

**BOARD OF TRUSTEES OF THE ROYAL ARMOURIES**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

**HC 120**

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Presented to Parliament pursuant to paragraphs 29 (7) and 30 (4) of Schedule 1 to the National Heritage Act 1983.

Ordered by the House of Commons to be printed on 5 July 2010

HC 120

London: The Stationery Office

£9.75

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ISBN: 9780102966602

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2370516 07/10

Printed on paper containing 75% recycled fibre content minimum.

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## **TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT**

### **INTRODUCTION**

The Royal Armouries is the United Kingdom's National Museum of Arms and Armour. It is Britain's oldest museum, and one of the oldest museums in the world. It has one of the largest collections of arms and armour in the world, comprising of the National Collection of Arms and Armour, National Artillery Collection, and National Firearms Centre. It is also the keeper of the Tower of London history.

The Royal Armouries began life as the main royal and national arsenal and was originally housed in the Tower of London. Indeed the Royal Armouries has occupied buildings within the Tower for making and storing arms, armour and military equipment for as long as the Tower itself has been in existence.

In 1990, the decision was taken to establish a new museum in the north of England in which to house the bulk of the collection of world-wide arms and armour. As a consequence the main site of the Royal Armouries opened in Leeds in 1996. A continuous presence has been maintained in the Tower of London and in 1995 the Royal Armouries assumed responsibility of Fort Nelson, Portsmouth, which houses that part of the national artillery collection not held by the Royal Collection, the Royal Artillery Collection, or on loan around Great Britain. It also houses the Board of Ordnance Archive relating to artillery. The Royal Armouries also has a long term agreement to display at the Frazier International History Museum in Louisville, Kentucky.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Royal Armouries has the status of a non-departmental public body, operating in the public sector but at arm's length from its sponsor department, the Department for Culture, Media and Sport (DCMS). The Royal Armouries agreed a *Management Statement* and *Financial Memorandum* with the DCMS in 2002/03 and receipt of Grant-in-Aid is dependent upon the Royal Armouries' compliance. The Royal Armouries is an exempt charity under the Charities Act 1993.

The governing body is the Board of Trustees, which was established in 1984 in accordance with the National Heritage Act 1983. Trustees are appointed by the Secretary of State for Culture, Media and Sport, with the exception of two Trustees, one of whom is appointed by HM The Queen, and the Constable of the Tower of London who is an ex-officio member of the Board.

The Board of Trustees is responsible for overseeing the Royal Armouries' affairs and determining the overall strategy for the Royal Armouries. The number of Trustees who may serve at any one time may not be less than 6 or more than 11. A list of Trustees who served in the financial year is given on page 4. Trustees are not remunerated for their services but are eligible to claim reasonable expenses. The Board meets six times per year.

The Board of Trustees has the following charitable objectives under the provisions of the National Heritage Act 1983:

- To care for, preserve and add to the objects in the collection of arms, armour and associated objects
- To secure that the objects are exhibited to the public
- To secure that the objects are available to persons seeking to inspect them in connection with study or research
- To maintain a record relating to their collection, to arms and armour generally and to the Tower
- To promote the public's enjoyment and understanding of arms and armour, both by means of the Board's collection and by such other means as they consider appropriate.

The Board of Trustees has appointed a Director General and Master of the Royal Armouries who is responsible for providing leadership to the Royal Armouries. The Director General and Master also holds responsibility as Accounting Officer. The Director General and Master reports to the Board of Trustees to account for the Royal Armouries' performance.

There are six sub-committees of the Board:

- Finance and Capital Development Committee
- Knowledge Development Committee
- Audit Committee
- Remuneration Committee
- Audience Development Committee
- London Development Committee

### **Board of Trustees of the Royal Armouries**

The following persons were members of the Board of Trustees of the Royal Armouries in 2009/10 and served on the sub-committees shown:

	<b>Date of appointment</b>	<b>Expiry of appointment</b>
<b>Chairman</b>		
Ann Green FCMI FRSA CBE (Trustee from 10.11.98 – 27.04.03)	28.04.03	27.04.11
<b>Members</b>		
Major General Sir Simon Cooper GCVO	01.08.04	20.02.11
General Sir Roger Wheeler GCB CBE	01.08.01	31.07.09
Bob Morton FCA	22.01.03	21.01.11
Chris Oakley CBE	26.05.02	25.03.10
Patricia Langham CBE	04.11.04	03.11.12
Jon Hammond Booth	02.12.04	01.12.12
Marie Stevens	19.09.05	18.09.13
Professor Richard Holmes CBE TD JP	26.09.05	25.09.13
Duncan Wilson OBE	01.09.07	31.08.11
Chris Case	10.11.08	09.11.12
General Sir Richard Dannatt GCB CBE MC	01.08.09	31.07.13

### Trustee Sub-Committees

<b>Sub Committee</b>	<b>Chair</b>	<b>Members</b>
Audit	Bob Morton	Ann Green Duncan Wilson Chris Case Gev Lynott (co-opted external member)
Finance	Bob Morton	Ann Green Marie Stevens Duncan Wilson Chris Case
Knowledge	Richard Holmes	Ann Green Pat Langham Richard Dannatt

Audience	Marie Stevens	Ann Green Jon Hammond Booth Chris Oakley (to 25.03.10) Chris Case
Remuneration	Ann Green	Bob Morton Richard Holmes Marie Stevens
London Development	Kevin Everett (co- opted external member)	Jon Hammond Booth 6 co-opted external members

### **Recruitment and Appointment of New Trustees**

The process for appointing new trustees is in accordance with the procedures defined by the DCMS under which descriptions of the roles required would be advertised, interviews conducted and recommendations made for appointment by the Secretary of State for Culture, Media and Sport.

Upon appointment new trustees go through a formal induction process, which includes a full briefing by the Chairman, Accounting Officer and members of the Executive Team.

### **Executive Team**

Lt Gen Jonathon Riley – Director General and Master – appointed 15 June 2009

Janice Murray – Chief Executive – appointed 20 May 2009 and left 19 May 2010

Owen Finn – Director of Finance and Resources – left 23 July 2009

Peter Doherty – Finance and Commercial Director – appointed 29 March 2010

Peter Armstrong – Creative and Development Director

Steve Burt – Museum Director

Graeme Rimer – Academic Director

Col David Collins – National Firearms Centre Director – appointed 11 May 2010

Lt Gen Jonathon Riley became the designated Accounting Officer in place of Owen Finn on 27 July 2009.

### **Staff Communications**

Communications between staff and senior management are held monthly and cover strategy, performance and updates on site development.



Staff representation is by the Prospect Trade Union.

### **Sickness Absence**

The average number of days lost per head due to sickness absence during the year was 8.0 (2008/09 : 6.9).

### **Equal Opportunities**

It is the Royal Armouries' policy that all individuals shall have equal opportunity for employment and advancement in the Royal Armouries on the basis of their ability, qualifications and relative merits. There is no discrimination based on gender, marital status, sexual orientation, race, religion or physical disability. The Royal Armouries are committed to making the policy effective and will continually monitor and review their employment practices to ensure all relevant staff receive appropriate training.

### **Data and Information Risk**

The Finance and Commercial Director is the Senior Information Risk Owner and is responsible for the development of information risk policies and protocols. At the present time the Royal Armouries does not yet fully comply with Cabinet Office requirements relating to information risk and handling. Measures to resolve this have begun and will continue throughout 2010/11.

No sensitive personal data incidents have been reported during the financial period and no report has been made to the Information Commissioner's Office.

### **Relationship Between Charity and Other Parties**

Details of related party transactions are contained in note 21 to the financial statements.

The Royal Armouries is a non-departmental public body whose parent body is the DCMS. The DCMS is regarded as a related party. The Chairman of the Royal Armouries Board of Trustees is also a non-executive board member of the DCMS.

The Frazier International History Museum in Louisville, Kentucky, where the Royal Armouries have a long term agreement to display, is regarded as a related party. The Chairman of the Royal Armouries is also a non-executive board member of the Frazier International History Museum.

The Tower of London houses part of the Royal Armouries' national collection of arms and armour and the Royal Armouries are also the keeper of the Tower of London history. However the Tower of London itself is in the care of Historic Royal Palaces. The relationship

between the Royal Armouries and Historic Royal Places is defined in a Memorandum of Understanding. A Trustee of the Royal Armouries, General Sir Richard Dannatt, is also a Trustee of Historic Royal Palaces.

In 2009 a decision was taken by the Royal Armouries' Board of Trustees to set up a trading company to run commercial activities previously undertaken by the charity. The company will be a wholly-owned subsidiary of the charity. It is anticipated that the company will commence trading in mid-2010, now that the Royal Armouries have received consent for its incorporation from the Secretary of State for Culture, Media and Sport.

## **PERFORMANCE INDICATORS**

The Three Year Funding Agreement between the Royal Armouries and the Department for Culture, Media and Sport establishes 19 performance indicators for the Royal Armouries. 2009/10 is the second year of a three year agreement. The performance indicators for 2009/10 and the actual performance achieved against each of them are set out below.

Those key performance indicators marked with an asterisk do not include figures for the Tower of London, where the information is either not available from Historic Royal Palaces or else is not relevant.

<b>Performance Indicator</b>	<b>2009/10 Performance Indicator</b>	<b>2009/10 Out-turn</b>
Total number of visits	433,000	466,987
Number of unique users visiting the website	540,000	461,716
Number of children aged 16 and under visiting the Royal Armouries	158,000	156,177
Number of adult UK visitors (aged 16+) from NS-SEC groups 5-8 attending the Royal Armouries *	33,000	72,818
Number of adult UK visitors (aged 16+) from an ethnic minority background attending the Royal Armouries *	15,500	6,547
Number of UK visitors (aged 16+) who consider themselves to have a limiting long term illness, disability or infirmity *	8,400	11,618
Number of overseas visitors	54,400	119,121
Number of children under 16, in formal education, attending the Royal Armouries in facilitated and self directed visits	27,700	29,731
Number of children under 16 participating in on-site organised activities	20,000	31,339
Number of instances of children under 16 participating in outreach activities outside the Royal Armouries	8,500	9,640
Number of adults (aged 16+) participating in organised activities at the Royal Armouries	27,500	52,517
Number of adults (aged 16+) participating in outreach activities outside the Royal Armouries	9,400	2,659
Percentage of visitors who would recommend a visit	94%	99.5%
Admissions income *	£122,000	£117,000
Trading income *	£469,000	£405,000
Fundraising income *	£650,000	£574,000
Number of UK loan venues *	100	107
Number of collection related pages added to the website *	17,500	18,000
Total number of outreach visits *	188	140

## FUNDRAISING AND SPONSORSHIP

Through the development of strong partnerships with funders and sponsors the Royal Armouries continued to receive generous support throughout 2009/10, despite the economic climate, with the highlight being the success of a £1.8 million Stage 2 application to the Heritage Lottery Fund for the re-development of Fort Nelson. Along with £450,000 match-funding raised in 2007/08 and 2008/09, an additional £100,000 was also secured from a variety of supporters, including the DCMS / Wolfson Galleries Improvement Fund Round 8 which generously granted funding for the development of the Social History Galleries. In-kind support was also provided by a longer-term partner, HISTORY™, which pledged to work with the Royal Armouries on the creation of audio-visual displays for the new Fort Nelson galleries. In June 2010 a high profile public appeal will be launched to both generate funds for this redevelopment and increase local awareness.

