

**BOARD OF TRUSTEES OF THE ROYAL ARMOURIES**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

HC 1228

£11.25

**BOARD OF TRUSTEES OF THE ROYAL ARMOURIES**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

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 4 July 2011

HC 1228

London: The Stationery Office

£11.25

**© Royal Armouries (2011)**

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context

The material must be acknowledged as Royal Armouries copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at [enquiries@armouries.org.uk](mailto:enquiries@armouries.org.uk)

This publication is available for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk).  
This document is also available from our website at [www.royalarmouries.org](http://www.royalarmouries.org)

ISBN: 9780102973426

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

ID: 2437412 07/11 12652 19585

Printed on paper containing 75% recycled fibre content minimum

## CONTENTS

	Page
Trustees' and Accounting Officer's Annual Report	2
Remuneration Report	24
Statement of the Trustees' and Accounting Officer's Responsibilities	28
Statement on Internal Control	30
Certificate and Report of the Comptroller and Auditor General	36
Statement of Financial Activities	39
Consolidated Balance Sheet	40
Cashflow Statement	41
Notes to the Financial Statements	42

## **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 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, Olympics, 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 in all matters relating to the Royal Armouries' performance.

There are five sub-committees of the Board:

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

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

The following persons were members of the Board of Trustees of the Royal Armouries in 2010/11 and served on the sub-committees shown:

	<b>Date of appointment</b>	<b>Expiry of appointment</b>
<b>Chairman</b>		
Ann Green CBE FCMi FRSA (Trustee from 10.11.98 – 27.04.03) <i>Six month extension until new chair appointed</i>	28.04.03	27.10.11
<b>Members</b>		
Major General Sir Simon Cooper GCVO	01.08.04	04.02.11
Bob Morton FCA	22.01.03	21.01.11
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 <i>We report with great sadness, the death of Richard on 30 April 2011</i>	26.09.05	25.09.13
Duncan Wilson OBE	01.09.07	31.08.11
Chris Case	10.11.08	09.11.12
General the Lord Dannatt GCB CBE MC DL	01.08.09	31.07.13
Hemant Patel	12.07.10	11.07.14
Major General Sir Sebastian Roberts KCVO OBE	05.02.11	04.02.15

### Trustee Sub-Committees

<b>Sub Committee</b>	<b>Chair</b>	<b>Members</b>
Audit	Bob Morton (to 21.01.11) Duncan Wilson (from 22.01.11)	Ann Green Chris Case Hemant Patel Duncan Wilson (to 21.01.11) Gev Lynott (co-opted external member)
Finance and Capital Development	Bob Morton (to 21.01.11) Hemant Patel (from 22.01.11)	Ann Green Marie Stevens Duncan Wilson Chris Case Hemant Patel (to 21.01.11)

Knowledge Development	Richard Holmes (to 30.04.11)	Ann Green Pat Langham Richard Dannatt
Audience Development	Marie Stevens	Ann Green Jon Hammond Booth Chris Case Sebastian Roberts (from 31.03.11)
Remuneration	Ann Green	Bob Morton (to 21.01.11) Richard Holmes (to 30.04.11) Marie Stevens Duncan Wilson (from 22.01.11) Hemant Patel (from 22.01.11)

### **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, Olympics, 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

Janice Murray – Chief Executive Officer – left 19 May 2010

Peter Doherty – Finance and Commercial Director – left 28 September 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

Sharon Owbridge – Interim Finance Director – 18 September 2010 – 18 November 2010

Brian Ball – Interim Finance Director – 1 December 2010 – 31 March 2011

Brian Ball – Finance and Administration Director – appointed 1 April 2011



### **Staff Communications**

Communications between staff and senior management are held monthly through staff briefings and e-newsletters which 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 6.5 (2009/10: 8.0).

### **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 is committed to making the policy effective and will continually monitor and review its employment practices to ensure all relevant staff receive appropriate training.

### **Data and Information Risk**

The Finance and Administration 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 2011/12.

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 24 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 was a Non-Executive Director at the DCMS until 31 December 2010.

The Frazier History Museum in Louisville, Kentucky, where the Royal Armouries has 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 History Museum.

The Tower of London houses part of the Royal Armouries' national collection of arms and armour and the Royal Armouries is 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 the Lord 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. Royal Armouries Trading & Enterprises Ltd, incorporated on 14 September 2010, is a wholly-owned subsidiary of the charity. The charity transferred its commercial trading activities to the new company on 1 April 2011. The Company issued 150,000 £1 shares on 29 July 2010 which became fully paid up on 29 March 2011.

In order to provide free access to reserves generated, a new trust, *The Arms and Armour Heritage Trust*, has been formed which has the ability to award grants that can support the achievement of the Royal Armouries' charitable objectives as well as grants to other charities supporting the efficiency of the Armed Services. The Arms and Armour Heritage Trust is completely self regulating and a Trust Deed has been drafted and signed to ensure that no serving Royal Armouries board member can be a trustee. The Accounting Officer and Finance and Administration Director will attend meetings but have no voting powers. A commercial Licence Agreement has also been drafted detailing the charges to be made by the Royal Armouries for administrative support and venue hire provided.

## **PERFORMANCE INDICATORS**

The Three Year Funding Agreement between the Royal Armouries and the DCMS establishes 19 performance indicators. 2010/11 is the final year of a three year agreement. Seventeen indicators are stipulated by the DCMS, and 2 chosen by the Royal Armouries. The actual performance achieved against each of the indicators for 2009/10 and 2010/11 is set out in the table below.

The reduction in children in on-site and outreach activities reflects the closure of the education centre at the Tower. 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 Out-turn</b>	<b>2010/11 Out-turn</b>
Total number of visits	466,987	462,753
Number of unique users visiting the website	461,716	403,379
Number of children aged 16 and under visiting the Royal Armouries	156,177	136,628
Number of adult UK visitors (aged 16+) from NS-SEC groups 5-8 attending the Royal Armouries *	72,818	78,280
Number of adult UK visitors (aged 16+) from an ethnic minority background attending the Royal Armouries *	6,547	6,947
Number of UK visitors (aged 16+) who consider themselves to have a limiting long term illness, disability or infirmity *	11,618	12,557
Number of overseas visitors	119,121	117,588
Number of children under 16, in formal education, attending the Royal Armouries in facilitated and self directed visits	29,731	22,185
Number of children under 16 participating in on-site organised activities	31,339	29,936
Number of instances of children under 16 participating in outreach activities outside the Royal Armouries	9,460	3,827
Number of adults (aged 16+) participating in organised activities at the Royal Armouries	52,517	51,381
Number of adults (aged 16+) participating in outreach activities outside the Royal Armouries	2,659	1,552
Percentage of visitors who would recommend a visit	99.5%	99.5%
Admissions income *	£117,000	£156,000
Trading income *	£405,000	£315,000
Fundraising income *	£574,000	£1,964,000
Number of UK loan venues *	107	107
Number of collection related pages added to the website *	18,000	4,812
Total number of outreach visits *	140	49

## **Exhibitions and Displays**

### **Fort Nelson**

After securing the majority of the £3.5 million needed for the redevelopment of Fort Nelson the practical work began in earnest throughout 2010. In February the construction tender was awarded to Mansells construction and a detailed schedule of works began developing. Pre construction work and mobilisation began in early spring and after some delay from planning and a lot of help from our colleagues on Hampshire and Winchester council, ground was finally broken in October with a completion date of Easter 2011. However, as with any construction work on a Scheduled Ancient Monument, unforeseen problems, especially below ground, began to emerge and despite continued commitment and effort from all the partners a second bid had to be made to HLF for an increase in funding of £429,000. Happily this was agreed in March 2011, the delays will mean the finish date had to be extended to July 2011 and we are forecasting delivery within the revised budget.

Following a harsh winter the new visitor centre and newly named Voice of the Guns gallery began to take shape and above ground work began at a rapid pace with a number of ground breaking ceremonies and marketing opportunities throughout the year involving local schools, ex Fort residents and even a Royal visit. Fort Nelson is now on target to achieve its goal of welcoming over 100,000 visitors to its new facilities which include a comfortable and efficient visitors centre with stunning views over Portsmouth, a new gallery to house our most iconic guns, a new and safer car park, 6 refurbished rooms explaining the social history of the fort and an unrivalled education facility using the most up to date cutting edge technology to bring Fort Nelson to life.

### **Tower of London**

After the huge success of the exhibition *Henry VIII: Dressed to Kill* in 2009 work began on constructing the more permanent displays that, in partnership with Historic Royal Palaces, would complete the internal Tower redevelopment in time for HM the Queen's Diamond Jubilee in 2012.

Phase one, the installation '*Fit for a King*' housed on the entrance floor and '*Treasures of the Royal Armouries*' on the first floor, was launched in time and on budget for the tourist season from Easter 2010. *Fit for a King* utilised and built on the case and display techniques that had wowed audiences in *Henry VIII: Dressed to Kill* and displayed the Royal Armours as they have never been seen before.

On the first floor the '*Treasures*' gallery tells the story both of the foundation of the Royal Armouries from the Arsenal of the kingdom held in the Tower through the great renaissance

of armour during the Tudor period and the use of arms and armour as diplomatic gifts, finally bringing the visitor up to date through the Victorian great collections and the foundation of a National Museum.

No sooner had this been launched than work began on phase two, initially named 'The Institutions of the Tower' but quickly renamed 'Power House', the exhibition was designed to occupy the top floor of the Tower. It incorporates a reinvigorated 'Hands on History' gallery and a brand new exhibition exploring the many and varied institutions who were once housed in arguably England's most historic building.

