

Royal Air Force Museum Account 2012-13

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Administrative information

Address of the charity

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

Registered charity number

244708

Names and addresses of other relevant organisations:

Auditor

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

Solicitors

Devonshires
30 Finsbury Circus
London
EC2M 7DT

Bankers

Barclays Bank Plc
PO Box 12820
Whetstone
London
N20 0WE

Foreword

Objects

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

- the history and traditions of the Royal Air Force, and
- the role of the Royal Air Force in relation to the armed forces of the realm, other air forces and aviation generally, in particular, but not exclusively, by collecting, conserving, preserving, managing, exhibiting and storing documents, items, artefacts and other materials in the collection.

The ambition of the Museum is to ensure that the Royal Air Force story endures and enriches future generations.

Governance Statement

This Governance Statement sets out the arrangements for the governance of the Museum, including the board and committee structure for the Trustees. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Chairman of the Board of Trustees and Accounting Officer previously contained in the Statement on Internal Control.

The Governance Framework

The Royal Air Force Museum is a charity registered with the Charity Commission (registration number 244708) governed in accordance with a Deed of Trust dated 4 June 2007.

The Museum is an accredited national museum and Non-Departmental Public Body obliged to comply with HM Treasury financial reporting requirements set out in the Financial Reporting Manual and the guidance contained in Managing Public Money. There is a Financial Framework document in place which defines the arrangements between the Museum and its sponsor branch, the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure. This Framework was revised in 2010.

The Trustees and the Committee Structure

The Royal Air Force Museum is governed by a Board of Trustees under the chairmanship of Air Chief Marshal Sir Glenn Torpy GCB CBE DSO (Air Chief Marshall Sir John Day KCB OBE until 23 September 2012). The Charities Act 2011 requires the Trustees to exercise proper stewardship over the Museum and to take care of its collections.

The Director General of the Museum is the Accounting Officer responsible to Parliament for the day-to-day management of the Museum as set out in Chapter 3 of Managing Public Money.

Trustees are appointed by the Secretary of State for Defence in accordance with the provisions of the public appointments process set out in Office of the Commissioner of Public Appointments Code of Practice. They are appointed for a term of five years and can be appointed for a second term of equivalent length. The Board of Trustees may appoint up to three additional co-opted Trustees to serve on the Board and both co-opted Trustees and other individuals may serve on specific sub-committees to supplement the experience of main Board members.

The Trustees receive induction training under the direction of the Director General and are encouraged to familiarise themselves with the Museum's operations through work in sub-committees where they are supported by the Museum's other Directors.

The following individuals served as Trustees during 2012-2013. The figure in parenthesis is the number of Full Board meetings attended.

Chairman	Air Chief Marshall Sir Glenn Torpy GCB CBE DSO BSC (Eng) FRAeS FCGI (App't 05.07.11) (3)	Chairman and Non-Executive Director and Chairman of Royal Air Force Museum Enterprises Ltd & Royal Air Force Museum Investments Ltd
	Air Chief Marshal Sir John Day KCB OBE (Retired 29.09.12) (2)	Chairman and Non-Executive Director and Chairman of Royal Air Force Museum Enterprises Ltd & Royal Air Force Museum Investment Limited
Members	Viscount Chelsea (Retired 15.12.12) (0)	Member Fund Raising Committee, Member Development Committee
	Ms Jane Middleton MSc FCCA FRAeS (Retired 29.09.12) (2)	Member Audit Committee
	Mr Malcolm White OBE FRAeS (Co-opted 24.09.12) (3)	Member Fundraising Committee, Chairman Development Committee
	Mr Brendan Connor (Appt'd 24.08.05) (3)	Chairman Remuneration Committee, Member Fundraising Committee, Member Finance Committee, Director Royal Air Force Museum Enterprises Limited
	Mr Gerry Grimstone (Appt'd 09.12.08) (3)	Chairman Audit Committee
	Mr John Michaelson (Appt'd 09.12.08) (3)	Member Fundraising Committee
	Mr Tom O'Leary (Resigned 31.08.12) (0)	Chairman Education & Research Committee
	Mr Robin Southwell (3) (Appt'd 09.12.08)	Member Development Committee, Member Fundraising Committee
	Mr Alan Spence (Appt'd 09.12.08) (4)	Chairman Fundraising Committee
	The Rt Hon Lord Hutton of Furness PC (Appt'd 05.07.11) (0)	Member Education Committee
	Mr Michael Schindler (Appt'd 05.07.11) (4)	Member Finance Committee, Member Development Committee
	Mr Andrew Reid (Appt'd 05.07.11) (4)	Member Audit Committee, Member Development Committee
	Mr Richard Holman FCA (Appt'd 05.07.11) (3)	Chairman Finance Committee

Register of Interests

A register of Trustees' interests is maintained. Trustees are required to declare the fact that if they have an interest, pecuniary or otherwise, in any matter being considered by the Board. In this period no such interests were declared.

The Board of Trustees Sub-Committees

The Trustees have established a number of sub-committees for specific purposes and to ensure the effective conduct of business. These are Audit, Finance, Development, Fund Raising, Education & Research and Remuneration. During the year the Museum established an Academic Research Board under the chairmanship of Professor Richard Overy – this Board will replace the Education and Research Committee (see page 9).

The terms of reference of each of these sub-committees have been approved by the Full Board and, where it is practical, Trustees do not sit on more than two sub-committees. During 2012-13 the Audit Committee met twice, the Finance Committee four times and the Education & Research Committee on two occasions. The Development Committee met more frequently owing to the close relationship of its work with the progress of the HLF bid to support major development of the London site and to create Master Plans for both public sites (London and Cosford). There were no meetings of the Remuneration Committee (which specifically deals with the salaries of the Museum's Directors) or the Fund Raising Committee during the period. Minutes of all Board and sub-committee meetings are maintained and the attendance of Trustees is recorded therein.

The Trustees have established two subsidiary companies, the shares of which are held by or on behalf of the Trustees although the decisions taken by these companies remain primarily their responsibility. The Board of Royal Air Force Museum Enterprises Ltd includes two independent non-executive Directors.

The Board of Trustees' Performance

The principal achievements of the Museum during the year are highlighted elsewhere in these Financial Statements, but the Director General also reports on annual performance to the Chief of the Air Staff under the terms of a Partnering Agreement with the Royal Air Force. This performance is also reported to the Full Board of Trustees.

Sub-committee minutes are circulated to all Trustees with routine papers for the quarterly meetings of the Full Board and sub-committee chairmen highlight any matters of particular concern for the attention of the Full Board.

There is a wide range of information and data (financial and otherwise) routinely available to Trustees, including management accounts (monthly to the Finance Committee and quarterly to the Full Board). Since 2009, the Finance Committee has worked closely with the Director Corporate Services and the Head of Finance to refine the financial information supplied to Trustees and the Board is now satisfied that the information is available both on time and in a format which enables the Board of Trustees to exercise proper oversight of the Museum.

Internal Auditors

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

The Museum has a Risk Register to support its management of risk and this is used to identify the work to be undertaken by the internal auditors. The work programme is signed-off by the Trustees' Audit Committee and the report of the internal auditors is received by that same sub-committee.

In 2012-13 the programme consisted of follow-up work on collections management, the risk of IT data loss and senior management resilience and the findings contained in the three respective reports have been addressed. There were no recorded instances of data loss during the year. The programme also looked at the system of cross-charging between the Museum and its trading subsidiary.

The risks contained in the Risk Register have also been taken into account in the development of the Museum's strategic direction (through a process of cross-referencing between the specific risks and the principal strategic objectives) thereby mitigating some or all of those risks. The future internal audit programme will look at the remaining risks which include the insufficiency of funding in the form of Grant-in-Aid. This risk represents a constant challenge to the Museum and, indeed, could put at risk delivery of the standards expected of the Accounting Officer. The Director Corporate Services retains overall responsibility for the key control systems of the Museum and he supports directly the work of the Audit and Finance Committees.

The internal auditors also provide an annual statement of assurance to the Accounting Officer and the Board of Trustees on the work performed in the year. The auditors reported as follows: "Overall, the issues identified from our audit work do not enable us to provide a positive reasonable, but limited assurance on the overall adequacy and effectiveness of the RAF Museum's risk management, control and governance processes during 2012-13. Whilst this is the case, we consider assured that the ongoing risks and issues faced are being progressively addressed with an appropriate reporting mechanism to the Audit Committee".

External Auditors

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

Risk Management

In addition to the above, the management of risk is strengthened through the assurance process adopted in 2011-12 for internal control and assurance purposes. Directors with specific responsibility for governance, business planning, risk management, financial management, human resources, health & safety, IT, projects and procurement are required to provide written assurances at the beginning and end of each financial year to confirm that risks have been identified, assigned to individuals and properly managed in accordance with any relevant guidelines. These assurances are reported to the Audit Committee. We are both satisfied that the Royal Air Force Museum's system of internal control is effective and complies with Treasury Guidance.