The extensive international press coverage and excellent visitor figures of *Henry VIII: Dressed to Kill* exhibition at the Tower of London has helped potential future sponsors see the benefit of partnership with the Royal Armouries on all three sites and in particular within the White Tower. With the next more permanent displays, *The Royal Gallery* and *Treasures of the Royal Armouries* launched in March 2010, a key development priority for 2010 is the securing of sponsorship for this first phase of the redevelopment of this historic site. Again HISTORY™ produced two films for *The Royal Gallery* and a new relationship was established with Swarovski who generously provided in-kind support for the *Treasures Gallery*.

In Leeds, three years of funding was secured from the Home Office for the development and delivery of our 'Staying Safe' Days designed to meet the needs of the government's Safer Schools agenda and in particular to deter knife crime.

The Royal Armouries would like to thank the following for their generous support:

- Aldgate & Allhallows Barking Exhibition Foundation
- Arnold Burton 1998 Charitable Trust
- Bayer Material Science
- DCMS / Wolfson Museums & Galleries Improvement Fund
- Find Your Talent
- Garfield Weston Foundation
- Heritage Lottery Fund
- HESCO Bastion

- HISTORY™
- J Paul Getty Jr Charitable Trust
- John Ellerman Foundation
- National Physical Laboratory
- Royal Armouries Foundation Inc
- Samuel Butler's Educational Fund
- Swarovski
- The Partnership
- The Worshipful Company of Armourers & Brasiers
- The Worshipful Company of Tin Plate Workers
- Watson Wyatt Limited (now Towers Watson)

## **LEARNING AND ACCESS**

### **Leeds**

The Education department in Leeds was one of the first institutions to be awarded the quality badge for Learning 'Outside the Classroom' and proudly hosted the first National LotC Conference in December 2009. The innovative Early Years project with Leeds Children's Centres has continued and outreach work with Leeds Teaching Hospitals has been awarded a Strategic Commissioning Grant from the Museums, Libraries and Archives Council to support future development. Partnerships with Extended Schools Services and Find Your Talent have continued to develop as have new partnerships with Gifted and Talented networks in the Yorkshire and Humberside Region.

Partnerships with Higher Education Institutions have also been very successful, in particular those with Huddersfield University, Leeds University, Leeds Metropolitan University, Northern Film School, St. John's College. The Royal Armouries were also delighted to have been awarded a grant for £7,000 from the Museums, Libraries and Archives Council to support cutting edge work with Leeds University PGCE students which will be utilised in May through September 2010.

New e-learning resources, including a Civil War interactive based on the Littlecote Collection, were launched in 2009, which has had over 1,000 hits a month since going live. The National Museum On-Line Project was successfully promoted in May with 100 on-line tasks for students aged 5-16. The Royal Armouries have remained part of this consortium with

the British Museum, Tate, Victoria and Albert Museum, Sir John Soane Museum, Wallace Collection, Imperial War Museum, Natural History Museum and the National Portrait Gallery as part of their commitment to the creation of the virtual Museum.

### **Fort Nelson**

The changes in the education programme are well underway as is the Fort Nelson transformation. The key strengths of this site are now apparent throughout the innovative programme, which not only includes the Victorians, WWI and WWII (as identified in the current History National Curriculum) but also utilises the reputation that the Science programme has gained through its seven year existence at the Tower of London. This means that there is capacity to extend the education programme to include sessions for pupils from Key Stages 1 to 5.

### **Tower of London**

The 'Bayer Visionworks Learning Zone' has benefited the Royal Armouries by obtaining recognition from Science, Technology, Engineering and Mathematics providers for its innovative and inspiring Science programme. Amongst our partners have been the Royal Society, National Physics Laboratory and Reading University. The Tower education team have worked with almost 5000 young people as part of their on-site and off-site science programme throughout the year.

The 'Let's be Blunt' knife crime project was repeated and was praised within a local school's OFSTED report. A donation from Aldgate and All Hallows Foundation meant that the access programme could be expanded with such highlights as the 'Skills for Life' project aimed at young adults with special needs and the involvement with 'Shine Week'. In the first six months of the year the Royal Armouries had enriched the learning experience of 700 people with special educational needs – children and adults alike.

## **PUBLIC ENGAGEMENT**

### **Events**

The Curatorial, Library and Archive team has organised and delivered a number of seminars at its Leeds and Fort Nelson sites including *History In Your Hands* and bespoke handling sessions for interest groups. In addition to these seminars the team continued with Education services by delivering sessions for teachers, Gifted and Talented pupils and the Northern Film School collaboration to help deliver elements of the *Dragon's Den* Oriental Weekend. In July members of the team performed the play 'Only Water Between' (based on original First World War documents held in our archive) at the Edinburgh Festival to much acclaim.

Well received lectures have continued to be offered to locations such as the Wallace Collection, Cromwell Society, as well as to smaller interest groups.

### **Exhibitions**

Curatorial, Library and Archive staff were closely involved in the highly successful *Dressed To Kill* exhibition at the Tower Of London and similarly in the new *Fit For A King* exhibition. In addition to these the Curatorial & Picture Library staff have also been involved in developing new displays for the Frazier International History Museum in Louisville, Kentucky, as well as creating object lists and exhibition proposals for forthcoming exhibition and gallery projects at the National Museum of the US Army in Washington and the Royal Ontario Museum, Canada.

### **Collections Enquiries**

The Curatorial Department facilitates access to our study collections in stores for academics, researchers and peers, giving us an opportunity to promote the breadth of our collections and share academic knowledge.

In 2009/10 Curatorial, Library and Archive staff answered over 1200 public enquiries - all helping to maintain the Royal Armouries' status as the place to go for the general public to discover more about arms and armour. The Library also supports the National Firearms Centre by compiling and distributing a Current Awareness Bulletin of journal articles for key groups.

### **Online Collections Catalogue**

The online collections catalogue was redesigned and re-launched at the end of the year. The catalogue now includes over 30,000 images of objects in the collections which are available for purchase.

## **COLLECTIONS MANAGEMENT**

### **Policies and Procedures**

The Collections Department has completed its review of all the current policies and procedures, and has put together a new Disaster Recovery Plan. The team also worked hard to secure accreditation, which has been confirmed by the Museums, Libraries and Archives Council (MLA). The MLA's accreditation scheme sets nationally agreed standards for museums and identifies opportunities for further improvement and development.

### **Audits**

Curatorial staff have worked closely with colleagues in Registrars and Conservation to resolve the issues raised by a rigorous programme of Red Zone area audits throughout the year. A full

audit of all public galleries, case by case was also carried out, assisted by students from Huddersfield University, whose work placements are supported under the Memorandum of Understanding between the two organisations.

### **Loans**

Curatorial staff played a key role in carrying out the required loan inspections on the Royal Armouries' material displayed off site, as well as liaising with other institutions over new loan requests and input into major exhibitions in the UK and abroad - including the British Museum's planned Shakespeare exhibition and the Victoria and Albert Museum's partnership exhibition with the Kremlin.

### **Major Acquisitions 2009/10**

- An Ottoman ivory-inlaid and cintamani decorated matchlock gun, Turkish 17<sup>th</sup> Century
- Company records and assorted ephemera of GE Lewis gun-makers
- An extremely rare three-barrelled flintlock pistol signed Freeman, London circa 1765
- 17<sup>th</sup> Century South Indian rapier sword from the Bikanir Armoury, Rajasthan
- North American 19<sup>th</sup> Century lever action Henry rifle gifted by the Herbert Museum & Gallery
- An English hand cannon circa 1400 found by a mudlark on the Thames foreshore in the 1990's. Gifted by Mr AG Pilson.

## **ACADEMIC**

### **Lectures**

Curatorial staff have continued to lecture at both Leeds University and Huddersfield University, as well as developing bespoke handling sessions on relevant themes for student groups.

### **Conferences**

Curatorial staff played a major role in the ICOMAM (International Committee of Museums of Arms and Military History) Conference held at the Royal Armouries in October 2009. Attended by 44 delegates from 15 countries (from Europe to Australia), staff gave papers, supported various tours and delivered the post-conference tour of the Welsh castles of Edward I.

### **Staff Development Tours**

This year saw the Staff Development Programme go from strength to strength. This is a fortnightly programme of curator-led sessions, which allow Front of House and Interpretation staff to meet with curators, ask questions and handle objects closely in stores. The sessions



have proved popular and provide an effective way of cascading curatorial knowledge to the public through a dedicated team of gallery staff.

### **Publications**

Curatorial staff have seen several works published this year, including a book on the Eglinton Tournament and the definitive *Henry VIII Arms & The Man* catalogue. Staff have also continued to write and publish articles in the *Museums Journal*, *Journal of Arms and Armour* and also for the *De Re Militari* on the web.

### **Filming**

Staff have assisted in the filming of several documentaries on arms and armour related topics.

## **CONSERVATION AND CARE OF THE COLLECTION**

Environmental conditions in the Study Collections stabilized following the installation of new equipment at the end of last year, and in the National Firearms Centre (NFC), thanks to the installation of temporary portable dehumidifiers. However, leaks were discovered in the NFC roof which necessitated the temporary relocation of part of the firearms collection. The department continued to monitor the Royal Armouries for pests, and to carry out regular checks of the collection for concentric ring corrosions.

Over the past year approximately 650 objects have passed through the conservation laboratory for exhibitions given by the Royal Armouries and also for a number of loans (including Frazier International History Museum change over, Greenwich and Dublin). In addition Conservation staff have continued to work with the Education department in maintaining and repairing their handling collection and also assisting Education, Interpreters and the Collections departments to safely introduce objects into the collection through condition checks and pest management treatments. A significant achievement this year has been the gaining of Certificate of Registration to legally hold radioactive material at the NFC. Conservation staff have also assisted in providing information for Museum Registration. The department has been active outside of the Royal Armouries, giving three lectures at West Dean College, Chichester and also presenting a poster on 'Ivory within the Royal Armouries Collection' at a 'Researching Ivory' workshop at Mersey Maritime Museum.