### **Power House**

For hundreds of years the Tower of London was home to many organisations that were crucial to the effective exercise of royal authority. Crammed into the site were a variety of the key departments which determined whether a king kept or lost control of England. Competition for space and power grew as the number of institutions expanded and their employees increased. While some organisations moved out and other functions ceased, many operated for hundreds of years, making the Tower England's ultimate power house.

The new exhibition begins with a spectacular 4 metre high dragon made from objects relating to each institution and in the style of similar displays housed 100 years ago in the great store house. The dragon points the visitor in the direction of a series of displays which depict each institution once housed in the Tower of London, explains their historic significance and where they can be found today. With the help of the History Channel and our new partner Ordnance Survey this new exhibition uses objects from both the Armouries collection and the institutions to bring to life the real history of the White Tower.

### **Leeds**

As many Henrician objects began to be returned to Leeds in early 2011 it was felt more than appropriate to give them a new home within the Museum. Utilising the skills and display techniques developed on our temporary exhibitions especially at the Tower of London we began to develop a new Tournament gallery to house this important set of objects. The Tournament gallery would tell both the story of the great tournaments as well as the relationship between the ageing Holy Roman Emperor Maximilian I and England's new King Henry VIII. Using some of the existing display cases we reinterpreted the collection to create dynamic stories and along with new cases and the combat films, made by History Channel projected onto a giant screen, the stories and the armours are displayed as never before and set a new benchmark for future developments at Leeds. Henry really had come home.

## **North America**

For over 5 years the Royal Armouries has worked in partnership with the Frazier History Museum on the semi-permanent gallery display the Royal Armouries has in Louisville, Kentucky.

During this time their help has been invaluable in understanding the vast North American market. The Royal Armouries continues to work with the Frazier History Museum to strengthen the partnership through joint small touring exhibitions, staff secondments and the sharing of objects. In 2011/12 both museums will also work together on reorganising the current display to provide a greater presence for the Royal Armouries while at the same time creating a new temporary exhibition space for the Frazier History Museum.

This has helped the Royal Armouries formulate its North American Strategy. In its second year the strategy aims to raise the Royal Armouries' profile in North America and create revenue streams for the museum. Our Canadian presence is particularly strong with working agreements signed with the Royal Ontario Museum, Toronto and the Canadian War Museum, Ottawa.

Coupled with advanced talks with the Fine Art Museum, Boston and the Chicago Art Institute the Royal Armouries has the opportunity to progress to the next level which will encompass a series of lectures and fundraising events that could ultimately conclude with a potential tour throughout North America of our stunning exhibition *Dangerous Arts* from 2014 to 2016.

## **LEARNING AND ACCESS**

### **Leeds**

In 2011 in recognition of their outstanding contribution to heritage education and learning the Education department in Leeds received the Sandford Heritage Award.

As well as delivering education lessons to over 50,000 school children in 2010/11, the Royal Armouries Education team also engaged in many partnership projects in particular with higher education providers such as Huddersfield University, Leeds Metropolitan University, University of Leeds and York St John University. The museum was particularly proud of the project with Northern Film School which eventually went on to be a finalist in the BBC Achievement Awards in 2011.

As part of its commitment to the creation of the virtual museum the Royal Armouries continues to work with the British Museum, Tate, Victoria and Albert Museum, Sir John Soane's

Museum, Wallace Collection, Imperial War Museum, Natural History Museum and the National Portrait Gallery to deliver the National Museums On-Line Project to the public.

### **Fort Nelson**

Preparation for the creation of the Classroom of the Future as part of the new re-development continued throughout 2010/11 both in the physical build and the course content. Associated on-line resources have been developed and a marketing plan to ensure maximum exposure for the re-launch in September 2011. The pre and post visit lesson plans and resources will include lessons on Florence Nightingale for Key Stage 1 (ages 5 – 7), World War II for Key Stage 2 (ages 7 – 11) and World War I for Key Stage 3 (ages 11 – 14).

### **National Firearms Centre**

The NFC has established a regular income stream from delivering a firearms education and handling package for Army recruits from Catterick. It is hoped to increase the throughput with more recruits from Catterick and Junior Soldiers from Harrogate. The NFC has also developed a Firearms Awareness course which it is intended to market and deliver to various governmental and professional agencies.

## **COLLECTIONS MANAGEMENT**

### **Policies and Procedures**

The Collections Department has ensured that all policies and procedures are now in place and that these are adhered to.

### **Audit**

The five year audit strategy is now in place. During year one all the Red Zone areas, which have restricted access, were audited. A formal report has now been written with recommendations on improving current practice and the audit recommendations are being addressed.

### **Loans**

Loan inspections continue on a cyclical basis. In 2010 a major review of current loans was undertaken to establish whether best use was being made of Royal Armouries material and to ensure that loan bodies were undertaking their obligations effectively. The Registrar's department liaised with borrowers including Musée de l'Armée, Paris, Catharijne Convent Museum, Utrecht and Cromwell Museum, Cambridge, in order to guarantee the safe despatch of Royal Armouries objects to these loan sites.

## **Enquiries**

Curatorial staff received an average of 50 enquiries per month, from a diverse range of people and organisations. A future partnership with the University of Huddersfield is an exciting opportunity to build on the reputation of the Royal Armouries' enquiry service to increase income generation in the forthcoming year.

## **On-line Collections Catalogue**

Re-launched in December 2010 the new image library contains nearly 5,000 of the best and most sought after images of the Royal Armouries' collection. The museum also signed two licensing agreements to further promote sales of its images in the future with third parties.

## **Major Acquisitions 2010/11**

Details of acquisitions and donations made during 2010/11 are included in note 9 to the financial statements.

## **PUBLIC ENGAGEMENT**

### **Leeds**

In 2010 the Royal Armouries Museum held 103 days of public events, which were responsible for increasing both revenue and visitor figures over the year.

During 2010 the Royal Armouries Museum continued its popular themed weekends to highlight certain time periods, anniversaries and themes relevant to the Royal Armouries' collection. Outlaws & Spies and Secret Agents were particularly popular with children. During the summer months increased revenue was achieved through the introduction of a new Tudor horse show and a 'History in Action' show, a 45-minute charged for experience which included film, interpretation and handling. These events were successful in attracting a regular family audience.

Highlights of events for Leeds in 2010 included 'The Sword of Honour' Jousting Tournament during Easter half term which saw the visitor figures rise from 8,708 in 2009 to 10,115. The Royal Armouries Museum held a very successful Armistice Day service which also included a visit from HRH Prince Michael of Kent. The service was conducted by the Royal Navy's Chaplain and the Band of the Yorkshire Regiment provided the music.

To continue the musical theme the Museum played host to the Sing Live performance of *The Armed Man*. Commissioned by the Royal Armouries to commemorate the Millennium, the piece was sung by a massed public choir of over 200 voices in November 2010.



## **Fort Nelson**

In 2010/11, Fort Nelson held 50 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 740 visitors per day.

Highlights included a re-creation of the liberation of Europe campaign in World War II and a Victorian event, staged in the tunnels and underground magazines, during Halloween.

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

## **Hands on History**

In 2010/11 the curatorial team delivered eight '*History In Your Hands*' seminars which enable members of the public to find out more about our collection through lectures, gallery tours and handling sessions using original objects from our study collections. During the year, these seminars covered such diverse topics as Japanese Swords, the Decoration of Arms & Armour, Iconic Weapons, Duelling Weapons and Indian Swords.

## **Conferences**

A new programme of annual academic conferences was launched, one to be held in Leeds, the other at the Tower of London.

Severe weather in December caused the first of these conferences, entitled '*Identifying Battlefield Finds*', to be postponed but this has now been rescheduled to June 2011.

An academic conference at the Tower of London on the theme of the Wars of the Roses was held on 26 March 2011 and was fully subscribed. Papers were given by a number of notable historians and feedback from delegates was entirely positive.

## **Publications**

On 19 April 2010 a new partnership was formed between the Royal Armouries and the well known military book publishers Pen & Sword in order to help the Royal Armouries produce and distribute its publications more effectively than in the past. A new '*Royal Armouries*' series of modestly-sized publications is to be published, the first four titles of this series are in the final stages of preparation before being sent to Pen & Sword for design and publication.

- Islamic Arms & Armour
- Arms & Armour of the Elizabethan Court
- Medieval Arms & Armour at War
- British Sporting Guns and Rifles 1807-1909

Three of these have been written by Royal Armouries staff and one by an external author who is an Honorary Historical Consultant to the Royal Armouries.

The Royal Armouries journal '*Arms & Armour*' continues to enjoy a steady supply of good quality articles and issues appeared as scheduled. The journal is produced through a contract between the Royal Armouries and Maney Publishing, and the contract between the two parties, which became due for renewal in late 2010, was signed for a further five-year period.

### **Filming**

Members of the curatorial team were asked to contribute to several documentary films, in particular those associated with archaeological excavations with arms and armour content. One film, for BBC '*Cold Cases*', examined the possible causes of wounds found on two medieval skeletons found at Stirling Castle, another was a BBC programme presented by the author Terry Deary on the continuing study of aspects of the battle of Towton, which in 2011 is marking its 550<sup>th</sup> anniversary.

The Museum also worked with five independent film companies in 2010/11 to enable filming of our collection objects and interviews to be held with our subject experts.

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

Environmental conditions in the Study Collections are under review to consider ways of maintaining a good environment for the care of the objects yet reduce running costs and the Museum's carbon footprint.

