
Management of liquid resources						
Transfers to short term deposit account		(300,000)	0	0	(300,000)	(200,000)
Increase in cash	23b	285,379	627	17,299	303,305	97,613

Notes to the Financial Statements for the year ended 31 March 2008

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.

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 price 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 in excess of £60,098 (2007: £28,232) 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 Basis of allocation

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 2008 employer's contributions of £36,135 were paid to the Scheme (2007: £37,145) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands which for 2007-2008 were as follows

Non-industrial staff

Band one	£19,000 and under	17.1%
Band two	£19,001 – £39,000	19.5%
Band three	£39,001 – £66,500	23.2%
Band four	£66,501 and over	25.5%

Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary. From 1 April 2008 the salary bands will be revised but the rates will remain the same.

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 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 £12,190 (2007: £11,256).

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 (2007: 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 Liquid resources

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

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 2007	0	50,116	28,232	4,442,959	3,987,365	4,795,460	643,950	695,697	14,643,779
Additions	14,321	24,978	31,866	0	3,967	0	3,893	38,452	117,477
Revaluation in year	159	0	0	1,287,341	91,702	0	75,662	(208,964)	1,245,900
Disposals	0	0	0	0	0	0	0	(262,546)	(262,546)
At 31 March 2008	<u>14,480</u>	<u>75,094</u>	<u>60,098</u>	<u>5,730,300</u>	<u>4,083,034</u>	<u>4,795,460</u>	<u>723,505</u>	<u>262,639</u>	<u>15,744,610</u>
Depreciation									
At 1 April 2007	0	0	0	345,993	3,825,508	712,718	631,456	635,132	6,150,807
Charge	3,620	0	0	91,043	65,973	168,387	3,120	21,049	353,192
Backlog depreciation	0	0	0	13,519	87,680	17,057	14,638	287	133,181
Revaluation	0	0	0	(450,555)	0	(444,809)	(67,065)	(208,162)	(1,170,591)
Disposals	0	0	0	0	0	0	0	(262,542)	(262,542)
At 31 March 2008	<u>3,620</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,979,161</u>	<u>453,353</u>	<u>582,149</u>	<u>185,764</u>	<u>5,204,047</u>
Net book value									
At 31 March 2008	<u>10,860</u>	<u>75,094</u>	<u>60,098</u>	<u>5,730,300</u>	<u>103,873</u>	<u>4,342,107</u>	<u>141,356</u>	<u>76,875</u>	<u>10,540,563</u>
At 31 March 2007	<u>0</u>	<u>50,116</u>	<u>28,232</u>	<u>4,096,966</u>	<u>161,857</u>	<u>4,082,742</u>	<u>12,494</u>	<u>60,565</u>	<u>8,492,972</u>

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

Leasehold property, including fittings and equipment, as at 31 March 2008 was valued by John G Bennett BSc FRICS, the District Valuer, South West on a depreciated replacement cost basis at £4,471,075. Freehold property as at 31 March 2008 was also valued by the District Valuer, South West on a depreciated replacement cost basis at £5,730,300.

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

The net book value of IT assets (disclosed within fixtures and fittings) at year-end was £31,872 (2007: £17,740).

4 Debtors

Group	Trustee £	Grant in Aid £	2008 £	2007 £
Trade debtors	27,006	0	27,006	9,722
Gift Aid debtor	125,120	0	125,120	178,137
Other debtors	36	0	36	5,272
Prepayments and accrued income	158,137	0	158,137	412,244
	<u>310,299</u>	<u>0</u>	<u>310,299</u>	<u>605,375</u>

Charity	Trustee £	Grant in Aid £	2008 £	2007 £
Trade debtors	14,584	0	14,584	7,977
Gift Aid debtor	125,120	0	125,120	178,137
Amounts due from subsidiary	101,573	0	101,573	97,428
Other debtors	0	0	0	568
Prepayments and accrued income	156,526	0	156,526	412,235
	<u>397,803</u>	<u>0</u>	<u>397,803</u>	<u>696,345</u>

Included within amounts due from subsidiary is £62,250 (2007: £64,750), which is repayable after more than one year. This relates to the original transfer of stock to the trading subsidiary and is repayable over the period of the Museum lease.

5 Investment

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

	2008 £	2007 £
At the start of the year	200,000	0
Additions	300,000	200,000
At the end of the year	<u>500,000</u>	<u>200,000</u>

6 Creditors

Group	Trustee £	Grant in Aid £	2007 £	2006 £
<i>Amounts falling due within one year</i>				
Trade creditors	46,032	0	46,032	69,414
Tax and social security costs	30,821	0	30,821	25,841
Other creditors	2,723	0	2,723	8,871
Accruals and deferred income	35,996	7,850	43,846	22,800
	<u>115,572</u>	<u>7,850</u>	<u>123,422</u>	<u>126,926</u>
Charity	Trustee £	Grant in Aid £	2008 £	2007 £
<i>Amounts falling due within one year</i>				
Trade creditors	20,279	0	20,279	49,965
Tax and social security costs	16,862	0	16,862	11,435
Other creditors	2,723	0	2,723	2,537
Accruals and deferred income	31,206	7,850	39,056	37,800
	<u>71,070</u>	<u>7,850</u>	<u>78,920</u>	<u>101,737</u>

7 Connected charities and related parties

Ministry of Defence

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

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

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

During the year the Society has donated £558 (2007: £8,576) 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.

