

**NATIONAL HERITAGE ACT 1983**

Annual Report and Accounts of the Board of Trustees of the Royal Armouries for the year ended 31 March 2009, together with the report of the Comptroller and Auditor General thereon. Presented to Parliament pursuant to Sections 29(7) and 30(4) to Schedule 1 of the National Heritage Act 1983.

Order by the House of Commons to be printed on 16 July 2009

**BOARD OF TRUSTEES OF THE ROYAL ARMOURIES**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH  
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# TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT

## INTRODUCTION

The Board of Trustees of the Royal Armouries was established on 1 April 1984 in accordance with the provisions of the National Heritage Act 1983. It is responsible for the National Museum of Arms and Armour and an historic record of HM Tower of London. The charitable objectives of the Royal Armouries include, to care for, preserve and add to the objects in the collection of arms, armour and associated objects. The main site of the Museum is at Armouries Drive, Leeds LS10 1LT. There are also branches of the Museum in HM Tower of London and Fort Nelson, Fareham, Hampshire. Hampshire County Council owns Fort Nelson, and HM Tower of London is operated by Historic Royal Palaces. The Museum uses both sites rent-free. The Royal Armouries also has five galleries in the Frazier International History Museum in Louisville, Kentucky.

## Legal Status

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 Museum's compliance. The Museum is an exempt charity under the Charities Act 1993.

## The Organisational Structure

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

The role of the Board is to determine policies, establish overall strategic direction, monitor and review performance and appoint key managerial positions. The Board meets six times a year and is advised and supported by five sub-committees: the Finance and Capital Development Committee, the Audit Committee, the Knowledge Development Committee, the Audience Development Committee and the Remuneration Committee.

The Accounting Officer is responsible to Parliament and to the Accounting Officer of DCMS for the resources under their control. During the period three members of staff were designated as Accounting Officer. Paul Evans held the post until 13 April 2008 and he subsequently resigned as Master of the Armouries and Chief Executive of the Royal Armouries on 30 September 2008 in accordance with his contractual terms. Joan Jacobs, Administration Director, was designated as Accounting Officer for the period from 14<sup>TH</sup> April 2008 until she retired her position on 31<sup>ST</sup> October 2008 and relinquished her Accounting Officer responsibilities at this time.

Owen Finn, Director of Finance and Resources, was appointed as the nominated Accounting Officer on 1 November 2008 and is responsible for the overall organisation, management and staffing of the Museum and its procedures in financial and other matters, including conduct and discipline.

Dr Jonathon Riley was appointed Director General and Master of the Armouries from 15 June 2009, later in the year he will assume the role of Accounting Officer. Janice Murray was appointed Chief Executive Officer of the Royal Armouries from 20 May 2009.

The Director General and Master of the Armouries together with the Chief Executive Officer, two other Museum Directors – one responsible for Operations and one for Development, the Director of Finance & Resources and Academic Director, - make up the Royal Armouries Executive team. The Royal Armouries Executive is accountable to the Board of Trustees.

### **Staff Communications**

The Royal Armouries is committed to developing good staff communication channels. The Executive team give staff briefings on all major topics, including the Museum's strategic direction, financial position and actual performance against target. Senior managers have regular team meetings to keep staff informed and updated on plans and progress.

Museum representatives meet with officials from the Trade Unions to discuss mutual issues, pay negotiations and benefits.

### **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 must be 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 the Museum's employment practices.

### **Sickness Absence**

The average number of days lost per head due to sickness absence during the year was 6.9.

### **Data Handling**

Royal Armouries has suffered no protected personal data incidents during 2008-09 or prior years, and has made no reports to the Information Commissioner's office. The Royal Armouries has not yet fully completed its review of the Cabinet Office requirements in respect of the management of data. Management are currently taking steps to address this and a review of compliance is scheduled within the 2009/10 internal audit programme.

### **Relationship between charity and related parties**

The Royal Armouries is a Non Departmental Public Body whose parent body is DCMS. DCMS is regarded as a related party. Details of related party transactions are contained in note 21 to the Accounts.

## **REVIEW OF PERFORMANCE DURING THE YEAR**

### **Visitor Experience**

#### **Leeds**

The magnificent 'Wonderful World of WETA' exhibition ran throughout the summer of 2008 bringing the movies to life. For the first time, in the Northern Hemisphere, the public had access to the unique arms and armour from film blockbusters like Lord of the Rings, King Kong, The Chronicles of Narnia, The Last Samurai and Hell Boy. Over 200 objects created by the special effect wizards "WETA Workshop" in New Zealand were shipped to the UK and presented at the Leeds museum. The exhibition was supported by talks from the WETA Technicians themselves, a trail around the Museum and even Orc fights choreographed by our in-house events team.

Using the summer exhibition as a launch pad the communication department instigated one of its largest marketing campaigns to support the new visitor attraction branding of "Dangerously Entertaining". This included outdoor media, radio and a PR campaign focused around "Welcome to Orc-Shire".

Visitor numbers in Leeds were 264,973, two per cent above target with a succession of weekend themed celebrations including the Veterans' weekend held on 14<sup>TH</sup> June 2008. This hugely popular celebration saw the public dancing to 40's music, clamber on military vehicles from both World Wars and was attended by a number of veterans from conflict across the globe. The weekend finished with a magnificent Veterans' Parade down Armouries Drive watched by a cheering crowd of over 2,500 people.

As usual the summer season ended with the ever popular Queen's Jubilee Joust, bringing the whole museum to life with the outstanding competition of horsemanship skills, medieval street theatre, Interpretations and family orientated activities. To round off the successful summer, the Queen's Jubilee Joust was even won by our own Interpreter - Steve Charlton - proving that the Museum truly was Dangerously Entertaining.

### **Fort Nelson**

Visitor numbers in 2008-09 at Fort Nelson were 73,473, down from 83,930 the previous year. These figures reflected the poor weather over much of the season, including major bank holidays, which even necessitated the cancellation of the Royal Armouries' Grand Military Tattoo in September.

The Children's activity days held every Tuesday and Thursday during all school holidays remained a huge success, attracting average daily visitor numbers of 940, constituting 32% of total overall visitors for the year.

An extensive programme of new and interactive public special events brought the Fort Nelson collection to life. Highlights included an innovative trench 'set' – redressed for various events to respectively represent a 1942 Stalingrad Factory, a 1918 Western Front Trench and an 1864 American Civil War Petersburg siege line. Dramatic videos of all these events are viewable on the RA website and on YouTube.com

### **Tower of London**

Supported by the History Channel and the Royal Mint the second phase of 'Hands on History' was launched in July 2008.

The majority of the year however was spent in the preparation of one of the most spectacular exhibitions to be held in London. The *Henry VIII: Dressed to Kill* exhibition brings together for the first time in 500 years the major armours of Henry VIII in the historic White Tower. Developed in partnership with Historic Royal Palaces and



supported by both the History Channel and Watson Wyatt the exhibition combines over 200 priceless objects from across the world with modern technology so that the visitor can view these 500 year old objects in a way never before seen. The exhibition opened on the 3<sup>rd</sup> of April 2009 and will run until the 14<sup>th</sup> January 2010 during which it is estimated over 1 million people will tour the Royal Armouries site at the White Tower.

## **Redevelopment**

### **Leeds**

In conjunction with the community department and the delivery of more practical knife and gun crime sessions the Impact Area of the Self Defence Gallery was brought up to date and expanded. This very important asset to the museum encouraged a number of visits from less traditional audiences including young offenders and knife crime charities.

The 'Hesco' sponsored Observation post was also completed creating an area that replicates the most modern structures used in warfare today. The area also displays the way man has protected himself in battle throughout the centuries and is regularly used as a lecture space.

One of the most popular exhibits (and one of the biggest), the elephant armour, saw a new make-over for 2008. This included a series of tactile panels to allow the curious to feel both the armour and how it was manufactured without causing conservation issues. The panels were also deliberately designed to allow the blind and disabled clear access and included Braille and high visibility handling objects. This sort of interpretation will be used as a model for future development.

### **Fort Nelson**

During 2008-09 Royal Armouries submitted the Stage 2 bid to the Heritage Lottery Fund to confirm the £1.83 million reserved at Stage 1 for the project build phase. The Royal Armouries secured this after a successful submission was developed which then attracted an additional £156K of HLF funding. Building is forecast to begin in late 2009 with completion planned for a formal opening in April 2011. The Fort will remain open to the public throughout this period.