Over the past year approximately 350 objects have passed through the conservation laboratory for treatment for exhibitions and projects run by the Royal Armouries and approximately 1,000 objects have been condition checked and prepared for photo shoots.

In addition, a number of loans both to and from the Armouries have been prepared including, the uniform of HRH Prince Michael of Kent for inclusion in the Tower of London displays and the gold-plated AK47 gun to the Catharijne Convent Museum.

Surveys of the collection to consider condition and the assessment of Concentric Ring Corrosion (CRC) have also been ongoing. CRC is reducing but new cases are still occurring. Work this year has been assisted by successful student placements from the University of Lincoln and the University of Oslo, Norway.

Staff have been undertaking research including developing a conservation sound oil with Vickers Oils of Leeds.

## **FUNDRAISING AND SPONSORSHIP**

At the start of the year the focus was on the re-alignment of the Development Department to exploit potential in three areas: Individual Giving; Corporate Sponsorship and Trusts & Foundations. A new contact management system – IRIS Donor Strategy was also introduced.

The focus of the Royal Armouries efforts has been on closing the remaining funding gap for the Fort Nelson re-development project through trusts & foundation applications and individual giving. For example a successful application was made to the Foyle Foundation for a grant towards the Classroom of the Future at Fort Nelson. The Royal Armouries also successfully launched its public appeal which has already generated donations as well as increasing local awareness of the re-development. In March 2011 the Heritage Lottery Fund approved an additional grant for the re-development project, taking their generous support to in excess of £2 million.

Corporate sponsorship efforts focused on the Tower of London and the next phase of the re-development of the galleries within the White Tower. Following on from their sponsorship of *Fit for a King*, HISTORY™ (UK and US) provided generous in-kind support in the form of a stunning new film for the centre of the new Power House gallery and all the hardware needed to project the film onto a huge screen in the centre of gallery. A new partner, Ordnance Survey, committed sponsorship to the gallery focusing on the area of the exhibition which tells the story of Ordnance Survey and their historic connection with the Tower of London. During the year, another exciting new relationship grew with Energy Invest Ltd. Coming on board as 'White Tower Exhibitions Partner' the CEO of the company, Nigel Harper, pledged high level sponsorship to future phases of the White Tower re-development.

Thanks to the Leverhulme Trust, Royal Armouries secured funding to take on an Artist in Residence. Dr Catherine Burge (Lincoln School of Art & Design) began her residency in February 2011 and will contribute to the gallery renewal strategy for Leeds and the US touring 'art' exhibition – *Dangerous Arts*.

To progress the Royal Armouries North America profile and fund-raising strategy, visits and lecture engagements took place in key venues in the USA and Canada in April and October 2010. A number of potential partnerships and projects in venues including the Royal Ontario Museum, Pritzker Military Library (Chicago) and Anderson House (Washington) were investigated and conversations also took place with potential host venues for the planned US touring exhibition, *Dangerous Arts*. These will be further developed in 2011.

The annual appeal to contacts in the US and Canada in early December secured a number of new US Friends of the Royal Armouries as well as contributing in excess of £4,000.

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

- Heritage Lottery Fund
- DCMS / Wolfson Museums & Galleries Improvement Fund
- Garfield Weston Foundation
- Foyle Foundation
- J Paul Getty Jr Charitable Trust
- John Ellerman Foundation
- The Leverhulme Trust
- Energy Invest Ltd
- HISTORY™
- MILITARY HISTORY™
- Ordnance Survey
- Hitachi

## **ENVIRONMENT AND SUSTAINABILITY**

The Royal Armouries is developing a holistic approach to the issues of sustainability and the reduction of our carbon footprint. Building on the work undertaken with the Carbon Trust the Royal Armouries has achieved a further 10% reduction in our electricity usage.

The Royal Armouries continues to explore innovative ways of generating green energy in liaison with Leeds City Council, including investigation into the practicalities and potential benefits of the construction of an Archimedes' screw turbine system next to the main Leeds site, on the River Aire.

New methods of environmental monitoring are now in place, including the initiation of an automated Building Management System at Leeds which is programmed and maintained to achieve optimum levels of localised temperatures, lighting and airflows. This provides greater flexibility and control of systems during both operational and non-operational hours, whilst ensuring legislative, financial and environmental objectives are attained.

The Royal Armouries continues to monitor depreciation of mechanical assets and building fabric, taking measures as appropriate to maintain optimum plant performance. Where practical, such assets are being replaced with environmentally-beneficial ones, such as the replacement of the main entrance lobby doors at Leeds. This was formerly a straight channel which has been replaced with a staggered entrance specifically aimed at reducing building heat loss and depressurisation of core communal lobbies, during operational hours.

There has been renewed focus on provision of cost efficient LED lighting to replace obsolete or defective high-energy equipment.

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

## **FUTURE DEVELOPMENT PLANS**

2011/12 is perhaps the biggest year for the creative development department at the Royal Armouries since the move to Leeds over 16 years ago. As Fort Nelson is completed and re-launched it will deliver both a new home for the national collection of artillery as well as provide a unique visitor experience that explains how the south coast of England has defended itself since the Victorian age. The internal refurbishment of the White Tower at Tower of London will be complete with each floor displaying the Royal Armouries unique objects in up to date displays opening in time for the HM the Queen's Diamond Jubilee.

The Royal Armouries has not forgotten that after 16 years the Museum in Leeds will also need some new developments if it is to continue to be one of the great museums of the world. So we will embark on a journey that will eventually lead to a substantial Heritage Lottery Bid linked to other funding streams that will enable the Museum to redevelop not only the existing galleries but the whole Clarence Dock area making a visit to the Royal Armouries Museum in Leeds an experience from the moment of arrival.

## **2010 Spending Review**

In the 2010 Spending Review, which allocated funding for four years from 2011/12, the Royal Armouries' resource budget was reduced by 15% in real terms across the spending period. The Royal Armouries' core capital budget was set at £0.259 million for 2011/12, £0.272 million for 2012/13, £0.285 million for 2013/14, and £0.297 million for 2014/15. This is in comparison to a core capital budget of £0.5 million per year from 2008/09 to 2010/11.

The reduction, equating to £4.4 million over four years, has put tremendous pressure on the Royal Armouries' ongoing operations. A full review of operations was run late in 2010, and the following decisions were made to balance the cost of activities with available resources over the planning period.

In order to prepare for a funding reduction in the next spending period the Royal Armouries has:

- Ceased running the daily horse show, retired the horses and made the stable staff redundant
- Drastically curtailed the number of events at both Leeds and Fort Nelson
- Merged the internal interpretation and education teams with museum operations to reduce headcount
- Invested in new cameras to reduce reliance on gallery wardens
- Created commercial roles to consolidate retail and front of house positions
- Reduced discretionary expenditure across all departments
- Re-appraised a major Heritage Lottery Fund bid for Leeds with smaller applications on a gallery by gallery basis

## 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, Olympics, 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

Royal Armouries  
Armouries Drive  
Leeds  
LS1 1LT

Website: [www.royalarmouries.org](http://www.royalarmouries.org)

Royal Armouries  
Fort Nelson  
Portsdown Hill Road  
Portsmouth  
Hampshire  
PO17 6AN

Royal Armouries  
HM Tower of London  
London  
EC3N 4AB

### List of Royal Armouries Advisers

#### External Auditors

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

#### Internal Auditors

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

#### Bankers

NatWest plc  
Bishopsgate Business Centre  
London  
EC2P 2AP

#### Solicitors

Burges Salmon LLP  
One Glass Wharf  
Bristol  
BS2 0ZX

#### Investment Advisers to RADT

Charles Stanley & Co. Ltd  
25 Luke Street  
London  
EC2A 4AR

## **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 39.

In 2010/11 the Royal Armouries recorded net incoming resources before transfers of £391k for general unrestricted funds. In addition, a restricted funds surplus of £19k has been recorded by the Royal Armouries Development Trust. More information on this can be found at note 26 on page 59.

The Royal Armouries' Statement of Financial Activities (SOFA) is set out on page 39 of this document. Incoming resources for the period amounted to £11,510k which included Grant-in-Aid amounting to £8,389k. Resources expended amounted to £9,923k, resulting in net incoming resources of £1,587k (before transfers and revaluations). £1,484k was attributable to depreciation provisions with a further £45k resulting from 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 2010/11 were 4% higher than budgeted and 1% lower than last year. As a result of significant funding from the Heritage Lottery Fund, the DCMS/Wolfson museum & gallery improvement fund and Historic Royal Palaces, sponsorship and donations have increased by £1,358k to £1,967k. Contributions towards the Tower of London operating costs of £175k were received from Historic Royal Palaces.

Total resources expended included salaries and related employee costs of £5,765k, this being £697k higher than 2009/10 as a result of £953k redundancy costs and an adjustment of £95k on the accrual for outstanding holiday pay due to staff as at 31 March 2011. Salary and related employee expenditure accounted for 58.1% of operational cost and depreciation at £1,484k for 15.0%.

### **Balance Sheet**

Of the fund balances at 31 March 2011:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £46,889k (2009/10: £43,767k), 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 £5,377k (2009/10: £5,179k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Royal Armouries, amounted to £763k, the opening balance has been amended to reflect contribution towards costs from Historic Royal Palaces (2009/10: £372k).

By virtue of the National Heritage Act 1983, the Royal Armouries was 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 and the Trustees have determined that the cost of obtaining valuations for the pre 2001 collection is not commensurate to the benefits provided by doing so. 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 £85k were capitalised in 2010/11.

