

**BOARD OF TRUSTEES OF THE ROYAL ARMOURIES**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

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

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## CONTENTS

|  | Page |
|--|------|
| Trustees' and Accounting Officer's Annual Report                     | 2    |
| Remuneration Report  | 32   |
| Statement of the Trustees' and Accounting Officer's Responsibilities | 37   |
| Governance Statement   | 38   |
| Certificate and Report of the Comptroller and Auditor General        | 50   |
| Consolidated Statement of Financial Activities                       | 53   |
| Consolidated Balance Sheet   | 54   |
| Consolidated Cashflow Statement                                      | 55   |
| Notes to the Financial Statements                                    | 56   |

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

### **INTRODUCTION**

The Royal Armouries is Britain's national museum of arms and armour, and one of the most important museums of its type in the world. Its origins lie in the Middle Ages, and at its core is the celebrated collection originating in the nation's working arsenal, assembled over many centuries at the Tower of London. In the reign of Elizabeth I, selected items began to be arranged for display to visitors, making the Royal Armouries heir to one of the oldest deliberately-created visitor attractions in the country.

The collection of 70,000 objects – apart from the c. 2,370 loans to other bodies – is now displayed and housed at the Tower of London, at our purpose-built museum in Leeds and at Fort Nelson, near Portsmouth. Since 2005 the museum has also managed the collection of small arms assembled since the early 19<sup>th</sup> century by the British Army (the former Pattern Room), now also in Leeds and known as the National Firearms Centre.

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

The Royal Armouries was established in its present form by the National Heritage Act (1983) and is a Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS) but operating at 'arm's length' from it. A three-year *Management Agreement* with the DCMS was signed in May 2014, and receipt of Grant-in-Aid is dependent upon the Royal Armouries' compliance with the agreement. The Royal Armouries is an exempt charity under the Charities Act 1993.

The governing body is the Board of Trustees, established in 1984. Trustees are appointed by the Secretary of State for Culture, Media and Sport, apart from one appointed by HM The Queen and another, the Constable of the Tower of London, who is a member *ex-officio*.

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

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

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

The Board of Trustees appointed a director to be responsible for providing leadership to the Royal Armouries and reporting to the Board of Trustees in all matters relating to the Royal Armouries performance. Since 30 September 2013 the role has been undertaken by the Director General & Master, who also holds responsibility as Accounting Officer.

There are four sub-committees of the Board of Trustees:

- Finance and Capital Development Committee
- Research and Education Committee (to 25.09.14)
- Audit Committee
- Remuneration Committee

## Board of Trustees of the Royal Armouries

The following persons were members of the Board of Trustees of the Royal Armouries in 2014/15 and served on the sub-committees shown:

|  | <b>Date of appointment</b> | <b>Expiry of appointment</b> |
|--|----------------------------|------------------------------|
| <b>Chairman</b>                              |                            |                              |
| Wesley Paul                                  | 03.01.12                   | 02.01.16                     |
| <b>Members</b>                               |                            |                              |
| Chris Case                                   | 10.11.08                   | 09.11.16                     |
| General the Lord Dannatt GCB CBE MC DL       | 01.08.09                   | 31.07.16                     |
| Hemant Patel                                 | 12.07.10                   | 11.07.18                     |
| Major General Sir Sebastian Roberts KCVO OBE | 05.02.11                   | 04.02.16                     |
| Mark Urban                                   | 03.09.12                   | 02.09.16                     |
| Professor Anne Curry                         | 03.03.14                   | 02.03.18                     |
| Dr Andrew Burnett CBE                        | 03.03.14                   | 02.03.18                     |
| Mrs Christine Mayer OBE                      | 03.03.14                   | 02.03.18                     |
| Ms Deborah Mills                             | 03.03.14                   | 02.03.18                     |
| Mr Jason Kingsley OBE                        | 03.03.14                   | 02.03.18                     |

### **Trustee Sub-Committees**

| <b>Sub Committee</b>                        | <b>Chair</b>      | <b>Members</b>  |
|---|-------------------|---|
| <i>Audit</i>                                | Chris Case        | Hemant Patel<br>Andrew Broome (co-opted external member)<br>Catherine Hall (co-opted external member) (from 25.09.14)<br>Rhidian Lewis (co-opted external member) (from 25.03.15) |
| <i>Finance and Capital Development</i>      | Hemant Patel      | Wesley Paul<br>Chris Case<br>Deborah Mills (from 26.06.14)<br>Christine Mayer (from 10.03.15)   |
| <i>Research and Education (to 25.09.14)</i> | Sebastian Roberts | Wesley Paul<br>Mark Urban<br>Anne Curry (from 25.06.14)<br>Andrew Burnett (from 25.06.14)<br>Jason Kingsley (from 25.06.14)   |

| <b>Sub Committee</b> | <b>Chair</b> | <b>Members</b>                                |
|----------------------|--------------|---|
| <i>Remuneration</i>  | Wesley Paul  | Hemant Patel<br>Chris Case<br>Richard Dannatt |

