

Charity number: 1143023
Company number: 07570620

Fleet Air Arm Museum CLG Limited
(A company limited by guarantee)

Trustees' report and Consolidated financial statements

for the year ended 31 March 2017



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The Fleet Air Arm Museum CLG Limited
(A company limited by guarantee)
Company number: 7570620

Legal and administrative information

Charity number 1143023

Company registration number 07570620

Registered office H M Naval Base PP66
Portsmouth
Hampshire PO1 3NH

Business address FAA Museum, RNAS Yeovilton, Somerset BA22 8HT

**Director General and
Accounting Officer** Professor Dominic Tweddle

Chairman Rear Admiral T A Cunningham

Trustees Mr G R Hatton
Commodore J Pentreath
Ms J T Spinks
Commodore J H Stanford

Auditors and Auditors Compass Accountants Limited
Venture House, The Tanneries, East Street, Titchfield, Hampshire PO14 4AR

Bankers Barclays Bank PLC, Leicester, LE872BB

Trustees' annual report (incorporating the directors' report) and Strategic report

Foreword

The charitable objectives of the Fleet Air Arm Museum CLG Limited [the company], as defined in the Articles of Association, are

To educate and inspire the public and all members of the Armed Forces as to the history and current activities of the Royal Navy Air Service and the Fleet Air Arm and their contribution to Defence and in particular but without prejudice to the generality of the foregoing:

- a) To maintain, develop and manage, for public benefit, a collection of aircraft, technical artefacts, related documents and general exhibits which relate to and record the history of British naval aviation. The collection thus created will be known as "The Fleet Air Arm Collection" and will be predominantly related to the Royal Naval Air Service and Fleet Air Arm, but will also comprise a small proportion of material which will help to place naval aviation into the general history of aviation and of the Naval Service.
- b) To make the Fleet Air Arm Collection accessible to all members of the general public and the Naval Service through but not limited to physical and electronic displays, presentations and services so as to contribute to the education, enlightenment, enjoyment and inspiration of all users of the collection, and to enhance their understanding of naval, naval aviation and military history, the technologies of aviation, and their social contexts, and other matters relating to the defence of the realm, at every level.
- c) To contribute specifically presentations and activities to promote the education of children and young people under the National Curriculum.
- d) To demonstrate to members of the Naval Service and Auxiliary Services related thereto an important aspect of the history of which they are now a part and in particular, the evolution and development of naval aviation, its history, deeds and traditions so as to kindle their interest to inspire them through the traditions of the Naval Service and to foster esprit de corps in aid of military efficiency and retention. To make this history as referred to above in this Article available and accessible to members of other Services.
- e) To provide an attractive history, display and collection which has a wide popular appeal to civilians in order to keep the Naval Service in the public eye and to act as a valuable recruiting aid to the Naval Service in general and to the Fleet Air Arm in particular and through the interpretation of the technology elements of the Fleet Air Arm Collection to those industries involved in defence and aerospace.

Performance Report

Overview

The Fleet Air Arm Museum CLG Limited was established in Yeovilton in March 2011 and is a wholly owned subsidiary of the National Museum of the Royal Navy [the National Museum].

The National Museum also includes: the Royal Navy Submarine Museum with HMS Alliance; Explosion, the Museum of Naval Firepower; the Royal Marines Museum; HMS Victory; HMS Warrior 1860; HMS M33; HMS Caroline; and the National Museum of the Royal Navy Hartlepool with HMS Trincomalee.

The National Museum's strategy sets out to increase the scale, scope, reach and resilience of the museum with a vision to become the world's most inspiring Naval Museum. The National Museum is one of the few headquartered outside London, acquiring key sites also outside the capital, enabling people to learn, enjoy and engage with the story of the Royal Navy, and its impact in shaping the modern world.

The Fleet Air Arm Museum CLG Limited is now fully integrated within the National Museum of the Royal Navy. On 30 November 2016 the company transferred its fixed assets, including heritage assets and reserves, to the Fleet Air Arm Museum trust (charity number: 250079) where the sole corporate trustee is the National Museum of the Royal Navy. The operations of the museum transferred to a newly incorporated charitable entity, NMRN Operations (charity number: 1169061), a wholly owned subsidiary of the National Museum of the Royal Navy. The Fleet Air Arm Museum CLG Limited ceased trading on 1 December 2016. This change realises the benefits of operation of the museum within a large organisation, improving visitor experience, safeguarding and enhancing access to the collections and providing greater cohesion in the delivery of the charitable objectives.

Activities and Achievements

Visitor Services

From 1 April 2016 to 30 November 2016, there were 79,882 visits (2015-16 full year: 68,780) to the museum. In the period, the museum was active on social media achieving a total reach of 798,924 Facebook and twitter interactions and 159,565 unique website visits. Press, PR and media coverage realised over £135,247 in Advertising Value Equivalent (2015-16: £72,489).

Learning and Access

In the period, the museum reached 5,169 pupils from the UK and abroad through formal learning visits, with 14,113 learning contact hours through 286 school workshops or curriculum-linked tours. In addition, we delivered 48 activities to families, adult and community audiences reaching some 1,379 informal learning participants.