External paid work this year started with a contract for Thackray Medical Museum, Leeds, working on 32 Roman and Medieval medical instruments in an excavated condition, which offered a contrast to the Royal Armouries' usual collection. The department also carried out a number of x-ray contracts mainly on Viking swords; however the highlight of the x-ray work

was the opportunity to x-ray the wooden clock made by Harrison (of Longitude fame) on behalf of Leeds Museum for a television programme presented by Adam Hart-Davis.

## **EVENTS**

### **Leeds**

In 2009/10, Royal Armouries Leeds held 74 days of public events, which were responsible for increasing the visitor figures for the year by 10%.

2009 saw the introduction of themed weekends; roughly one per month to highlight certain time periods, anniversaries and themes relevant to the Royal Armouries' collection. We continued the programme of children's activity days held every Wednesday and Saturday in each school holiday; these events were successful in attracting a regular family audience.

Royal Armouries Leeds continued to run its programme of daily interpretations, horse shows and falconry displays. This is one of the unique selling points of the Royal Armouries. These shows contribute to both visitor figures and income for the Royal Armouries. In October 2009 the interpretation department started to run regular children's 'have a go' sword sessions. These are now being run every weekend during school terms and every day during school holidays.

Highlights of events for Leeds in 2009/10 included *Outlaws* during February half term 2009 which saw the visitor figures rise from 8,663 in 2008 to 15,222. The Royal Armouries held a very successful Armistice Day service which included a Chaplain from the Royal Navy who conducted the service and a bugler from the Royal Welch Fusiliers. This was supported by a month of events and interpretations dedicated to the theme of Remembrance.

### **Fort Nelson**

In 2009-10, Fort Nelson held 48 days of public events, which were responsible for over 40% of total visitors for the year.

The events programme varied from bank holiday spectaculars with gun-firings, vehicles and historical performers to a programme of children's activity days. Held every Tuesday and Thursday in each school holiday, these events attracted a regular family audience. During the summer holidays, activity days attracted an average of 943 visitors per day.

Fort Nelson continued to support key commemorative dates with ceremonies held to mark wartime and historical events linked to the Fort.

Poor weather throughout the year continued to be an adverse factor. Despite this, the events programme continued to make a significant contribution towards overall visitor numbers. Highlights included a recreation of the attack on Camp Nelson, at Louisville, Kentucky, during the American Civil War and a Victorian event, staged in the tunnels and underground magazines, during Halloween.

### **Tower of London**

More than three years in the preparation, *Henry VIII: Dressed to Kill*, one of the biggest exhibitions in Royal Armouries history, opened in April 2009.

Displayed over three floors of the historic White Tower, this stunning temporary exhibition commemorated the 500th anniversary of Henry VIII's accession to the throne of England in 1509. Some of the world's rarest arms and armour were selected from the treasures of the Royal Armouries and from leading international collections. These spectacular objects had not been seen together since the reign of Henry's daughter, Elizabeth I.

By the time the exhibition closed in January 2010 more than two million visitors had witnessed the majesty of Henry and this stunning exhibition. Since opening in April 2009, the exhibition has seen record visitor numbers for the Tower, as well as national and international press coverage.

### **International**

Since the establishment in 2003 of its partnership with the Frazier International History Museum in Louisville, Kentucky, the Royal Armouries are still one of the few British national museums to have a permanent presence in North America. During 2009 that presence was enhanced with the development of our displays through the introduction of an early war gallery containing some of our oldest artefacts. All the displays representing the period from 1600 onwards were also reinterpreted giving them a more American focus and linking them more closely to the ever changing American education curriculum. In order to enhance our North America presence, we are developing a partnership with the new US National Army Museum, to provide the early colonial period and Revolutionary War galleries, as well as negotiating with the Royal Ontario Museum in Canada to launch a major joint exhibition and permanent gallery in two years' time.

The Royal Armouries continue to loan widely and their overseas loans can be viewed on the website <http://www.royalarmouries.org/what-we-do/specialist-services/loans>

## **ENVIRONMENT AND SUSTAINABILITY**

The Royal Armouries are developing a holistic approach to the issues of sustainability and the reduction of our carbon footprint. They have worked closely with the Carbon Trust to create a new energy policy and effective action plan, which has already shown benefits including a 10% saving in our electricity usage.

The Royal Armouries are exploring innovative ways of generating green energy, including constructing an Archimedes' screw on the weir next to our Leeds site. New waste management systems have led to a marked reduction in the amount of non-recyclable material disposed of and the overall amount of paper used.

Two of our key objectives when planning the major redevelopment project at Fort Nelson were the sourcing of sustainable building materials and an energy efficient construction.

## **FUTURE PLANS**

### **Leeds**

Enhancements to the permanent displays will be made to meet the changing needs of the Royal Armouries' audiences. With the return of Henry VIII's magnificent armours, the Tournament gallery will be revitalised.

Based around the enhanced Impact gallery and designed to meet the needs of the government's Safer Schools agenda, the Community Team will deliver *Staying Safe Days* for mainstream education groups rather than hard-to-reach young people. Fun activities will be combined with serious messages so that all participants remain engaged. The experience will leave a lasting impression.

### **Fort Nelson**

The coming year will be one of the most exciting for Fort Nelson since the site was opened in 1995. With the generous help of the national Heritage Lottery Fund, the DCMS/Wolfson Museums & Galleries Improvement Fund and the Garfield Weston Foundation, the Royal Armouries are now embarking on a £3.5 million project that will include a new entrance complex, dramatic glass-covered display areas, fascinating social history galleries and a classroom of the future. Work is scheduled to begin in mid-2010 and completion is planned for Spring 2011. The Fort will remain open throughout the period leading up to completion.

### **Tower of London**

With the closure of *Henry VIII: Dressed to Kill* work has begun on the next phase of the White Tower redevelopment strategy. This includes the creation of a spectacular royal gallery, *Fit*

*for a King*, on the entrance floor. This gallery will take the visitor from the Armouries of the Tudor kings right through to our present day royal family. On the first floor a new permanent exhibition, *Treasures of the Royal Armouries*, will tell the story, through some of our most spectacular objects, of the development of the Royal Armouries from its beginnings 900 years ago to the finest collection of arms and armour in the world.

## REFERENCE AND ADMINISTRATION DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS

A register of Trustees' interests is held and this is regularly updated. It is available on request.

The Secretary of State for Culture, Media and Sport was appointed principal regulator of the Royal Armouries on 1 June 2010, with the implementation of the relevant provisions under the Charities Act 2006.

### Royal Armouries Addresses

Principal Address

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#### Solicitors

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## FINANCIAL REVIEW

### Overview of Financial Position

The financial statements have been prepared in accordance with the Statement of Recommended Practice 2005 (SORP 2005) Accounting and Reporting for Charities and by reference to the Government Financial Reporting manual. In accordance with the SORP, the total amount of grant and other income received for capital projects is included in the Statement of Financial Activities on page 38.

In 2009/10 the Royal Armouries recorded net incoming resources before transfers of £141k for general unrestricted funds. In addition, a restricted funds surplus of £277k has been recorded by the Royal Armouries Development Trust.

The Royal Armouries' Statement of Financial Activities (SOFA) is set out on page 38 of this document. Incoming resources for the period amounted to £10,271k which included government grants amounting to £8,474k. Resources expended amounted to £10,819k, resulting in net outgoing resources of £548k (before notional costs, transfers and revaluations). £1,826k was attributable to depreciation provisions with a further £61k resulting from asset impairments following annual indexation and a decision to write off low value assets previously capitalised; these were financed from the capital project income credited to designated and restricted funds in previous years.

Visitor levels to the Royal Armouries during 2009/10 were 8% higher than budgeted and 4% higher than last year leading to a recovery on commercial incomes when compared to the previous year. Following the contribution by Historic Royal Palaces towards the hugely successful *Henry VIII: Dressed to Kill* exhibition in 2008-09, sponsorship and donations have reduced by £173k to £609k. Contributions towards the Tower of London operating costs of £153k were received from Historic Royal Palaces.

Total resources expended included salaries and related employee costs of £5,068k, this being £265k higher than 2008-09 as a result of a £50k provision for redundancy and an accrual of £143k for outstanding holiday pay due to staff as at 31 March 2010. Salary expenditure accounted for 46.8% of operational cost and depreciation at £1,826k for 16.9%.

### Balance Sheet

Of the fund balances at 31 March 2010:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £43,767k (2008-09: £45,702k), the majority of which comprise the value of land and buildings;

- designated funds, set aside to finance tangible fixed assets other than those classed as restricted, amounted to £5,179k (2008-09: £5,410k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Royal Armouries, amounted to £298k (2008-09: £200k).

By virtue of the National Heritage Act 1983, the Royal Armouries were vested with the property and objects, which formed part of the collection of arms and armour, or were associated with the maintenance or administration of the collection. The value of the collection was not identified in the records passing into the Royal Armouries' ownership. In accordance with the Financial Reporting Manual, additions to the collection since 1 April 2001 are capitalized and recognized in the Balance Sheet, at the cost or value of the acquisition. Such items are not depreciated or revalued as a matter of routine. Acquisitions to the value of £90k were capitalised in 2009/10.

Under the terms of its government grant, the Royal Armouries are required to break-even, taking one year with another. They do not commit funds beyond those available, even though this means that some projects cannot be pursued and others can proceed only as fast as funding permits. They actively pursue other sources of funding for activities that cannot be financed by grant. Nevertheless the future financial viability of the Royal Armouries is critically dependent on continued government grant. The funds of the Royal Armouries are adequate to support its future requirements only in the technical sense that commitments are not made beyond the resources available.

### **Reserves Policy**

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves appropriate to the scale, complexity and risk profile of the Royal Armouries. The policy on reserves is reviewed by the Trustees on an annual basis.

Although Grant in Aid accounts for around 83% of their income, which provides limited exposure to liquidity risk, the remainder of operational costs must be financed by self-generated income, which is volatile. The risk is managed through the Royal Armouries' policy to ensure that the level of reserves provides a comfort level for shortfall in income and to underpin cash-flow and budgetary risks particularly arising from capital expenditure projects.

Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees now consider that unrestricted general reserves of circa £300k minimum should be maintained. Of this, £100k is deemed the minimum amount required to meet shortfalls in variable income with the remainder against unforeseen expenditure. Any excess above the minimum, in this case £43k for this year has been designated for the development of Fort



Nelson and a transfer has been made accordingly to Designated Funds. The Fort Nelson Designated Fund balance of £300k is required towards the redevelopment cost to be incurred during 2010/11.

Although the Royal Armouries' total reserves at 31 March 2010 are shown as £49.2 million on the balance sheet, all but £598k is tied up in restricted funds, fixed assets and the Royal Armouries Development Trust Fund, none of which can be used for other purposes.

### **Payment of Creditors**

The Royal Armouries continue to review the efficiency of their operations and aim to comply with best practice wherever possible. The Royal Armouries aim to settle all bills within 30 days or in accordance with the suppliers' terms of business. In 2009/10, the Royal Armouries paid approximately 75% (2008/09: 90%) of supplier invoices within the target of 30 days, the reduction from the previous year being as a result of delays in obtaining approval due to vacancies at Director level.

Bob Morton  
Trustee on behalf of the Board

Dated 23 June 2010

Lt Gen Jonathon Riley  
Accounting Officer

Dated 23 June 2010

## REMUNERATION REPORT

### Remuneration Committee

The membership of the Remuneration Committee is:

Ann Green (Chair)

Bob Morton

Marie Stevens

Richard Holmes

### Policy on the Remuneration of the Director General and Master and Directors

The Remuneration Committee reviews the salaries of the Director General and Master and Directors. At the beginning of each year the Director General and Master and Directors are set objectives based on the Royal Armouries' business plan. The Remuneration Committee, on an annual basis, assesses the performance of the Director General and Master and a pay award is made according to achievements against targets. The Director General and Master reviews the performance of the Directors and makes a recommendation to the Remuneration Committee on their salary levels. All pay depends on performance delivery. Pay in 2009/10 consisted of salary only and there were no other cash or non-cash benefits. There was no contractual commitment to pay a bonus in the year. Owen Finn left in July 2009 and received £5k pay in lieu of notice in accordance with his contractual terms.

### Policy on Duration of Contracts, Notice Period and Termination Payments

The Director General and Master and Directors are permanent employees of the Royal Armouries. Notice periods are between three and six months and all termination payments are in accordance with the Royal Armouries' contractual terms.

### Pensions

Pension benefits are provided through the Civil Service Pension Scheme. From 30 July 2007, Directors may be in one of 4 defined benefit schemes; either the final salary scheme (*Classic*, *Premium* or *Classic Plus*); or a whole career scheme (*NUVOS*). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under the *Classic*, *Premium* or *Classic Plus* and *NUVOS* are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for *Classic* and 3.5% for *Premium*, *Classic Plus* and *NUVOS*. Benefits in *Classic* accrue at the rate of 1/80<sup>th</sup> of

final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For *Premium*, benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike *Classic* there is no automatic lump sum. *Classic Plus* is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per *Classic* and benefits for service from October 2002 calculated as *Premium*. In *NUVOS* a member builds up pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to make a contribution but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers must also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of *Classic*, *Premium* and *Classic Plus* and 65 for members of *NUVOS*. Further details about the Civil Service pension arrangements can be found at the website ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

### **Cash Equivalent Transfer Value**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits value is the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at

their own cost. CETVs are calculated within guidelines and a framework prescribed by the Institute and Faculty of Actuaries.

### Real Increase of CETV

This reflects the increase in CETV 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 at the start and the end of the period.

The following disclosures have been audited.

### 2008/09 Figures

	Remuneration	Annual Equivalent Salary	CETV at 31 March	Real increase in CETV	Real increase in pension at 60	Real increase in lump sum at 60
	£000's	£000's	£000's	£000's	£000's	£000's
P Evans	74	95	136	7	0-2.5	0-2.5
P Armstrong	63	63	62	10	0-2.5	n/a
S Burt	55	55	510	5	0-2.5	n/a
J Jacobs	42	61	223	8	0-2.5	0-2.5
O Finn	46	70	15	13	0-2.5	n/a
G Rimer	48	49	441	5	0-2.5	0-2.5

Paul Evans resigned on 30 September 2008.  
Joan Jacobs retired on 31 October 2008.

### 2009/10 Figures

	Remuneration	Annual Equivalent Salary	CETV at 31 March	Real increase in CETV	Real increase in pension at 60	Real increase in lump sum at 60
	£000's	£000's	£000's	£000's	£000's	£000's
J Riley	76	95	24	22	0-2.5	n/a
J Murray	69	80	*	*	*	*
P Armstrong	64	64	82	13	0-2.5	n/a
S Burt	59	60	592	49	2.5-5.0	n/a
O Finn	28	70	23	7	0-2.5	n/a
P Doherty	1	65	n/a	n/a	n/a	n/a
G Rimer	49	49	485	21	0-2.5	2.5-5.0

Those items marked with an asterisk refer to information that was not available at the time this report was completed.

Janice Murray was appointed on 20 May 2009 and left on 19 May 2010.

Jonathon Riley was appointed on 15 June 2009.

Owen Finn left on 23 July 2009.

Peter Doherty was appointed on 29 March 2010.

For a period of four months ending 18 December 2009 Sharon Owbridge was appointed as interim Finance Director through an employment agency who charged £40,000 for her services.

Bob Morton  
Trustee on behalf of the Board

Dated 23 June 2010

Lt Gen Jonathon Riley  
Accounting Officer

Dated 23 June 2010

## STATEMENT OF THE TRUSTEES' AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Schedule 1 Section 29 of The National Heritage Act 1983 the Secretary of State for Culture, Media and Sport (with the consent of HM Treasury) has directed the Board of Trustees of the Royal Armouries to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Board of Trustees of the Royal Armouries and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Trustees and the Accounting Officer are required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the 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 on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* and in the Statement of Recommended Practice 2005 Accounting and Reporting for Charities have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Director General and Master as the Accounting Officer of the Board of Trustees of the Royal Armouries. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Board's assets are set out in the Accounting Officers memorandum issued by HM Treasury.

The Trustees and the Accounting Officer who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that the Royal Armouries have disclosed all relevant information to their auditors. Having made enquiries of the Board of Trustees and the Board's auditor, the Accounting Officer has confirmed that he has taken all the steps that he ought to have taken in order to make himself aware of any information relevant to the audit and to establish that the auditor is aware of that information.

Bob Morton  
Trustee on behalf of the Board  
Dated 23 June 2010

Lt Gen Jonathon Riley  
Accounting Officer  
Dated 23 June 2010

## **STATEMENT ON INTERNAL CONTROL**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Royal Armouries' policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. The Department for Culture, Media and Sport (DCMS) has issued to the Royal Armouries a Management Statement and Financial Memorandum which sets out the relationship between the Government and the Royal Armouries within which the Royal Armouries are required to operate. It also defines my responsibilities as Accounting Officer and the role of the Board of Trustees.

The Royal Armouries have a three year funding agreement with their sponsor, the DCMS, under which they supply DCMS with regular financial information, including performance indicators, to demonstrate their contribution to the delivery of DCMS departmental objectives.

### **Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of departmental 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. It also identifies those risks that can themselves be mitigated by internal controls as opposed to those whose causative factors are wholly outside the Royal Armouries' control and therefore, only the effects can be mitigated. The system of internal control has been in place in the Royal Armouries for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts. It accords with HM Treasury guidance.

Since I became the Accounting Officer in July 2009, I have carried out a thorough 5-year planning process based on a review of the Royal Armouries' aims and objectives; and introduced a number of new policies such as Risk Management and Internal Governance. I continue to keep the effectiveness of controls under review.



## **Capacity to Handle Risk**

The Accounting Officer has overall responsibility for the Royal Armouries' risk management framework, which is supported by the Executive Directors, Senior Managers and Internal Audit, who monitor the effectiveness of the controls in place. Monthly reviews of the main risks facing the Royal Armouries are held at the Executive team meetings where the risk register is a standing item. The risk register is provided to the Audit Committee for review at each of its meetings and from thence to the Board of Trustees. Detailed evidence is provided on mitigations for every area identified as high risk.

The risk management policy of the Royal Armouries sets out the mechanisms in place to enable the Royal Armouries to manage risk. It details how it identifies, assesses, manages and/or mitigates risks or their effects. It also delineates the roles and responsibilities of individuals in ensuring that risks are managed effectively. The policy was last updated in April 2010 and is available to all staff through the Royal Armouries' intranet.

Annual workshops on risk management are arranged for the Royal Armouries' Executive management in conjunction with the internal auditors. Risk management is reviewed monthly by the Executive, so that it is embedded into business management. Risk management and mitigation measures are considered, for example, as an integral item in the development of any Royal Armouries' project and kept live through the monthly system of status reports submitted by project managers to the Executive team.

The Royal Armouries have enhanced their capacity to handle risk by strengthening the processes of internal governance and reporting. An Executive Officer has been appointed to oversee internal governance, an internal governance policy has been introduced and terms of reference have been updated for all committees and working groups.

The Royal Armouries' risk appetite has been agreed and discussed at the Audit Committee and has been incorporated into the risk management policy. Whilst the Royal Armouries remain generally averse to risks, the level of risk that is considered acceptable is assessed according to each set of circumstances, and always with regard to the financial climate. Assessed risks are classified as red, amber or green, in accordance with the Royal Armouries' risk classification matrix. The matrix enables risk to be evaluated on a consistent basis. The most significant risks (being those classified as red) are discussed in detail at every Audit Committee meeting.

The Royal Armouries have responded to changes in risk profile and to specific events identified in the risk register in a positive and effective way. For example, the creation of specific staff posts (Head of Library, Archive and Records Management, Health and Safety

Manager and Procurement Officer) are each intended to help address areas of risk previously identified.

### **Risk and Control Framework**

The museum sector is supported through central government funding. In 2009/10 Government Grant-in-Aid accounted for around 83% of the Royal Armouries' income. In the current economic climate, where there is a need for the Government to reduce its spending in order to address its budget deficit, the risk to government-funded museums is that central funding will reduce. The Royal Armouries are mitigating this risk by developing contingency plans to identify how best they would operate with reduced funding, while at the same time developing plans to generate alternative sources of income through an expansion of commercial activities (including sponsorship and other opportunities in the USA and Canada).

### **Governance**

The Royal Armouries were established by the National Heritage Act 1983 which provides the framework within which the Royal Armouries can operate. Formal meetings between the Director General and Master and representatives from DCMS are held six-weekly in which issues arising and performance are discussed. Performance returns are issued to DCMS quarterly.