The exciting redevelopment of Fort Nelson will include a number of dramatic new developments and significant enhancements to its existing infrastructure and facilities. These include: a new admissions complex and visitor centre; new orientuer gallery; refurbishment and redesign of existing galleries and exhibitions; new classroom of the future and improvements to access and overall site points.

## **EDUCATION**

***Children are a particular focus for the Royal Armouries Education team with innovative and expanding programmes in place across all three sites.***

### **Leeds**

This was a particularly successful year for the Leeds Enabling Department with over 13,000 under 16 and 3,600 over 16 students using our facilities. Eight Children's Centres, based in deprived areas of Leeds, benefited from the innovative Early Years project while outreach programmes were targeted at young people with long-term illnesses at Leeds General Infirmary and St James's Hospital. Developing a long-term partnership with the Extended Schools Service, the Museum targeted areas of social deprivation across the city. This sustainable partnership helped Royal Armouries support the 'Find Your Talent' initiative to provide five hours of culture as part of the national pilot.

### **Fort Nelson**

A major change in the education programme is being instigated at Fort Nelson in preparation for the construction of the new Classroom of the Future. The key strengths of this unique site are utilised to full advantage in new focused activity days that enable pupils to study the Victorian, WWI and WWII sections of the National Curriculum in depth, and for them to appreciate what it was like to live and work at a fort during a time of potential invasion. These specific programmes are for pupils in Key Stage 2.

The new 'Florence Nightingale' programme for Key Stage 1 pupils has been a great success.

### **Tower of London**

The 'Bayer Visionworks Learning Zone' has been an outstanding success and the space has been used to capacity by the Royal Armouries. The provision of Science education at the Tower of London continues to be innovative and successful. The sessions are recognised as being of the highest standard and this has enabled us to attract support from Institute of Materials, Minerals and Mining, Royal Society, and National Physics Laboratory.

The special education needs, access and early years outreach programme has gained in momentum with new contacts and sessions leading to larger numbers of participants from a wider area. The 'Lets be blunt' project is currently being run with a Hounslow school and builds upon the Weapons Awareness programme started last year. A generous donation from Aldgate and All Hallows Foundation has allowed us to work more closely with our local Tower Hamlets residents so that they can truly see us as a museum without walls.

## **World Class Collection**

***Underpinning everything that the Royal Armouries does, our work with visitors and our education programme, is the quality of our world-class collection and the staff who look after it.***

### **Major Acquisitions 2008-09**

- Model of a Moncrieff disappearing gun made in 1870 by the British manufacturer.
- A pair of mitten gauntlets, Flemish origin from the period 1500-1520.
- A double-barrelled percussion pistol, English 1858.
- An eyewitness letter from the battle of Waterloo written at Wellington's headquarters on 23 June 1815.
- A child's sword, possibly English from the period 1300-1350.
- A self-loading pistol decorated with gold and diamonds, German 1991. Donated following the buy-in scheme via the Metropolitan Police.
- A six-shot revolver decorated with gold and diamonds, America 1992. Donated following the buy-in scheme via the Metropolitan Police.

### **Research and Publications**

The main legacy of our major exhibition *Henry VIII: Dressed to Kill* is a fabulous celebratory publication *Henry VIII; Arms and the Man*. This lavishly illustrated volume has already received critical acclaim. Two issues of *Arms and Armour*, the journal of the Royal Armouries, and three new monographs, *Japanese swords* (by Ian Bottomley); *The Indian Mutiny letters of Colonel H.P. Pearson* (edited by Dr. Tony Heathcote) and *The Campaign in India, 1857-58* (with an introduction by Simon Riches), were published this year. Members of staff also contributed to other publications, in particular the catalogue of the *Knights of St John* exhibition held at the *Musee de l'Armee*.

The next major project is to complete the catalogue of the *English Civil War Armoury* from Littlecote House. This large work, written by Thom Richardson and Graeme Rimer has potential sales in the UK, Europe and the USA.

### **Conferences and Seminars**

The museum in Leeds continued to host its successful 'History in Your Hands' seminars. Eight seminars were held during the year on a variety of subjects including *Japanese arms and armour*, *Nineteenth Century American Firearms*, and *Flashman*. All of the seminars sold out and the programme concluded with a two day conference on *Wellington's Army*, which was attended by 32 delegates.

### **Online Collections Catalogue**

The online collections catalogue was successfully launched in June. The catalogue comprises approximately 45,000 records relating to objects in the collection, including 2,500 images, and 35,000 records relating to items in the museum's library.

### **Collections Services**

The Conservation Department assisted Derby Museum to redisplay their military collections and also secured a small contract to conserve objects for the Thackray Medical Museum in Leeds. Members of the Curatorial team also gave professional assistance to other museums, including helping the British Museum with the cataloging of their medieval arms and armour collection. Staff also assisted with the filming of various television documentaries, including the latest series of 'Ancient Discoveries' for Discovery Channel, 'A History of the Sword' for S4C International, and 'Ground Warfare' for Granada TV.

### **Collections Management**

The museum reviewed all of its collections management policies and procedures in advance of being invited to apply for accredited museum status by the MLA. Major revisions were carried out to the Acquisitions and Loans In policies as a result of changes in legislation and the museum was granted Immunity from Seizure by the DCMS. A series of capital works were begun in Leeds to improve the accommodation of the Study Collections, including the installation of new environmental control systems, and access controlled doors.

### **Community**

Throughout 2008 the Royal Armouries continued to promote its NTK: No To Knives programme through both its stand-alone interactive website and a number of conferences and exhibitions both in Leeds and London, developing partnerships with a wide variety of associated organisations such as; Association of Chief Police Officers, The Youth Justice Board, and the Damilola Taylor Trust.

Through this increased awareness the museum is now recognised as a leading provider of both expertise and practical delivery in the field of knife crime. This year saw the community teams, supported by external partners, deliver a wide range of innovative and highly acclaimed programmes throughout the year, the highlights of which were:-

#### **'Impact: Knives and Adults'**

Funded by Leeds Youth service and supported by West Yorkshire Police, the museum developed a series of 3 hour sessions to help adults who may, through their work, encounter young people at risk. These sessions, which covered such diverse

elements as the law in regards to knife carrying as well as games to tackle conflict, have been delivered to over 300 youth workers throughout the city in 2008.

### **Knife Possession Prevention Programme**

This national initiative, funded through the Youth Justice Board, is aimed at the 10 knife crime 'Hot spots' which include West Yorkshire, looks for innovative ways in dealing with persistent young knife carriers. Working in partnership with Leeds Youth Offending team, the museum developed a series of ten, one hour sessions which explored issues such as how dangerous is a stab wound, a visit from a paramedic, graphic photography, how to recognise conflict situations and finally startling direct testimony from a Leeds based mother who had lost her son to knife crime. Recognised as one of the best programmes in the country the YJB has recommended the programme to all Youth Offending teams and museum hopes to deliver this important work throughout 2009.

Along with this new work the museum continues to provide once a month sessions of our 'Weapons Awareness Programme' to young people from Leeds on a final warning for carrying a weapon, while groups such as REACH (excluded pupils) come to the museum as part of the weapons awareness studies.

### **Fundraising & Sponsorship**

The Royal Armouries continued to develop strong partnerships with funders and sponsors raising (or securing pledges for) in the region of £2.5 million during the year, the highlight of which was the success of the £2 million Stage 1 Heritage Lottery Fund application for the re-development of Fort Nelson.

Continuing the theme of Fort Nelson, to add to the £250,000 match-funding pledged during 2007-08, £25,000 was donated from the John Ellerman Foundation with a further £175,000 pledged from a variety of supporters including the DCMS / Wolfson Galleries Improvement Fund and the John Paul Getty Jnr Trust. In-kind support was also forthcoming from our longer-term partner, HESCO Bastion, which generously pledged to donate HESCO materials to one of the key new buildings – the Admissions Complex.

The other key development priority for the year was securing sponsorship of the *Henry VIII: Dressed to Kill* exhibition at the Tower of London. Building on a strong partnership with HISTORY™ which had already supported Royal Armouries projects in Leeds and at the Tower of London, an innovative media partnership / sponsorship was established which led to in-kind support with HISTORY™ providing the filming for the key exhibition AVs and promoting the exhibition via their 'Henry Week' on the channel, in addition to their generous cash sponsorship.