Exhibitions

The Fleet Air Arm Museum's new exhibition offering *The Navy's Air War: Jutland 2016* opened in May 2016. The primary focus of this exhibition was to reinterpret the Short 184 artefact with a combination of high-quality projection and interpretation boards that told the story of the aircraft's role at the Battle of Jutland and of its pilot and observer, Lt Fredrick Rutland and Assistant Paymaster George Trewin.

In support of an event held at RNAS Yeovilton to mark the life of Captain Eric Brown following his death in February 2016, a commemorative display opened in July 2016.

Following the decommissioning of the Fleet Air Arm's Sea King helicopters, an exhibition highlighting the life and times of this iconic aircraft opened in August 2016.

In November 2016, the Sopwith Baby reinterpretation was completed with the installation of a large touchscreen interactive (funded by the Society of Friends of the FAAM). This enables visitors to 'fly' the aircraft in operational mode, battling with enemy aircraft and a zeppelin.

Plans for Future Periods

Following the transfer of undertakings and assets to the Fleet Air Arm Museum trust and NMRN Operations on 1 December 2016, application will be made to voluntarily strike off and dissolve the charitable company.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2017

Total incoming resources for the Fleet Air Arm Museum CLG Limited in 2016-17 amounted to £1,047,557 (2015-16: £2,348,440). In addition to Grant in Kind, a large proportion of this inflow relates to admissions income (including gift aid) and to voluntary donations.

Total resources expended before exceptional items for 2016-17 amounted to £1,182,496 (2015-16: £2,606,749). After gains on revaluation of fixed assets totalling £140,561, the net movement in funds for the year was an increase of £5,622.

The totals funds balance of £13,042,341 was transferred to the successor charities, the Fleet Air Arm Museum trust or NMRN Operations on 30 November 2016.

Balance sheet

The net assets as at 31 March 2017 amounted to £Nil (31 March 2016: £13,036,719).

Movements in fixed assets are shown in note 9 to the accounts. All assets were transferred to the Fleet Air Arm Museum trust or NMRN Operations on 30 November 2016.

Reserves

The Trustees regularly monitor the levels of the company's reserves. The company has retained a 'free reserve' in accordance with Group policy and defined as the amounts shown as Net Current Assets in the accounts of the company, and which are attributable to Unrestricted Funds. The Group policy is that each company should build free reserves sufficient to cover essential operating costs for a three month period should the company be unable to operate, covering liabilities and deficits; provide income; and to provide working capital.

As at 31 March 2017, the level of the company's free reserves (defined as net current assets attributable to unrestricted reserves) stood at £596,505. This balance has been transferred to the Fleet Air Arm Museum trust in accordance with the transfer agreement.

Investment Policy

The company does not invest as a strategic means of raising income and ensures that cash and short term investments are with major financial institutions and therefore the Museum is not exposed to significant credit

risks. The amounts and term of investments are based on the Trustees' opinion of the immediate and future needs of the company by identifying the requirements of continuing operations and setting aside sufficient funds to enable medium to long term development and expansion.

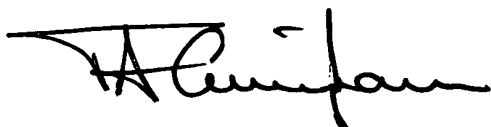
Auditors

The accounts have been audited by Compass Accountants Ltd. So far as the Trustees and Accounting Officer are aware, there is no relevant audit information of which the company's auditors are unaware. Trustees have taken all the steps necessary to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Small company provisions

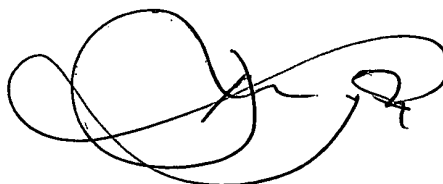
This report has been prepared in accordance with the small companies' regime under the Companies Act 2006.

Approved by the Board and signed on its behalf by



Rear Admiral Tom Cunningham
Chairman on Behalf of the Board of Trustees

Date: 29 Aug 17



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 29 AUGUST 2017

Accountability Report

Trustees Report and Governance Statement

This report sets out the arrangements for the governance of the Fleet Air Arm Museum CLG Limited, including the Board structure for Trustees. The Trustees, who are also the directors of Fleet Air Arm Museum CLG Limited [the company] for the purposes of company law and who served during the year and up to the date of this report are set out on page 3.

The Trustees have due regard to guidance issued by the Charity Commission on public benefit and in its charitable objects, the charity seeks to promote the education of the general public about the history, deeds and traditions of the Naval Service and encourage the public to commemorate, honour and preserve the memory of those members of the Naval Service who have died on active service.

This report demonstrates how the system of governance and internal control is maintained within the Fleet Air Arm Museum CLG Limited and how the major risks to which the charity is exposed, as identified by Trustees, have been reviewed and systems have been established to mitigate those risks.