The Museum's Risk Register has been distilled under the guidance of the Audit Committee and now focuses on the key risks posed to the Museum. These risks are assessed in terms of likelihood of occurrence and their potential impact. Appropriate mitigation activity is identified and recorded. With risks of an inevitable nature, the Museum has developed contingency plans, some of which are in need of revision. The Audit Committee requested an updating of the Risk Register in 2012.

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

Risk	Likelihood of Occurrence	Potential Impact	Notes	Mitigating Action
1 Insufficient Funding	Likely	Major to Severe	Trustees fully apprised	The Museum has prepared a Transformation Plan (with different business model) and two Master Plans
2 Difficulty of Replacing Key Curatorial Staff	Likely	Major to Severe	Applies to senior postholders, in particular	Investment in Training Increased and dedicated Training Officer appointed
3 Inability to Acquire and Sustain a Comprehensive Collection	Likely	Moderate	Trustees fully apprised	Partnering Agreement with RAF and development proposals. Collections Audit in 2011-12 and Follow-up in 2012-13
4 Damage from Flood, Fire, Terrorist Incident or Catastrophic H&S Failure	Possible	Moderate to Major	No fire suppression for majority of Cosford buildings/ flooding has occurred in London	Bids for additional finance to MOD, steps taken to reduce flood damage in London
5 Loss of Data from Museum's IT systems	Possible	Moderate	Non-specific	Full audit in 2011-12 – recommendations being applied. Follow-Up audit in 2012-13
6 Lack of Senior Management Resilience and Capacity	Possible	Major	Trustees fully apprised	Subject of internal audit report in 2011-12 and Follow-Up in 2012-13

The Board's Statement of Assurance

We have responsibility, on behalf of the Full Board of Trustees, for the overall effectiveness of the Museum's governance arrangements and their compliance with Corporate Governance in Central Government Departments Code of Practice 2011 so far as this may be seen to apply to an 'Arms-Length Body' (as defined in Managing Public Money). The Trustees will review the Museums pay arrangements in the light of the pay remit issues identified in the C&AG report and disclosed in the Museum's remuneration report.

We are both satisfied that these arrangements have proved effective for the financial year 2012-13 subject of these Financial Statements.

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees

8 July 2013

Mr Peter Dye OBE
Director General
Royal Air Force Museum

8 July 2013

Objectives and activities; achievements and performance

Review of the Year

The Museum has had another successful year and its achievements should continue to be set against a background of a falling level of Grant-in Aid (when measured in real terms). Efficiency programmes have reduced operating overheads and new income streams have been identified and exploited as part of the expanded commercial programme. At the same time, a new fundraising strategy has been the basis for considerable success in securing sponsorship funds to support exhibitions, collections and curatorial staff. It has to be acknowledged that the Museum has been less successful in securing major capital investment (particularly with the failure of the major Heritage Lottery Fund bid), but the Museum did secure a 'first round pass' from the HLF for its World War I exhibition application.

Support to the Royal Air Force remains central to the Museum's strategy and, following a review of this strategy, the Trustees set the new ambition of 'ensuring that the Royal Air Force story endures and enriches future generations' and this will lead to the development of a new corporate plan to take the Museum forward to the RAF's centenary in 2018. The Trustees have now completed Master Plans for both public sites and have commenced work to look at the potential for acquiring the freehold at Cosford. A separate aim has been the intention to represent contemporary RAF operations in the Museum displays although this initiative is in its early stages and is proving difficult to bring to fruition.

On the international stage, the Museum has continued to work through its American Foundation to sustain its relationship with the United States Air Force. The apprenticeship exchange programme is now well-established and there have been other work-exchanges (for example, with the Smithsonian Museum). Strong links have been established in the Middle East (with Kuwait and the UAE) to exploit the shared aviation history, all with support at ambassadorial level. The Museum loaned a Spitfire PR.XIX to the British Embassy in Kuwait and it has been exhibited at several venues as part of a collaborative project between the Museum, the Embassy and the Kuwait House of National Works.

These Statements set out more detail of these achievements below, but the story remains one of continuing success. The Museum has retained free access to its public sites and customer satisfaction ratings remain very high. The number of recorded visitors is close to 500,000 annually and there are ever increasing numbers of virtual visitors and school groups and students, but the Museum is not complacent and uppermost among the concerns of Trustees is the requirement to develop a business model which will secure this success into the future.

Education

This year saw a rise of just over 10 per cent in the number of visits by school children, Scouts and other uniformed groups – when the accompanying adults are included the annual total was 62,287. Some of these groups welcome the opportunity to complete their Air Activities or Air Researcher badges and badge presentation ceremonies alongside the Avro Lancaster are extremely well received.

The schools programme has continued to grow. One of the most popular sessions is the 'Life as a Child in World War II', the period classrooms and Home Front room creating the desired atmosphere and also giving an opportunity to see and touch artefacts from that time. A new hangar and based activity has been introduced for families with young children entitled 'Little Swifts'.

The Museum outreach programme is broad and diverse audiences have included dementia groups, other museum groups and a wide range of evening groups from whom there is a constant demand.

Work has commenced to develop ideas and activities to support the centenary of the Great War in 2014. This is an exciting and challenging project which gives a range of opportunities for staff development.

Exhibitions

In London the exhibition on sport in the RAF 'Athletes and Olympians' – opened in March 2012 – continued in the Temporary Exhibitions Gallery, while the art gallery hosted an exhibition 'Fresh Air' featuring the work of the contemporary artist David Bent.

The centenary of the formation of the Royal Flying Corps in 1912 was marked by the creation of displays in the Grahame White factory. Work has begun on planning a major exhibition in the building, taking the story forward to the First World War. The 'Great War in the Air' will cover the development of airpower, explaining the varied roles played by the flying services, and with an emphasis on human stories reflecting the contributions made by personnel. An application to the Heritage Lottery Fund has brought Stage 1 funding to enable the preparation of a Stage 2 bid, due to be submitted in November 2013.

A major anniversary in 2013 – the Dams Raid of 16-17 May 1943 – will be marked by a temporary exhibition featuring material from the Museum's archive and photographic collections. Photographs were also provided for the Museum's 2013 calendar, marking 70 years since the formation of 617 Squadron and the Dams Raid. Further images were provided for the catalogue of the museum's aircraft which is due to be published in 2013.

Cosford mounted three temporary exhibitions during the year. The 60th anniversary of the first commercial jet flight was marked by an exhibition alongside the Museum's Comet, the only surviving Comet 1. The exhibition included photographs, log books and airline memorabilia with key facts and figures on the Comet's chequered history and archive film footage showing Comet route and proving flights in Africa during 1951-52.

A temporary exhibition by members of the Professional Cartoonists' Association entitled 'Flights of Fancy', mounted at Cosford in August, featured a collection of 75 original artworks and limited edition prints from renowned cartoonists on the theme of Flight. Later in the year the Cosford site opened a temporary exhibition on "Nose Art" – decoration applied to aircraft by their air or ground crews to personalise them – which was well received and attracted publicity in national newspapers.

Visitor Numbers

In 2012-13, the Museum recorded a fall of 14 per cent in the number of visitors to the London site at 224,558. Despite this, the growth in the so-called 'secondary spend' continued, retail sales and catering takings accounting for much of this. There is a possibility that the visitor numbers in London are unreliable (not all visitors being recorded) and external research has been undertaken to establish the true position. Conversely, the number of recorded visitors to Cosford showed an increase of 13 per cent to 312,054 (if the Air Show is included). The visit of Her Majesty the Queen to the site in July 2012, as part of the Jubilee celebrations, raised the profile of Cosford both locally and nationally.

In July 2012 the Museum re-launched its main website. By the end of the year total visits to the site were recorded at 1,002,965, just slightly below the 2011-12 figure. Visitors spent over 52,000 hours reading 4.8 million pages of information. Already it is probable that more people are accessing websites through hand-held devices and the Museum is developing a mobile phone application.

The Museum's social media channels are continuing to grow and there were 8,230 Facebook Fans for London by the end of March 2013 (almost double the 2011-12 figure) and 2,760 for Cosford (about 75 per cent more than by the end of the previous year). The Museum's Twitter Feed and viewings via YouTube also showed very significant growth.

Information and public access

The Department of Research & Information Services handled 3266 written enquiries, slightly lower than the previous year's figure, but telephone enquiries rose from 1991 to 2077. Use of the Reading Room for research increased again, from 630 readers in 2011-12 to 644.

As part of the preparation for the First World War centenary, curators selected a sample of 100 objects from the Museum's collections and invited members of the public to vote for, debate and explain which objects should be given greatest prominence in the Museum's new exhibition.