A new relationship was also formed with Watson Wyatt Global, another key sponsor of *Henry VIII: Dressed to Kill*. We look forward to developing this partnership in the future.

A full list of donors and sponsors appears on page 20.

In 2009-10 the Development team will be focusing on raising the remaining £550,000 needed for the Fort Nelson re-development and on building corporate sponsorship relationships for exciting legacy re-display plans following on from the end of the *Henry VIII: Dressed to Kill* exhibition.

### **Environment and Sustainability**

The Royal Armouries is developing a holistic approach to the issues of sustainability and the reduction of our carbon footprint. We have worked closely with the Carbon Trust to create a new energy policy and effective action plan. The museum is actively exploring the possibility of generating green energy using an Archimedes' screw placed on the weir which abuts our Leeds site. In addition, work has already started on replacing old lighting systems with new, energy efficient, units and new control systems are to be installed to help further reduce our energy costs.

Staff training sessions have been undertaken to raise awareness of issues relating to sustainability and this has resulted in 10% saving in our electricity costs. New waste management systems have led to a marked reduction in the amount of non-recyclable material and the overall amount of paper used. The Royal Armouries is actively sourcing products for its shop for sustainable sources. It is working closely with partners to encourage staff and visitors to walk, cycle or use public transport when travelling to our site. Safe cycle stores have been introduced for staff and additional cycle racks are now available to the general public. The Royal Armouries has actively worked with the DCMS, its sister museums and industry experts to ensure that rapid progress is made in this area.

### **Royal Armouries' Future Plans**

2009-10 is a year of both consolidation and completion, projects such as the Heritage Lottery supported Fort Nelson Redevelopment will begin while the long awaited Henry VIII exhibition will end. The 'Credit Crunch' will bring its own challenges to secure funding and income as well as its own opportunities as more people holiday at home.

## **Leeds**

2009-10 will see both the development of permanent displays, particularly in the Tournament Gallery, and the enhancement of existing ones, to meet the changing needs of our audience.

The movement of a number of objects to the Tower for the *Henry VIII: Dressed to Kill* exhibition has allowed the whole of the Tournament Gallery and its current role to be reviewed. Following this review it has been agreed to re-develop this area during 2009-10 into the Tudor Gallery with a focus particularly on Henry VIII and Elizabeth I. Closely linked to the national curriculum the gallery will also explore the role of the 'common man' in the Tudor Period.

Based around the enhanced Impact Gallery and designed to meet the needs of the Safer Schools agenda, the Staying Safe Day will provide a facility for mainstream, rather than hard-to-reach, young people. It will help them to understand key messages about conflict and staying safe while, at the same time, enjoying what the museum has to offer. Young people will have the opportunity to explore objects at first hand and use these as a stimulus to explore modern day challenges. The day mixes 'fun' activities with some very serious messages, so that participants remain engaged and the experience has a lasting impact.

Leeds will play host throughout the summer to an exciting and unique exhibition aimed at increasing our profile and visitor numbers throughout the region. Based on the overarching theme of 'Dangerously Entertaining', a themed event programme will be complimented by a temporary exhibition 'The Tower and the Traitors – Escaped, Beheaded and Survived'

The exhibition will tell the stories of famous traitors imprisoned at the Tower of London, illustrated by Royal Armouries collection, objects and replicas, which include the replica block and axe, replica crown jewels and selected real collection arms and armour from the appropriate period.

## **Fort Nelson**

2009-10 will be one of the most exciting in Fort Nelson's history since the site was opened in 1995. With the start of the re-development scheduled for September, work is now already underway for both the conservation of those objects being redisplayed and the selection of those for disposal. An awareness and public fund raising campaign will begin in August and include media partners such as Portsmouth News and volunteers who will 'spread the word' throughout the local community. By the end of the financial year both the new admissions complex and the central gallery will be near completion.

## **Tower of London**

The majority of activity in 2009-10 at the Tower will continue to be based around the unprecedented success of *Henry VIII: Dressed to Kill*. Since opening in April it has seen record visits to the Tower over the Easter period as well as extensive international press coverage. When it does finally end in January work will then begin on legacy one of the White Tower redevelopment strategy, including the development of the Royal gallery on the entrance floor using the majority of the spectacular Henry exhibits and a brand new permanent exhibition based on 'people of the Tower' on the floor above.



## PERFORMANCE AGAINST THE TARGETS IN 2008-09 FUNDING AGREEMENT

The Three Year Funding Agreement between the Museum and the Department for Culture, Media and Sport establishes 14 core targets for the Museum. 2008-09 was the first year of a three-year agreement. The targets for 2008-09 and the actual performance achieved against each of them are set out below.

<b>Performance Indicator</b>	<b>2008-09 Target</b>	<b>2008-09 Outturn</b>
Total number of visits	427,000	448,622
Number of unique users visiting the website	460,000	367,301
Number of children aged 16 and under visiting the Museum	156,000	148,988
Number of adult UK visitors (aged 16+) from NS-SEC groups 5-8 attending the Museum	38,000	76,261
Number of adult UK visitors (aged 16+) from an ethnic minority background attending the Museum	20,000	16,112
Number of UK visitors (aged 16+) who consider themselves to have a limiting long-term illness, disability or infirmity	7,600	17,867
Number of overseas visitors	55,300	101,089
Number of children under 16, in formal education, attending the Museum in facilitated and self-directed visits	27,100	30,934
Number of children under 16 participating in on-site organised activities	18,500	37,227
Number of instances of children under 16 participating in outreach activities outside the Museum	8,000	16,139
Number of adults (aged 16+) participating in organised activities at the Museum	27,000	29,884
Number of adults (aged 16+) participating in outreach activities outside the Museum	10,400	10,683

<b>Performance Indicator</b>	<b>2008-09 Target</b>	<b>2008-09 Outturn</b>
Percentage of visitors who would recommend a visit	94.0%	95.7%
Admissions income	£96,000	£75,000
Trading income	£451,000	£313,000
Fundraising income	£669,000	£744,000
Number of UK loan venues	104	126
Number of collection related pages added to the website	95,000	90,213
Total number of outreach visits	170	152

## 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 37.

In 2008-09 the Royal Armouries recorded net incoming resources before transfers of £176k. This has been increased to £202k as a result of a £26k surplus from the Royal Armouries Development Trust in the year.

The Museum's Statement of Financial Activities (SOFA) is set out on page 37 of this document. Incoming resources for the period amounted to £10,310k which included government grants amounting to £8,264k, resources expended amounted to £10,969k, resulting in net outgoing resources of £659k (before notional costs, transfers and revaluations). £1,820k was attributable to depreciation provisions with a further £156k resulting from asset impairments following annual indexation; these were financed from the capital project income credited to designated and restricted funds in previous years.

Visitor levels to the Museum during 2008-09 were higher than budgeted however commercial income was affected in the second half of the year as the credit crunch began to bite. Contributions towards capital projects and the joint funding by Historic Royal Palaces of the *Henry VIII: dressed to kill* exhibition drove sponsorship and donations from £529k in 2007-08 to £782k in 2008-09. Contributions to costs of £150k were received from Historic Royal Palaces.

Total resources expended included salaries and related employee costs of £4,803k, this was £970k lower than 2007-08 as a result of 2007-08 containing £528k redundancy costs and £356k provision for early retirement costs. Salary expenditure accounted for 43.8% of operational cost and depreciation at £1,820k for 16.6%.

## **Balance Sheet**

Of the fund balances at 31 March 2009:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £45,702k (2007-08: £50,176k), 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 £5,410k (2007-08: £5,634k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Museum, amounted to £200k (2007-08: £281k).

By virtue of the National Heritage Act 1983, the Museum 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 Museum's ownership. In accordance with the Financial Reporting Manual, additions to the collection since 1 April 2001 are capitalized and recognized in the Balance Sheet, at the cost or value of the acquisition. Such items are not depreciated or revalued as a matter of routine. Acquisitions to the value of £202k were capitalised in 2008-09.

Under the terms of its government grant, the Museum 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 Museum is critically dependent on continued government grant. The funds of the Museum 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 Museum. The policy on reserves is reviewed by the Trustees on an annual basis.