The Governance Framework

The Fleet Air Arm Museum CLG Limited is a company limited by guarantee (company number: 7570620) and a charity registered with the Charity Commission (registration number: 1143023). It is governed by its Memorandum and Articles of Association dated February 2011, which incorporates its charitable objects, the powers of the company and provides for the appointment and reappointment of Directors. Trustees are appointed in accordance with the guidelines issued by the Officer of the Commissioner for Public Appointments (OCPA).

The Trustees ensure the distinct legal responsibilities and charitable objectives of the company are fulfilled within an overall policy and strategy framework. The day-to-day operation of the company within that framework is delegated to the Director General and Accounting Officer and to the Executive Directors.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the Articles of Association, copies of minutes of recent meetings, a copy of the Charity Commission publication, "The Essential Trustee: what you need to know", a copy of the National Museum's strategy, the company's corporate plan and a copy of the Museum Association publication, "Code of Ethics for Trustees" with a day visit to the National Museum to meet key members of staff and to discuss current issues. Recent appointees continue to confirm their satisfaction with this process.

The Board of Trustees meets periodically through the year to set the long-term strategic objectives of the charity, agree the priorities and review performance against previous objectives set. The Board undertakes a periodic review of its membership and skills set and new appointments made on the basis of what skills Trustees believe the Board is lacking or believe are needed to tackle specific issues.

Register of Interests

A register of Trustees' and Executives' interests is maintained, requiring declaration of any interest, pecuniary or otherwise, in any matter being considered by the Board.

Personal data loss

The company has not identified any personal data related incidents during 2016-17. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which links an identifiable living person with information about them which, if released would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, sources or extent of the information, is treated as protected personal data by the company.

System of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the charity's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The review of the effectiveness of the system of internal controls is exercised through the National Museum of the Royal Navy's Audit and Governance Committee. This Committee is chaired by a Trustee of the National Museum's Board of Trustees and draws expertise from other Trustees and committee members, with the executive in attendance as required. The Committee also has access to the independent accountants and external auditors engaged for all companies within the Group, providing review and oversight of the financial control systems and the creation of company and consolidated group accounts.

Risk Management

The charity's risk register and the responses to risk are managed by the Director General and overseen by the National Museum's Audit and Governance Committee as well as the charity's Board. In addition, the charity has a system of internal review and checks which link to plans and risks.

The principal risks faced by the charity centre around identification of and ability to secure future investment streams to support the development of the site.

Relationship with the Society of Friends of the FAA Museum

The Friends organisation is a separate registered charity (charity number 280725). The object of the Friends is "the education of the public by promotion, support, assistance and improvement of the museum through the activities of a group of members. It aims to achieve this object by a lively programme of events, including talks and excursions". The Friends make a valued contribution to the Museum and during the year donated £1,758 to the museum which was for the restoration of the painting 'Channel Patrol' by Charles E. Turner, which features a World War 1 Felixstowe F2 flying boat.

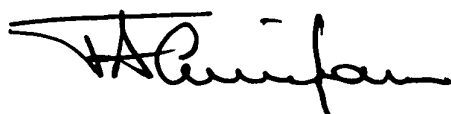
**Statement of Trustees' and Accounting Officer's responsibilities
for the year ended 31 March 2017**

The Board of Trustees (who are also directors of the Fleet Air Arm Museum CLG Limited for the purposes of company law) and the Accounting Officer are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP FRS102) (effective 1 January 2015), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the method and principles of the Charities SORP;
- make judgements and estimates on a reasonable and prudent basis;
- state whether applicable UK 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 charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Rear Admiral Tom Cunningham
Chairman

Date: 29 Aug 17



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 29 AUGUST 2017

Independent auditors' report to the members of Fleet Air Arm Museum CLG Limited

We have audited the financial statements of Fleet Air Arm Museum CLG Limited for the year ended 31 March 2017 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and its trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice 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 group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The Fleet Air Arm Museum CLG Limited
(A company limited by guarantee)
Company number: 7570620

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (applicable to smaller entities); and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

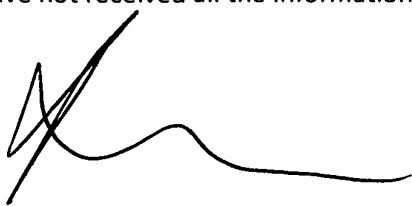
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Kerry Lawrance FCA (Senior Statutory Auditor)
For and on behalf of Compass Accountants Limited, Statutory Auditor
Chartered Accountants and Registered Auditors

The Tanneries
East Street
Titchfield
Hampshire
PO14 4AR

Date: 21 November 2017

Consolidated Statement of financial activities (incorporating the income and expenditure account)