The Royal Armouries' system of internal control is based on the principles and requirements of good governance and is managed effectively through the Royal Armouries:

- Board of Trustees consisting of Board members from different sectors and backgrounds meeting 6 times per year
- Trustee sub-committees consisting of appropriately and professionally qualified members with expertise in the appropriate areas meeting 6 times per year. The membership of these sub-committees is detailed elsewhere in this report.
- Directorate consisting of Director General and Master and all Executive Directors meeting every 2 weeks
- Executive consisting of Directorate and Senior Managers meeting 12 times per year.

Minutes for all the above meetings are made available to the Board and discussed as necessary.

### **Risk Management**

The Royal Armouries' approach to risk management is detailed in their risk management policy. This policy has been developed and enhanced during 2009/10 in conjunction with policy guidance issued by HM Treasury's Orange Book. In this context the Board and

Executive Directors recognise that good risk management aids the Royal Armouries in improving the reliability of their decisions, improving efficiency and assisting in delivering their services better.

The key elements of the Royal Armouries' risk management policy for identifying and managing risk are therefore as follows:

- The Board of Trustees undertake a risk review involving the annual identification and assessment of risk in each of the four key areas noted below.
- All designated projects are scrutinised by a formal Project Management system. Risk is managed through a full risk register set up at the beginning of each project, and which is discussed formally at each monthly project team meeting. Headline risks are also reported on a weekly basis through a status report, and referred to a Programme Board.
- The Executive team reviews operational and financial risks on a monthly basis.
- The assessment of risk is divided in to 4 key areas: external strategic risks; internal strategic risks; operational risks; financial risks. These risks are given a risk rating using a combination of their likelihood and their impact.
- Senior managers are required to provide annual assurance statements to the Accounting Officer. These statements will be reviewed according to the new internal governance structure of the Royal Armouries and brought into use at the next annual report.
- Each of the key risk areas are also considered at Audit Committee and appropriate remedial actions taken where necessary. The risk register is updated monthly to reflect changes.

### **Information Assurance**

The Royal Armouries have an information management strategy with which all staff must comply. The Royal Armouries' Head of Library, Archives and Records Management acts as the Departmental Records Officer, Freedom of Information Officer and Data Controller. A locum, qualified as Senior Information Risk Officer (SIRO), was in place during the year to monitor information security. The Royal Armouries' Finance and Commercial Director commenced in post in March 2010 and has been designated as the SIRO. An external review of the Royal Armouries' existing records management has been commissioned to help inform plans to manage information risk.

The Royal Armouries have reviewed the status of information and data security during the year to ensure that information is correctly managed and safeguarded. These are contained in the Royal Armouries' Policies on Information Management, Freedom of Information and

the Data Protection Act. A prioritised action plan is to be developed to address the requirements of the Cabinet Office. This will be introduced during 2010/11. The Royal Armouries' policies and procedures will be measured against the Cabinet Office's Security Policy Framework.

There were no protected personal data related incidents reportable to the Information Commissioner's Office in 2009/10.

### **Corporate Strategy and Planning**

The Royal Armouries have developed a Strategic Plan which identifies the strategic direction of the Royal Armouries for the forthcoming five years. From this, a Business Plan has been developed to execute annual plans. The plan is approved by the Board and submitted to the sponsoring Department and has been the subject of internal audit which awarded a rating of Good.

### **Review of Effectiveness**

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive directors who have responsibility for the development and maintenance of the internal control framework, and also by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Trustees, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Areas for internal audit for 2010/11 include risk management, strategic and business planning, finance, information technology and capital projects.

The review has been informed by:

- The Board of Trustees which meets up to six times each year to consider the strategic direction of the Royal Armouries. The risk register is reviewed on an annual basis to ensure that it adequately recognises the key risks currently facing the Royal Armouries.
- The Audit Committee which has oversight of the internal audit work. The Chair of the Audit Committee reports to the Board of Trustees of the Royal Armouries with regard to the effectiveness of risk management and the system of internal control.
- The Executive and Senior Management Team who have day to day responsibilities for reporting on and managing risk.
- Senior Managers who have provided statements of assurance for their areas of responsibility at the end of the 2009/10 financial year.

- The work of the internal auditors, including an annual report which contains their opinion on the overall effectiveness of the risk management, control and governance processes. The overall conclusion for the financial year was satisfactory.
- The external auditors in their management letter and other reports.

The Royal Armouries continue to focus efforts on maintaining internal control and reducing risk wherever possible. Areas of concern highlighted in the Internal Audit and External Audit reports continue to be monitored and acted on in a timely manner.

### **Significant Internal Control Weaknesses**

I am able to report that there were no significant weaknesses in the Royal Armouries' system of internal controls in 2009/10 which affected the achievement of their key policies, aims and objectives.

Lt Gen Jonathon Riley

Accounting Officer

Dated 23 June 2010

## **Board of Trustees of the Royal Armouries**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the Royal Armouries for the year ended 31 March 2010 under the National Heritage Act 1983. These comprise the consolidated Statement of Financial Activities, the Group and Museum Balance Sheets, the consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Board of Trustees, the Accounting Officer and Auditor**

The Board of Trustees and the Accounting Officer are responsible for preparing the Trustees' and Accounting Officer's Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the National Heritage Act 1983 and the Secretary of State for Culture, Olympics, Media and Sport's directions made thereunder and for ensuring the regularity of financial transactions funded by grant in aid. These responsibilities are set out in the Statement of the Trustees' and Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1983 and the Secretary of State for Culture, Olympics, Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the sections headed Structure, Governance and Management, Performance Indicators, Public Engagement, Environment and Sustainability, Future Plans and the Financial Review included in the Trustees' and Accounting Officer's Annual Report is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by grant in aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Board of Trustees of the Royal Armouries has not kept proper accounting records, if I have not received all the information and explanations I require for

my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Trustees' and Accounting Officer's Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the sections headed Introduction, Fundraising and Sponsorship, Learning and Access, Collections Management, Academic, Conservation and Care of the Collection, Events and Reference and Administration Details of the Charity, its Trustees and Advisers. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### **Basis of audit opinions**

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

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

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport, of the state of the Board of Trustees of the Royal Armouries' and the group's affairs as at 31 March 2010 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1983 and the Secretary of State for Culture, Olympics, Media and Sport's directions made thereunder; and
- information, which comprises the sections headed Structure, Governance and Management, Performance Indicators, Public Engagement, Environment and Sustainability, Future Plans and the Financial Review, included within the Trustees' and Accounting Officer's Annual Report, is consistent with the financial statements.

## **Opinion on Regularity**

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

## **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
*Comptroller and Auditor General*  
*National Audit Office*  
*157-197 Buckingham Palace Road*  
*Victoria*  
*London*  
*SW1W 9SP*

28 June 2010



THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES  
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR  
THE YEAR ENDED 31 MARCH 2010

		Unrestricted funds		Restricted funds	Total funds	Total funds
	Notes	General	Designated		2009-10	2008-09
		£000	£000	£000	£000	£000
<b>Incoming resources</b>						
<b>Incoming Resources from generated funds</b>						
Voluntary Income						
Grant-In-Aid	2	7,775	699	-	8,474	8,264
Other voluntary income		57	-	552	609	782
Contributions to costs	3	-	-	153	153	150
Activities for generating funds						
Income from trading activities	15	579	-	-	579	570
Conservation Income		4	-	-	4	4
Investment income		3	-	-	3	43
<b>Incoming resources from charitable activities</b>						
Events Income		208	-	-	208	157
Educational Income		67	-	-	67	54
Other Operating Income		151	-	23	174	286
<b>Total incoming resources</b>		<b>8,844</b>	<b>699</b>	<b>728</b>	<b>10,271</b>	<b>10,310</b>
<b>Resources expended</b>						
<b>Costs of generating funds</b>						
Costs of generating voluntary income	4	(225)	-	-	(225)	(210)
Fundraising trading: costs of goods and services	4	(789)	(29)	(28)	(846)	(939)
<b>Charitable activities</b>						
Care of the collection	4	(2,177)	(253)	(347)	(2,777)	(2,861)
Education	4	(775)	(65)	(66)	(906)	(1,083)
Visitor Experience	4	(4,449)	(603)	(724)	(5,776)	(5,733)
<b>Governance costs</b>	4	(96)	-	(1)	(97)	(216)
<b>Other Outgoing Resources</b>						
Redundancy costs and holiday pay	4	(192)	-	-	(192)	73
<b>Total resources expended before notional costs</b>		<b>(8,703)</b>	<b>(950)</b>	<b>(1,166)</b>	<b>(10,819)</b>	<b>(10,969)</b>
<b>Net incoming/(outgoing) resources before notional costs</b>						
		141	(251)	(438)	(548)	(659)
Notional cost of capital	6	(9)	(185)	(1,515)	(1,709)	(1,841)
<b>Net incoming/(outgoing) resources after notional costs</b>		<b>132</b>	<b>(436)</b>	<b>(1,953)</b>	<b>(2,257)</b>	<b>(2,500)</b>
Reversal of notional costs		9	185	1,515	1,709	1,841
<b>Net incoming/(outgoing) resources before transfers</b>		<b>141</b>	<b>(251)</b>	<b>(438)</b>	<b>(548)</b>	<b>(659)</b>
Transfers between funds		(43)	(341)	367	(17)	77
<b>Net incoming/(outgoing) resources after transfers</b>		<b>98</b>	<b>(592)</b>	<b>(71)</b>	<b>(565)</b>	<b>(582)</b>
(Loss)/Gain on revaluation of assets		-	361	(1,864)	(1,503)	(4,197)
<b>Net movement of funds</b>		<b>98</b>	<b>(231)</b>	<b>(1,935)</b>	<b>(2,068)</b>	<b>(4,779)</b>
Fund balances as at 1 April 2009		200	5,410	45,702	51,312	56,091
<b>Fund balances as at 31 March 2010</b>		<b>298</b>	<b>5,179</b>	<b>43,767</b>	<b>49,244</b>	<b>51,312</b>

All activities are on an ongoing basis.

There are no recognised gains or losses in the current or preceding year, other than the net incoming/(outgoing) resources as disclosed in the Statement of Financial Activities.

The notes on pages 41 to 53 form an integral part of these accounts.