Requests for images come from a variety of sources, including media companies, publishers and researchers. The Photographic Section continues to support the museum's product licencing scheme, as well as its publication programme and assistance is provided for many other museum activities, including publicity and fundraising. The licencing of images for commercial use is now administered by the museum's trading company.

The Museum intends to raise its profile among the academic community and an Academic Research Board has been formed, comprising a number of senior university staff involved in airpower and materials science, to encourage the use of the Museum's collections for research. A seminar entitled 'Airpower & Archives', arranged jointly with the University of Exeter, was held at the London site on 22 March and attracted an audience from a range of institutions, as well as people with a personal interest in air power history.

In April 2012 the book "RAF Hendon; Birthplace of Aerial Power" by Andrew Renwick (Museum Curator) was published.

Collection and Management of Heritage Assets

During the year the Museum's plans to raise a Dornier Do 17 bomber – shot down during the Battle of Britain – from the Goodwin Sands progressed and the aircraft was finally raised in June 2013 (outside this reporting period). It has been transferred to the restoration centre at Cosford where the metal will be stabilised with the help of scientists from Imperial College London.

Also in 2012 the Museum undertook a joint project with Kennet Aviation to recover RAF Kittyhawk ET574 from the Egyptian desert in exchange for one the Spitfires from the Museum's collection. The aircraft has been successfully retrieved and is presently in secure storage.

The Boulton Paul Defiant returned to Hendon in December 2012 after restoration and is once again on display in the Battle of Britain Hall.

Significant acquisitions during the year included:

- a carved decorative mount from the Grahame-White factory building;
- a reproduction Albatros DVa and Royal Aircraft Factory RE8;
- a Sopwith Snipe reconstruction with many original parts;
- a Comet 1 skin panel showing fatigue cracks and failure points;
- a collection of photographic prints and postcards showing activities at Farnborough before the First World War;
- Digital images relating to the service of Flt Lt Jonathan Arvind Singh DFC during Operation Herrick; and
- A framed print of Claude Grahame-White, originally given by his widow to the RAF Hendon Officers' Mess in 1962

Two sponsored posts have been created for work on specific collections. The Cross & Cockade Curator is funded in part by Cross and Cockade International, the First World War Historical Society. His work centres on the scanning and cataloguing of the Jack Bruce Collection, making it available to a wider audience. The Alan Cobham Curator is working on the papers and artefacts collected by Sir Alan Cobham, who served with the Royal Flying Corps before going on to a career which included pioneering long-distance flight, aerial photography, popularising aviation, and the development of in-flight refuelling.

During the year 12,226 object records were added to the Museum's computerised Collections Management System, while work continued to build an inventory of unaccessioned collections with 54,152 object records created. The work is currently scheduled for completion in 2015 as a preliminary to collection review and rationalisation.

Online access to the Museum's collections is provided through Navigator and Collection on Flickr. The Flickr site received 181,568 views and over 50,000 votes were cast by visitors to 100 First Air War Objects – a survey on Flickr and Pinterest to ascertain wider audience demand in preparation for the Museum's First World War exhibition development.

In March the Museum's first wireless environmental monitoring system was installed at the London site. The system, which will greatly improve the efficiency of data collection and collation, will eventually be rolled out at the Cosford and Stafford sites.

A major project to digitise First World War RFC, RNAS and RAF personnel records has resulted in the digitisation of over 290,000 records, including some 55,000 Casualty Cards. The aim is to make the records publicly available through a website in 2014 in order to preserve the original material, provide access for research and, through crowdsourcing, to enhance the existing indexes.

Future Plans

During 2012 the Trustees re-visited the overall strategy of the Museum and set an overall ambition which emphasises the importance of the RAF story and the Museum's support for the Royal Air Force. Master Plans were created for both public sites and a change in the business model was sought principally through the Transformation Project for the London site, subject of a major bid to the Heritage Lottery Fund. This bid was unsuccessful, but the work which has been completed will set the parameters for the future direction of the Museum in the run-up to the centenary of the Royal Air Force in 2018.

A Corporate Plan is being written to enable the detailed work which will support this direction. Presently, the initiatives include looking at the case for acquiring the freehold of the Cosford site, expanding the footprint there and Listing of the estate assets. It is also intended to vacate Stafford (where the reserve collection is stored) and to transfer the artefacts to Cosford at the earliest cost effective opportunity. In London, in the light of the unsuccessful HLF bid, the various options for development are being re-evaluated as these Statements are prepared.

Work on the Corporate Plan is being complemented with an examination of the Museum's organisational structure. At a senior level significant financial savings have been made through a reduction in the number of directors, but further adjustments may prove necessary as the Museum seeks to achieve its agreed outputs. Fundraising is also receiving attention as the organisation looks to maximise the level of income derived from non-GIA sources, particularly from the realisation of any opportunities arising from the strong links which have been established in the Middle East.

In the immediate future attention will focus on the creation of an attractive World War I exhibition and working alongside the RAF in the approach to its centenary. The work involved will be challenging given the timescales in each case and the level of funding presently available to the Museum.

Financial Review

Statement of Financial Activities

Income: The Museum received £8,170,000 of Grant in Aid (2012: £7,741,000). Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £2,105,659 (2012: £1,992,131) (SOFA). Total Incoming Resources amounted to £12,177,791 (2012: £10,876,158) (SOFA).

Resources Expended: The total of resources expended amounted to £12,165,886 (2012: £11,668,602 (note 18)). The majority of costs, including the costs of salaries, are in respect of charitable activities.

After adjustment for recognised gains totalling £674,772 (2012: £1,167,747), the net movement of funds for the year was an increase of £686,677 (2012: £375,303). (SOFA)

Balance Sheet

The value of the group net assets has increased during the year, and now stands at £62,624,785 at the Year End (2012: £61,938,108) (Consolidated Balance Sheet).

Income and Costs of Generating Funds

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

Trading Company: Any non-charitable activities are undertaken by RAF Museum Enterprises Ltd, a wholly owned subsidiary of the Trustees. The company produced a turnover of £2,105,659 (2012: £1,992,131) (Note 4b) and the associated costs of trading were £2,029,729 (2012: £1,997,992) (Note 4b). During the year, a number of Museum staff and other resources were utilised in furtherance of those activities resulting in a cross charge amounting to £287,368 (2012: £325,336) being paid to the Museum. The outstanding balance this year in respect of the Gift Aid which replaced Covenanted Profit is £50,000 (2012: nil) (Note 11).

Donations: During the year, a total of £1,467,127 (2012: £657,794) (Note 3) was received by way of general donations to the work of the Museum. These were given by members of the public, legacies and amounts provided by companies associated with the aerospace industry. The figure includes a number of heritage assets valued at £1,210,601 (2012: £307,700) (Note 3), which the Museum also received during the year.

Friends of the RAF Museum: This organisation is independent, but supportive of the Museum's aims and activities. The sum of £ 25,000 (2012: £6,000) (Note 3) was received from the Friends of the RAF Museum.

RAF Museum American Foundation: The American Foundation was incorporated in the United States of America on the 2nd January 2002, and was granted exempt status from Federal income tax under section 501 (c) (3) of the Internal Revenue Codes on the 31 May 2002. This is an independent organisation with separate and distinct management functions, established in order to raise funds in support of the work of the RAF Museum.

Reserves Policy

As at 31 March 2013, and under the SORP 2005 guidance and analysis of funds, the level of Reserves funded by Unrestricted Funds stood at £2,436,199 (2012: £2,419,374) (Balance Sheet).

The level of charitable unrestricted funds which are readily accessible to the Trustees remains relatively low at £362,281 inclusive of designated funds of £106,884 (Note 19) (2012: £352,134) (Note 13). Nevertheless, the level of funds increased during the year, and exceeded slightly the cash reserves target of £250,000 set by the Trustees. The reserves remain insufficient to meet either the long-term development needs of the Museum or unexpected short-term demands.

Payment of Creditors

The Museum's policy, in accordance with the Government-wide standard on the payment of creditors, is to settle all undisputed bills within 30 days or in accordance with the supplier's terms of business. The Museum's actual payment performance during the year was an average of 36 days (2012: 37 days).

Investment Policy

The Trustees continually monitor levels of all the Charity's funds. Available funds are currently invested in a variety of term deposits to maximise the level of return but with minimum risk. The amounts and terms of the investments are based on the Trustees' opinion of the immediate and future needs of the Museum and the Chairman of the Finance Committee reviewed the principal deposits during 2012-13.

Remuneration Report

This section has been subject to audit.

The Museum made an in-year pay award to employees through the Pay Remit process applicable to Non-Departmental Public Bodies based on market data supplied by Croner Rewards Ltd in accordance with established practice. An element of the pay award (£66k) was not strictly consistent with the requirements of the 2013 Civil Service Pay Guidance, although the Museum considered that the ministerial approval covered the operation of the Croner system pay rises. As a consequence of this the C&AG has qualified his regularity opinion on the Museum's statements.