Debtor and Creditor balances have increased significantly on 2009/10. Debtors have increased by £1.3m reflecting accrued income for contributions from the Heritage Lottery Fund and others towards capital projects. The £2.3m increase in creditor's results from accruals for the value of capital works relating to the redevelopment of Fort Nelson, the White Tower and a number of projects at Leeds, together with redundancy accruals and taxation and social security creditors.

Under the terms of its government grant, the Royal Armouries is required to break-even, taking one year with another. It does 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. It actively pursues 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 historically accounts for 80% of its income, which provides limited exposure to liquidity risk, the reductions resulting from the 2010 Spending Review place more pressure on the requirement to cover the remainder of operational costs from 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.

The Fort Nelson Designated Fund balance of £300k was released against the redevelopment cost incurred during 2010/11.

Although the Royal Armouries total reserves at 31 March 2011 are shown as £53 million on the balance sheet, all but £763k is tied up in restricted funds, fixed assets and the Royal Armouries Development Trust Fund, none of which can be used for other purposes.

In order to improve investment income the Royal Armouries Development Trust placed £400,000 with Charles Stanley, professional investors, in late 2010 to invest in low risk government and fixed interest stocks and funds that can be readily converted back into cash.

#### **Payment of Creditors**

The Royal Armouries continues 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 2010/11, the Royal Armouries paid approximately 80% (2009/10: 75%) of supplier invoices within the target of 30 days.

Ann Green  
Chairman

Dated 23 June 2011

Lt Gen Jonathon Riley  
Accounting Officer

Dated 23 June 2011

## **REMUNERATION REPORT**

### **Remuneration Committee**

The membership of the Remuneration Committee is:

Ann Green (Chairman)

Marie Stevens

Bob Morton – to 21.01.11

Richard Holmes – to 30.04.11

Duncan Wilson – from 22.01.11

Hemant Patel – from 22.01.11

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

The emergency budget following the election of the Coalition Government in 2010 imposed a two year pay freeze on all staff except those earning a full time equivalent salary of less than £21,000. These staff will receive a full time equivalent pay award of at least £250 in each of these years.

Under normal circumstances 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 2010/11 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.

### **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 arrangements. 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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' initial 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 worked out as in *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 Pensions Increase legislation. 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 contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employers 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 (<http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>).

### **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 valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The

pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and a framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real Increase of CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

The following disclosures have been audited.

### 2010/11 Figures (2009/10 figures are shown in brackets)

	Remuneration	Annual Equivalent Salary	CETV at 31 March 2010	CETV at 31 March 2011	Real increase in CETV	Real increase in pension / related lump sum at pension age
	£000's	£000's	£000's	£000's	£000's	£000's
J Riley	95 (76)	95 (95)	22	52	26	0-2.5/n/a
J Murray	15 (69)	80 (80)	502	530	22	0-2.5/2.5-5.0
P Armstrong	64 (64)	64 (64)	70	87	9	0-2.5/n/a
S Burt	62 (59)	63 (60)	551	626	32	0-2.5/n/a
P Doherty	32 ( 1)	65 (65)	1	6	5	0-2.5/ n/a
G Rimer	49 (49)	49 (49)	456	491	n/a	0-2.5/0-2.5
D Collins	40 ( -)	45 ( -)	-	12	11	0-2.5/n/a
B Ball	19 ( -)	58 ( -)	47	55	6	0-2.5/n/a

Remuneration is gross salary only as no overtime or allowances are paid to Directors.

No bonuses were paid during 2009/10 or 2010/11.

Trustees receive no emoluments however they are reimbursed for legitimate expenses, see note 4b of the financial statements.

David Collins was appointed on 11 May 2010.

Janice Murray left on 19 May 2010.

Peter Doherty left on 28 September 2010.

Brian Ball was appointed interim Finance Director on 1 December 2010 and Finance & Administration Director on 1 April 2011.

For a period of two months ending 18 November 2010 Sharon Owbridge was appointed as interim Finance Director through an employment agency who charged £21,000 for her services.

Ann Green  
Chairman

Dated 23 June 2011

Lt Gen Jonathon Riley  
Accounting Officer

Dated 23 June 2011

## 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, Olympics, 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 state of affairs 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 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 has 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.

Ann Green  
Chairman  
Dated 23 June 2011

Lt Gen Jonathon Riley  
Accounting Officer  
Dated 23 June 2011



## **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 is required to operate. It also defines my responsibilities as Accounting Officer and the role of the Board of Trustees.

The Royal Armouries' current three year funding agreement with its sponsor, the DCMS, came to an end as at 31 March 2011, under which it supplies DCMS with regular financial information, including performance indicators, to demonstrate its contribution to the delivery of DCMS departmental objectives.

The new funding agreement covers four years from 1 April 2011 and takes account of the funding reductions in the 2010 Spending Review and the Secretary of State's priorities on philanthropy and the transparency agenda.

### **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 aims, objectives and policies; it therefore provides reasonable but not absolute assurance of effectiveness. The system of internal control is a continuous process designed to identify and prioritise the risks to the achievement of departmental aims, objectives and policies; 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 2011 and up to the date of approval of the annual report and accounts it accords with HM Treasury guidance.

When I became the Accounting Officer in July 2009, I instituted a thorough 5-year planning process based on a review of the Royal Armouries' aims and objectives; this has been revisited and updated in the light of changing economic circumstances, the launch of Royal

Armouries Trading & Enterprises Ltd and the development of a strategy for engagement in North America. I continue to keep the effectiveness of all policies, procedures and 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. Regular 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. The Audit Committee selects one risk at each meeting for detailed examination; this includes a physical follow-through of each procedure to its implementation by appropriate staff. Detailed evidence is also 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 February 2011 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 a standing item at Executive team meetings, 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.

Measures are in place to ensure that the risk management policy and the risk register are communicated to all staff and that staff understand their role in managing and mitigating risk through adherence to policies and procedures.

The Royal Armouries' risk appetite is incorporated in the risk management policy. Whilst the Royal Armouries remains 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 has responded to changes in risk profile and to specific events identified in the risk register in a positive and effective way. For example, the recruitment of a new Finance and Administration Director, a Registrar and more capacity in the finance team to cope with the demands of the government's transparency agenda 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 2010/11 Government Grant-in-Aid accounted for around 73% 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 beyond the 15% reduction over four years already implemented. The Royal Armouries is mitigating this risk by developing further contingency plans to identify how best they would operate with reduced funding, while at the same time implementing plans to generate alternative sources of income through an expansion of commercial activities, the establishment of a new trust to provide free access to reserves, and more emphasis on sponsorship and other opportunities in the USA and Canada.

### **Governance**

The Royal Armouries was 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 up to 6 times per year
- Trustee sub-committees consisting of appropriately and professionally qualified members with expertise in the appropriate areas meeting 3 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 up to 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 its risk management policy. This policy is in line 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 its 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 regular basis
- The assessment of risk is divided into 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, including any exceptions or other points they wish to raise, to the Accounting Officer to confirm compliance with Royal Armouries internal control standards
- 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 has 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 Administration Director commenced in post in April 2011 and has been designated as the SIRO. An external review of the Royal Armouries' existing records management is in progress to address information risk.

The Royal Armouries has 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 2011/12. The Royal Armouries' policies and procedures will be measured against the Cabinet Office's Security Policy Framework.

The requirements of the government's transparency agenda have been fully implemented within the required time lines. Staff capacity and systems are in place to carry through this work on a continuous basis.

There were no protected personal data related incidents reportable to the Information Commissioner's Office in 2010/11.

### **Corporate Strategy and Planning**

The Royal Armouries has a Strategic Plan which identifies the direction of the Royal Armouries for the forthcoming five years. This has been revised and updated as previously noted. From this, a Business Plan has been developed to execute annual plans' along with a business plan and all required legal and financial documentation for Royal Armouries Trading & Enterprises Ltd, a Trust Deed and Licence Agreement for the Arms and Armour Heritage Trust. The plan is approved by the Board and submitted to the sponsoring Department.

### **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 2011/12 include external funding, information security governance, the implementation of the trading company and key financial controls.

The review has been informed by points covered in the risk management section and:

- The Board of Trustees which meets up to six times each year to consider the strategic direction of 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 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
- A register of interests for Trustees and Directors

The Royal Armouries continues 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 2010/11 which affected the achievement of their key policies, aims and objectives.