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED BALANCE SHEET AS AT  
31 MARCH 2010

	Notes	2009-10		2008-09	
		Group	Museum	Group	Museum
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Intangible Assets	8	97	97	95	95
Tangible Assets	9	46,284	46,284	48,862	48,862
Heritage Assets	10	1,846	1,846	1,756	1,756
		<u>48,227</u>	<u>48,227</u>	50,713	50,713
<b>Current Assets</b>					
Stocks	11	67	67	88	88
Debtors	12	552	552	659	659
Cash at Bank and In Hand		1,330	910	1,009	865
		<u>1,949</u>	<u>1,529</u>	1,756	1,612
<b>Creditors</b>					
Amounts falling due within one year	13	(623)	(622)	(812)	(810)
		<u>1,326</u>	<u>907</u>	944	802
<b>Net Current Assets</b>					
		<u>49,553</u>	<u>49,134</u>	51,657	51,515
<b>Total Assets less Current Liabilities</b>					
Provision for Liabilities and Charges	14	(309)	(309)	(345)	(345)
		<u>49,244</u>	<u>48,825</u>	51,312	51,170
<b>Net Assets</b>					
<b>Represented by</b>					
<b>Income Funds</b>					
Restricted Reserves	19	43,767	43,348	45,702	45,560
Unrestricted Reserves					
Designated funds	19	5,179	5,179	5,410	5,410
General	19	298	298	200	200
		<u>49,244</u>	<u>48,825</u>	51,312	51,170
<b>Total Funds</b>					

The notes on pages 41 to 53 form an integral part of these accounts.

The financial statements on pages 38 to 40 were approved by the Board/Trustees and were signed on their behalf by:

Lt Gen Jonathon Riley  
Accounting Officer

Date 23 June 2010

Bob Morton  
Trustee on behalf of the Board

Date 23 June 2010

**THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES**

**CONSOLIDATED CASH FLOW STATEMENT FOR  
THE YEAR ENDED 31 MARCH 2010**

	Notes	<b>2009-10</b>	2008-09
		<b>£000</b>	£000
Net cash inflow from operating activities	20	<b>1,239</b>	583
Returns on investment and servicing of finance	20	<b>3</b>	43
Capital expenditure and financial investment	20	<b>(921)</b>	(1,122)
Increase/(Decrease) in cash		<b><u>321</u></b>	<u>(496)</u>

The notes on pages 41 to 53 form an integral part of these accounts.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

#### 1.1 Basis of accounting

These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the required valuation methods for financial instruments. The accounts comply with the Charities SORP 2005, applicable accounting standards, and the requirements of the Companies Act 1985 and HM Treasury's Financial Reporting Manual. The accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, a copy of which can be obtained from the Royal Armouries.

The consolidated financial statements incorporate those of the Royal Armouries Development Trust. All financial statements are made up to 31 March 2010. The consolidation has been carried out on a line by line basis.

#### 1.2 Fundamental accounting concept

The future financial viability of the Royal Armouries is critically dependent upon continued government grant. The funds of the Royal Armouries are adequate to support its future requirements only in the technical sense that commitments are not made beyond the resources available.

The Trustees are satisfied, on the evidence available, that Grant-In-Aid the Secretary of State has made available, together with estimated events admission fees and other income in the period to 31 March 2011, is adequate to meet known and reasonably foreseeable circumstances likely to arise in that period. Should unforeseen costs and losses arise, the Royal Armouries aim to absorb these within the resources available to them, but may have to look to the Department for Culture, Media and Sport for further assistance in exceptional circumstances. The Trustees believe, therefore, that the accounts can be prepared on the basis of a going concern.

#### 1.3 Incoming resources

Income from donations and grants, including capital grants, is included in incoming resources when these are receivable. Sponsorship and donation income is recognised as income when the conditions for its receipt have been met. Commercial income is recognised upon performance of services rendered in accordance with contractual terms.

#### 1.4 Expenditure

Expenditure is classified under the principal categories of costs of generating funds, costs of charitable activities and governance costs, rather than the type of expense, in order to provide more useful information to the users of the accounts.

Costs of generating funds are those associated with generating voluntary income and the cost of trading activities, which includes the cost of goods sold and other associated costs.

Resources expended on charitable activities comprises all the resources incurred in undertaking its work to meet its charitable objectives. Such costs include those incurred on conserving and managing the collection, providing an educational and interpretation programme and all costs associated with customer service.

Governance costs include Trustee expenditure and internal and external audit costs.

Support costs, where possible, have been directly allocated to an activity cost category, or alternatively, apportioned on the basis of floor area occupied by an activity, or by the number of people employed within an activity. Directorate and Administrative Support have been allocated using headcount whilst Shared Services has been allocated based upon floor space.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1 Accounting policies (continued)

#### 1.5 Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Royal Armouries.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The use of the designated funds is set out in the notes to the accounts.

Restricted funds are funds subject to specific restriction by the providers of the funds or the purposes of the appeal.

Transfers between funds occur when designated funds allocated for collection acquisitions are moved to restricted funds and backlog depreciation following tangible fixed asset revaluations.

#### 1.6 Intangible fixed assets

Intangible fixed assets reflect the cost of software licences for a number of front line and back office systems together with the cost of developing the Royal Armouries' website. Depreciation is provided in the year following capitalisation on a straight line basis over 3 years.

#### 1.7 Tangible fixed assets

In line with Treasury guidance and FRS15 the buildings were valued at depreciated replacement cost in March 2009 and the remaining lives adjusted accordingly.

Other tangible fixed assets other than the collection assets (see note 1.8) were professionally revalued as at 31 March 2006 and by the use of indices issued by the Office for National Statistics and Building Cost Information Service thereafter. Depreciation is provided on all tangible assets from the year following acquisition at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life as follows:

Buildings	47 years & 48 years
Plant & machinery	17 years & 27 years
Fixtures, fittings & equipment	3 to 10 years

Tangible fixed assets are defined as assets costing £2,500 or more with a useful life of greater than 1 year. All fixed assets excluding IT are revalued to current cost using either a range of appropriate price indices or professional revaluation. Where the net book value of a fixed asset is higher than its recoverable amount, it will be impaired and written down to its recoverable value.

In line with the revised capitalisation policy introduced during 2008-09 all assets previously capitalised at an original purchase cost of less than £1,000 have been fully written off in these financial statements.

#### 1.8 Heritage fixed assets

In accordance with the Financial Reporting Manual as issued by the Treasury, additions to the collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Such items are not depreciated or revalued as a matter of routine. The 'de-minimis' capitalisation limit for individual collection purchases is £2,500.

All donated assets are included as fixed assets at market value at the time of receipt except where they are below the de-minimis limit. The market value is determined by in-house experts.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1 Accounting policies (continued)**

#### **1.9 Stock**

Stock is valued at the lower of cost or net realisable value and comprises goods for resale.

#### **1.10 Pensions**

Present and past members of staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a non contributory and unfunded scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits lies with the PCSPS. The Royal Armouries, and other bodies covered by PCSPS meet the cost of pension cover provided for staff they employ by payment of charges calculated on an accruing basis. There is a separate statement for the PCSPS as a whole. Contributions are included as expenses in the Statement of Financial Activities in the period to which they relate.

#### **1.11 Operating leases**

Rentals applicable to operating leases are charged to the Statement of Financial Activities on a straight line basis, over the lease term.

#### **1.12 Notional costs**

In accordance with Treasury guidance, notional cost of capital is charged in the Statement of Financial Activities in arriving at the net incoming / (outgoing) resources figure. This is reversed so that no provision is included on the Balance Sheet.

#### **1.13 Taxation**

The Royal Armouries' trading profits are either exempt from corporation tax or else the levels of non-primary purpose trading are such that no corporation tax provision has been made.

#### **1.14 Financial Instruments**

The Royal Armouries does not have any financial assets that are held for trading, held to maturity or available for sale. Accordingly all financial assets have been included in the loans and receivables category and are valued at amortised cost less impairment, where appropriate.

All financial liabilities are recorded at amortised cost.

#### **1.15 Provisions**

Provisions are recognised when it is probable that a transfer of economic benefits will be required to settle an obligation and a reliable estimate of the amount can be made.

#### **1.16 Holiday Pay Accrual**

The 2009-10 financial statements include an accrual for outstanding holiday pay due to employees as at 31 March 2010. This is the first year that the commitment has been provided and is included within the current year resources expended in the Statement of Financial Activities. The detail of the accrual is included in note 4 to the Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Grant-in-Aid**

Grant-in-Aid received in 2009-10 was £8,474,000 (2008-09: £8,264,000). The full amount has been credited to income during the year.

The money is available for running costs, capital improvements and collection purposes in accordance with the funding agreement. The sum of £632k (2008-09: £535k) has been designated by the Trustees for the purposes of capital projects. The sum of £67k (2008-09: £42k) has been designated by the Trustees for the purposes of collection purchases.

**3. Contributions to costs**

	2009-10 £000	2008-09 £000
Historic Royal Palaces	<u>153</u>	<u>150</u>

**4. Total resources expended**

	Staff costs £000	Other direct costs £000	Impairment, Depreciation & Disposals £000	Allocated Support Cost £000	2009-10 £000	2008-09 £000
<b>Direct Costs</b>						
Cost of generating funds						
Cost of generating voluntary income	132	45	-	48	225	210
Fund raising: cost of goods and other costs	257	270	57	262	846	939
Charitable activities						
Care of the collection	1,082	227	486	982	2,777	2,861
Education	365	149	131	261	906	1,083
Visitor Services	1,281	1,143	1,213	2,139	5,776	5,733
Governance	-	97	-	-	97	216
Redundancy / Early Retirement / Holiday Pay	192	-	-	-	192	(73)
	<u>3,309</u>	<u>1,931</u>	<u>1,887</u>	<u>3,692</u>	<u>10,819</u>	<u>10,969</u>
<b>Support Costs</b>						
Directorate	457	359	-	(816)		
Administrative support	621	285	-	(906)		
Shared services	681	1,289	-	(1,970)		
	<u>1,759</u>	<u>1,933</u>	<u>-</u>	<u>(3,692)</u>		
	<u>5,068</u>	<u>3,864</u>	<u>1,887</u>	<u>-</u>		

**Governance costs**

	2009-10 £000	2008-09 £000
Trustee expenditure	35	37
Audit fees (see note 7)	62	179
	<u>97</u>	<u>216</u>

**4a Staff Costs**

	2009-10 £000	2008-09 £000
Salaries and wages	3,900	3,878
Agency staff	81	78
National Insurance Contributions	269	266
Superannuation	626	654
Early Retirement Costs	85	77
Provision Release	(86)	(79)
Redundancy Costs	50	(71)
Holiday Pay (see note 1.16 to the financial statements)	143	-
	<u>5,068</u>	<u>4,803</u>

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

	2009-10	2008-09
Cost of generating voluntary funds	4	3
Fundraising: cost of goods sold and other	17	20
Care of the collection	49	47
Education	13	16
Visitor Experience	92	89
	<u>175</u>	<u>175</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total resources expended (continued)

#### Director General & Master of the Armouries

Details of the Director General & Master of the Armouries, Chief Executive and Directors remuneration are contained within the Remuneration report

#### Employees receiving remuneration over £60,000:

The number of employees, including the Director General, CEO and Directors whose emoluments as defined for taxation purposes amounted to over £60,000 in the year were as follows

	2009-10	2008-09
£60,001 - £65,000	1	1
£65,001 - £70,000	1	-
£70,001 - £75,000	-	1
£75,001 - £80,000	1	-

#### Pension Scheme

Under the terms of Schedule 1 of the National Heritage Act 1983, the Board of Trustees of the Royal Armouries provides pensions for staff, and employment with the Royal Armouries is included among the categories of employment to which a superannuation scheme under section 1 of the Superannuation Act applies. In accordance with the schedule, the Royal Armouries pay a monthly sum determined by the Treasury to meet its liabilities under the Principal Civil Service Pension Scheme (PCSPS) attributable to the future pensions in respect of employees who are or have been in the service of the Royal Armouries.