For the year ended 31 March 2017

	Notes	Unrestricted funds £	Restricted funds £	2017 Total £	Unrestricted funds £	Restricted funds £	2016 Total £
Income from:							
Donations and legacies							
Grant in kind	2	335,301	-	335,301	582,364	-	582,364
Donations	2	26,922	4,903	31,825	27,078	158,218	185,296
Charitable activities							
Admissions	3	679,956	-	679,956	1,161,893	-	1,161,893
Other trading activities							
Trading company	4	-	-	-	414,857	-	414,857
Investments	5	475	-	475	4,030	-	4,030
Total income		<u>1,042,654</u>	<u>4,903</u>	<u>1,047,557</u>	<u>2,190,222</u>	<u>158,218</u>	<u>2,348,440</u>
Expenditure on:							
Raising funds							
Trading company	4	-	-	-	396,920	-	396,920
Charitable activities							
Museum and visitor operations	6	1,146,192	36,304	1,182,496	2,155,083	54,746	2,209,829
Total expenditure		<u>1,146,192</u>	<u>36,304</u>	<u>1,182,496</u>	<u>2,552,003</u>	<u>54,746</u>	<u>2,606,749</u>
Net gains/(losses) on investments		-	-	-	(2)	-	(2)
Net income/(expenditure)		<u>(103,538)</u>	<u>(31,401)</u>	<u>(134,939)</u>	<u>(361,783)</u>	<u>103,472</u>	<u>(258,311)</u>
Transfers between funds		<u>181,699</u>	<u>(181,699)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other recognised gains/(losses):							
Gains/(losses) on revaluation of fixed assets	9	101,252	39,309	140,561	466,022	184,817	650,839
Net movement in funds		<u>179,413</u>	<u>(173,791)</u>	<u>5,622</u>	<u>104,239</u>	<u>288,289</u>	<u>392,528</u>
Reconciliation of funds:							
Total funds brought forward		10,288,524	2,748,195	13,036,719	10,184,285	2,459,906	12,644,191
Funds transferred to successor charity		(10,467,937)	(2,574,404)	(13,042,341)	-	-	-
Total funds carried forward		<u>-</u>	<u>-</u>	<u>-</u>	<u>10,288,524</u>	<u>2,748,195</u>	<u>13,036,719</u>

All recognised gains and losses are included in the statement of financial activities

The notes on pages 16 to 32 form an integral part of these financial statements.

**Consolidated Balance Sheet as
at 31 March 2017**

	Notes	Group 31/03/17 £	Group 31/03/16 £	Charity 31/03/17 £	Charity 31/03/16 £
Fixed assets					
Tangible assets	9	-	9,329,234	-	9,329,234
Heritage assets	9	-	3,108,131	-	3,108,131
		<u>-</u>	<u>12,437,365</u>	<u>-</u>	<u>12,437,365</u>
Current assets					
Debtors	10	-	132,345	-	132,345
Cash at bank and in hand		-	1,030,031	-	1,030,031
		<u>-</u>	<u>1,162,376</u>	<u>-</u>	<u>1,162,376</u>
Creditors: amounts falling due within one year	11	-	(563,022)	-	(563,022)
Net current assets		<u>-</u>	<u>599,354</u>	<u>-</u>	<u>599,354</u>
Net assets		<u>-</u>	<u>13,036,719</u>	<u>-</u>	<u>13,036,719</u>
Funds					
Unrestricted funds		-	8,000,918	-	8,000,918
Restricted funds	12	-	2,748,195	-	2,748,195
Revaluation reserve		-	2,287,606	-	2,287,606
Total funds		<u>-</u>	<u>13,036,719</u>	<u>-</u>	<u>13,036,719</u>

The financial statements are prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board and signed on its behalf by



Rear Admiral TA Cunningham
On behalf of the Board of Trustees

Date:

29 Aug 17

The notes on pages 16 to 32 form an integral part of these financial statements.

Cash flow statement

for the year ended 31 March 2017

	Group 31/03/17	Group 31/03/16
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	(996,352)	303,219
Cash flows from investing activities:		
Interest income	475	4,030
Purchase of fixed assets	(34,154)	(13,685)
Net cash provided by (used in) investing activities	(33,679)	(9,655)
Increase/(decrease) in cash and cash equivalents in the year	(1,030,031)	293,564
Cash and cash equivalents at 1 April 2016	1,030,031	736,467
Cash and cash equivalents at 31 March 2017	-	1,030,031
Net income/expenditure for the reporting period	(134,939)	(258,311)
Depreciation and impairment	238,498	356,380
Fixed assets transferred to successor charity	12,373,582	-
Income from investments	(475)	(4,030)
Donated Heritage assets	-	(150,000)
(Increase)/decrease in stocks	-	55,589
(Increase)/decrease in debtors	132,345	(1,920)
Increase/(decrease) in creditors	(563,022)	305,511
Reserves transferred to successor charity	(13,042,341)	-
Net cash provided by (used in) operating activities	(996,352)	303,219

Notes to the financial statements
for the year ended 31 March 2017

1. Accounting policies

1.1. Charity information

The Fleet Air Arm Museum CLG Limited is a private company limited by guarantee and incorporated in England and Wales. The registered office is The Fleet Air Arm Museum, RNAS Yeovilton, Ilchester, Somerset, BA22 8HT.

The Fleet Air Arm Museum CLG Limited meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy.

The principal objectives of the charity are detailed in the Trustees report.