Lt Gen Jonathon Riley

Accounting Officer

Dated 23 June 2011

## **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 Board of Trustees of the Royal Armouries for the year ended 31 March 2011 under the National Heritage Act 1983. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of the Trustees' and Accounting Officer's Responsibilities, the Board of Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit, certify and report on the financial statements in accordance with the National Heritage Act 1983. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Opinion on Regularity**

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

## **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view, of the state of the Board of Trustees of the Royal Armouries' and the group's affairs as at 31 March 2011 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the National Heritage Act 1983 and the Secretary of State's directions issued with HM Treasury's consent thereunder.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State's directions issued with HM Treasury's consent under the National Heritage Act 1983; and
- the information given in the sections headed Structure, Governance and Management, Public Engagement, Environment and Sustainability, Future Development Plans and the Financial Review included within the Trustees' and the Accounting Officer's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

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



## **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*

*27 June 2011*

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2011

		Unrestricted funds		Restricted funds	Total funds	Restated Total funds
	Notes	General	Designated		2010/11	2009/10
		£000	£000	£000	£000	£000
<b>Incoming resources</b>						
<b>Incoming Resources from generated funds</b>						
Voluntary Income						
Grant-in-Aid	2	7,604	785	-	<b>8,389</b>	8,474
Grant DCMS/Wolfson		-	-	237	<b>237</b>	
Other voluntary income		8	-	1,722	<b>1,730</b>	609
Contributions to costs	3	-	-	175	<b>175</b>	227
Activities for generating funds						
Income from trading activities	18	451	-	-	<b>451</b>	579
Conservation Income		8	-	-	<b>8</b>	4
Investment income		4	-	1	<b>5</b>	3
<b>Incoming resources from charitable activities</b>						
Events Income		260	-	-	<b>260</b>	208
Educational Income		77	-	-	<b>77</b>	67
Other Operating Income		169	-	9	<b>178</b>	174
<b>Total incoming resources</b>		<b>8,581</b>	<b>785</b>	<b>2,144</b>	<b>11,510</b>	<b>10,345</b>
<b>Resources expended</b>						
<b>Costs of generating funds</b>						
Costs of generating voluntary income	4	(296)	-	(5)	<b>(301)</b>	(225)
Fundraising trading: costs of goods and services	4	(682)	(17)	(30)	<b>(729)</b>	(846)
<b>Charitable activities</b>						
Care of the collection	4	(2,055)	(125)	(374)	<b>(2,554)</b>	(2,777)
Education	4	(604)	(35)	(82)	<b>(721)</b>	(906)
Visitor Experience	4	(3,622)	(373)	(690)	<b>(4,685)</b>	(5,776)
<b>Governance costs</b>	4	<b>(73)</b>	<b>-</b>	<b>(2)</b>	<b>(75)</b>	<b>(97)</b>
<b>Other Outgoing Resources</b>						
Redundancy costs and holiday pay	4	(858)	-	-	<b>(858)</b>	(192)
<b>Total resources expended</b>		<b>(8,190)</b>	<b>(550)</b>	<b>(1,183)</b>	<b>(9,923)</b>	<b>(10,819)</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>391</b>	<b>235</b>	<b>961</b>	<b>1,587</b>	<b>(474)</b>
Transfers between funds			(41)	1	<b>(40)</b>	(17)
<b>Net incoming/(outgoing) resources after transfers</b>		<b>391</b>	<b>194</b>	<b>962</b>	<b>1,547</b>	<b>(491)</b>
(Loss)/Gain on revaluation of investments		-	-	2	<b>2</b>	
(Loss)/Gain on revaluation of assets		-	4	2,158	<b>2,162</b>	(1,503)
<b>Net movement of funds</b>		<b>391</b>	<b>198</b>	<b>3,122</b>	<b>3,711</b>	<b>(1,994)</b>
Fund balances as at 1 April 2010		372	5,179	43,767	<b>49,318</b>	51,312
<b>Fund balances as at 31 March 2011</b>		<b>763</b>	<b>5,377</b>	<b>46,889</b>	<b>53,029</b>	<b>49,318</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.

2009/10 figures have been restated due to a change in policy regarding cost of capital however there is no impact on fund balances as at 31 March. Other prior year adjustments are detailed in note 29.

The notes on pages 42 to 60 form an integral part of these accounts

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED BALANCE SHEET AS AT  
31 MARCH 2011

	Notes	2010/11		2009/10 Restated	
		Group	Museum	Group	Museum
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Intangible Assets	7	73	73	97	97
Tangible Assets	8	49,824	49,824	46,284	46,284
Heritage Assets	9	1,931	1,931	1,846	1,846
Investments	12	398			
Investment in Subsidiary	13		150		
		<u>52,226</u>	<u>51,978</u>	<u>48,227</u>	<u>48,227</u>
<b>Current Assets</b>					
Stocks	14	62	62	67	67
Debtors	15	1,940	1,939	586	586
Cash at Bank and In Hand		1,949	1,758	1,330	910
		<u>3,951</u>	<u>3,759</u>	<u>1,983</u>	<u>1,563</u>
<b>Creditors</b>					
Amounts falling due within one year	16	(2,894)	(2,892)	(583)	(582)
		<u>1,057</u>	<u>867</u>	<u>1,400</u>	<u>981</u>
<b>Net Current Assets</b>					
		<u>53,283</u>	<u>52,845</u>	<u>49,627</u>	<u>49,208</u>
<b>Total Assets less Current Liabilities</b>					
Provision for Liabilities and Charges	17	(254)	(254)	(309)	(309)
		<u>53,029</u>	<u>52,591</u>	<u>49,318</u>	<u>48,899</u>
<b>Net Assets</b>					
<b>Represented by</b>					
<b>Income Funds</b>					
Restricted Reserves	22	46,889	46,451	43,767	43,348
Unrestricted Reserves					
Designated funds	22	5,377	5,377	5,179	5,179
General	22	763	763	372	372
		<u>53,029</u>	<u>52,591</u>	<u>49,318</u>	<u>48,899</u>
<b>Total Funds</b>					

The notes on pages 42 to 60 form an integral part of these accounts.

The financial statements on pages 39 to 41 were approved by the Board/Trustees and were signed on their behalf by:

Lt Gen Jonathon Riley  
Accounting Officer

Date 23 June 2011

Ann Green  
Chairman

Date 23 June 2011

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

**CONSOLIDATED CASH FLOW STATEMENT FOR  
THE YEAR ENDED 31 MARCH 2011**

	Notes	<b>2010/11</b>	2009/10
		<b>£000</b>	£000
Net cash inflow from operating activities	23	<b>4,019</b>	1,239
Returns on investment and servicing of finance	23	<b>5</b>	3
Capital expenditure and financial investment	23	<b>(3,405)</b>	(921)
Increase/(Decrease) in cash		<b><u>619</u></b>	<u>321</u>

Cash balances comprise money held in commercial bank accounts and cash in hand.

The notes on pages 42 to 60 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 2006 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, Olympics, 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 and Royal Armouries Trading & Enterprises Ltd.

All financial statements are made up to 31 March 2011. 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 2012, is adequate to meet known and reasonably foreseeable circumstances likely to arise in that period. Should unforeseen costs and losses arise, the Royal Armouries aims to absorb these within the resources available to it, 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.

Further to the revised capitalisation policy introduced during 2008/09 we have written off in these financial statements any remaining assets previously capitalised at an original purchase cost of less than £2,500.

#### 1.8 Heritage fixed assets

The Royal Armouries is the National Museum of Arms and Armour and has one of the largest collections of arms and armour in the world which comprises 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 collection of heritage assets is held to support the Royal Armouries charitable objectives defined in the National Heritage Act 1983 including; the care and preservation of the collection; increasing knowledge, understanding and appreciation of the collection; upkeep of records relating to the collection and Tower of London.

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

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

The Trustees do not consider that reliable cost or valuation information can be obtained for the vast majority of the collection. This is because of the diverse nature of the assets held, the uniqueness of certain individual items, the number of assets held and the lack of comparable market values. The Trustees also consider the cost of obtaining valuations is not commensurate to the benefits of inclusion to the user of the accounts.

The Royal Armouries does not therefore recognise these assets on its Balance Sheet, other than acquisitions since 2001 which are reported at cost, where the object was purchased or at the museum curator's best estimate of market value where the object was donated. The threshold for capitalisation is £2,500 for individual collection additions.

As the additions are deemed to have indeterminate lives and high residual values the Trustees do not consider it appropriate to charge depreciation.

Subject to the approval of the Trustees, the Royal Armouries may dispose of items from the collection and this normally occurs when the item is deemed unsuitable for retention in the collection and disposal is not detrimental to the public interest, where it is a duplicate of an item already held or the object is damaged. It is usual for disposal proceeds to be used in furtherance of the collection.

Expenditure which, in the Trustees view, is required to preserve or clearly prevent further deterioration of individual collection items is charged to the Statement of Financial Activities when it is incurred.

#### **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**

Up until 2009/10 notional cost of capital was charged in the Statement of Financial Activities in arriving at the net incoming / (outgoing) resources figure. This was reversed so that no provision was included on the Balance Sheet. A change in accounting policy within HM Treasury Financial Reporting Manual has determined this is no longer required and the prior year figure has been restated to reflect its removal.

#### **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.

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

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

#### **1.14 Financial Instruments**

The Royal Armouries classifies its financial assets into loans and receivables and available for sale.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Consisting of trade and other debtors there is no intention to trade these loans and receivables and these assets are valued at amortised cost less impairment, where appropriate.

Available for sale financial assets are investments that the Royal Armouries does not plan to hold until maturity. Subsequent to initial recognition these assets are recorded at fair value, with any realised and unrealised gains and losses reflected in the SOFA.

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 2010/11 financial statements include an accrual for outstanding holiday pay due to employees as at 31 March 2011. 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 2010/11 was £8,389,000 (2009/10: £8,474,000). 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 £709k (2009/10: £632k) has been designated by the Trustees for the purposes of capital projects. The sum of £76k (2009/10: £67k) has been designated by the Trustees for the purposes of collection purchases.