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Royal Armouries are unable to identify their share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009-10, Employers' contributions of £619k (2008-09: £647k) were paid to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based upon salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11 the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7k (2008-09: £7k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions, based on 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1k.

#### 4b Trustees

No member of the Board of Trustees of the Royal Armouries received any emoluments during the year. Eleven Trustees were re-imbursed for their travel and subsistence expenses during the year, which amounted to £35,384 (2008-09: £37,151).

### 5. Collection objects

Of the £79k spent on collection purchases during the year £67k was capitalised and recognised in the balance sheet and £12k was charged to the SoFA.

In addition to the above, 3 objects were received by way of gift or bequest. The value recognised in the balance sheet in 2009-10 was £23k (2008-09: £160k)

As per Treasury requirements collection purchases were only valued from 1st April 2001. Total value of collection purchases from April 2001 is £1,203k.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Notional Costs

Notional cost of capital is calculated as 3.5% of the average capital employed in the year less the value of donated assets. In 2009-10 the charge was £1,709,000 (2008-09: £1,841,000)

### 7. Net Incoming/(Outgoing) Resources

	2009-10 £000	2008-09 £000
Net incoming resources is stated after charging:		
Operating lease rentals	399	377
External auditor for audit work	36	36
Internal Auditor	26	143
Legal services	153	229
Traveling and subsistence costs	145	131
Writedown of trading stocks to net realisable value	-	41

All auditors' remuneration was in respect of audit work

### 8. Intangible Fixed assets

	Website Development £000	Software Licences £000	Total £000
Cost as at 1st April 2009	39	77	116
Additions	20	20	40
Revaluation	-	-	-
<b>Cost as at 31st March 2010</b>	<b>59</b>	<b>97</b>	<b>156</b>
Amortisation as at 1st April 2009	7	14	21
Amortisation during year	12	26	38
<b>Amortisation as at 31st March 2010</b>	<b>19</b>	<b>40</b>	<b>59</b>
<b>Net Book Value at 31 March 2010</b>	<b>40</b>	<b>57</b>	<b>97</b>
Net Book Value at 31 March 2009	32	63	95

### 9. Tangible Fixed assets

	Assets under construction £000	Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	Total £000
<b>Cost</b>					
As at 1st April 2009	305	42,680	3,610	3,977	50,572
Additions	248	-	-	543	791
Transfers	-	-	-	-	-
Disposals	-	-	-	(505)	(505)
Revaluations	-	(1,925)	365	42	(1,518)
<b>As at 31 March 2010</b>	<b>553</b>	<b>40,755</b>	<b>3,975</b>	<b>4,057</b>	<b>49,340</b>
<b>Depreciation</b>					
As at 1 April 2009	-	-	-	1,710	1,710
Charge for the year	-	849	222	717	1,788
Disposals	-	-	-	(459)	(459)
Revaluation	-	-	-	17	17
<b>As at 31 March 2010</b>	<b>-</b>	<b>849</b>	<b>222</b>	<b>1,985</b>	<b>3,056</b>
<b>Net Book Value</b>					
As at 31 March 2009	305	42,680	3,610	2,267	48,862
<b>As at 31 March 2010</b>	<b>553</b>	<b>39,906</b>	<b>3,753</b>	<b>2,072</b>	<b>46,284</b>
Charitable activities	497	35,895	3,376	1,864	41,632
Other activities	56	4,011	377	208	4,652
Total	553	39,906	3,753	2,072	46,284

## NOTES TO THE FINANCIAL STATEMENTS (continued)

A full valuation of the Leeds Museum building on the basis of depreciated replacement cost was carried out by Rushton International, RICS qualified asset valuers, as at 31 March 2009. Following this valuation the building will be depreciated over a 48-year period & plant and machinery over 17-year period.

As a result of the surrender of the lease on the car park, 24,000 square feet of storage space was acquired to house part of the Royal Armouries' collection, the National Firearms Centre. The NFC has also been valued on the basis of depreciated replacement cost by Rushton International as at 31 March 2009 with the building being depreciated over a 47-year period & plant and machinery over a 27-year period.

A full valuation on all fixtures and fittings was also carried out by Rushton International as at 31 March 2006. The values thereafter have been adjusted using indices issued by the Office for National Statistics and others.

### 10. Heritage Fixed Assets

	Acquisitions for the collection	Donated Assets	Total
	£000	£000	£000
Cost as at 1st April 2009	1,136	620	1,756
Additions	67	23	90
<b>Cost as at 31st March 2010</b>	<b>1,203</b>	<b>643</b>	<b>1,846</b>

### 11. Stocks

	2009-10 £000	2008-09 £000
Stocks valued at cost	74	98
Less: provisions for publications and other slow moving stocks	(7)	(10)
	<u>67</u>	<u>88</u>

The provision for slow moving stocks relates to goods and publications where the net realisable value is considered to be lower than cost.

### 12. Debtors

	2009-10 £000	2008-09 £000
Trade debtors	7	8
Other debtors	101	381
VAT recoverable	271	145
Prepayments and accrued income	175	135
Provision for bad debts	(2)	(10)
	<u>552</u>	<u>659</u>

Debtors includes a balance of £279k with HM Revenue & Customs. There are no other material balances with the Whole of Government Accounts bodies at 31 March 2010.

### 13. Creditors: amounts falling due within one year

	Group 2009-10 £000	2008-09 £000
Trade creditors	16	13
Other creditors	59	98
Accruals and deferred income	548	701
	<u>623</u>	<u>812</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Creditors: amounts falling due within one year (continued)

	Museum	
	2009-10 £000	2008-09 £000
Trade creditors	16	13
Other creditors	58	96
Accruals and deferred income	548	701
	<b>622</b>	810

There were no material balances outstanding with the Whole of Government Accounts bodies at 31 March 2010.

14. Provisions for Liabilities and Charges

	Redundancy £000	Early Retirement £000	Utility Costs £000	Total £000
Balance as at 1 April 2009	-	295	50	<b>345</b>
Increase in provision: future liability for staff redundancies	50	-	-	<b>50</b>
Release of provision	-	(86)	-	<b>(86)</b>
<b>Balance as at 31 March 2010</b>	<b>50</b>	<b>209</b>	<b>50</b>	<b>309</b>
Liability due within one year	50	44	50	<b>144</b>
Liability due after one year	-	165	-	<b>165</b>

The redundancy provision relates to three members of staff due to be made redundant in summer 2010. The early retirement provision reflects ongoing costs for those employees aged over 50 previously made redundant. The final charge against this provision will be in the year to March 2018 and as the time value of money is not material the values are not discounted. The utility provision reflects our best estimate of the potential liability should our utility provider seek recompense for previous under-charges.

15. Trading activities

	2009-10 £000	2008-09 £000
Trading income	579	570
Cost of sales	(235)	(316)
Gross profit	344	254
Other costs	(292)	(289)
Net profit	52	(35)

Trading profit at the Royal Armouries' two venues were as follows:

	2009-10 Profit/(loss) £000	2008-09 Profit/(loss) £000
Leeds Shop	85	(10)
Fort Nelson Shop	(17)	(13)
Fort Nelson catering activities	(16)	(12)
	52	(35)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. Contingent Liabilities

A provision of £50,000 has been made in Note 14 for utility costs. There is a potential additional liability in respect of utility costs which cannot be quantified with certainty.

### 17. Capital Commitments

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Capital expenditure contracted but not provided for in the accounts	<b>433</b>	-
Capital expenditure authorised but not contracted for	<b>2,685</b>	-

All capital commitments relate to the development works at Fort Nelson.

### 18. Analysis of group net assets between funds

	<b>Group</b>			<b>Total</b>
	Unrestricted Funds		Restricted Funds	
	General	Designated		
	£000	£000	£000	£000
Funds balances as 31 March 2010 are represented by:				
Intangible fixed assets	-	97	-	<b>97</b>
Tangible fixed assets	-	4,782	41,502	<b>46,284</b>
Heritage fixed assets	-	-	1,846	<b>1,846</b>
Current assets	1,229	300	420	<b>1,949</b>
Current liabilities	(622)	-	(1)	<b>(623)</b>
Provisions for Charges & Liabilities	(309)	-	-	<b>(309)</b>
<b>Total net assets</b>	<u>298</u>	<u>5,179</u>	<u>43,767</u>	<u><b>49,244</b></u>

	<b>Museum</b>			<b>Total</b>
	Unrestricted Funds		Restricted Funds	
	General	Designated		
	£000	£000	£000	£000
Funds balances as 31 March 2010 are represented by:				
Intangible fixed assets	-	97	-	<b>97</b>
Tangible fixed assets	-	4,782	41,502	<b>46,284</b>
Heritage fixed assets	-	-	1,846	<b>1,846</b>
Current assets	1,229	300	-	<b>1,529</b>
Current liabilities	(622)	-	-	<b>(622)</b>
Provisions for Charges & Liabilities	(309)	-	-	<b>(309)</b>
<b>Total net assets</b>	<u>298</u>	<u>5,179</u>	<u>43,348</u>	<u><b>48,825</b></u>