1.2. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements are presented in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

1.3. Company status

The charity is a company limited by guarantee. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

1.4. Going concern

As part of the continuing plan to consolidate the functions and operations of all the museums in the wider NMRN group the trustee directors transferred the operations of the museum to NMRN Operations, a company limited by guarantee and a wholly owned subsidiary of NMRN, with effect from 1 December 2016. At the same date, and fixed assets, including the heritage assets, were transferred to The Fleet Air Arm Museum (charity number 250079), a trust administered by the trustees of the NMRN.

Notes to the financial statements
for the year ended 31 March 2017

1.5. Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

All grants are credited to income in the period to which they relate. Grants received for a specific purpose are taken directly to restricted funds. Grant in aid and grant in kind is taken to unrestricted funds as the funds are to be used in the normal operations of the museum and therefore no restrictions are applied on the use of these funds.

No value is attributed to physically donated assets within the financial statements where no reliable valuation can be obtained. As the majority of these assets cannot be disposed of, it is not considered appropriate to put a value on these assets. Additions to the collection are capitalised at valuation only where an appropriate valuation is provided, otherwise the purchase cost is used when known or can be reliably ascertained.

On receipt, donated services are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income from investments is included in the year in which it is receivable.

Legacies are included when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

1.6. Expenditure

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

Notes to the financial statements for the year ended 31 March 2017

1.7. Basis of allocation

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

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

Charitable expenditure includes expenditure associated with Galleries and Exhibitions, Curatorial Matters, and Education, and includes costs directly attributable to each activity.

Premises costs relate to the maintenance of the buildings and exhibits and are apportioned based on square footage.

Support costs include central functions and have been allocated to cost categories on a basis consistent with the use of resources in the following percentages:

	<u>%</u>
Fundraising	23
Galleries and exhibition	26
Curatorial matters	37
Education	14
	<hr/>
	100
	<hr/>

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

1.8. Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against incoming resources on a straight line basis over the life of the lease.

1.9. Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of the charity.

Restricted funds relate to income which has been received subject to specific conditions imposed by the donor and binding on the Trustees. This income and any related expenditure is shown as a separate restricted fund.

Notes to the financial statements
for the year ended 31 March 2017

1.10. Tangible fixed assets

Tangible fixed assets with a cost or value greater than £2,500 and a useful life exceeding one year are capitalised and included at cost revalued annually using Ministry of Defence derived indices. Heritage assets and donated assets where the cost can be reliably ascertained are capitalised at valuation.

A professional valuation of the land and buildings is obtained at least every 5 years to identify any impairment to the value held in the accounts. The Trustees obtained a valuation of the land and buildings in the 2015 financial year.

Depreciation is calculated at rates to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	- 50 years
Leasehold buildings	- over period of lease
Plant and machinery	- 3 to 10 years
Fixtures and fittings	- 3 to 10 years
Exhibitions	- 3 to 10 years
Motor vehicles	- 5 years

No depreciation is provided on exhibits such as works of art and antiques.

No depreciation is provided on freehold land.

Notes to the financial statements for the year ended 31 March 2017

1.11. Heritage assets

The Museum holds collections of heritage assets which are held in support of the Museum's primary objective of effective and accessible repository both now and in the future for the heritage of the Fleet Air Arm and to raise public awareness of the history of the Service, whilst encouraging scholarship and research into Fleet Air Arm history.

The collection

The collection consists of artefacts, physical, written and oral reflecting the history of the Fleet Air Arm.

By categories, numbers held are:

Category	Count
Large items	180
Works of Art/Models	1,310
Documentary Archive	1,034,148
Uniforms/Badges & Insignia	4,403
Orders & Decorations	1,556
Weapons/Armaments	194
Photographs/Microfilm/Fiche	881,452
Film & Sound Recordings	164
Other	17,265

The collections are accounted for as follows:

Aircraft

The Museum's collection of aircraft is reported in the Balance Sheet at market value. Valuations are made internally by the head of curatorial division and head of finance and are reviewed every 5 years. Gains and losses on revaluation are recognised in the Statement of Financial Activities.

Artwork

The Museum's collection of paintings are not recognised in the Balance Sheet as cost information is not readily available and the Trustees believe the benefits of obtaining valuations for these items would not justify the cost. The vast majority of the items in the collection were acquired over ten years ago.

Medals

If medals were purchased using grant in kind these items are recognised in the Balance Sheet as exhibits in the fixed asset note. If donated prior to SORP 2005 these are excluded from the Balance Sheet because cost information is not readily available and the Trustees believe the benefits of obtaining valuations for these items would not justify the cost.

Documents and photographs

The majority of these items have been donated to the Museum and are not included within the Balance Sheet because cost information is not readily available and the Trustees believe the benefits of obtaining valuations for these items would not justify the cost.

Notes to the financial statements
for the year ended 31 March 2017

Heritage assets maintenance and management policy

It is the Museum's policy to maintain its collection. Maintenance costs are charged to the Statement of Financial Activities when incurred. The aircraft and memorabilia are deemed to have indeterminate lives and the Trustees do not therefore consider it appropriate to charge depreciation for capitalised items.

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

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

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

Within Cobham Hall there are over 40 historic aircraft and some five miles of shelving accommodating many of the Museum's records and artefacts.

Access to the collection

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

1.12. 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.