Although Grant in Aid accounts for around 80% of its income, which provides limited exposure to liquidity risk, the remainder of operational costs must be financed by

self-generated income, which is volatile. The risk is managed through the Museum's policy to ensure that the level of reserves provides a comfort level for shortfall in income and to underpin cash-flow and budgetary risks particularly arising from capital expenditure projects.

Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees consider that unrestricted general reserves of £200k minimum should be maintained. Of this, £100k is deemed the minimum amount required to meet shortfalls in variable income with a further £100k against unforeseen expenditure. The excess above the minimum, in this case £257k for this year has been designated for the development of Fort Nelson and a transfer has been made accordingly to Designated Funds.

Although the Museum's total reserves at 31 March 2009 are shown as £51.3 million on its balance sheet, all but £457k is tied up in restricted funds: buildings, galleries, plant, fixtures and fittings and the Royal Armouries Development Trust Fund, none of which can be used for other purposes.

### **Payment of Creditors**

The Museum continues to review the efficiency of its operations and aims to comply with best practice wherever possible. The Royal Armouries aims to settle all bills within 30 days or in accordance with the suppliers' terms of business. In 2008-09, the Royal Armouries paid approximately 90% (2007-08: 90%) of supplier invoices within the target of 30 days.

## **ROYAL ARMOURIES DEVELOPMENT TRUST**

**Registered Charity Number 803617**

The Royal Armouries Development Trust is a charity connected to the Museum. 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 Accounts are consolidated into the Royal Armouries financial statements.

Income during 2008-09 was £27,054 (2007-08: £7,065). Expenditure amounted to £719 (2007-08: £27,205) increasing the reserves by £26,335. Overall net assets at 31 March 2009 were £142,456 (2007-08: £116,121). The accounts of the Royal Armouries Development Trust have been consolidated with the accounts of the Board of Trustees of the Royal Armouries.

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

## LIST OF SPONSORS AND DONORS

The Royal Armouries are supported by a large number of organisations, donors and sponsors. In particular we would like to thank the following for their generous support.

Arts and Business

Bayer MaterialScience

Fund DCMS Wolfson Foundation Museums & Galleries Improvement

Funding Network organised by Leeds Community Foundation

Garfield Weston Foundation

Greenwoods

Heritage Lottery Fund

HESCO Bastion

HISTORY™ Channel

Historic Royal Palaces

Japan Airlines

John Ellerman Foundation

John Paul Getty Jr Trust

Leeds City Council

Ministry of Defence

News International

Royal Mint

Safer Leeds Partnership

UK Centre for Materials Education, University of Liverpool

Watson Wyatt Global

Worshipful Company of Armourers & Brasiers

Worshipful Company of Goldsmiths

Worshipful Company of Horners

Worshipful Company of Tin Plate Workers

## Reference and Administration Details of the Charity, its Trustees and Advisers

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

The Royal Armouries was created under the National Heritage Act 1983.

### Museums Addresses

Principal Address

Royal Armouries  
Armouries Drive  
Leeds  
Yorkshire  
LS10 1LT  
Web site: [www.royalarmouries.org](http://www.royalarmouries.org)

Royal Armouries  
Fort Nelson  
Portsdown Road  
Portsmouth  
Hampshire  
PO17 6AN

Royal Armouries  
Tower of London  
London  
EC3N 4AB

### Board of Trustees of Royal Armouries

The following persons were members of the Board of Trustees of the Royal Armouries in 2008-09 and served on the committees shown:

<b>Chairman</b>	<b>Date of Appointment</b>	<b>Expiry of Appointment</b>
Ann Green FCMI FRSA (Trustee from 10.11.98 – 27.04.03)	28.04.03	27.04.11
<b>Members</b>		
Major General Sir Simon Cooper GCVO	01.08.04	16.07.12
General Sir Roger Wheeler GCB CBE	01.08.01	31.07.09
Bob Morton FCA	22.01.03	21.01.11
Chris Oakley CBE	26.05.02	25.03.10
Patricia Langham BA MEd	04.11.04	03.11.12
Jon Hammond Booth	02.12.04	01.12.12
Marie Stevens	19.09.05	18.09.09
Professor Richard Holmes CBE TD JP	26.09.05	25.09.09
Duncan Wilson OBE	01.09.07	31.08.11
Chris Case	10.11.08	09.11.12



## Trustee sub-committees

Sub- Committee	Chair	Members
Audit	Bob Morton	Ann Green, Duncan Wilson Gev Lynott (co-opted external member)
Finance	Bob Morton	Ann Green, Marie Stevens, Duncan Wilson
Knowledge	Richard Holmes	Ann Green, Pat Langham Roger Wheeler
Audience	Marie Stevens	Ann Green, Jon Hammond Booth Chris Oakley, Chris Case
Remuneration	Ann Green	Bob Morton, Richard Holmes Marie Stevens

## Methods adopted for recruitment and appointment of new trustees

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

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

## Executive Committee

Paul Evans	Chief Executive – resigned 30 September 2008
Joan Jacobs	Administration Director – retired 31 October 2008
Owen Finn	Director of Finance & Resources – appointed 5 August 2008
Peter Armstrong	Museum Director - Development
Steve Burt	Museum Director – Operations
Graeme Rimer	Academic Director
Dr Jonathon Riley	Director General and Master – appointed 15 June 2009
Janice Murray	Chief Executive – appointed 20 May 2009

## **List of Royal Armouries Advisors**

### **External Auditors**

Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

### **Internal Auditors**

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

### **Auditors Royal Armouries Development Trust**

Volans, Leach & Schofield  
10 Blenheim Terrace  
Woodhouse Lane  
Leeds  
LS32 9HX

### **Bankers**

NatWest plc  
Bishopsgate Business Centre  
London  
EC2P 2AP

### **Solicitors**

Burges Salmon LLP  
Narrow Quay House  
Narrow Quay  
Bristol  
BS1 4AH

### **Statement as to Disclosure of Information to auditors**

The Trustees and Accounting Officer who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Trustees and Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

### **External auditors**

Under schedule 1, section 29(7) of the National Heritage Act 1983 the Comptroller and Auditor General is required to examine, certify and report on the statement of accounts.

### **Board approvals**

The Board of Trustees of the Royal Armouries approved these accounts.

Jon Hammond Booth  
Trustee on behalf of the Board

Dated 10 July 2009

Owen Finn  
Accounting Officer

Dated 10 July 2009

## **Remuneration Report**

### **Remuneration Committee**

The membership of the Remuneration Committee is:

Ann Green (Chair)  
Bob Morton  
Marie Stevens  
Richard Holmes

### **Policy on the Remuneration of Chief Executive and Directors**

The Remuneration Committee reviews the salaries of the Director General and Master, Chief Executive Officer and Directors. At the beginning of each year the Director General and Master, Chief Executive Officer and Directors are set objectives based on the Museum's business plan. The Remuneration Committee, on an annual basis, assesses the performance of the Director General and Master, Chief Executive Officer and a pay award is made according to achievements against targets. The Chief Executive Officer reviews the Directors performance and makes a recommendation to the Remuneration Committee on their salary levels. All pay depends on performance being delivered. Pay in 2008/09 consisted of salary and bonus payments; 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 periods and termination payments**

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

### **Cash Equivalent Transfer Values**

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 disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil

Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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. The CETV figure for 31 March 2008 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for March 2009.

### Real increase in CETV

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

*The following information is covered by the audit certificate;*

	Paul Evans		Peter Armstrong		Steve Burt		Joan Jacobs		Owen Finn	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Remuneration	74	100	63	65	55	58	42	63	46	-
Annual equivalent salary	95	94	63	61	55	54	61	59	70	-
Cash equivalent transfer value at 31 March	136	121	62	46	510	472	223	205	15	-
Real increase in cash equivalent transfer value	7	14	10	11	5	-3	8	12	13	-
Real increase in pension age 60	0-2.5	0-2.5	0-2.5	0-2.5	0-2.5	0-2.5	0-2.5	0-2.5	0-2.5	-
Real increase in lump sum at age 60	0-2.5	2.5-5	N/a	N/a	N/a	N/a	0-2.5	0-2.5	0-2.5	-

Paul Evans, Joan Jacobs and Owen Finn were not employed for the full year therefore we have shown the annual equivalent salary to provide clarity on the annual remuneration awarded to the executive team.