### 19. Statement of group funds

	<b>Group</b>					<b>31 March 2010</b>
	Restated 1 April 2009 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	
Unrestricted funds						
General fund	200	8,844	(8,703)	-	(43)	<b>298</b>
Designated fund	5,410	699	(950)	344	(324)	<b>5,179</b>
<b>Total unrestricted funds</b>	<u>5,610</u>	<u>9,543</u>	<u>(9,653)</u>	<u>344</u>	<u>(367)</u>	<u><b>5,477</b></u>
Restricted funds						
Land and Buildings	39,174	-	(816)	-	-	<b>38,358</b>
National Firearms Centre	1,515	-	(53)	-	-	<b>1,462</b>
Sponsorship and Donations	654	274	(129)	-	-	<b>799</b>
Heritage Assets	1,136	-	-	-	67	<b>1,203</b>
Donated Assets	620	23	-	-	-	<b>643</b>
Revaluation Reserve	2,461	-	(14)	(1,864)	300	<b>883</b>
Contribution to costs	-	153	(153)	-	-	<b>-</b>
RADT	142	278	(1)	-	-	<b>419</b>
<b>Total restricted funds</b>	<u>45,702</u>	<u>728</u>	<u>(1,166)</u>	<u>(1,864)</u>	<u>367</u>	<u><b>43,767</b></u>
<b>Total funds</b>	<u><b>51,312</b></u>	<u><b>10,271</b></u>	<u><b>(10,819)</b></u>	<u><b>(1,520)</b></u>	<u><b>-</b></u>	<u><b>49,244</b></u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. Statement of funds

	Museum					31 March 2010 £000
	Restated 1 April 2009 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	
Unrestricted funds						
General fund	200	8,844	(8,703)	-	(43)	298
Designated fund	5,410	699	(950)	344	(324)	5,179
Total unrestricted funds	<u>5,610</u>	<u>9,543</u>	<u>(9,653)</u>	<u>344</u>	<u>(367)</u>	<u>5,477</u>
Restricted funds						
Land and Buildings	39,174	-	(816)	-	-	38,358
National Firearms Centre	1,515	-	(53)	-	-	1,462
Sponsorship and Donations	654	274	(129)	-	-	799
Heritage Assets	1,136	-	-	-	67	1,203
Donated Assets	620	23	-	-	-	643
Revaluation Reserve	2,461	-	(14)	(1,864)	300	883
Contribution to costs	-	153	(153)	-	-	-
Total restricted funds	<u>45,560</u>	<u>450</u>	<u>(1,165)</u>	<u>(1,864)</u>	<u>367</u>	<u>43,348</u>
<b>Total funds</b>	<b><u>51,170</u></b>	<b><u>9,993</u></b>	<b><u>(10,818)</u></b>	<b><u>(1,520)</u></b>	<b><u>-</u></b>	<b><u>48,825</u></b>

The opening balance has been restated to separately show the reserve arising upon the annual revaluation of tangible and intangible fixed assets.

The use of restricted funds is restricted to specific purposes by conditions imposed by the providers of the funds or the nature of appeal. The Leeds Museum Building, was funded by a combination of public and private sector finance, and those funds have been utilised wholly on the development of the Leeds Museum. In addition, the Royal Armouries have received other donations and contributions for specified purposes. Those funds have been or will be wholly utilised for their intended purpose.

The Designated fund is a fund which the Board of Trustees of the Royal Armouries has designated as being allocated to finance capital expenditure other than that associated with the Land and Buildings.

The Royal Armouries Development Trust restricted fund is available for the promotion and furtherance of any of the Royal Armouries' charitable purposes as the Trustees, with the consent of the Royal Armouries' Board of Trustees think fit.

### 20. Cash flow information

#### a) Reconciliation of changes in resources to net inflow from operating activities

	2009-10 £000	2008-09 £000
Net incoming/ (outgoing) resources	(2,051)	(4,856)
Interest receivable	(3)	(43)
Depreciation	1,826	1,820
Loss on disposal of fixed assets	46	7
Revaluation of fixed assets	1,518	4,353
(Increase) / decrease in stocks	21	70
(Increase) / decrease in debtors	107	(107)
Increase / (decrease) in creditors	(189)	(104)
Provision for Liabilities & Charges	(36)	(557)
Net cash inflow from operating activities	<u>1,239</u>	<u>583</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. Cash flow information (continued)

#### b) Analysis of cash flows

	2009-10 £000	2008-09 £000
Returns on investment and servicing of finance		
Interest received	3	43
<b>Net cash inflow for returns on investment and servicing of finance</b>	<b>3</b>	<b>43</b>
Capital expenditure and financial investment		
Intangible fixed assets	(40)	(41)
Tangible fixed assets	(791)	(879)
Heritage fixed assets	(90)	(202)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(921)</b>	<b>(1,122)</b>

#### c) Reconciliation of net cash flow to movement in net funds

	2009-10 £000	2008-09 £000
Increase/(decrease) in cash in the period	321	(496)
Increase/(decrease) in net funds in the period	321	(496)
Net funds at 1 April	1,009	1,505
Net funds at 31 March	<b>1,330</b>	<b>1,009</b>

#### d) Analysis of net funds

	1 April 2009 £000	Cash flow in period £000	31 March 2010 £000
Cash	1,009	321	1,330
Net funds	<b>1,009</b>	<b>321</b>	<b>1,330</b>

### 21. Related party transactions

The Royal Armouries is a non-departmental public body whose parent department is the Department for Culture, Media and Sport. During the year the Royal Armouries had a number of transactions in the normal course of business and at full arms length with the Department, which is regarded as a related party. The Royal Armouries Chairman is a non-executive board member of DCMS.

The Royal Armouries regards the Frazier International History Museum as a related party and results from the Royal Armouries Chairman sitting on their board.

As a result of the Constable of the Tower of London sitting on the Royal Armouries board Historic Royal Palaces are regarded as a related party.

One of Royal Armouries' Trustees is also Chief Executive of the Greenwich Foundation which loans a number of collection objects from the Royal Armouries.

The following table highlights the financial transactions in the year together with the balances outstanding at the end of the financial year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2009-10 Income £000	2009-10 Costs £000	2009-10 Debtor £000	2009-10 Creditor £000
Frazier International History Museum				
- recharges for trips to US to update our galleries within the museum	23	-	14	-
Historic Royal Palaces				
- contribution to costs (£153k), sponsorship and retail income. Costs relate to Tower entrance fees and our share of operating costs	287	50	99	7

There were transactions during the year with one Trustee. Richard Holmes had no direct payments however his publications were available through our Retail operation. There were no other material related party transactions with the Trustees, key managerial staff, or other related parties during the year.

## 22. Financial instruments

### Credit risk

The Royal Armouries have cash deposits of £1,330k (2008-09: £1,009k) which are held with National Westminster Bank Plc. Royal Armouries have never suffered any loss in relation to cash held by its bankers. 47% of trade and other debtor balances are with related parties or organisations working closely with us so the risks are not regarded as material.

### Liquidity risk

The Royal Armouries have no borrowings and relies primarily on DCMS grants for its cash requirements. Grant-in-Aid accounts for 83% of income (2008-09: 80%). This is further enhanced by the Trustee reserve policy which sets out the level of general reserve required as a minimum. They are therefore not exposed to liquidity risk.

### Interest rate risk

The Royal Armouries draw down their annual Grant-in-Aid allocation according to their monthly cash flow requirements. Under 1% of overall incoming resources, £3k (2008-09 £43k) was generated from interest earned during 2009-10 so the Royal Armouries are not exposed to interest rate risk.

### Foreign currency risk

All material assets and liabilities are denominated in sterling so they are not exposed to any currency risk.

### Fair value

The balances shown on the Balance Sheet and in the notes to the accounts for short term deposits, receivables and payables have a maturity of less than one year and therefore it is assumed that the fair value of these is approximate to the book value.

### Financial assets and liabilities by category

	Group					
	Loans and Receivables 2009-10 £000	Other Financial Liabilities at amortised cost 2009-10 £000	Total 2009-10 £000	Loans and Receivables 2008-09 £000	Other Financial Liabilities at amortised cost 2008-09 £000	Total 2008-09 £000
Cash	1,330	-	1,330	1,009	-	1,009
Trade and other debtors	150	-	150	379	-	379
Trade and other payables	-	(623)	(623)	-	(812)	(812)
	<u>1,480</u>	<u>(623)</u>	<u>857</u>	<u>1,388</u>	<u>(812)</u>	<u>576</u>
	Museum					
	Loans and Receivables 2009-10 £000	Other Financial Liabilities at amortised cost 2009-10 £000	Total 2009-10 £000	Loans and Receivables 2008-09 £000	Other Financial Liabilities at amortised cost 2008-09 £000	Total 2008-09 £000
Cash	910	-	910	865	-	865
Trade and other debtors	150	-	150	379	-	379
Trade and other payables	-	(622)	(622)	-	(810)	(810)
	<u>1,060</u>	<u>(622)</u>	<u>438</u>	<u>1,244</u>	<u>(810)</u>	<u>434</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. Royal Armouries Development Trust

Registered Charity Number 803617

The Royal Armouries Development Trust is a charity connected to the Royal Armouries. It was established on 10 May 1990 to pursue such charitable purposes as the Trustees, with the consent of the Board of Trustees of the Royal Armouries, think fitting. The Development Trust solely supports the development of the Royal Armouries.

As a result of some Trustees sitting on both boards it is deemed there is common control and hence the Accounts are consolidated into the Royal Armouries' financial statements.

Royal Armouries Development Trust accounts are independently examined by Volans, Leach and Schofield, Woodhouse Lane, Leeds.

	2009-10 £000	2008-09 £000
<b>Income and Expenditure Account</b>		
Income	278	25
Administrative costs	(1)	(1)
Interest receivable	-	2
<b>Surplus/Deficit</b>	<b>277</b>	<b>26</b>
<b>Balance Sheet</b>		
Current assets	420	144
Creditors	(1)	(2)
<b>Net Assets</b>	<b>419</b>	<b>142</b>
Unrestricted reserves	116	105
Restricted reserves	303	37
<b>Total Funds</b>	<b>419</b>	<b>142</b>

The restricted fund relates to donations received to fund the developments at Fort Nelson and is expected to be spent during the financial year ending 31 March 2011.

### 24. Financial commitments

As at 31 March 2010 the Royal Armouries had annual commitments under non-cancellable operating leases as follows:

	Land £000	Other £000	2009-10 £000	2008-09 £000
Operating lease which expires				
Within one year	-	1	1	-
two to five years	-	29	29	14
More than five years	371	-	371	367
	<b>371</b>	<b>30</b>	<b>401</b>	<b>381</b>

### 25. Post Balance Sheet Events

Within the Annual Report and Accounts reference is made to the Secretary of State for Culture, Media and Sport. Following the election of a new Government in May 2010 this position was renamed the Secretary of State for Culture, Olympics, Media and Sport.

The financial statements were authorised for issue by the Accounting Officer and Trustees on 28 June 2010.





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