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

The Museum has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

**Notes to the financial statements
for the year ended 31 March 2017**

2. Grants and Donations

During the year the following grants and donations were received:

	Unrestricted funds £	Restricted funds £	2017 Total £	Unrestricted funds £	Restricted funds £	2016 Total £
Grant in kind from NMRN	335,301	-	335,301	582,364	-	582,364
Donations	26,922	4,903	31,825	26,728	158,218	184,946
Covenant	-	-	-	350	-	350
	<u>362,223</u>	<u>4,903</u>	<u>367,126</u>	<u>609,442</u>	<u>158,218</u>	<u>767,660</u>

3. Income for charitable activities

	Unrestricted funds £	Restricted funds £	2017 £	Unrestricted funds £	Restricted funds £	2016 £
Museum collections and exhibitions						
Admission charges	611,068	-	611,068	982,302	-	982,302
Gift aid on admissions	41,003	-	41,003	129,117	-	129,117
	<u>652,071</u>	<u>-</u>	<u>652,071</u>	<u>1,111,419</u>	<u>-</u>	<u>1,111,419</u>
Special events and activities						
Simulator and experiences	-	-	-	21,515	-	21,515
Events and activities	5,204	-	5,204	5,657	-	5,657
	<u>5,204</u>	<u>-</u>	<u>5,204</u>	<u>27,172</u>	<u>-</u>	<u>27,172</u>
Education and research	22,681	-	22,681	23,302	-	23,302
Total income from charitable activities	<u>679,956</u>	<u>-</u>	<u>679,956</u>	<u>1,161,893</u>	<u>-</u>	<u>1,161,893</u>

The simulator was taken out of service at 31 March 2016, accordingly there is no simulator income in the period ended 30 November 2016.

**Notes to the financial statements
for the year ended 31 March 2017**

4. Income and expenses from trading activities of subsidiaries

The charity has a wholly owned trading subsidiary which is incorporated in the United Kingdom. Fleet Air Arm Museum Trading Limited provided a corporate hospitality service and operated a gift shop within the Museum. The company's activity ceased at 30 September 2015 when the operations were transferred to the National Museum of the Royal Navy Trading, the trading subsidiary of the Royal Naval Museum.

Profit and Loss Account	2017	2016
Turnover	-	414,857
Cost of sales	-	(175,247)
Gross Profit	-	239,610
Administrative expenses	-	(232,817)
Profit/(loss) on disposal of operations	-	(2)
Net profit/(loss) before tax	-	6,791
Tax on ordinary activities	-	(1,360)
Retained profit/(loss) for the period	-	5,431
Retained profit brought forward	(2)	(5,433)
Retained profit carried forward	(2)	(2)
Called up Ordinary Share Capital	2	2
Capital and reserves	-	-

Fleet Air Arm Museum Trading Limited has an issued share capital of 2 ordinary shares of £1 each.

Fleet Air Arm Museum Trading Limited was dissolved on 16 May 2017.

5. Investment income

	Unrestricted funds £	Restricted funds £	2017 £	Unrestricted funds £	Restricted funds £	2016 £
Dividends and interest	475	-	475	4,030	-	4,030
	<u>475</u>	<u>-</u>	<u>475</u>	<u>4,030</u>	<u>-</u>	<u>4,030</u>

**Notes to the financial statements
for the year ended 31 March 2017**

6. Museum and visitor operations

	Museum & visitor centre operations	Collections and exhibitions	Education and research	2017	2016
	£	£	£	£	£
Museum maintenance	160,208	-	-	160,208	237,260
Depreciation	238,498	-	-	238,498	356,380
Advertising and marketing	-	44,275	-	44,275	111,418
Grant in kind - fundraising and marketing	-	78,585	-	78,585	-
Fundraising costs	-	2,617	-	2,617	5,158
Education and training	-	-	5,741	5,741	2,759
Governance and support costs	300,317	294,505	57,750	652,572	1,496,853
	<u>699,023</u>	<u>419,982</u>	<u>63,491</u>	<u>1,182,496</u>	<u>2,209,828</u>

7. Governance and support costs

	Museum & visitor centre operations	Collections and exhibitions	Education and research	2017	2016
	£	£	£	£	£
Staff costs	1,406	-	-	1,406	353,707
Grant in kind central salaries cost	282,546	124,746	48,501	455,793	726,973
Premises costs	-	124,800	9,249	134,049	214,655
General office	-	42,059	-	42,059	64,821
Finance costs	-	2,150	-	2,150	13,247
Information technology	-	750	-	750	8,351
Auditors remuneration					
Compass Accountants	5,400	-	-	5,400	-
RSM UK	438	-	-	438	16,950
Auditors non audit services					
Compass Accountants	9,600	-	-	9,600	-
RSM UK	927	-	-	927	62,269
Legal and professional	-	-	-	-	35,880
	<u>300,317</u>	<u>294,505</u>	<u>57,750</u>	<u>652,572</u>	<u>1,496,853</u>

**Notes to the financial statements
for the year ended 31 March 2017**

8. Employees

	2017	2016
	£	£
Employment costs		
Staff costs grant	534,318	726,973
Wages and salaries	-	447,572
Social security costs	-	25,673
Pension costs	-	15,136
	<u>534,318</u>	<u>1,215,354</u>

There were no employees directly employed by the charity in the period. In the period ended 30 November 2016 no employee received remuneration exceeding £60,000.