Following his resignation as Master of the Armouries and Chief Executive of the Royal Armouries on 30 September 2008, Paul Evans received three months pay in lieu of notice which amounted to £27k.

For a period of three months ending February 2009 Janice Murray was seconded from the National Railway Museum to act as interim Chief Executive. Royal

Armouries reimbursed the National Museum of Science and Industry £16k for her services.

Jon Hammond Booth  
Trustee on behalf of the Board

Dated 10 July 2009

Owen Finn  
Accounting Officer

Dated 10 July 2009

## STATEMENT OF THE TRUSTEES' AND THE CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 29 of schedule 1 to the National Heritage Act 1983, the Board of Trustees of the Royal Armouries is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury. The accounts are prepared to show a true and fair view of the Board's financial activities during the year and its financial position at the end of the year.

In preparing the accounts, the Trustees are required 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 that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officer until 13<sup>th</sup> April 2008 was the Chief Executive, Paul Evans. Subsequently the Accounting Officer for the Department for Culture, Media and Sport designated the Administration Director as the Accounting Officer from 14<sup>th</sup> April 2008 up to 31<sup>st</sup> October 2008. From 1<sup>st</sup> November 2008 Owen Finn the Director of Finance & Resources was designated as the Accounting Officer. The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances, for which they are answerable, and for the keeping of proper records and safeguarding the Royal Armouries assets, are set out in '*Managing Public Money*' issued by the Treasury.

Jon Hammond Booth  
Trustee on behalf of the Board

Dated 10 July 2009

Owen Finn  
Accounting Officer

Dated 10 July 2009

\* A copy of which is available from the Royal Armouries, Armouries Drive, Leeds, LS10 1LT.

## **STATEMENT ON INTERNAL CONTROL – THE ROYAL ARMOURIES, 2008-09**

### **Scope of responsibility**

As Accounting Officer (designated as from 1 November 2008) I have responsibility for making sure that a sound system of internal control exists and is maintained and that it supports the achievement of the Royal Armouries' policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me under Managing Public Money and ensuring compliance with the requirements of the Royal Armouries' Management Statement and Financial Memorandum.

The Chair, on behalf of the Board, is responsible for ensuring that appropriate arrangements exist to implement and maintain the Royal Armouries' internal control framework. The Trustees, as a non-executive Board, are collectively responsible for the 'general management and control of the Museum including risk management'. The Board has delegated the responsibility for monitoring risk to its Audit Committee, who, along with the Royal Armouries' internal auditors advise the Accounting Officer and the Board on the adequacy of audit arrangements, risk management and internal control.

The Museum has a three-year funding agreement with its Government sponsor body, the Department for Culture, Media and Sport, which includes targets in support of the Department's own Public Service Agreement and identifies the most significant risks to achievement of the Museum's objectives. Progress against the Funding Agreement targets is monitored at least twice a year

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the Museum's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance, except for the areas disclosed where steps are being taken to by management to improve the documentation and processes in relation to risk management and to enhance procurement procedures.



## **Capacity to handle risk**

The Royal Armouries has a risk management policy, which sets out the attitude to risk and responsibilities including those of the Director General and Master, Chief Executive Officer, Museum Directors, Managers and staff. The Executive Committee has overall responsibility for risk management during the year.

The Executive Committee's role is to monitor, maintain and improve the general control environment operating within the Museum. Although the formal risk register was not subject to systematic updating during the year, following the risk workshop in January 2008, the Committee reviews risks as part of its deliberations by:

- considering and assessing major risks
- identifying the emergence of any new risks and evaluating the nature and extent of these risks,
- considering how these risks are currently managed and mitigated.

Further work has taken place in June 2009 and a new risk register has been produced to ensure it reflects the current risks within the museum and that a more systematic and formalized risk management process is embedded within the Royal Armouries.

Management and the Audit Committee have agreed to develop the existing risk management framework to ensure more regular, formalized and systematic reporting which will be established during 2009/10.

Since 2006-07 Royal Armouries has an established Programme Board of key decision makers, including the Directors, to maintain effective reporting and control across all new mission critical projects. The Programme Board ensures that the risks inherent in any new venture are assessed and monitored throughout the duration of the project.

Risk management is an intrinsic part of the Royal Armouries' everyday decision making process and staff at all levels engage with issues and manage risk.

The risk priorities in 2008-09 were:

- Securing ring-fenced funding from regional Heritage Lottery Fund for the redevelopment of Fort Nelson and progressing redevelopment plans for the site
- Smooth switch of payroll provider
- Managing the museum operations during a period of management change
- Managing the delivery and opening of the Henry VIII: dressed to kill exhibition at the Tower of London

## **The risk and control framework**

The system of control is based on a framework of management processes including regular management information, administrative procedures and a system of delegation and accountability. Key controls of the system include:

- A three-year Funding Agreement with the Department for Culture, Media and Sport (DCMS), with key performance targets reviewed half yearly;
- Comprehensive budgeting systems with an annual budget, which is approved by the Board of Trustees and incorporated into the operational plan;
- Regular reviews by the Board of monthly and annual reports which indicate progress against key performance indicators;
- Regular reports from the Internal Auditors who give an independent and objective opinion on the Museum's internal control systems, corporate governance and risk management to the Audit Committee;
- The Finance and Capital Development Committee reviews the financial management of the Museum every two months through reports and long term plans;
- New developments are subject to approval by the Audience Development Committee;
- Monthly meetings of the Museum's Executive team monitor and review results against key performance and risk indicators;
- Annual completion of Assurance Statement by senior managers to confirm their compliance with Royal Armouries' internal control standards
- Register of Interests for Trustees and senior staff.

## **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the controls. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the departments who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Museum used the services of KPMG to provide Internal Audit Services, operating to standards defined in the Government Internal Audit Standards. The annual audit plan is drawn up in conjunction with the Accounting Officer and approved by the Audit Committee. Internal Audit provides the Accounting Officer with reports on those systems identified in the annual internal audit plan and these are then presented to the Audit Committee. Such reports include the Internal Auditor's independent view on the adequacy and effectiveness of the Museum's system of internal control and progress against recommendations made in previous financial

years. In 2008-09 the Internal Auditors reported on the new payroll system, key financial controls, governance, collections management and the HLF bid. Internal Audit also undertook a follow-up review of issues raised in prior years.

Each senior manager provides an annual assurance statement confirming that all financial transactions and liabilities have been recorded and notified; and also confirming that they will operate within the budget resources allocated for the forthcoming financial year.

I have been advised on the results of a review I commissioned by our internal auditors that the effectiveness of our system of internal control is in most areas adequate. In their opinion Royal Armouries has satisfactory arrangements in order to provide assurance over the effectiveness of risk management, control and governance.

Arrangements were put in place in April 2008 to review, update and fill any gaps in Royal Armouries policies and procedures. These revised policies and procedures are in the process of being approved and implemented across the Royal Armouries. A centrally managed system is under development for controlling policies and procedures which includes the following:

- A central database for all Royal Armouries policies and procedures
- Control and management of policies and procedures by the Company Administrator to ensure regular review, update and version control to maintain the integrity of the database
- Allocation of ownership of policies and procedures to an appropriate Senior Manager to ensure that policies are up to date, appropriate and where applicable conform to current legislation
- A system for training and communicating policies and procedures to ensure all staff are aware of and understand the content of Royal Armouries Policies and Procedure.
- Development of a series of electronic manuals which will be easily accessible by all staff

The Royal Armouries has not yet fully completed its review of the Cabinet Office requirements in respect of the management of data. Management are currently taking steps to address this and a review of compliance is scheduled within the 2009/10 internal audit programme.

A qualified Procurement Officer has been recruited to provide advice and support on all purchasing activities to Directors, Senior Managers and Budget Holders, to develop a range of relevant procurement documentation, provide procurement options to deliver value for money and to provide assurance that all procurement activities operate in accordance with Royal Armouries Policies and Procedures and

EU legislation. Documentation has been developed and work on an updated procurement manual is now complete.