Directors

Name	Salary	Performance pay	Real increase in pension and Lump Sum	Total accrued pension at age 60 at 31/03/12 and related lump sum	CETV at 31/03/12 (nearest £000)	CETV at 31/12/12 (nearest £000)	Real increase in CETV *as funded by employer
	£000	£000	£000	£000			£000
Mr Peter Dye	95-100 (90-95)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Mr John Kitchen	75-80 (75-80)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Mr Keith Ifould *	35-40 (75-80)	0-5 (0-5)	0-2.5 Lump Sum 0-2.5	15-20 Lump Sum 5-10	240	263	17

Prior year salary figures are shown in brackets.

*Mr Keith Ifould's salary is shown for the period of 9 months until 31 December 2012 – the date of leaving the Museum's employment.

None of the directors received any benefits in kind. Mr Peter Dye and Mr John Kitchen were not members of the PCSPS and the Museum did not fund any pension contributions for them in 2012-13.

All the directors have contracts of employment carrying a period of notice of three months.

Besides the above listed directors, there are no other employees whose emoluments for the year exceeded £60,000

The remuneration ratio in the Museum is 4.95 (2012: 4.69) – this represents the pay of the highest paid director as a multiple of the median pay award (the median salary is £19,552). This is a direct consequence of the application of the Museum pay system which is based upon data supplied by Croner Rewards Ltd. The same data is used to determine the salaries of the Directors and any performance awards are made under the Museum appraisal-linked system which applies to all staff. The Directors are all full-time employees employed on standard terms and conditions.

The Board of Trustees comprised 11 members, including one co-opted trustee none of whom were full time employees of the institution and they were paid £1,933 in reimbursed expenses. (2012: £2,444)

Sickness absence

The Royal Air Force Museum employed 182 members of staff as at 31 March 2013. During the year there were approximately 1,671 full days lost to sick absence. Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 9 days per person. Long term absences have been excluded.

Pension Costs and Benefits

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

For 2012-13, employers' contributions of £197,809 were payable (2011-12: £206,202).

The applicable rates for the pension scheme are shown below:

Scheme	Class of member		2012-13
PCSPS	Non-industrial and Industrial Civilians	Gross Salary	Rate %
		74,501 and over	24.3
		43,501 – 74,500	21.8
		21,001– 43,500	18.8
		Up to 21,000	16.7

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme. Pension benefits are provided through the Civil Service pension arrangements in place prior to 30 July 2007, with the unfunded cost of benefits met by monies voted by Parliament each year.

Further details about the Civil Service pension arrangements can be found at the website: www.civilservice.gov.uk/pensions

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in a former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of the purchase of additional years of pension service in the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies). The fee for the audit of the Group 2012-13 accounts was £20,750 (2011-12: £20,000).

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

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

Personal Data Loss

The Museum has not identified any personal data related incidents during 2012-13 or in the previous 5 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if related, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

Environmental Policy

The Museum has a number of initiatives in place which underpin the creation of a more sustainable and environmentally friendly organisation. These include energy conservation measures (for example the increased use of LED lighting), a comprehensive recycling programme and new building construction which is consistent with reducing the Museum's carbon footprint.

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees

8 July 2013

Mr Peter Dye OBE
Director General
Royal Air Force Museum

8 July 2013

Statement of Board of Trustees' and Director General's Responsibilities

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

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

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

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

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

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees

8 July 2013

Mr Peter Dye OBE
Director General
Royal Air Force Museum

8 July 2013

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

I certify that I have audited the financial statements of the Royal Air Force Museum and its Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Director General and Auditor

As explained more fully in the Statement of the Board of Trustees' and Director General's responsibilities, the Trustees and Director General as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Royal Air Force Museum's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Royal Air Force Museum; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

HM Treasury's Civil Service Pay Guidance sets out the details of the 'pay remit process' and other pay setting arrangements for civil servants throughout the civil service, including Non-Departmental Public Bodies.

As explained in the attached report, the Royal Air Force Museum awarded pay increases to staff that totalled £66,000 more than the amount approved in the pay remit.

I have concluded that this expenditure is not in conformity with the authorities which govern it and is, therefore, irregular.

Qualified opinion on regularity

In my opinion, except for the payments made in respect of pay increases awarded to employees in excess of the approved amount, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Further details of the reasons for my qualified opinion on regularity can be found in my report on pages 20 to 21.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Royal Air Force Museum's and the Group's affairs as at 31 March 2013 and of the incoming resources and application of resources of the Group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions made by HM Treasury; and
- the information given in the sections entitled 'Objectives and Activities; Achievements and Performance' and 'Financial Review' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller & Auditor General

16 July 2013

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

Report of the Comptroller and Auditor General to the Houses of Parliament on the Royal Air Force Museum Accounts 2012-13

Introduction

The Royal Air Force Museum (RAF Museum) is an executive Non-Departmental Public Body of the Ministry of Defence, and was established in 1963 and registered as a charity in 1965. The RAF Museum's main purposes are to preserve material records of the Royal Flying Corps, the Royal Naval Air Service, the Royal Air Force and aviation generally, and the promotion of and research into these organisations.

The Board of Trustees and Director General as Accounting Officer are responsible for the preparation of the financial statements under the Charities Act 2011. I audit the financial statements of the Royal Air Force Museum and Group under the Government Resources and Accounts Act 2000. The consolidated financial statements include the charity and its wholly owned subsidiaries, the Royal Air Force Museum Enterprises Ltd and the Royal Air Force Museum Investments Ltd.

The purpose of my report

The purpose of this Report is to explain the regularity qualification of my audit opinion in respect of the annual pay award, and to note the steps taken in respect of this matter by the Board of Trustees and the Director General.

Qualified audit opinion arising from irregular expenditure on pay

HM Treasury's Civil Service Pay Guidance¹ sets out the details of the 'pay remit process' and other pay setting arrangements for civil servants throughout the civil service, including Non-Departmental Public Bodies.

The RAF Museum applied the two year pay freeze for public sector workforces, for those earning above the full-time equivalent of £21,000 per annum, announced by the Government at the Emergency Budget in June 2010², for 2010-11 and 2011-12.

The Civil Service Pay Guidance 2012-13 established that public sector pay awards will average at one per cent for the two years following the pay freeze; this covers all elements which increase pay bill costs except employer NICs and employer pension contributions. The Museum has had delegated responsibility for its pay arrangements since 2000, but agrees a pay remit with the Ministry of Defence on an annual basis.

The Ministry of Defence as the Sponsoring Department approved a pay remit for a 1 per cent increase for all Museum staff, in line with Treasury guidance, at an estimated cost of £50,000. In addition, the RAF Museum reviewed all salary levels at August 2012 against the comparator median market pay rates. Where salary levels (including the 1 per cent increase) were below the August 2012 median rate, the RAF Museum applied an uplift to salaries of 67 per cent of the differential. The combined impact of this median uplift and the 1 per cent increase was to increase staff costs by £116,000 in 2012-13. This is £66,000 more than the £50,000 permitted in the pay remit. The Museum has reported in its Remuneration Report (page 14) it had incorrectly assumed that the ministerial approval covered the operation of the market comparator pay rises in addition to the approved remit.

The amount paid in excess of the approved Pay Remit does not have the appropriate authorities under the delegation framework; consequently £66,000 of payroll expenditure does not have the necessary approval and is deemed to be irregular. I have therefore qualified my audit opinion on regularity.

¹ *Civil Service pay guidance 2012-13*, HM Treasury, March 2012.

² *Budget 2010*, HM Treasury, June 2010.

Actions of the Board of Trustees and Director General

The Museum and its Board of Trustees will review the pay increases for 2013-14 and the overall remuneration approval process, this will be conducted with liaison with the appropriate staff within the Ministry of Defence to ensure that appropriate authorities for future increases are obtained.