### 3. Contributions to costs

	2010/11 £000	Restated 2009/10 £000
Historic Royal Palaces	<u>175</u>	<u>227</u>

### 4. Total resources expended

	Staff costs £000	Other direct costs £000	Impairment, Depreciation & Disposals £000	Allocated Support Cost £000	2010/11 £000	2009/10 £000
<b>Direct Costs</b>						
Cost of generating funds						
Cost of generating voluntary income	169	71	-	61	301	225
Fund raising: cost of goods and other costs	242	221	47	219	729	846
Charitable activities						
Care of the collection	1,073	229	368	884	2,554	2,777
Education	290	49	104	278	721	906
Visitor Services	1,262	448	1,010	1,965	4,685	5,776
Governance	-	75	-	-	75	97
Redundancy / Early Retirement / Holiday Pay	858	-	-	-	858	192
	<u>3,894</u>	<u>1,093</u>	<u>1,529</u>	<u>3,407</u>	<u>9,923</u>	<u>10,819</u>
<b>Support Costs</b>						
Directorate	497	199	-	(696)		
Administrative support	619	232	-	(851)		
Shared services	755	1,105	-	(1,860)		
	<u>1,871</u>	<u>1,536</u>	<u>-</u>	<u>(3,407)</u>		
	<u>5,765</u>	<u>2,629</u>	<u>1,529</u>	<u>-</u>		

#### Governance costs

	2010/11 £000	2009/10 £000
Trustee expenditure	21	35
Audit fees (see note 6)	54	62
	<u>75</u>	<u>97</u>

#### 4a Staff Costs

	2010/11 £000	2009/10 £000
Salaries and wages	3,955	3,900
Agency staff	51	81
National Insurance Contributions	270	269
Superannuation	631	626
Early Retirement Costs	44	85
Provision Release	(94)	(86)
Redundancy Costs	1,003	50
Holiday Pay (see note 1.16 to the financial statements)	(95)	143
	<u>5,765</u>	<u>5,068</u>

Following the 2010 Spending Review the Royal Armouries offered a voluntary redundancy scheme and 46 employees left on 31 March 2011. One staff member left under compulsory terms on 31 July 2010 and a further 6 members of staff left on 31 March 2011 on these terms.

A further 16 staff at risk opted to take a new role on a one month trial basis. At the conclusion of the trial 3 staff opted to take redundancy and these have been provided for in the accounts.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total resources expended (continued)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
< £10,000	3	-	-	14	3	14
£10,001 - £25,000	-	6	-	26	-	32
£25,001 - £50,000	1	1	-	8	1	9
£50,001 - £100,000	-	-	-	1	-	1
<b>Total number of exit packages</b>	4	7	-	49	4	56
<b>Total resource cost (£'000)</b>	50 *	131	-	815	50	946

\* Actual payment made in 2010/11 was £57k against which the provision made in 2009/10 of £50k was released.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year the decision was made.

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

	2010/11	2009/10
Cost of generating voluntary funds	6	4
Fundraising: cost of goods sold and other	17	17
Care of the collection	49	49
Education	15	13
Visitor Experience	91	92
	<b>178</b>	<b>175</b>

### Director General & Master of the Armouries

Details of the Director General & Master of the Armouries, Chief Executive Officer 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:

	2010/11	2009/10
£60,001 - £65,000	2	1
£65,001 - £70,000	-	1
£75,001 - £80,000	-	1
£90,001 - £95,000	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 pays 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 is unable to identify its 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 2010/11, Employers' contributions of £626k (2009/10: £619k) 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 2010/11 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 £5k (2009/10: £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 pension providers at the balance sheet date were £62k.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4b Trustees

No member of the Board of Trustees of the Royal Armouries received any emoluments during the year. Twelve Royal Armouries Trustees, one Royal Armouries Development Trust Trustee and two Non-Executive Directors of Royal Armouries Trading & Enterprises Ltd were re-imbursed for their travel and subsistence expenses during the year, which amounted to £21,196 (2009/10 Eleven Trustees amounting to £35,384).

### 5. Notional Costs

Notional cost of capital was historically 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 however this has been removed from the prior year figures due to a change in policy that no longer requires its inclusion.

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

	2010/11 £000	2009/10 £000
Net incoming resources is stated after charging:		
Operating lease rentals	399	399
External auditor for audit work	38	36
Internal Auditor	16	26
Legal services	62	153
Travel and subsistence costs	108	145
Writedown of trading stocks to net realisable value	9	-

All auditors' remuneration was in respect of audit work. £36,000 was charged by the National Audit Office and £2,000 by Volans, Leach and Schofield.

### 7. Intangible Fixed assets

	Website Development £000	Software Licences £000	Total £000
Cost as at 1st April 2010	59	97	156
Additions	10	18	28
Revaluation	-	-	-
<b>Cost as at 31st March 2011</b>	<b>69</b>	<b>115</b>	<b>184</b>
Amortisation as at 1st April 2010	19	40	59
Amortisation during year	20	32	52
<b>Amortisation as at 31st March 2011</b>	<b>39</b>	<b>72</b>	<b>111</b>
<b>Net Book Value at 31 March 2011</b>	<b>30</b>	<b>43</b>	<b>73</b>
Net Book Value at 31 March 2010	40	57	97

### 8. 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 2010	553	40,755	3,975	4,057	49,340
Additions	2,330	-	-	566	2,896
Disposals	-	-	-	(366)	(366)
Revaluations	-	2,159	(13)	15	2,161
<b>As at 31 March 2011</b>	<b>2,883</b>	<b>42,914</b>	<b>3,962</b>	<b>4,272</b>	<b>54,031</b>
<b>Depreciation</b>					
As at 1 April 2010	-	849	222	1,985	3,056
Charge for the year	-	895	222	315	1,432
Disposals	-	-	-	(321)	(321)
Revaluation	-	45	-	(5)	40
<b>As at 31 March 2011</b>	<b>-</b>	<b>1,789</b>	<b>444</b>	<b>1,974</b>	<b>4,207</b>
Net Book Value at 31 March 2010	553	39,906	3,753	2,072	46,284
<b>Net Book Value at 31 March 2011</b>	<b>2,883</b>	<b>41,125</b>	<b>3,518</b>	<b>2,298</b>	<b>49,824</b>
Charitable activities	2,557	36,478	3,120	2,038	44,193
Other activities	326	4,647	398	260	5,631
<b>Total</b>	<b>2,883</b>	<b>41,125</b>	<b>3,518</b>	<b>2,298</b>	<b>49,824</b>

## 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.

### 9. Heritage Fixed Assets

	Armour and Weapons	Works of Art	Archive	Total
		£000	£000	£000
Cost or valuation as at 1st April 2010	1,773	35	38	<b>1,846</b>
Additions	75	-	10	<b>85</b>
<b>Cost or valuation as at 31st March 2011</b>	<b>1,848</b>	<b>35</b>	<b>48</b>	<b>1,931</b>
Cost	1,196	35	48	<b>1,279</b>
Valuation	652	-	-	<b>652</b>
<b>Total</b>	<b>1,848</b>	<b>35</b>	<b>48</b>	<b>1,931</b>

There have been no disposals of heritage assets during 2010/11.

Heritage assets have been reclassified into three categories based on the nature of the objects rather than being grouped by purchased or donated assets as presented in the prior year accounts.

The collection comprises 336 pieces of armour or weapons, 5 works of art and 7 sets of archive material that were either acquired or donated since 2001. This represents a very small part of the overall collection which is detailed further in note 11.

Additions at cost in 2010/11 comprise the following:

- a fine military flintlock circa 1800	£2,600
- a rare American breech loading percussion carbine with saddle rings	£2,600
- a sharpshooter 7.62mm rifle	£2,700
- an album of sketches circa 1870 by Richard Nock	£10,000
- two rare English four shot flintlock volley pistols	£20,000
- a pair of 15 bore Royal Hanoverian percussion sporting guns made for King George IV	£6,200
- a 20 bore Royal Hanoverian flintlock sporting rifle made for King William IV	£6,200
- a 120 bore Royal Hanoverian air gun of strike pump type made for Prince Ernst August	£4,300
- Gauntlet cuff circa 1350 possibly English	£12,000
- a reinforcing breastplate English circa 1585	£9,000

Donations in 2010/11 comprise three items gifted by the Ministry of Defence, Abbeywood, Bristol. These include a Centrefile self loading machine gun and two Centrefile machine guns. All three were valued by our Curatorial staff at £3,000 each.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. Five year financial summary of heritage asset transactions

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
<u>Purchases</u>					
Armour and weapons	66	52	37	126	16
Works of art	-	-	-	3	-
Archive	10	15	5	-	4
<u>Donations</u>					
Armour and weapons	9	23	160	105	-
Works of art	-	-	-	-	-
Archive	-	-	-	-	-
<b>Total</b>	<b>85</b>	<b>90</b>	<b>202</b>	<b>234</b>	<b>20</b>

### 11. Further information on museum collection of heritage assets

The collection of heritage assets is broken down into three sections: armour and weapons, works of art and archives.

The collection is preserved at three sites across the United Kingdom; the Tower of London, the head office and main museum in Leeds and at the Museum of Artillery at Fort Nelson near Portsmouth. In addition many objects are loaned to exhibitions and long term displays nationally and internationally. A display of around 300 objects occupies a dedicated floor at the Frazier History Museum in Louisville, Kentucky, USA.

Upon acquisition items are assigned a unique reference number and this together with details on the provenance, location, valuation, conservation history, academic and other general information is recorded on the collection management database.

#### Armour and weapons

The core collection was founded on the arsenal of the British army preserved in the Tower of London, augmented by Royal arms and armour brought into the Tower in 1649 and by purchases, gifts and other forms of acquisition since 1831. The core collection comprises 10,000 pieces of armour and 42,000 weapons, ranging from the Neolithic period to the present day from across the globe.

Fort Nelson in Portsmouth houses that part of the national artillery collection not held by the Royal Collection, the Royal Artillery Collection or on loan to other institutions.