Owen Finn  
Accounting Officer

Dated 10 July 2009

Jon Hammond Booth  
Trustee on behalf of the Board

Dated 10 July 2009

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

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

I certify that I have audited the financial statements of the Royal Armouries for the year ended 31 March 2009 under the National Heritage Act 1983. These comprise the consolidated Statement of Financial Activities, the consolidated Balance Sheet, the Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Board of Trustees, the Chief Executive and Auditor**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1983 and the Secretary of State for Culture Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information which comprises the introduction and the financial review, given in the Trustees' and Accounting Officer's Annual Report is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Royal Armouries has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the review of performance during the year, performance against the targets in the 2008-09 funding agreement and the unaudited parts of the remuneration report included in the Trustees' and Accounting Officer's Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

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

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

## **Opinions**

In my opinion:

the financial statements give a true and fair view, in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State for Culture Media and Sport, of the state of Royal Armouries and the group's affairs as at 31 March 2009 and of its incoming resources and application of resources of the group for the year then ended;

the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Heritage Act 1983 and the Secretary of State for Culture Media and Sport's directions made thereunder; and

information, which comprises the Introduction and the financial review included within the Trustees' and Accounting Officer's Annual Report, is consistent with the financial statements.

### **Audit Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
National Audit Office  
Comptroller and Auditor General  
151 Buckingham Palace Road  
Victoria, London, SW1W 9SS

Date 13 July 2009

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES  
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR  
THE YEAR ENDED 31 MARCH 2009

	Notes	Unrestricted funds		Restricted funds	Total funds	Total funds
		General	Designated		2008-09	2007-08
		£000	£000	£000	£000	£000
<b>Incoming resources</b>						
<b>Incoming Resources from generated funds</b>						
Voluntary Income						
Grant-In-Aid	2	7687	577		<b>8264</b>	8917
Other voluntary income		69		713	<b>782</b>	529
Contributions to costs	3			150	<b>150</b>	141
Activities for generating funds						
Income from trading activities	15	570			<b>570</b>	656
Conservation Income		4			<b>4</b>	4
Investment income		41		2	<b>43</b>	55
<b>Incoming resources from charitable activities</b>						
Events Income		157			<b>157</b>	252
Educational Income		54			<b>54</b>	58
Other Operating Income		126		160	<b>286</b>	274
<b>Total incoming resources</b>		<b>8708</b>	<b>577</b>	<b>1025</b>	<b>10310</b>	10886
<b>Resources expended</b>						
<b>Costs of generating funds</b>						
Costs of generating voluntary income	4	(210)			<b>(210)</b>	(175)
Fundraising trading: costs of goods and services	4	(878)	(30)	(31)	<b>(939)</b>	(980)
<b>Charitable activities</b>						
Care of the collection	4	(2259)	(237)	(365)	<b>(2861)</b>	(2677)
Education	4	(943)	(68)	(72)	<b>(1083)</b>	(1258)
Visitor Experience	4	(4100)	(628)	(1005)	<b>(5733)</b>	(5933)
<b>Governance costs</b>	4	(215)		(1)	<b>(216)</b>	(87)
<b>Other Outgoing Resources</b>						
Redundancy/Early Retirement	4	73			<b>73</b>	(835)
<b>Total resources expended before notional costs</b>		<b>(8532)</b>	<b>(963)</b>	<b>(1474)</b>	<b>(10969)</b>	(11945)
<b>Notional incoming/(outgoing) resources before notional costs</b>						
		176	(386)	(449)	<b>(659)</b>	(1059)
Notional cost of capital	6	(14)	(189)	(1638)	<b>(1841)</b>	(1867)
<b>Net incoming/(outgoing) resources after notional costs</b>		<b>162</b>	<b>(575)</b>	<b>(2087)</b>	<b>(2500)</b>	(2926)
Reversal of notional costs		14	189	1638	<b>1841</b>	1867
<b>Net incoming/(outgoing) resources before transfers</b>		<b>176</b>	<b>(386)</b>	<b>(449)</b>	<b>(659)</b>	(1059)
Transfers between funds		(257)	378	(44)	<b>77</b>	(194)
<b>Net incoming/(outgoing) resources after transfers</b>		<b>(81)</b>	<b>(8)</b>	<b>(493)</b>	<b>(582)</b>	(1253)
(Loss)/Gain on revaluation of assets			(216)	(3981)	<b>(4197)</b>	3285
<b>Net movement of funds</b>		<b>(81)</b>	<b>(224)</b>	<b>(4474)</b>	<b>(4779)</b>	<b>2032</b>
Fund balances as at 1 April 2008		281	5634	50176	<b>56091</b>	54059
<b>Fund balances as at 31 March 2009</b>		<b>200</b>	<b>5410</b>	<b>45702</b>	<b>51312</b>	<b>56091</b>

All activities are on an ongoing basis.

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

The notes on pages 40 to 52 form an integral part of these accounts.



THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED BALANCE SHEET AS AT  
31 MARCH 2009

	Notes	2008-09		2007-08	
		Group	Museum	Group	Museum
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Intangible Assets	8	95	95	78	78
Tangible Assets	9	48862	48862	54062	54062
Heritage Assets	10	1756	1756	1554	1554
		<u>50713</u>	<u>50713</u>	<u>55694</u>	<u>55694</u>
<b>Current Assets</b>					
Stocks	11	88	88	158	158
Debtors	12	659	659	552	552
Cash at Bank and In Hand		1009	865	1505	1388
		<u>1756</u>	<u>1612</u>	<u>2215</u>	<u>2098</u>
<b>Creditors</b>					
Amounts falling due within one year	13	(812)	(810)	(916)	(915)
		<u>944</u>	<u>802</u>	<u>1299</u>	<u>1183</u>
<b>Net Current Assets</b>					
		<u>51657</u>	<u>51515</u>	<u>56993</u>	<u>56877</u>
<b>Total Assets less Current Liabilities</b>					
Provision for Liabilities and Charges	14	(345)	(345)	(902)	(902)
		<u>51312</u>	<u>51170</u>	<u>56091</u>	<u>55975</u>
<b>Net Assets</b>					
<b>Represented by</b>					
<b>Income Funds</b>					
Restricted Reserves	19	45702	45560	50176	50060
Unrestricted Reserves					
Designated funds	19	5410	5410	5634	5634
General	19	200	200	281	281
		<u>51312</u>	<u>51170</u>	<u>56091</u>	<u>55975</u>
<b>Total Funds</b>					

The notes on pages 40 to 52 form an integral part of these accounts.

The financial statements on pages 37 to 39 were approved by the Board/Trustees and were signed on their behalf by:

Owen Finn  
Accounting Officer

Date 10 July 2009

Jon Hammond Booth  
Trustee on behalf of the Board

Date 10 July 2009

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

**CONSOLIDATED CASH FLOW STATEMENT FOR  
THE YEAR ENDED 31 MARCH 2009**

	Notes	<b>2008-09</b>	2007-08
		<b>£000</b>	£000
Net cash inflow from operating activities	20	<b>583</b>	1731
Returns on investment and servicing of finance	20	<b>43</b>	55
Capital expenditure and financial investment	20	<b>(1122)</b>	(1089)
Increase/(Decrease) in cash		<b><u>(496)</u></b>	<u>697</u>

The notes on pages 40 to 52 form an integral part of these accounts.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

#### 1.1 Basis of accounting

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

The consolidated financial statements incorporate those of the Royal Armouries Development Trust. All financial statements are made up to 31 March 2009.

#### 1.2 Fundamental accounting concept

The future financial viability of the Museum is critically dependent upon continued government grant. The funds of the Museum 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 2009, 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 a 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 Collection purchases

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

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

#### 1.6 Fund accounting

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

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.

#### 1.7 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.

#### 1.8 Tangible fixed assets

In line with Treasury guidance and FRS15 the building was 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 1.5) were professionally revalued as at 31 March 2006 and by the use of the appropriate indices 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 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.

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

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

#### **1.9 Stock**

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

#### **1.10 Pensions**

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

#### **1.11 Operating leases**

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

#### **1.12 Notional costs**

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

#### **1.13 Taxation**

Royal Armouries has no sources of income liable to corporation tax and no provision has therefore been made.

#### **1.14 Financial Instruments**

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

All financial liabilities are recorded at amortised cost.

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

**2. Grant-in-Aid**

Grant-in-Aid received in 2008-09 was £8,264,000 (2007-08: £8,917,000). 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 £535k (2007-08: £470k) has been designated by the Trustees for the purposes of capital projects. The sum of £42k (2007-08: £129k) has been designated by the Trustees for the purposes of collection purchases.