Included within Other Debtors (see note 4) is an amount of £nil (2007: £4,670) owing from Fly Navy Heritage Trust in respect of staff costs paid on the Trust's behalf. That Trust is deemed to be a related party of the Museum since certain Trustees of the Fly Navy Heritage Trust are also Trustees of the Fleet Air Arm Museum.

Both Charities can be contacted at the following address

RNAS Yeovilton
Nr Ilchester
Somerset
BA22 8HT

No donations were made to the Museum during the year.

8 Voluntary income

	Unrestricted Funds 2008 £	Restricted Funds 2008 £	Restricted Grant in Aid 2008 £	Total Funds 2008 £	Total Funds 2007 £
Grant-in-Aid	0	0	614,357	614,357	598,101
Donations	57,526	21,500	0	79,026	604,176
Gift aid arising from donations	0	0	0	0	161,051
Covenants	449	0	0	449	449
	<u>57,975</u>	<u>21,500</u>	<u>614,357</u>	<u>693,832</u>	<u>1,363,777</u>

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 2008 is shown below

	2008 £	2007 £
Turnover	730,246	642,576
Cost of sales and administration costs	(609,265)	(599,999)
Management charge to Museum	(41,660)	(40,000)
Donation to Museum	(75,000)	0
Profit in the period	<u>4,321</u>	<u>2,577</u>
<i>The assets and liabilities of the subsidiary were</i>		
Current assets	176,320	127,865
Current liabilities	(119,501)	(72,867)
Net current assets	<u>56,819</u>	54,998
Creditors: amounts falling due after more than one year	(62,250)	(64,750)
	<u>(5,431)</u>	<u>(9,752)</u>
Capital and reserves		
Called up share capital	2	2
Profit and loss account	(5,433)	(9,754)
	<u>(5,431)</u>	<u>(9,752)</u>

10 Investment income

	Unrestricted Funds 2008 £	Restricted Funds 2008 £	Restricted Grant in Aid 2008 £	Total Funds 2008 £	Total Funds 2007 £
Income from interest bearing deposit account	25,153	0	0	25,153	3,897

11 Analysis of net assets between funds

Group	Tangible fixed assets £	Net current assets/ (liabilities) £	Long term liabilities £	Total £
Restricted Funds				
Carrier Exhibition	269,249	0	0	269,249
Cobham Hall and Leading Edge	3,584,592	0	0	3,584,592
Other assets	24,155	0	0	24,155
	<u>3,877,996</u>	<u>0</u>	<u>0</u>	<u>3,877,996</u>
Unrestricted Funds	5,721,290	1,091,790	(60,000)	6,753,080
Total Trustee Funds	9,599,286	1,091,790	(60,000)	10,631,076
Grant-in-Aid – asset and operating account	881,179	(7,850)	0	873,329
– purchase of exhibits	60,098	72,209	0	132,307
	<u>10,540,563</u>	<u>1,156,149</u>	<u>(60,000)</u>	<u>11,636,712</u>

12 Incoming resources from charitable activities

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

	Unrestricted Funds 2008 £	Restricted Funds 2008 £	Restricted Grant in Aid 2008 £	Total Funds 2008 £	Total Funds 2007 £
Income from museum collections and exhibitions					
Admission charges	777,024	0	1,855	778,879	671,332
Gift aid on admissions	139,431	0	0	139,431	97,204
	<u>916,455</u>	<u>0</u>	<u>1,855</u>	<u>918,310</u>	<u>768,536</u>
Income from museum special events and activities					
Simulator and experiences	37,592	0	0	37,592	39,243
Events and activities	9,725	0	0	9,725	8,786
	<u>47,317</u>	<u>0</u>	<u>0</u>	<u>47,317</u>	<u>48,029</u>
Education and research	<u>6,534</u>	<u>0</u>	<u>0</u>	<u>6,534</u>	<u>4,269</u>
Total income from charitable activities	<u>970,306</u>	<u>0</u>	<u>1,855</u>	<u>972,161</u>	<u>820,834</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 Museum Collections (Grant and in Aid) exhibitions 2008 £	Museum and exhibitions 2008 £	Museum Special Events and Activities 2008 £	Museum Education and Research 2008 £	Governance 2008 £	Total 2008 £	Total 2007 £
Staff costs and salaries	296,451	316,839	37,251	76,150	71,711	798,402	721,185
Premises costs	110,368	50,430	0	14,400	0	175,199	173,685
General office	17,009	25,630	0	4,106	0	46,764	52,191
Finance office	0	11,506	0	0	0	11,506	10,441
Information technology	4,938	7,150	0	0	0	12,088	21,628
External audit – GIA	0	0	0	0	7,850	7,850	7,800
Accountancy services	0	0	0	0	16,519	16,519	15,000
Legal and professional fees	0	0	0	0	5,825	5,825	8,189
	428,767	411,555	37,251	94,656	101,904	1,074,133	1,010,119