The National Firearms Centre contains a collection of 14,000 weapons which were initially formed by the Ministry of Defence Pattern Room in Enfield and latterly the Royal Ordnance Factory in Nottingham. This collection was gifted to the Royal Armouries by the Ministry of Defence in 2005.

The NFC collection services the User Group identified by the MOD and comprises the Police, UK Border Agency, HM Revenue and Customs and various military and forensic organisations.

Approximately 2,000 pieces of armour are on display with 500 on loan; 5,500 weapons are on display with 2,000 on loan. The remainder is available to the public in the museums study collections.

#### Works of art

The museum holds approximately 1,000 pieces of art, comprising paintings, prints, drawings, sculptures and other works of art. Of these 25 are on display within the museum.

Many of these artworks are represented in the image library; a developing resource providing income for the museum. A particular focus will be the recording of the artworks held in the archives at the Tower of London which are expected to generate significant interest from potential purchasers.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. Further information on museum collection of heritage assets (continued)

#### Archive

The archives contain some 20 or so major collections, including those of the previous Master of the Armouries, Sir James Mann, and the Royal Small Arms Factory, Enfield, as well as some 900 individual documents, many relating to the history of the Tower of London and its institutions, and including maps and plans, early photographs and stereographs.

#### Heritage assets of particular importance

Some of the objects are of exceptional international importance including four of the six surviving personal armours of Henry VIII, the armours of Charles I, Charles II and James II, all of which have been in the collection since the time of their original owners in the 16<sup>th</sup> and 17<sup>th</sup> centuries.

Among many important artillery pieces on display at Fort Nelson are two remarkable examples: a huge bronze bombard cast in two parts and weighing a total of 20 tons, made in 1464 for the Turkish Sultan Mehmet II, and a mid 15<sup>th</sup>-century wrought iron gun, probably made in England and now known as the Bosted Bombard, one of very few guns of this period surviving in Europe today.

The National Firearms Centre holds many pieces which are of considerable historical and technological importance. These include the first production example of what in World War I would become the famous, or infamous, Maxim machine gun made at the Royal Small Arms Factory, Enfield, in the early 1890s, serial number 1.

There is also a collection of 'sealed pattern' weapons, each produced to act as the exact model against which all other examples of that particular firearm, which could be made in the tens of thousands, were to be judged.

There is also a unique set of manufacturing gauges used at the Royal Small Arms Factory in the production of the Pattern 1853 Enfield percussion rifled musket. The manufacture by machine of all the components of this rifle represented a breakthrough in mass production technology and was a watershed in achieving the creation of complex objects from truly interchangeable parts.

The library holds a small number of medieval manuscripts, including the earliest known fencing manual, a medieval firework book, and two manuscripts relating to the tournament, as well as special collections of early print books on fencing manuals, and military manuals and drill books.

Further information regarding iconic pieces of the collection is available on the Royal Armouries website.

#### Preservation and management

The core collection is managed by a team of specialist curators and registrars who control the collection in accordance with policies approved by the Board of Trustees. The condition of the collection is maintained by a dedicated team of specialist conservators. Both groups report to the Museum Director. Further information on the preservation and management of the collection, including the detailed conservation policy, is available on the Royal Armouries website.

The NFC has its own dedicated team of curators and an artificer who report to the Director of the NFC.

The archive is managed by the archivist, who is also in charge of the library and photographic archive, and reports to the Museum Director.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. Investments

	2010/11 £000	2009/10 £000
Investments as at 1 April 2010	-	-
Additions	396	-
Disposals	-	-
(Loss)/gain in value	2	-
<b>Investments as at 31 March 2011</b>	<b>398</b>	<b>-</b>

The investments comprise government stock, fixed interest bonds and funds. Subsequent to initial recognition these assets are recorded at fair value, with any realised and unrealised gains and losses reflected in the SOFA.

### 13. Investment in subsidiary

The museum owns 100% of the issued share capital of Royal Armouries Trading & Enterprises Ltd. Royal Armouries Trading & Enterprises Ltd has capital consisting of 150,000 £1 shares all of which have been issued at par. The share issue occurred on 29 July 2010 and became fully paid up on 29 March 2011.

### 14. Stocks

	2010/11 £000	2009/10 £000
Stocks valued at cost	69	74
Less: provisions for publications and other slow moving stocks	(7)	(7)
	<u>62</u>	<u>67</u>

### 15. Debtors

	Group	
	2010/11 £000	Restated 2009/10 £000
Trade debtors	2	7
Other debtors	297	101
VAT recoverable	352	271
Prepayments and accrued income	1,290	209
Provision for bad debts	(1)	(2)
	<u>1,940</u>	<u>586</u>
	Museum	
	2010/11 £000	Restated 2009/10 £000
Trade debtors	2	7
Other debtors	297	101
VAT recoverable	352	271
Prepayments and accrued income	1,289	209
Provision for bad debts	(1)	(2)
	<u>1,939</u>	<u>586</u>

Debtors includes a balance of £352k with HM Revenue & Customs. There are no other material balances with the Whole of Government Accounts bodies at 31 March 2011.

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

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

	<b>Group</b>	
	<b>2010/11</b>	Restated 2009/10
	<b>£000</b>	£000
Trade creditors	-	16
Income Tax and Social Security	<b>237</b>	-
Other creditors	<b>11</b>	19
Accruals and deferred income	<b>2,646</b>	548
	<b>2,894</b>	583

  

	<b>Museum</b>	
	<b>2010/11</b>	Restated 2009/10
	<b>£000</b>	£000
Trade creditors	-	16
Income Tax and Social Security	<b>237</b>	-
Other creditors	<b>11</b>	18
Accruals and deferred income	<b>2,644</b>	548
	<b>2,892</b>	582

Creditors includes a balance of £175k with HM Revenue & Customs and £61k with the Cabinet Office. There are no other material balances with the Whole of Government Accounts bodies at 31 March 2011.

<b>17. Provisions for Liabilities and Charges</b>	Redundancy £000	Early Retirement £000	Utility Costs £000	<b>Total £000</b>
Balance as at 1 April 2010	50	209	50	<b>309</b>
Increase in provision: future liability for staff redundancies	39	-	-	<b>39</b>
Release of provision	(50)	(44)	-	<b>(94)</b>
<b>Balance as at 31 March 2010</b>	<b>39</b>	<b>165</b>	<b>50</b>	<b>254</b>
Liability due within one year	39	39	50	<b>128</b>
Liability due after one year	-	126	-	<b>126</b>

The redundancy provision relates to 3 staff members who opted for redundancy having initially undertaken a one month trial in new roles following the restructure at the end of March.

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

<b>18. Trading activities</b>	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Trading income	<b>451</b>	579
Cost of sales	<b>(202)</b>	(235)
Gross profit	<b>249</b>	344
Other costs	<b>(261)</b>	(292)
Net profit/(loss)	<b>(12)</b>	52

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

	<b>2010/11</b>	2009/10
	<b>Profit/(loss)</b>	Profit/(loss)
	<b>£000</b>	£000
Leeds Shop	<b>24</b>	85
Fort Nelson Shop	<b>(22)</b>	(17)
Fort Nelson catering activities	<b>(14)</b>	(16)
	<b>(12)</b>	52



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

**19. Contingent Liabilities**

There were no contingent liabilities as at 31 March 2011.

**20. Capital Commitments**

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Capital expenditure contracted but not provided for in the accounts	<b>868</b>	433
Capital expenditure authorised but not contracted for	<b>268</b>	2,685

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

**21. Analysis of group net assets between funds**

	<b>Group</b>			<b>Total</b>
	Unrestricted Funds		Restricted Funds	
	General	Designated	£000	
	£000	£000	£000	£000
Funds balances as 31 March 2011 are represented by:				
Intangible fixed assets	-	73	-	<b>73</b>
Tangible fixed assets	-	5,304	44,520	<b>49,824</b>
Heritage fixed assets	-	-	1,931	<b>1,931</b>
Investments	-	-	398	<b>398</b>
Current assets	3,909	-	42	<b>3,951</b>
Current liabilities	(2,892)	-	(2)	<b>(2,894)</b>
Provisions for Charges & Liabilities	(254)	-	-	<b>(254)</b>
<b>Total net assets</b>	<u>763</u>	<u>5,377</u>	<u>46,889</u>	<u><b>53,029</b></u>

	<b>Museum</b>			<b>Total</b>
	Unrestricted Funds		Restricted Funds	
	General	Designated	£000	
	£000	£000	£000	£000
Funds balances as 31 March 2011 are represented by:				
Intangible fixed assets	-	73	-	<b>73</b>
Tangible fixed assets	-	5,304	44,520	<b>49,824</b>
Heritage fixed assets	-	-	1,931	<b>1,931</b>
Investments	150	-	-	<b>150</b>
Current assets	3,759	-	-	<b>3,759</b>
Current liabilities	(2,892)	-	-	<b>(2,892)</b>
Provisions for Charges & Liabilities	(254)	-	-	<b>(254)</b>
<b>Total net assets</b>	<u>763</u>	<u>5,377</u>	<u>46,451</u>	<u><b>52,591</b></u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Statement of funds