Amyas C E Morse
Comptroller & Auditor General

16 July 2013

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

Consolidated Statement of Financial Activities for the year ended 31 March 2013

	Notes	Unrestricted Funds 2013 £	Grant in Aid Funds 2013 £	Restricted Funds 2013 £	Total Funds 2013 £	Total Funds 2012 £
Incoming resources						
Incoming resources from generated funds						
		-	7,826,000	-	7,826,000	7,632,000
		-	109,000	-	109,000	109,000
		-	235,000	-	235,000	-
	3	52,201	-	1,414,926	1,467,127	657,794
		50,550	-	-	50,550	94,663
		349,269	-	12,500	361,769	367,127
	4b	2,105,659	-	-	2,105,659	1,992,131
		2,660	113	19,913	22,686	23,443
Total incoming resources		2,560,339	8,170,113	1,447,339	12,177,791	10,876,158
Resources Expended						
Costs of generating funds:						
	5	485,906	-	-	485,906	617,525
	4b	2,029,729	-	-	2,029,729	1,997,992
		2,515,635	-	-	2,515,635	2,615,517
Net incoming resources available for charity application		44,704	8,170,113	1,447,339	9,662,156	8,260,641
Charitable activities:						
	6a	73,864	8,848,985	583,563	9,506,412	8,936,924
		-	4,246	-	4,246	4,019
	5	-	117,618	21,975	139,593	112,142
Total resources expended		73,864	8,970,849	605,538	9,650,251	9,053,085
Net (outgoing)/incoming resources for the year		(29,160)	(800,736)	841,801	11,905	(792,444)
Gains and losses on revaluations of fixed assets for the charity's own use		72,198	310,291	273,571	656,060	1,169,558
Gains and losses on revaluations and disposals of investment assets		(190)	-	18,902	18,712	(1,811)
Net movement in funds		42,848	(490,445)	1,134,274	686,677	375,303
Funds b/fwd at 1 April 2012		2,314,493	41,991,339	17,632,276	61,938,108	61,562,805
Funds c/fwd at 31 March 2013		2,357,341	41,500,894	18,766,550	62,624,785	61,938,108

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

The notes on pages 25 to 42 form part of these financial statements.

Consolidated Balance Sheet for the year ended 31 March 2013

	Notes	Group 2013 £	Group 2012 £	Charity 2013 £	Charity 2012 £
Fixed assets					
Tangible assets (Excluding Heritage Assets)	9	40,781,754	41,423,476	40,722,154	41,356,109
Heritage Assets	9	20,152,140	18,883,444	20,152,140	18,883,444
Investments	4a	–	–	100,002	100,002
Total Fixed Assets		<u>60,933,894</u>	<u>60,306,920</u>	<u>60,974,296</u>	<u>60,339,555</u>
Current assets					
Stocks	10	147,408	159,824	–	–
Debtors	11	371,454	389,275	489,253	435,833
Investments	12	383,049	357,337	383,049	357,337
Cash at bank	13	1,892,782	1,698,317	1,738,429	1,627,860
Total Current Assets		<u>2,794,693</u>	<u>2,604,753</u>	<u>2,610,731</u>	<u>2,421,030</u>
Creditors					
Amounts falling due within one year	14	(1,103,802)	(973,565)	(881,384)	(717,596)
Net Current Assets		<u>1,690,891</u>	<u>1,631,188</u>	<u>1,729,347</u>	<u>1,703,434</u>
Net Assets/Liabilities		<u>62,624,785</u>	<u>61,938,108</u>	<u>62,703,643</u>	<u>62,042,989</u>
Reserves					
	18/19				
Unrestricted funds		2,357,341	2,314,493	2,436,199	2,419,374
Grant in Aid Operating account		39,847,494	40,442,806	39,847,494	40,442,806
Grant in Aid exhibits reserve		1,653,400	1,548,533	1,653,400	1,548,533
Other restricted funds		18,766,550	17,632,276	18,766,550	17,632,276
		<u>62,624,785</u>	<u>61,938,108</u>	<u>62,703,643</u>	<u>62,042,989</u>

Approved by the Board of Trustees on 8 July 2012 and signed on its behalf by

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

Mr Peter Dye
Director General
Royal Air Force Museum

The notes on pages 25 to 42 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 March 2013

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

	Restricted Funds				Total Funds 2012 £
	Unrestricted Funds 2013 £	Grant in Aid Funds 2013 £	Other Funds 2013 £	Total Funds 2013 £	
Net Incoming Resources	(29,160)	(800,736)	841,801	11,905	(792,444)
Interest receivable	(2,565)	(113)	(19,913)	(22,591)	(17,930)
Interest payable	1,836	-	-	1,836	4,212
Dividends received	(95)	-	-	(95)	(5,513)
Depreciation of tangible assets	91,976	1,068,670	391,743	1,552,389	1,552,896
(Profit)/loss on disposal of assets	-	-	-	-	(1,358)
(Increase)/decrease in stocks	12,416	-	-	12,416	(7,563)
(Increase)/decrease in debtors	21,240	8,170	(11,589)	17,821	65,548
(Decrease)/increase in creditors	5,465	132,666	-	138,131	43,453
Net cash flow from operating activities	101,113	408,657	1,202,042	1,711,812	841,301
Net cash flow from operating activities	101,113	408,657	1,202,042	1,711,812	841,301
Returns on investments and servicing of finance					
Bank interest received	2,565	113	19,913	22,591	17,930
Finance charges paid	(1,834)	-	-	(1,834)	(4,212)
Dividends received	95	-	-	95	5,513
Capital expenditure					
Purchase of tangible fixed assets	-	(285,278)	(1,358,025)	(1,643,303)	(634,679)
Proceeds from disposal of tangible fixed assets	-	-	120,000	120,000	1,500
Management of liquid resources					
Purchase of current asset investments	-	-	(7,000)	(7,000)	(360,000)
Proceeds from disposal of current asset investments	-	-	-	-	3,228
Financing					
Capital element of finance lease rentals	(7,896)	-	-	(7,896)	(16,603)
Long term loan	-	-	-	-	(43,319)
(Decrease)/increase in cash in the period	94,043	123,492	(23,070)	194,465	(189,341)

The cash flow statement should be read together with note 16, which reconciles the net cash flow to the movement in net funds, and note 17, which analyses the changes in net funds.

The notes on pages 25 to 42 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2013

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention as modified by the revaluation of fixed assets.

The financial statements comply with the Statement of Recommended Practice: Accounting and Reporting by Charities ('SORP 2005') and with the Accounts Direction issued by HM Treasury.

Basis of Consolidation

Consolidated financial statements have been prepared in respect of the charity and its wholly owned subsidiaries, Royal Air Force Museum Enterprises Ltd and The Royal Air Force Museum Investments Limited. The Consolidated Statement of Financial Activities includes the results of Royal Air Force Museum Enterprises Ltd. A separate Statement of Financial Activities for the charity itself is not presented as the charity has taken advantage of the exemptions afforded by paragraph 397 of SORP 2005. The Consolidated Balance Sheet includes the net assets of Royal Air Force Museum Enterprises Ltd and Royal Air Force Museum Investments Limited on a gross basis.

The financial statements of Royal Air Force Museum Enterprises Ltd used in consolidation are those for the year to 31 March, 2013.

The Royal Air Force Museum Investments Limited was formed to hold, on behalf of the Trustees, the real property assets of the charity. In March 2005, the leasehold property was transferred to this company from the charity, and in January 2008, the freehold property followed.

Recognition of Incoming Resources

Grants (including Grant-in-Aid) are credited to incoming resources on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case, they are deferred. Voluntary income and donations are accounted for as they are received. Earned income is accounted for as it is receivable. Donations in kind are recognised at their fair value, with an equivalent charge made to resources expended.

Resources Expended

Resources expended are included in the statement of financial activities on an accruals basis, inclusive of any irrecoverable VAT.

Fundraising expenditure comprises costs incurred in inducing individuals and organisations to contribute financially to the Museum's work. This includes advertising costs and the costs of staging special events.

Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Commercial Trading Activities

Income from commercial activities is included in the period in which the group is entitled to its receipt.

Restricted and Unrestricted Funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overhead costs. Unrestricted funds are donations or other incoming resources received or generated for the charity's general purposes.

Tangible Fixed Assets

The charity's tangible fixed assets are capitalised at historic cost on acquisition, and revalued annually using indices calculated by the Defence Analytical Services and Advice (DASA). Fixed assets with a cost of less than £1,000 are not capitalised. Any gains or losses on revaluation are reported as unrealised until an asset is disposed. Depreciation is provided at rates calculated to write off the value of each asset over its expected useful life, as follows:

Freehold buildings	over 30 to 50 years
Leasehold property	over the lease term
Fixtures, fittings and equipment	3 to 5 years straight line
Plant and machinery	5 years straight line
Simulator	15 years straight line
Motor vehicles	4 years straight line
Heritage Assets	Nil

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

Exhibition costs

Long term exhibition equipment is capitalised as a fixed asset. Temporary exhibition costs are written off as resources expended in the year they are incurred.

Heritage Assets

Heritage Assets acquired after 1st April 2001 have been capitalised, but not revalued or depreciated.

The Museum has a number of very strict policies on Heritage Asset acquisition, preservation and maintenance and disposals. The full list can be obtained from the RAF Museum Website, following the link: <http://www.rafmuseum.org.uk/london/policy-performance/collections.cfm>

The Museum has been consistently reviewing and recording all the heritage assets on its database for several years now and the collection can be divided between the accessioned collection (catalogued and entered on the database), and the un-accessioned collection (not yet recorded).