	2008-09 £000	2007-08 £000
<b>3 Contributions to costs</b>		
Historic Royal Palaces	<u>150</u>	<u>141</u>

**4. Total resources expended**

	Staff costs £000	Other direct costs £000	Impairment, Depreciation & Disposals £000	Allocated Support Cost	2008-09 £000	2007-08 £000
<b>Direct Costs</b>						
Cost of generating funds						
Cost of generating voluntary income	128	43		39	210	175
Fund raising: cost of goods and other costs	262	343	61	273	939	980
Charitable activities						
Care of the collection	1146	241	490	984	2861	2677
Education	431	210	140	302	1083	1258
Visitor Services	1320	950	1292	2171	5733	5933
Governance		216			216	87
Redundancy/Early Retirement	(73)				(73)	835
	<u>3214</u>	<u>2003</u>	<u>1983</u>	<u>3769</u>	<u>10969</u>	<u>11945</u>

**Support Costs**

Directorate	366	456		(822)		
Administrative support	607	257		(864)		
Shared services	616	1467		(2083)		
	<u>1589</u>	<u>2180</u>		<u>(3769)</u>		
	<u>4803</u>	<u>4183</u>	<u>1983</u>			

**Governance costs**

	2008-09 £000	2007-08 £000
Trustee expenditure	37	22
Audit fees (see note 7)	179	65
	<u>216</u>	<u>87</u>

**4a Staff Costs**

	2008-09 £000	2007-08 £000
Salaries and wages	3878	3919
Agency staff	78	72
National Insurance Contributions	266	271
Superannuation	654	676
Early Retirement Costs	77	356
Provision Release	(79)	(49)
Redundancy Costs	(71)	528
	<u>4803</u>	<u>5773</u>

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

	2008-09	2007-08
Cost of generating voluntary funds	3	2
Fundraising: cost of goods sold and other	20	19
Care of the collection	47	44
Education	16	20
Visitor Experience	89	95
	<u>175</u>	<u>180</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total resources expended (continued)

#### Chief Executive

Details of the Chief Executive's and Directors remuneration are contained within the Remuneration report

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

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

	2008-09	2007-08
£60,001 - £65,000	1	2
£70,001 - £75,000	1	
£100,001 - £105,000		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 payment of 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 2008-09, contributions of £647k (2007-08: £669k) were paid to the PCSPS, the contribution rates varying from 17.1% to 25.5% according to salary bandings. The scheme actuary reviews employer contributions every four years following a full scheme valuation. From 2009-10 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 2008-09 to be paid when the member retires and not benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7k (2007-08: £7k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions, based on 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2k.

#### 4b Trustees

No member of the Board of Trustees of the Royal Armouries received any emoluments during the year. Eleven Trustees were re-imbursed for their travel and subsistence expenses during the year, which amounted to £37,151 (2007-08 £21,885).

### 5. Collection objects

Of the £47k spent on collection purchases during the year £42k was capitalised and recognised in the balance sheet and £5k was charged to the SoFA.

In addition to the above, 2 objects were received by way of gift or bequest. The value recognised in the balance sheet in 2008-09 was £160k (2007-08: £105k)

As per Treasury requirements collection purchases were only valued from 1st April 2001. Total value of collection purchases from April 2001 is £1,136k.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Notional costs

Notional cost of capital is calculated as 3.5% of the average capital employed in the year less the value of donated assets. In 2008-09 the charge was £1,841,000 (2007-08: £1,867,000).

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

	2008-09 £000	2007-08 £000
Net incoming resources is stated after charging:		
Operating lease rentals	377	374
External auditor for audit work	36	41
Internal Auditor	143	24
Legal services	229	79
Traveling and subsistence costs	131	170
Writedown of trading stocks to net realisable value	41	

All auditors' remuneration was in respect of audit work

### 8. Intangible Fixed assets

	Group and Museum		Total £000
	Website Developmen	Software Licences	
Cost as at 1st April 2008	20	58	78
Additions	20	21	41
Revaluation	(1)	(2)	(3)
<b>Cost as at 31st March 2009</b>	<b>39</b>	<b>77</b>	<b>116</b>
Amortisation as at 1st April 2008			
Amortisation during year	7	14	21
<b>Amortisation as at 31st March 2009</b>	<b>7</b>	<b>14</b>	<b>21</b>
Net Book Value at 31 March 2009	32	63	95
Net Book Value at 31 March 2008	20	58	78

### 9. Tangible Fixed assets

	Group and Museum				Total £000
	Assets under construction £000	Land and Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	
<b>Cost</b>					
As at 1st April 2008		51463	4716	3678	59857
Additions	305			574	879
Transfers					0
Disposals				(37)	(37)
Revaluations		(8783)	(1106)	(238)	(10127)
<b>As at 31 March 2009</b>	<b>305</b>	<b>42680</b>	<b>3610</b>	<b>3977</b>	<b>50572</b>
<b>Depreciation</b>					
As at 1 April 2008		3843	762	1190	5795
Charge for the year		972	200	627	1799
Disposals				(30)	(30)
Revaluation		(4815)	(962)	(77)	(5854)
<b>As at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1710</b>	<b>1710</b>
<b>Net Book Value</b>					
As at 31 March 2008	0	47620	3954	2488	54062
<b>As at 31 March 2009</b>	<b>305</b>	<b>42680</b>	<b>3610</b>	<b>2267</b>	<b>48862</b>
Charitable activities	273	38199	3231	2029	43732
Other activities	32	4481	379	238	5130
Total	305	42680	3610	2267	48862



## 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.

### 10. Heritage Fixed Assets

	Group and Museum		Total £000
	Acquisitions for the collection	Donated Assets	
	£000	£000	
Cost as at 1st April 2008	1094	460	1554
Additions	42	160	202
<b>Cost as at 31st March 2008</b>	<b>1136</b>	<b>620</b>	<b>1756</b>

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

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

### 11. Stocks

	Group and Museum	
	2008-09 £000	2007-08 £000
Stocks valued at cost	98	175
Less: provisions for publications and other slow moving stocks	(10)	(17)
	<b>88</b>	<b>158</b>

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

### 12. Debtors

	Group and Museum	
	2008-09 £000	2007-08 £000
Trade debtors	8	10
Other debtors	381	156
VAT recoverable	145	229
Prepayments	135	166
Provision for bad debts	(10)	(9)
	<b>659</b>	<b>552</b>

There were no material balances outstanding with the Whole of Government Accounts bodies at 31 March 2009.

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

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

	<b>Group</b>	
	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Trade creditors	<b>13</b>	32
Other creditors	<b>98</b>	99
Accruals	<b>701</b>	785
	<b>812</b>	916
	<b>Museum</b>	
	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Trade creditors	<b>13</b>	32
Other creditors	<b>96</b>	98
Accruals	<b>701</b>	785
	<b>810</b>	915

There were no material balances outstanding with the Whole of Government Accounts bodies at 31 March 2009.

**14. Provisions for Liabilities and Charges**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Redundancy Costs		528
Utility charges	<b>50</b>	
Early Retirement Charges		
Opening balance as at 1st April	374	116
Increase in provision: future liability for redundant staff aged 50+		307
Release of provision	(79)	(49)
Closing balance as at 31st March	<b>295</b>	374
	<b>345</b>	902
Liability due within one year	<b>136</b>	618
Liability due after one year	<b>209</b>	284

The provision reflects early retirement costs for those employees aged over 50 and redundancy costs following the announcement of a restructure. The final charge against the provision will be in the year to March 2018 and as the values are not material they have not been discounted to present values.

**15. Trading activities**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Trading income	<b>570</b>	656
Cost of sales	<b>(316)</b>	(309)
	<b>254</b>	347
Gross profit	<b>254</b>	347
Other costs	<b>(289)</b>	(346)
	<b>(35)</b>	1
Net profit	<b>(35)</b>	1

Trading profit at the Museum's two venues were as follows:

	<b>2008-09</b>	2007-08
	<b>Profit/(loss)</b>	Profit/(loss)
	<b>£000</b>	£000
Leeds Shop	<b>(10)</b>	37
Fort Nelson Shop	<b>(13)</b>	(11)
Fort Nelson catering activities	<b>(12)</b>	(25)
	<b>(35)</b>	1

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. Contingent Liabilities

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

### 17. Capital Commitments

There were no capital commitments at 31 March 2009.