	Restated 1 April 2010 £000	Income £000	Expenditure £000	Group Revaluation £000	Transfers £000	31 March 2011 £000
Unrestricted funds						
General fund	372	8,581	(8,190)	-	-	763
Designated fund	5,179	785	(550)	10	(47)	5,377
Total unrestricted funds	5,551	9,366	(8,740)	10	(47)	6,140
Restricted funds						
Land and Buildings	38,358	-	(816)	-	-	37,542
National Firearms Centre	1,462	-	(39)	13	-	1,436
Sponsorship and Donations	799	1,936	(88)	-	-	2,647
Heritage Assets	1,203	-	-	-	76	1,279
Donated Assets	643	9	-	-	-	652
Revaluation Reserve	883	-	(58)	2,099	(29)	2,895
Contribution to costs	-	175	(175)	-	-	-
RADT	419	24	(7)	2	-	438
Total restricted funds	43,767	2,144	(1,183)	2,114	47	46,889
<b>Total funds</b>	<b>49,318</b>	<b>11,510</b>	<b>(9,923)</b>	<b>2,124</b>	<b>-</b>	<b>53,029</b>

	Restated 1 April 2010 £000	Income £000	Expenditure £000	Museum Revaluation £000	Transfers £000	31 March 2011 £000
Unrestricted funds						
General fund	372	8,581	(8,190)	-	-	763
Designated fund	5,179	785	(550)	10	(47)	5,377
Total unrestricted funds	5,551	9,366	(8,740)	10	(47)	6,140
Restricted funds						
Land and Buildings	38,358	-	(816)	-	-	37,542
National Firearms Centre	1,462	-	(39)	13	-	1,436
Sponsorship and Donations	799	1,941	(93)	-	-	2,647
Heritage Assets	1,203	-	-	-	76	1,279
Donated Assets	643	9	-	-	-	652
Revaluation Reserve	883	-	(58)	2,099	(29)	2,895
Contribution to costs	-	175	(175)	-	-	-
Total restricted funds	43,348	2,125	(1,181)	2,112	47	46,451
<b>Total funds</b>	<b>48,899</b>	<b>11,491</b>	<b>(9,921)</b>	<b>2,122</b>	<b>-</b>	<b>52,591</b>

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 has 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. Cash flow information

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

	2010/11 £000	Restated 2009/10 £000
Net incoming/ (outgoing) resources	3,751	(1,977)
Interest receivable	(5)	(3)
Depreciation	1,484	1,826
Loss on disposal of fixed assets	45	46
Revaluation of investments	(2)	-
Revaluation of fixed assets	(2,161)	1,518
(Increase) / decrease in stocks	5	21
(Increase) / decrease in debtors	(1,354)	73
Increase / (decrease) in creditors	2,311	(229)
Provision for Liabilities & Charges	(55)	(36)
<b>Net cash inflow from operating activities</b>	<b>4,019</b>	<b>1,239</b>

#### b) Analysis of cash flows

	2010/11 £000	2009/10 £000
Returns on investment and servicing of finance		
Interest received	5	3
<b>Net cash inflow for returns on investment and servicing of finance</b>	<b>5</b>	<b>3</b>

#### Capital expenditure and financial investment

Intangible fixed assets	(28)	(40)
Tangible fixed assets	(2,896)	(791)
Heritage fixed assets	(85)	(90)
Investments	(396)	-

#### Net cash outflow from capital expenditure and financial investment

<b>(3,405)</b>	<b>(921)</b>
----------------	--------------

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

	2010/11 £000	2009/10 £000
Increase/(decrease) in cash in the period	619	321
Increase/(decrease) in net funds in the period	619	321
Net funds at 1 April	1,330	1,009
<b>Net funds at 31 March</b>	<b>1,949</b>	<b>1,330</b>

#### d) Analysis of net funds

	1 April 2010 £000	Cash flow in period £000	31 March 2011 £000
Cash	1,330	619	1,949
<b>Net funds</b>	<b>1,330</b>	<b>619</b>	<b>1,949</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24. 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 was a non-executive board member of DCMS until 31 December 2010.

The Royal Armouries regards the Frazier 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.

	2010/11 Income £000	2010/11 Costs £000	2010/11 Debtor £000	2010/11 Creditor £000
Frazier History Museum				
- recharges for trips to US to update our galleries within the museum	(2)	-	-	-
Historic Royal Palaces				
- contribution to costs (£175k), sponsorship and retail income. Costs relate to Tower entrance fees and our share of operating costs	376	21	194	(7)

There were transactions during the year with the Accounting Officer, Jonathon Riley, and with one Trustee, Richard Holmes, neither had any direct payments however their 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.

### 25. Financial instruments

#### Credit risk

The Royal Armouries has cash deposits of £1,949k (2009/10: £1,330k) which are held with National Westminster Bank Plc, part of the UK Government owned RBS.

Royal Armouries has never suffered any loss in relation to cash held by its bankers. 97% 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 has no borrowings and relies primarily on DCMS grants for its cash requirements.

Grant-in-Aid accounts for 73% of income (2009/10: 83%). 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 draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements. Under 1% of overall incoming resources, £5k (2009/10 £3k) was generated from interest earned during 2010/11 so the Royal Armouries is 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 fixed asset investments, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial assets and liabilities by category

	Group			Total 2010/11 £000
	Available for sale Financial Assets	Loans and Receivables	Other Financial Liabilities at amortised cost	
	2010/11 £000	2010/11 £000	2010/11 £000	
Fixed Asset investments	398	-	-	398
Cash	-	1,949	-	1,949
Trade and other debtors	-	1,450	-	1,450
Trade and other payables	-	-	(2,658)	(2,658)
	<b>398</b>	<b>3,399</b>	<b>(2,658)</b>	<b>1,139</b>

	Group			Total 2009/10 £000
	Restated	Restated	Restated	
	Loans and Receivables	Other Financial Liabilities at amortised cost	Total	
	2009/10 £000	2009/10 £000	2009/10 £000	
Cash	1,330	-	1,330	
Trade and other debtors	184	-	184	
Trade and other payables	-	(583)	(583)	
	<b>1,514</b>	<b>(583)</b>	<b>931</b>	

	Museum			Total 2010/11 £000
	Loans and Receivables	Other Financial Liabilities at amortised cost		
	2010/11 £000	2010/11 £000		
Cash	1,758	-	1,758	
Trade and other debtors	1,449	-	1,449	
Trade and other payables	-	(2,656)	(2,656)	
	<b>3,207</b>	<b>(2,656)</b>	<b>551</b>	

	Museum			Total 2009/10 £000
	Restated	Restated	Restated	
	Loans and Receivables	Other Financial Liabilities at amortised cost	Total	
	2009/10 £000	2009/10 £000	2009/10 £000	
Cash	910	-	910	
Trade and other debtors	184	-	184	
Trade and other payables	-	(582)	(582)	
	<b>1,094</b>	<b>(582)</b>	<b>512</b>	

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26. 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.

	2010/11 £000	2009/10 £000
<b>Income and Expenditure Account</b>		
Income	23	278
Administrative costs	(2)	(1)
Grant to Royal Armouries	(5)	-
Interest receivable	1	-
(Loss)/gain on investments	2	-
<b>Surplus/Deficit</b>	<b>19</b>	<b>277</b>
<b>Balance Sheet</b>		
Investments	398	-
Current assets	42	420
Creditors	(2)	(1)
<b>Net Assets</b>	<b>438</b>	<b>419</b>
Unrestricted reserves	135	116
Restricted reserves	303	303
<b>Total Funds</b>	<b>438</b>	<b>419</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 2012.

### 27. Royal Armouries Trading & Enterprises Limited

The Royal Armouries owns all of the issued share capital of 150,000 issued shares of £1 nominal value of Royal Armouries Trading & Enterprises Ltd, a company registered in England and Wales. The company's principal activities are retail, catering, sale of images and licensing and third party conservation works.

The company commenced trading on 1 April 2011. The share issue occurred on 29 July 2010 and became fully paid up on 29 March 2011.

	2010/11 £000	2009/10 £000
<b>Balance Sheet</b>		
Current assets	150	-
<b>Net Assets</b>	<b>150</b>	<b>-</b>
Share capital	150	-
<b>Total Funds</b>	<b>150</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 28. Financial commitments

As at 31 March 2011 the Royal Armouries had annual commitments under non-cancellable operating leases as follows:

	Land £000	Other £000	2010/11 £000	2009/10 £000
Operating lease which expires				
Within one year	-	2	2	1
two to five years	-	21	21	29
More than five years	371	-	371	371
	<b>371</b>	<b>23</b>	<b>394</b>	401

### 29. Prior Year Adjustment

Prior year adjustments have been made to reflect contributions received from Historic Royal Palaces towards the White Tower operating costs.

	2009/10 Per published Accounts £000	Prior Year Adjustment £000	2009/10 Restated £000
Prior year adjustment to the Statement of Financial Activity			
Incoming resources: contribution towards costs	153	74	227
Total incoming resources	10,271	74	10,345
Net incoming/(outgoing) resources before transfers	(548)	74	(474)
Net incoming/(outgoing) resources after transfers	(565)	74	(491)
Net movement on funds	(2,068)	74	(1,994)
Fund balances as at 31 March 2010	49,244	74	49,318
Prior year adjustment to the Balance Sheet - Group			
Debtors	552	34	586
Creditors: amounts due within one year	(623)	40	(583)
Unrestricted reserves: general fund	298	74	372
Prior year adjustment to the Balance Sheet - Museum			
Debtors	552	34	586
Creditors: amounts due within one year	(622)	40	(582)
Unrestricted reserves: general fund	298	74	372
			-

The associated notes to the accounts have been restated where appropriate.

### 30. Post Balance Sheet Events

On 1 April 2011 Royal Armouries transferred its commercial trading activities to Royal Armouries Trading & Enterprises Ltd, a wholly owned subsidiary.

The financial statements were authorised for issue by the Accounting Officer and Trustees on 27 June 2011



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

**Customers can also order publications from:**

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-297342-6