Valuation

If available, valuation is based on acquisition costs increased by restoration costs (if applicable).

The capitalisation of exhibits has followed the internal policy of the inclusion of items valued at £1,000 or above, and the addition of less valuable objects has been considered only if they constituted a part of a specific collection.

For donated assets, in most cases valuations are based on internal estimates determined by the relevant curator's experience and judgement, as an accurate figure is very difficult to establish. In some cases (e.g. a significant painting), a dealer may be sometimes consulted for advice.

The Museum's response to the introduction of FRS 30 was to deploy internal resources to the task of valuation in respect of those exhibits which were added to the collection before 2001, and which represent a materially significant part of the collection.

Given the diverse nature of the collection (and the unique nature of some items) and also taking into account changing market conditions, the resulting valuations represent indicative estimates. The valuations of the most significant items from pre- 2001 period were added to the total value of all exhibits by the end of the year and the requirement of FRS30 has been met. The exhibits will not be re-valued in future periods; however impairment reviews will be periodically carried out by the Museum.

Investments

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

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

Leasing

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

Stock

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

Financial Instruments

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

Pensions

Pensions benefits for 34 members of staff are provided through the Civil Service pensions arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). Under the new arrangements, new entrants after 1 October 2002 were not able to join the existing PCSPS, which has been renamed "classic" and has become a closed scheme. Existing members of the PCSPS were given the option of remaining within "classic"; electing to transfer to "premium"; the new defined benefits scheme; or choosing "classic plus", whereby they transferred to "premium" but only in respect of service after 1 October 2002.

(a) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions between 1.5 per cent and 3.9 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80th of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). Members pay contributions between 3.5 per cent and 5.9 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8th the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

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

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

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

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

2 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. The Corporation Tax liability of the trading subsidiary for the year ended 31 March 2013 was £ 6,921 (2012: £6,299).

3 Other grants and donations

	Un-restricted Fund	Grant in Aid Operating Funds	Other Restricted Funds	Total Funds	Total Funds
	2013	2013	2013	2013	2012
	£	£	£	£	£
Bomber Command Association	25,000	–	–	25,000	–
Society of Friends of the RAF Museum	–	–	25,000	25,000	6,000
Exhibits Donated	–	–	1,210,601	1,210,601	307,700
Other	27,201	–	179,325	206,526	344,094
	52,201	–	1,414,926	1,467,127	657,794

4a Investment in subsidiary undertakings

Of the investment of £100,002 (2012: £100,002), £100,000 represents the charity's interest in 100 per cent of the issued share capital of Royal Air Force Museum Enterprises Limited which is incorporated in England and Wales and operates souvenir shops and other trading activities at Hendon and Cosford. The company's aggregate capital and reserves were as follows:

	2013	2012
	£	£
		Restated
The assets and liabilities of the subsidiary were:		
Fixed assets	59,600	67,366
Current assets	391,099	410,582
Creditors: amounts falling due within one year	(429,554)	(482,829)
	<u>21,145</u>	<u>(4,881)</u>
	2013	2012
	£	£
At 1 April, 2012	(4,881)	912
Profit/(Loss) retained in subsidiary	26,026	(5,793)
At 31 March, 2013	<u>21,145</u>	<u>(4,881)</u>

A summary of the Company's trading results is shown overleaf. Audited accounts will be filed with the Registrar of Companies.

The remaining £2 represents the charity's interest on 100 per cent of the issued share capital of The Royal Air Force Investments Limited, which is incorporated in England and Wales and holds the real property assets of the charity for administrative purposes.

The Directors of RAF Museum Enterprises Limited have assessed that the subsidiary is a going concern and the Trustees are content, therefore, that the investment in the subsidiary retains its value.

4b Income from trading company

The Consolidated Statement of Financial Activities includes the profit of the trading subsidiary, as follows:

Royal Air Force Museum Enterprises Limited

	2013	2012
	£	£
Turnover	2,105,659	1,992,131
Cost of sales, administrative expenses and taxation.	(2,029,333)	(1,996,386)
	<u>76,326</u>	<u>(4,255)</u>
Interest receivable	96	68
Interest paid	(396)	(1,606)
Net Profit/(Loss)	<u>76,026</u>	<u>(5,793)</u>
Charitable contribution to RAF Museum	(50,000)	-
Surplus (Deficit) in subsidiary	<u>26,026</u>	<u>(5,793)</u>

5 Allocation of support

The trust allocates its support costs as shown in the table below and then further apportions those costs between the charitable activities undertaken (see note 6). Support costs are allocated on a basis consistent with the use of resources.

Support Cost	Museum	Governance	Fund Raising	2013	2012
	Operation		and Publicity	Total	Total
	£	£	£	£	£
Staff Costs	739,122	49,514	218,507	1,007,143	920,572
Premises Costs	2,454	–	1,255	3,709	3,318
Motor Expenses	12,019	–	–	12,019	12,996
Travel, Subsistence and Hospitality	32,190	7,288	7,446	46,924	37,422
Administration Expenses	470	–	5,339	5,809	4,742
Legal, Professional and Consultancy*	56,689	82,791	–	139,480	67,808
Fundraising & Publicity	–	–	251,501	251,501	378,166
Repairs and Maintenance	1,820	–	631	2,451	2,506
Depreciation	3,536	–	1,227	4,763	4,671
Financial	2,476	–	–	2,476	21,948
Sundry including VAT write off**	293,147	–	–	293,147	155,080
Total	1,143,923	139,593	485,906	1,769,422	1,609,229

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

** "Sundry" total includes a provision for VAT disclosure estimated at £213,000. The figure represents the most recent assessment resulting from the ongoing discussions with the HMRC, and relates to the historical issue covering the period of four years.

6a Analysis of charitable expenditure

					2013	2012
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
School programmes and curriculum development	35,094	–	–	–	35,094	27,771
Events and exhibitions	–	129,994	18,337	–	148,331	175,225
Department of Research Information Services	–	–	–	9,118	9,118	13,160
M B Conservation Centre	–	–	–	106,808	106,808	79,314
Department of Collection Management	–	–	–	14,337	14,337	23,784
Visual Arts	–	–	–	26,614	26,614	29,280
Salaries	390,623	603,895	2,093,373	865,516	3,953,407	3,810,630
Central premises costs	98,579	1,707,004	6,104	539,774	2,351,461	2,203,831
Depreciation	64,129	1,110,469	3,216	351,143	1,528,957	1,499,567
Travel, Subsistence & Hospitality	16,580	26,068	322	12,369	55,339	47,298
Administration expenses	14,133	16,017	62,968	22,926	116,044	112,319
Sundry expenses	–	–	16,968	11	16,979	35,183
Support costs	84,693	491,556	301,119	266,556	1,143,923	879,562
Total	703,831	4,085,003	2,502,406	2,215,172	9,506,412	8,936,924

6b Allocation of other operating costs by fund

	Unrestricted	GIA	Restricted	2013 Total	2012 Total
	£	£	£	£	£
Total per the SOFA					
Fund raising & publicity	485,906	–	–	485,906	617,525
Operation of Museum	73,864	8,848,985	583,563	9,506,412	8,936,924
Governance	–	117,618	21,975	139,593	112,142
	559,770	8,966,603	605,538	10,131,911	9,666,591
Less: staff costs (Note 8)	(70,439)	(4,831,582)	(58,529)	(4,960,550)	(4,732,044)
Less: depreciation (Note 5 & Note 6a)	(73,305)	(1,068,670)	(391,743)	(1,533,718)	(1,504,238)
	416,026	3,066,351	155,266	3,637,643	3,430,309

7 Analysis of support for charitable activities

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

					2013	2012
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
Costs	703,831	4,085,003	2,502,406	2,215,172	9,506,412	8,936,924
Heritage Lottery funding	-	(37,250)	-	-	(37,250)	-
Donations	(660)	(42,419)	(14,973)	(1,264,712)	(1,322,764)	(470,710)
Other direct revenue	(52,491)	(10,000)	(13,157)	(47,156)	(122,804)	(60,811)
Net cost funded from other income	650,680	3,995,334	2,474,276	903,304	8,023,594	8,405,403

8 Staff costs and numbers

	Un-restricted Fund	Grant in Aid Operating Funds	Other restricted Funds	Total Funds	Total Funds
	2013	2013	2013	2013	2012
	£	£	£	£	£
Salaries and wages	61,177	4,232,462	52,845	4,346,484	4,126,757
Temporary agency staff	2,682	-	-	2,682	5,281
Social security costs	6,580	401,311	5,684	413,575	393,804
Pension costs	-	197,809	-	197,809	206,202
	70,439	4,831,582	58,529	4,960,550	4,732,044

The above costs exclude the trading subsidiary.