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

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

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

### **Executive Board**

Edward Impey – Director General & Master

Rod Taylor – Chief Operating Officer

Thom Richardson – Deputy Master

Emma Carver – Public Engagement Director

Malcolm Duncan – Finance Director

Frank Riley – Head of National Firearms Centre

### **Staff Communications**

Communications between staff and senior management have been supported by quarterly staff briefings at all three sites, covering strategy, performance and updates on projects, programmes and the development of the Corporate Plan, and monthly e-newsletters. In November and December 2014 the Royal Armouries carried out its first ever formal staff survey, the results of which were communicated to staff in January and an action-plan formulated with the aid of facilitated focus groups in February. Staff representation is by the Prospect Trade Union.

### **Sickness Absence**

The average number of days lost per head due to sickness absence during the year was 7.0 (2013/14: 10.5). Excluding those members of staff who were on long term sickness over 4 weeks, the average number of days was 3.5.

## Equal Opportunities

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

At 31 March 2015 the Royal Armouries had 174 full and part time employees split as follows:

|                  | Male     | Female   | Total     |
|------------------|----------|----------|-----------|
| <b>Executive</b> | 5        | 1        | 6         |
| <b>Staff</b>     | 80       | 88       | 168       |
| <b>Total</b>     | <hr/> 85 | <hr/> 89 | <hr/> 174 |

## Data and Information Risk

The Finance Director is the Senior Information Risk Owner and is responsible for the development of information risk policies and protocols.

There were no protected personal data related incidents reportable to the Information Commissioner's Office in 2014/15.

## Financial Instruments and Risk

Details of financial instruments are given in note 24 to the financial statements. There is not considered to be any material risk in relation to financial instruments.

## Relationship between Charity and Other Parties

Details of bodies consolidated into these accounts are contained in note 1.1 to the financial statements. Details of related party transactions are contained in note 23 to the financial statements.

The Royal Armouries is a non-departmental public body whose parent body is the DCMS. The DCMS is regarded as a related party.



The *Royal Armouries Development Trust* (RADT) is a charity connected to the Royal Armouries. It was established on 10 May 1990 to pursue such charitable purposes as the Trustees, with the consent of the Board of Trustees of the Royal Armouries, think fitting. The Development Trust solely supports the development of the Royal Armouries. As a result of some Trustees sitting on both boards it is deemed there is common control and hence the Accounts are consolidated into the Royal Armouries' financial statements.

The *Arms and Armour Heritage Trust* (AAHT), formed in June 2011, has the ability to award grants to support the achievement of the Royal Armouries charitable objectives as well as grants to other charities supporting the efficiency of the Armed Services. The AAHT is a completely self-regulating and independent trust. The Trust Deed ensures that no serving Royal Armouries Board of Trustees member can be a trustee. The Accounting Officer and Finance Director will attend meetings but have no voting powers. As a result of its independence the accounts of the AAHT are not consolidated into the Royal Armouries' financial statements. A Commercial Licence Agreement has also been agreed detailing the charges to be made by the Royal Armouries for administrative support and venue hire provided. The Royal Armouries did not award any grants to The Arms and Armour Heritage Trust during the year. The Arms and Armour Heritage Trust awarded grants totalling £400,000 to the Royal Armouries during the year in support of the exhibition programme commemorating the 600<sup>th</sup> anniversary of the Battle of Agincourt.

In 2009 a decision was taken by the Royal Armouries Board of Trustees to set up a trading company to run commercial activities previously undertaken by the charity. Royal Armouries Trading & Enterprises Ltd (RATE), incorporated on 14 September 2010, is a wholly-owned subsidiary of the charity and hence the Accounts are consolidated into the Royal Armouries' financial statements. The charity transferred its commercial trading activities to the new company on 1 April 2011.

The Tower of London houses part of the Royal Armouries' collection of arms and armour, and the Royal Armouries is also the institutional Keeper of Tower History. The Tower of London itself, however, is in the care of Historic Royal Palaces. The relationship between the Royal Armouries and Historic Royal Places is defined in a Memorandum of Understanding, re-written and signed by both parties in August 2014. General the Lord Dannatt, Constable of the Tower of London, is an *ex-officio* Trustee of the Royal Armouries and also a Trustee of Historic Royal Palaces.

The Frazier History Museum in Louisville, Kentucky, with which the Royal Armouries had a long term agreement to display items from its collection, has not been regarded as a related party since May 2012 when the Royal Armouries ceased to have formal representation on its Board of Trustees. In January 2015 the Royal Armouries recalled its loan items and has since had no formal association with the Frazier History Museum.