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

	Group			Total
	Unrestricted Funds		Restricted Funds	
	General £000	Designated £000	£000	
Funds balances as 31 March 2009 are represented by:				
Intangible fixed assets		95		95
Tangible fixed assets		5058	43804	48862
Heritage fixed assets			1756	1756
Current assets	1355	257	144	1756
Current liabilities	(810)		(2)	(812)
Provisions for Charges & Liabilities	(345)			(345)
<b>Total net assets</b>	<b>200</b>	<b>5410</b>	<b>45702</b>	<b>51312</b>

	Museum			Total
	Unrestricted Funds		Restricted Funds	
	General £000	Designated £000	£000	
Funds balances as 31 March 2009 are represented by:				
Intangible fixed assets		95		95
Tangible fixed assets		5058	43804	48862
Heritage fixed assets			1756	1756
Current assets	1355	257		1612
Current liabilities	(810)			(810)
Provisions for Charges & Liabilities	(345)			(345)
<b>Total net assets</b>	<b>200</b>	<b>5410</b>	<b>45560</b>	<b>51170</b>

### 19. Statement of group funds

	Group					31 March 2009 £000
	1 April 2008 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	
Unrestricted funds						
General fund	281	8708	(8532)		(257)	200
Designated fund	5634	577	(963)	(139)	301	5410
Total unrestricted funds	5915	9285	(9495)	(139)	44	5610
Restricted funds						
Land and Buildings	46512		(949)	(3963)		41600
National Firearms Centre	1609		(41)	(18)		1550
Sponsorship and Donations	385	688	(333)		(86)	654
Heritage Assets	1094				42	1136
Donated Assets	460	160				620
Contribution to costs		150	(150)			
RADT	116	27	(1)			142
Total restricted funds	50176	1025	(1474)	(3981)	(44)	45702
<b>Total funds</b>	<b>56091</b>	<b>10310</b>	<b>(10969)</b>	<b>(4120)</b>		<b>51312</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. Statement of funds

	Museum					
	1 April 2008	Income	Expenditure	Revaluation	Transfers	31 March 2009
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General fund	281	8708	(8532)		(257)	<b>200</b>
Designated fund	5634	577	(963)	(139)	301	<b>5410</b>
Total unrestricted funds	<u>5915</u>	<u>9285</u>	<u>(9495)</u>	<u>(139)</u>	<u>44</u>	<u><b>5610</b></u>
Restricted funds						
Land and Buildings	46512		(949)	(3963)		<b>41600</b>
National Firearms Centre	1609		(41)	(18)		<b>1550</b>
Sponsorship and Donations	385	688	(333)		(86)	<b>654</b>
Heritage Assets	1094				42	<b>1136</b>
Donated Assets	460	160				<b>620</b>
Contribution to costs		150	(150)			
Total restricted funds	<u>50060</u>	<u>998</u>	<u>(1473)</u>	<u>(3981)</u>	<u>(44)</u>	<u><b>45560</b></u>
<b>Total funds</b>	<u><b>55975</b></u>	<u><b>10283</b></u>	<u><b>(10968)</b></u>	<u><b>(4120)</b></u>		<u><b>51170</b></u>

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 have designated as being allocated to finance capital expenditure other than that associated with the Land and Buildings.

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

### 20. Cash flow information

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

	Group	
	2008-09	2007-08
	£000	£000
Net incoming/ (outgoing) resources	<b>(4856)</b>	2226
Interest receivable	<b>(43)</b>	(55)
Depreciation	<b>1820</b>	1800
Loss on disposal of fixed assets	<b>7</b>	1
Donated assets		
Revaluation of fixed assets	<b>4353</b>	(3285)
(Increase) / decrease in stocks	<b>70</b>	11
(Increase) / decrease in debtors	<b>(107)</b>	(64)
Increase / (decrease) in creditors	<b>(104)</b>	311
Provision for Liabilities & Charges	<b>(557)</b>	786
Net cash inflow from operating activities	<u><b>583</b></u>	<u>1731</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. Cash flow information (continued)

#### b) Analysis of cash flows

	<b>Group</b>	
	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Returns on investment and servicing of finance		
Interest received	<b>43</b>	55
Net cash inflow for returns on investment and servicing of finance	<b>43</b>	55
Capital expenditure and financial investment		
Intangible fixed assets	<b>(41)</b>	(78)
Tangible fixed assets	<b>(879)</b>	(777)
Heritage fixed assets	<b>(202)</b>	(234)
Net cash outflow from capital expenditure and financial investment	<b>(1122)</b>	(1089)

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

	<b>Group</b>	
	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Increase/(decrease) in cash in the period	<b>(496)</b>	697
Increase/(decrease) in net funds in the period	<b>(496)</b>	697
Net funds at 1 April	<b>1505</b>	808
Net funds at 31 March	<b>1009</b>	1505

#### d) Analysis of net funds

	<b>1 April 2008</b>	<b>Group</b>	<b>31 March 2009</b>
	<b>£000</b>	<b>Cash flow in period</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash	1505	(496)	<b>1009</b>
Net funds	1505	(496)	<b>1009</b>

### 21. Related party transactions

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

The Royal Armouries also has a number of financial transactions with the following parties; Royal Armouries (International) plc, Historic Royal Palaces, Frazier International History Museum and the Royal Armouries Development Trust. The following table highlights the transactions during the year and the outstanding balance as at the year end.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2008-09 Income £000	2008-09 Costs £000	2008-09 Debtor £000	2008-09 Creditor £000
Frazier International History Museum	4		3	
- recharges for trips to US to update our galleries within the museum				
Historic Royal Palaces				
- contribution to costs (£150k), sponsorship and retail income. Costs relate to Tower entrance fees and sundry charges	578	70	298	11
Royal Armouries (International) plc				
- labour recharges and sundry income. Costs relate to the provision of catering facilities	47	18	2	1

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

## 22. Financial instruments

### Credit risk

The Royal Armouries has cash deposits of £1,009k (2007-08: £1,505k) which is held with National Westminster Bank Plc. We have never suffered any loss in relation to cash held by our bankers. 88% 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 department grants for its cash requirements. Grant in Aid accounts for 80% of income (2007-08: 82%). This is further enhanced by the Trustee reserve policy which sets out the level of general reserve required as a minimum. It is therefore not exposed to liquidity risk.

### Interest rate risk

The museum draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements. Only 0.4% of overall incoming resources (£43k) was generated from interest earned during 2008-09 so the museum is not exposed to interest rate risk.

### Foreign currency risk

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

### Fair value

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

## Financial assets and liabilities by category

	Group and Museum					
	Loans and Receivables	Other Financial Liabilities	Total	Loans and Receivables	Other Financial Liabilities	Total
	2008-09 £000	2008-09 £000	2008-09 £000	2007-08 £000	2007-08 £000	2007-08 £000
Cash	1009		1009	1505		1505
Trade and other debtors	379		379	157		157
Trade and other payables		(812)	(812)		(916)	(916)
	<u>1388</u>	<u>(812)</u>	<u>576</u>	<u>1662</u>	<u>(916)</u>	<u>746</u>
	Museum					
	Loans and Receivables	Other Financial Liabilities	Total	Loans and Receivables	Other Financial Liabilities	Total
	2008-09 £000	2008-09 £000	2008-09 £000	2007-08 £000	2007-08 £000	2007-08 £000
Cash	865		865	1388		1388
Trade and other debtors	379		379	157		157
Trade and other payables		(810)	(810)		(915)	(915)
	<u>1244</u>	<u>(810)</u>	<u>434</u>	<u>1545</u>	<u>(915)</u>	<u>630</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. Financial commitments

As at 31 March 2009 the Royal Armouries had annual commitments under a non-cancellable operating leases as follows:

	Land £000	Other £000	2008-09 £000	2007-08 £000
Operating lease which expires				
Within one year				
two to five years		14	14	9
More than five years	367		367	367
	<u>367</u>	<u>14</u>	<u>381</u>	<u>376</u>

### 24. Post Balance Sheet Events

There are no post balance sheet events.

The financial statements were authorised for issue by the Accounting Officer and Trustees on 13 July 2009



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