Number of employees in the Museum is 182 (2012:177)

Note (a)

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

Note (b)

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

9a Tangible fixed assets – group

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April 2012	34,061,806	9,538,967	3,548,550	502,478	–	18,883,444	66,535,245
Additions	79,957	5,410	147,981	21,259	–	1,388,696	1,643,303
Disposals	–	–	–	–	–	(120,000)	(120,000)
Revaluations	492,722	210,265	23,583	3,421	–	–	729,991
At 31 March 2013	<u>34,634,485</u>	<u>9,754,642</u>	<u>3,720,114</u>	<u>527,158</u>	<u>–</u>	<u>20,152,140</u>	<u>68,788,539</u>
Depreciation							
At 1 April, 2012	1,944,151	691,761	3,198,258	394,155	–	–	6,228,325
Charged in the year	1,000,673	356,034	165,133	30,549	–	–	1,552,389
Disposals	–	–	–	–	–	–	–
Revaluations	42,854	15,248	14,045	1,784	–	–	73,931
At 31 March, 2013	<u>2,987,678</u>	<u>1,063,043</u>	<u>3,377,436</u>	<u>426,488</u>	<u>–</u>	<u>–</u>	<u>7,854,645</u>
Net Book values							
At 31 March 2013	<u>31,646,807</u>	<u>8,691,599</u>	<u>342,678</u>	<u>100,670</u>	<u>–</u>	<u>20,152,140</u>	<u>60,933,894</u>
At 1 April 2012	<u>32,117,655</u>	<u>8,847,206</u>	<u>350,292</u>	<u>108,323</u>	<u>–</u>	<u>18,883,444</u>	<u>60,306,920</u>

9b Tangible fixed assets – charity

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets Under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April, 2012	34,061,806	9,538,967	2,916,886	248,937	–	18,883,444	65,650,040
Additions	79,957	5,410	137,077	21,259	–	1,388,696	1,632,399
Disposals	–	–	–	–	–	(120,000)	(120,000)
Revaluations	492,722	210,265	23,583	3,421	–	–	729,991
At 31 March 2013	<u>34,634,485</u>	<u>9,754,642</u>	<u>3,077,546</u>	<u>273,617</u>	<u>–</u>	<u>20,152,140</u>	<u>67,892,430</u>
Depreciation							
At 1 April, 2012	1,944,151	691,761	2,582,759	191,816	–	–	5,410,487
Charged in the year	1,000,673	356,034	154,993	22,018	–	–	1,533,718
Disposals	–	–	–	–	–	–	–
Revaluations	42,854	15,248	14,045	1,784	–	–	73,931
At 31 March 2013	<u>2,987,678</u>	<u>1,063,043</u>	<u>2,751,797</u>	<u>215,618</u>	<u>–</u>	<u>–</u>	<u>7,018,136</u>
Net book values							
At 31 March 2013	<u>31,646,807</u>	<u>8,691,599</u>	<u>325,749</u>	<u>57,999</u>	<u>–</u>	<u>20,152,140</u>	<u>60,874,294</u>
At 1 April 2012	<u>32,117,655</u>	<u>8,847,206</u>	<u>334,127</u>	<u>57,121</u>	<u>–</u>	<u>18,883,444</u>	<u>60,239,553</u>

Group tangible fixed assets as at 31 March 2013 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited with a net book value of £59,600 (2012: £67,336). While the Museum is required to follow HM Treasury's guidance and therefore revalues its tangible fixed assets annually, the trading company is not subject to Treasury guidance and does not revalue its fixed assets.

The Museum's freehold property was professionally revalued as at 31 March 2010. The revaluation was carried out by Gerald Eve, Chartered Surveyors and Property Consultants, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Freehold property, which comprises the RAF Museum site, Hendon, was valued on the basis of depreciated replacement cost.

On the 21 January 2008 the title of the deeds to the Museum's freehold property was transferred from the former Trustees to a subsidiary, The Royal Air Force Museum Investments Limited.

On 16 March 2005, the ownership of the leasehold property at Cosford, was transferred from the Charity, to a subsidiary company, The Royal Air Force Museum Investments Limited.

However, while the legal ownership remains with the company, in substance the RAF Museum retains the risks and rewards associated with these assets. In accordance with FRS 5 the RAF Museum has recognised these assets in the balance sheet.

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

The number of Heritage Assets which the Museum acquires through donations means that the total book value of Heritage Assets is a mixture of cost (for purchased exhibits) and valuation (for donated exhibits). At 31 March 2012 the book value comprised:

	2013	2012
	£	£
Heritage assets recorded at cost	1,467,033	1,408,938
Heritage assets recorded at valuation	18,685,107	17,474,506
Total book value of heritage assets	<u>20,152,140</u>	<u>18,883,444</u>

Summary of heritage asset acquisitions and disposals over the last six years (From April 2007 – March 2013)

Year ended	31.03.2008	31.03.2009	31.03.2010	31.03.2011	31.03.2012	31.03.2013
	£	£	£	£	£	£
Book value brought forward	2,781,819	3,612,935	4,089,738	4,349,240	18,103,334	18,883,444
Add acquisitions						
Purchased At cost	103,616	254,449	182,302	93,750	23,124	58,095
Donated At valuation	727,500	222,354	77,200	362,000	307,700	1,330,601
Total acquisitions	831,116	476,803	259,502	455,750	330,824	1,388,696
Revaluations				13,298,344	449,286	
Disposals						-120,000
Book value carried forward	<u>3,612,935</u>	<u>4,089,738</u>	<u>4,349,240</u>	<u>18,103,334</u>	<u>18,883,444</u>	<u>20,152,140</u>

10 Stocks

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Goods for resale	147,408	159,824	-	-

11 Debtors

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	73,904	112,047	24,003	5,698
Amounts due from subsidiary undertaking	-	-	157,136	226,859
Other debtors	94,201	108,883	94,201	108,883
Prepayments and accrued income	203,349	168,345	163,913	94,393
Charitable donation from the subsidiary	-	-	50,000	-
	<u>371,454</u>	<u>389,275</u>	<u>489,253</u>	<u>435,833</u>

12 Investments – group and charity

	2013	2012
	£	£
Quoted investments:		
Market value on 1 April, 2012	357,337	2,376
Additions	7,000	360,000
Disposal of investments	–	(3,228)
Net unrealised investment (losses)/gains	18,712	(1,811)
Market value at 31 March, 2013	383,049	357,337
Historical cost at 31 March, 2013	365,889	358,889

13 Cash at bank and in hand

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Unrestricted Funds	516,634	422,591	362,281	352,134
Grant in Aid (operational) Funds	139,414	63,622	139,414	63,622
Grant in Aid (purchase grant) Funds	193,693	145,993	193,693	145,993
Other restricted funds	1,043,041	1,066,111	1,043,041	1,066,111
	1,892,782	1,698,317	1,738,429	1,627,860

All Cash is held at Commercial Bank Accounts apart from £ 13,146 which represents the Group's petty cash held at the museums.

Note 13 should be read together with note 17, the analysis of net funds which discloses the movement of cash in the financial year.

14 Creditors – Amounts falling due within one year

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Bank loans and overdrafts	–	56,614	–	14,060
Obligations under finance leases	–	7,894	–	7,894
Amounts owed to subsidiary undertakings	–	–	2	2
Trade creditors	438,548	423,190	346,384	353,440
Taxation and social security	109,610	100,311	87,292	82,250
Other creditors	40,782	36,021	527	534
VAT Accrual	313,000	145,000	313,000	100,000
Accruals and deferred income	201,862	204,535	134,179	159,416
	1,103,802	973,565	881,384	717,596

15 Creditors – Amounts falling due after more than one year

There were no Creditors for amounts falling due after one year.