The average number of employees, analysed by function, was:

	2017	2016
Technical	-	2
Marketing	-	1
Other	-	15
	<u>-</u>	<u>18</u>

No trustees received remuneration during the period. Two Trustees received a total of £573 (31 March 2016: £2,863) in reimbursements for expenses incurred in their role as museum trustees for the year.

Notes to the financial statements
for the year ended 31 March 2017

9. Tangible fixed assets - Group and Charity

	Freehold property £	Leasehold property £	Plant & machinery £	Fixtures & fittings £	Exhibition costs £	Heritage assets £	Total £
Cost or valuation							
At 1 April 2016	5,599,580	3,734,649	101,343	404,828	326,325	3,108,131	13,274,856
Additions	-	-	-	-	31,404	2,750	34,154
On revaluation	85,764	55,684	945	5,285	3,335	-	151,013
Disposals	-	-	-	-	(103)	-	(103)
At 31 March 2017	5,685,344	3,790,333	102,288	410,113	360,961	3,110,881	13,459,920
Depreciation							
At 1 April 2016	131,043	144,251	92,771	284,183	185,243	-	837,491
Charge for the year	89,369	98,377	2,565	23,462	24,725	-	238,498
On revaluation	2,007	1,769	865	4,084	1,727	-	10,452
On disposals	-	-	-	-	(103)	-	(103)
At 31 March 2017	222,419	244,397	96,201	311,729	211,592	-	1,086,338
Net book values							
At 31 March 2017	5,462,925	3,545,936	6,087	98,384	149,369	3,110,881	12,373,582
At 31 March 2016	5,468,537	3,590,398	8,572	120,645	141,082	3,108,131	12,437,365
Balances transferred on 30 November 2016	5,462,925	3,545,936	6,087	98,384	149,369	3,110,881	12,373,582
Remaining in The Fleet Air Arm Museum CLG Limited	-	-	-	-	-	-	-

On 31 March 2015 The Fleet Air Arm Museum CLG Limited valued all the land and buildings. The Valuation was carried out by DVS Property Specialists on an existing use open market value basis for non-specialised assets and depreciated replacement cost for specialised assets, in accordance with the guidance notes of the Royal Institution of Chartered Surveyors.

**Notes to the financial statements
for the year ended 31 March 2017**

9. Tangible fixed assets (continued)

Heritage assets

	2017	2016
	£	£
Cost or valuation		
At 1 April 2016	3,108,131	2,958,131
Acquisitions funded from unrest cited funds and Grant	-	-
Cost of assets acquired by purchase during the year	2,750	-
Value of donated assets received during the year	-	150,000
At 31 March 2017	3,110,881	3,108,131
Number of additions	1	1
Number of disposals	-	-

Five year financial summary of heritage asset transactions

	2017	2016	2015	2014	2013
Additions					
Purchases	2,750	-	-	43,025	45,176
Donations	-	150,000	-	-	10,000
Total additions	2,750	150,000	-	43,025	55,176
Disposals					
Carrying value	-	-	-	-	15,000
Sale proceeds	-	-	-	-	10,000

**Notes to the financial statements
for the year ended 31 March 2017**

10. Debtors - Group and Charity

	2017	2016
	£	£
Amounts due within 1 year:		
Trade debtors	8,012	24,529
Other debtors	3,684	-
Prepayments	1,996	20,837
Amount owed by group undertakings	281,334	86,979
	<u>295,026</u>	<u>132,345</u>
 Balances transferred on 30 November 2016	 <u>295,026</u>	
Remaining in The Fleet Air Arm Museum CLG Limited	<u><u>-</u></u>	

Year end debtor balances with bodies within the Whole of Government Accounts (WGA) boundary were as follows:

	2017	2016
	£	£
Balances with other central government bodies	-	-
Balances with local authorities	-	-
	<u>-</u>	<u>-</u>
Subtotal of intra government balances	-	-
Balances external to government	-	132,345
	<u><u>-</u></u>	<u><u>132,345</u></u>

**Notes to the financial statements
for the year ended 31 March 2017**

**11. Creditors: amounts falling due
within one year**

	2017	2016
	£	£
Trade creditors	435	33,658
Other taxes and social security	2,078	12,402
Other creditors	477	2,381
Accruals	37,042	39,146
Amount owed to group undertakings	360,035	475,435
	<u>400,067</u>	<u>563,022</u>
Balances transferred on 30 November 2016	<u>400,067</u>	
Remaining in The Fleet Air Arm Museum CLG Limited	<u>-</u>	

Year end creditor balances with bodies within the Whole of Government Accounts (WGA) boundary were as follows:

	2017	2016
	£	£
Balances with other central government bodies	-	12,402
Balances with other local authorities	-	-
Subtotal of intra government balances	<u>-</u>	<u>12,402</u>
Balances external to government	-	550,620
	<u>-</u>	<u>563,022</u>