Of the total governance costs of £101,904, the staff costs (£71,711), a portion of the legal and professional fees (£1,575), and the external audit costs (£7,850) 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 2008 £	Restricted Funds 2008 £	Restricted Grant in Aid 2008 £	Total Funds 2008 £	Total Funds 2007 £
Operation of museum (Grant-in-Aid)					
Support costs (see note 13)	0	0	428,767	428,767	421,717
Museum collections and exhibitions					
Museum maintenance	118,150	0	65,327	183,477	151,751
Depreciation	212,274	113,930	26,988	353,192	335,802
Advertising and marketing	63,613	0	16,427	80,040	77,892
Support costs (see note 13)	411,555	0	0	411,555	363,001
	805,592	113,930	108,742	1,028,264	928,446
Museum special events and activities					
Fundraising costs	11,079	0	0	11,079	13,930
Support costs (see note 13)	37,251	0	0	37,251	35,477
	48,330	0	0	48,330	49,407
Museum education and research					
Education and training	7,844	0	4,106	11,950	8,112
Support costs (see note 13)	94,656	0	0	94,656	88,892
	102,500	0	4,106	106,606	97,004
Total charitable expenditure	956,422	113,930	541,615	1,611,967	1,496,574

15 Analysis of restricted funds (trustees)

	Cobham Hall and Leading Edge £	Carrier £	Other £	Total £
As at 1 April 2007	3,581,271	298,484	7,351	3,887,106
Donations	0	0	21,500	21,500
Revaluation in the year	88,584	6,925	363	95,872
Utilised in the year – depreciation	(85,262)	(36,160)	(5,060)	(126,482)
As at 31 March 2008	3,584,593	269,249	24,154	3,877,996

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 2007	786,009	113,858	899,867
Movement in the year	87,320	18,449	105,769
As at 31 March 2008	873,329	132,307	1,005,636

17 Capital commitments

There were no capital commitments as at 31 March 2008 (2007 – £nil).

18 Operating lease commitments

The museum has the following commitments in respect of operating leases

	Motor vehicle 2008 £	Other equipment 2008 £	Total 2008 £	Total 2007 £
Expiring in one year	2,229	0	2,229	3,237
Expiring in one to five years	3,008	0	3,008	2,229
	5,237	0	5,237	5,466

19 Auditor's remuneration

	2008 £	2007 £
Comptroller & Auditor General – Audit fee	7,850	7,800

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

	2008	2007
Admission numbers	115,157	97,388
Ratio of self generated income to Grant-in-Aid	3.04	3.72*
Grant-in-Aid subsidy per admission	£5.35	£6.16
Number of pre-booked educational parties	395	412
Total educational visitors	13,683	14,191
Research enquiries received and answered	356	641

* The prior year's ratio of self generated income to Grant-in-Aid reflected a significant donation of £675,641 (including related Gift Aid). Without the donation, the ratio for 2007 would have been 2.59, which the Trustees believe is more comparable to the ratio for the year under review.

21 Taxation

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

22 Provisions

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

	2008	2007
	£	£
Retained costs	60,000	60,000

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

	Unrestricted Funds 2008 £	Restricted Funds 2008 £	Restricted Grant in Aid 2008 £	Total Funds 2008 £	Total Funds 2007 £
Surplus/(deficit) for year	201,345	(92,430)	(41,885)	67,030	600,372
Interest received	(25,153)	0	0	(25,153)	(3,897)
Operating surplus/(deficit)	176,192	(92,430)	(41,885)	41,877	596,475
Loss/(profit) on sale of fixed assets	4	0	0	4	(150)
Depreciation and amounts written off	212,274	113,930	26,988	353,192	335,802
Notional cost of capital	0	0	33,346	33,346	31,107
Movement in debtors	295,076	0	0	295,076	(547,104)
Movement in stock	(24,362)	0	0	(24,362)	2,121
Movement in creditors	(2,354)	0	(1,150)	(3,504)	(2,829)
	656,830	21,500	17,299	695,629	415,422

b Reconciliation of cash movements

At 1 April 2007	296,786	(366,170)	112,188	42,804	(54,809)
At 31 March 2008	582,165	(365,543)	129,487	346,109	42,804
Movement in year	285,379	627	17,299	303,305	97,613

c Reconciliation of net cashflow to movement in net funds

	Total funds 2008 £	Total funds 2007 £
Increase in cash	303,305	97,613
Cash used to increase liquid resources	300,000	200,000
Movement in net funds	603,305	297,613
Net funds/(debt) at 1 April	242,804	(54,809)
Net funds at 31 March	846,109	242,804

d Analysis of net debt

	At 31 March 2007 £	Cashflow £	Non-cash changes £	At 31 March 2008 £
Cash at bank	42,804	303,305	0	346,109
Current asset investments	200,000	300,000	0	500,000
	242,804	603,305	0	846,109

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