16 Reconciliation of net cash flow to movement in net funds

	Unrestricted Funds	Restricted Funds		Total Funds
		Grant in Aid	Other Funds	
	£	£	£	£
(Decrease)/increase in cash in period	94,043	123,492	(23,070)	194,465
Cash outflow from decrease in financing	7,894	–	–	7,894
Cash outflow from purchase of liquid resources	–	–	7,000	7,000
Change in net funds resulting from cash flow	101,937	123,492	(16,070)	209,359
Repayment of bank overdraft	56,614	–	–	56,614
Change in market value of liquid resources	(190)	–	18,902	18,712
	56,424	–	18,902	75,326
Net funds at 1 April, 2012	342,340	227,924	1,420,882	1,991,146
Net funds at 31 March, 2013	500,701	351,416	1,423,714	2,275,831

17 Analysis of net funds

	1 April 2012	Cash flow	Other changes	31 March 2013
	£	£	£	£
Cash at bank and in hand (See note 13)	1,698,317	194,465	–	1,892,782
Bank loans and overdrafts	(56,614)	56,614	–	–
Obligations under finance leases within 1 year	(7,894)	7,894	–	–
Current asset investments	357,337	7,000	18,712	383,049
	1,991,146	265,973	18,712	2,275,831

18 Movement of funds

	Unrestricted Funds	Grant in Aid Operating Funds	Purchase Grant Funds	Other Restricted Funds	Total Funds	Total Funds
	2013	2013	2013	2013	2013	2012
	£	£	£	£	£	£
Incoming resources						
Grant in Aid	–	7,826,000	109,000	–	7,935,000	7,741,000
Grant in Aid (maintenance projects)	–	235,000	–	–	235,000	–
Other grants and donations	52,201	–	–	1,414,926	1,467,127	657,794
Special events	50,550	–	–	–	50,550	94,663
Interest on deposits	2,565	–	113	19,913	22,591	17,930
Other income	349,269	–	–	12,500	361,769	367,127
Dividends received	95	–	–	–	95	5,513
Commercial trading operations	2,105,659	–	–	–	2,105,659	1,992,131
Total incoming resources	2,560,339	8,061,000	109,113	1,447,339	12,177,791	10,876,158
Resources expended						
Staff costs (Note 8)	70,439	4,831,582	–	58,529	4,960,550	4,732,044
Purchase of exhibits	–	–	4,246	–	4,246	4,019
Other operating costs (Note 6)	416,026	3,066,351	–	155,266	3,637,643	3,430,309
Depreciation (Note 5 & Note 6)	73,305	1,068,670	–	391,743	1,533,718	1,504,238
Commercial trading operation	2,029,729	–	–	–	2,029,729	1,997,992
Total resources expended	2,589,499	8,966,603	4,246	605,538	12,165,886	11,668,602
Net (outgoing)/incoming resources for the year	(29,160)	(905,603)	104,867	841,801	11,905	(792,444)
Gains and losses on revaluations of fixed assets	72,198	310,291	–	273,571	656,060	1,169,558
Gains and losses on revaluations and disposals of investments	(190)	–	–	18,902	18,712	(1,811)
Net movement in funds for the year	42,848	(595,312)	104,867	1,134,274	686,677	375,303
Funds b/fwd at 1 April 2012	2,314,493	40,442,806	1,548,533	17,632,276	61,938,108	61,562,805
Funds c/fwd at 31 March 2013	2,357,341	39,847,494	1,653,400	18,766,550	62,624,785	61,938,108

Reconciliation of total resources expended to the SOFA

	Unrestricted Funds 2013 £	Grant in Aid Funds 2013 £	Other Funds 2013 £	Total Funds 2013 £	Total Funds 2012 £
Resources expended per the SOFA					
Costs of generating funds:					
Fund raising and publicity	485,906	-	-	485,906	617,525
Commercial trading operations	2,029,729	-	-	2,029,729	1,997,992
	<u>2,515,635</u>	<u>-</u>	<u>-</u>	<u>2,515,635</u>	<u>2,615,517</u>
Charitable activities:					
Operation of Museum	73,864	8,848,985	583,563	9,506,412	8,936,924
Purchase of exhibits	-	4,246	-	4,246	4,019
Governance costs	-	117,618	21,975	139,593	112,142
	<u>73,864</u>	<u>8,970,849</u>	<u>605,538</u>	<u>9,650,251</u>	<u>9,053,085</u>
Total resources expended	<u>2,589,499</u>	<u>8,970,849</u>	<u>605,538</u>	<u>12,165,886</u>	<u>11,668,602</u>

19 Analysis of group net assets between funds

	Unrestricted funds	Grant in Aid Operating funds	Purchase Grant funds	Other restricted funds	Total funds	Total funds
	2013	2013	2013	2013	2013	2012
	£	£	£	£	£	£
Tangible fixed assets	1,751,484	40,390,528	1,460,635	17,331,247	60,933,894	60,306,920
Cash at bank and in hand	516,634	139,414	193,693	1,043,041	1,892,782	1,698,317
Other net current assets	89,223	(682,448)	(928)	392,262	(201,891)	(67,129)
Total assets less current liabilities	<u>2,357,341</u>	<u>39,847,494</u>	<u>1,653,400</u>	<u>18,766,550</u>	<u>62,624,785</u>	61,938,108
Net assets	<u>2,357,341</u>	<u>39,847,494</u>	<u>1,653,400</u>	<u>18,766,550</u>	<u>62,624,785</u>	61,938,108

	2012	Inflow	Outflow	2013
	£	£	£	£
Analysis of other restricted funds				
Fixed assets purchased from restricted funds	16,211,394	1,511,596	391,743	17,331,247
Cash balances (arising from cash donated for specific projects)				
Watchtower Funds	1,197,660	35,865	39,158	1,194,367
Henshaw Curator	–	20,000	20,000	–
Cross & Cockade Curator	–	13,500	13,500	–
Chobham Curator	–	8,900	8,900	–
Cosford LMA Funds	32,978	12,502	–	45,480
RAFM London Strategic Planning Fund	–	71,250	16,975	54,275
Test Pilot Project	7,700	–	–	7,700
Apprentice Development Fund	25,000	–	17,085	7,915
Apprentice Exchanges	–	7,528	7,528	–
Dinner	–	8,641	8,641	–
Bomber Command Hall Refurbishment Fund	102,133	–	–	102,133
RAF Charitable Trust (RAFM Interactive Display)	25,654	150	19,686	6,118
Cosford Collections Project	2,100	12,000	–	14,100
Dornier Project	–	25,058	25,058	–
Nimrod Rebuild Project	22,010	18,000	40,010	–
Other Projects	5,647	19,296	21,728	3,215
Total restricted assets	<u>17,632,276</u>	<u>1,764,286</u>	<u>630,012</u>	<u>18,766,550</u>

	2012	Inflow	Outflow	2013
	£	£	£	£
Analysis of trustees designated funds				
Bomber Command Hall	23,145	–	13,667	9,478
A1 Projects	97,406	–	–	97,406

Designated funds are included within Unrestricted funds.

20 Commitments

	Group	Group	Charity	Charity
	2013	2012	2013	2012
	£	£	£	£
Lease commitments:				
Net obligations under finance leases payable:				
Within one year	-	7,894	-	7,894
Between one and five years	-	-	-	-
	<u>-</u>	<u>7,894</u>	<u>-</u>	<u>7,894</u>
Gross obligations under finance leases:				
Within one year	-	8,048	-	8,048
Between one and five years	-	-	-	-
	<u>-</u>	<u>8,048</u>	<u>-</u>	<u>8,048</u>
Total gross obligations	<u>-</u>	<u>8,048</u>	<u>-</u>	<u>8,048</u>
Finance charges and interest allocated to future accounting periods	-	(154)	-	(154)
	<u>-</u>	<u>7,894</u>	<u>-</u>	<u>7,894</u>

Net obligations under finance lease contracts are secured by fixed charges on the assets concerned. The interest charges incurred in the year on finance leases amounted to £212 (2012: £1,769).

During the year, the Museum made operating lease payments amounting to £546,817 (2012: £547,524). At the 31 March 2013, the Museum had annual commitments under non-cancellable operating leases as follows:

	Group and charity	
	2013	2012
	£	£
Operating leases expiring:		
Plant and machinery:		
within one year	-	-
in the second to fifth years	16,667	16,667
Land and Buildings:		
after five years	530,150	530,150
	<u>546,817</u>	<u>546,817</u>

Capital commitments

There were no other Capital Commitments at 31 March 2013

21 Related Parties

Related parties with which the Museum had transactions during the year or balances at the year end were as follows:

Royal Air Force Museum Enterprises Ltd

The relationship of the Museum to the company is disclosed in note 4, and the balances due from the company at the year end are disclosed in note 11.

The Royal Air Force Museum Investments Limited

The company was formed to hold, on behalf of the Trustees, the real property assets of the charity and thus minimise the administrative burden whenever a change in Trustees takes place. The leasehold property was transferred to this company from the charity in March 2005 and the freehold property in January 2008.

Ministry of Defence

The Royal Air Force Museum is a Non-Departmental Public Body, sponsored by the Ministry of Defence (the MOD). The MOD is regarded as the related party. Grant in Aid funding from the MOD is separately disclosed in the Statement of Financial Activities.

The Trustees' involvement with the RAF Museum Enterprises Ltd and the RAF Museum Investments Ltd is disclosed in the Governance statement on page 4.

Gerry Grimstone (Chair of the Museum Audit Committee) is also the Ministry of Defence Lead Non-Executive Director.

22 Contingent liabilities

There were no contingent liabilities as at 31 March 2013 (2012: Nil)

23 Post balance sheet events

There were no post balance sheet events.

The accounts were authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's opinion.

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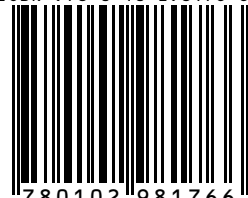
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