**Notes to the financial statements
for the year ended 31 March 2017**

12. Restricted funds

	1 April 2016	Incoming	Outgoing	Transfers	Revaluation	31 March 2017
	£	£	£	£	£	£
Cobham Hall and leading edge	2,563,647	-	(35,414)	-	39,309	2,567,542
Barracuda	2,849	4,903	(890)	-	-	6,862
Other	181,699	-	-	(181,699)	-	-
	<u>2,748,195</u>	<u>4,903</u>	<u>(36,304)</u>	<u>(181,699)</u>	<u>39,309</u>	<u>2,574,404</u>
Balances transferred on 30 November 2016						<u>2,574,404</u>
Remaining in The Fleet Air Arm Museum CLG Limited						<u>-</u>

Cobham Hall and leading edge

Donations made in the past for development of Cobham Hall, the Museum's hall for storage and upkeep of items not on display. Depreciation of the assets within the exhibition are charged to this fund.

Barracuda

Donations have been made towards a project to restore a Barracuda. Expenses such as the rent and materials to restore the Barracuda are charged against these donations.

Other

Other restricted funds comprised assets that have received donations towards their purchase including the donation of a Sea King helicopter in the previous year (valued at £150,000), with the depreciation being charged to this fund. This fund also includes donations towards particular expenses incurred by the Museum. The balance remaining on this fund has now been transferred to unrestricted funds in accordance with SORP FRS 102 section 2.26.

13. Analysis of net assets between funds

	Tangible Fixed Assets	Investments	Net Current Assets	Total
	£	£	£	£
Unrestricted funds	9,806,040	-	661,897	10,467,937
Restricted funds	<u>2,567,542</u>	<u>-</u>	<u>6,862</u>	<u>2,574,404</u>
Group and Charity	<u>12,373,582</u>	<u>-</u>	<u>668,759</u>	<u>13,042,341</u>
Included in the above figures is the revaluation reserve:				
Revaluation reserve	<u>2,287,606</u>	<u>-</u>	<u>-</u>	<u>2,287,606</u>

Notes to the financial statements
for the year ended 31 March 2017

14. Operating lease commitments

At 31 March 2017 the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Expiry date:		
Within one year	-	5,145
Between one and five years	-	2,477
In over five years	-	413
	<u>-</u>	<u>8,035</u>
	<u>-</u>	<u>8,035</u>

15. Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from corporation tax.

16. Related party transactions

Grant funding received from The National Museum of the Royal Navy is separately disclosed in the Statement of Financial Activities.

The Society of Friends of The Fleet Air Arm Museum is a related party of the Museum. Although none of the trustees of the Museum are trustees of (SOFFAAM), the objectives of the society are to provide financial aid to the Museum and foster interest in the history of the Fleet Air Arm and its Museum. During the period, the society gifted £Nil (2016: £4,258) to the Museum.

The Flying Navy Heritage Trust (formerly Swordfish Heritage Trust) is a related party of the Museum as certain ex-officio trustees of the Museum are also trustees of the Trust. This charity contains within its objectives powers to support the Museum.

17. Ultimate parent undertaking

The Fleet Air Arm Museum CLG Limited considers the National Museum of the Royal Navy (NMRN), a charitable company (charity number 1126283, company number 06699696), to be its ultimate parent undertaking.

Exercise is controlled by the NMRN being the corporate member of The Fleet Air Arm Museum CLG Limited.

The NMRN was established in 2008 as a holding company of the NMRN Group which operates a number of naval service museums, including the Fleet Air Arm Museum. The NMRN's strategy set out to increase the scale, scope and reach of the museum. Its vision is to become the world's most respected Naval Museum underpinned by a spirit of enterprise and adventure. The goal is to promote the public understanding of the Royal Navy past, present and future.

Consolidated accounts can be obtained from the NMRN's registered office: National Museum of the Royal Navy, HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH.

**Notes to the financial statements
for the year ended 31 March 2017**

18. Analysis of changes in net funds

Group and Charity	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	1,030,031	(1,030,031)	-
Net funds	<u>1,030,031</u>	<u>(1,030,031)</u>	<u>-</u>

19. Balances transferred on 30 November 2016

	Group 30/11/16 £	Charity 30/11/16 £
Fixed assets		
Tangible assets	9,262,701	9,262,701
Heritage assets	3,110,881	3,110,881
	<u>12,373,582</u>	<u>12,373,582</u>
Current assets		
Debtors	295,026	295,026
Cash at bank and in hand	773,800	773,800
	<u>1,068,826</u>	<u>1,068,826</u>
Creditors: falling due within one year	<u>(400,067)</u>	<u>(400,067)</u>
Net current assets	<u>668,759</u>	<u>668,759</u>
Net assets	<u>13,042,341</u>	<u>13,042,341</u>
Funds		
Unrestricted funds	8,180,331	8,180,331
Restricted funds	2,574,404	2,574,404
Revaluation reserve	2,287,606	2,287,606
Total funds	<u>13,042,341</u>	<u>13,042,341</u>