## PERFORMANCE INDICATORS

The Royal Armouries entered into a new three year Management Agreement with DCMS in May 2014. This agreement establishes 12 performance indicators for the Royal Armouries. The actual performance achieved against each of the indicators for 2013/14 and 2014/15 is set out in the table below.

Those key performance indicators marked with an asterisk do not include figures for the Tower of London, for which the information is either not available from Historic Royal Palaces or else is not relevant. The overall increase in museum visits reflects a strong performance across all three sites.

| <b>Performance Indicator</b>  | <b>2014/15<br/>Out-turn</b> | <b>2013/14<br/>Out-turn</b> |
|---|-----------------------------|-----------------------------|
| Total number of visits  | 2,025,134                   | 1,941,533                   |
| Number of unique users visiting the website   | 494,553                     | 547,558                     |
| Number of children aged 16 and under visiting the Royal Armouries   | 582,206                     | 562,212                     |
| Number of overseas visitors   | 1,374,649                   | 1,324,849                   |
| Number of visitors under 18, in formal education, attending the Royal Armouries in facilitated and self-directed visits | 13,861                      | 15,675                      |
| Number of visitors under 18 participating in on-site organised activities   | 263,593                     | 226,328                     |
| Percentage of visitors who would recommend a visit  | 99.5%                       | 99.5%                       |
| Admissions income *   | £136,441                    | £98,000                     |
| Trading income *  | £424,470                    | £385,732                    |
| Fundraising income *  | £249,000                    | £267,000                    |
| Ratio of fund raising to Grant-in-Aid   | 3.1%                        | 2.77%                       |
| Number of UK loan venues *  | 93                          | 120                         |

## **CORPORATE PLAN: PROGRESS AND ACTIVITIES, 2014-15**

In September 2014 the Trustees of the Royal Armouries signed off a new statement of purpose and a corporate vision for the Royal Armouries, as follows:

*The ultimate purpose of the Royal Armouries is to excite and educate the public about arms and armour and their impact on the people, history and cultures of Britain and the world from ancient times to the present day.*

*Our vision is that the Royal Armouries will enjoy public and professional recognition as one of the world's greatest collections of arms and armour, enjoyed and studied by increasing numbers, and as the leader in this field in research, curation, and public engagement.*

Trustees also agreed a new Corporate Plan, organised under ten AIMS summarising the Royal Armouries' main aspirations and areas of activity, as follows:

**AIM 1     Conserve and manage the collection:** conserve and manage the collection and archives in an exemplary manner.

**AIM 2     Enhance the collection:** add to and enhance the collection, archives and displays through acquisition, loans and conservation.

**AIM 3     Research and dissemination:** extend and facilitate the understanding of the Royal Armouries' collections, of arms and armour in general, their impact on the world's peoples, history and culture, and of the history of the Tower of London and its institutions.

**AIM 4     Display and interpret the collection:** display, present and interpret the collection, physically and digitally, using its special strengths and nature to enthral, engage and inform the public.

**AIM 5     Provide an education service:** provide and promote an inspiring education programme, rooted in the special nature of the Royal Armouries' collections and expertise, positioning the museum as a unique centre of learning.

**AIM 6     Audience Development and access:** informed by audience research, to increase the size and diversity of our audience, and enhance scholarly, public and equal access to the museum's objects, archives and libraries.

**AIM 7 Status, perception and recognition:** strive for recognition as a major cultural institution and enhance our profile as an international leader in the conservation, study and display of arms and armour.

**AIM 8 Financial success and sustainability:** ensure a stable and sustainable financial basis for the Royal Armouries' activities through inspired and diligent management of grants, donations and income generation.

**AIM 9 Organisational stability and management:** build a confident, positive, stable and dynamic organisation through the use of effective governance structures, management processes and the development of our staff.

**AIM 10 Efficiency and standards:** make the most efficient and effective use of our resources, and achieve the highest appropriate standards in everything we do.

The full text of the Plan, including more specific OBJECTIVES set out under each AIM can be seen at [http://www.royalarmouries.org/assets-uploaded/documents/Corporate\\_Plan.pdf](http://www.royalarmouries.org/assets-uploaded/documents/Corporate_Plan.pdf)

The following sections describe the museum's progress and activities during the year and is loosely ordered under the AIMS.

## **AIM I Conserve and manage the collection**

### **Conservation**

The team can report a busy and productive year with a large volume of objects being prepared and installed for internal displays, notably on the First World War, Waterloo, Agincourt and Church Armour (below, pages 15-16). Work on external loans has included preparing for the Greenwich armour exhibition held in conjunction with Leeds Castle (Kent), on objects now on display at the newly-opened Centre for the English Civil War at Newark (Nottinghamshire), and a British 6-pounder field gun for display in the new Mémorial de la Bataille de Waterloo adjacent to the battlefield. About 630 items have been processed in total. Heavy involvement has also continued in preventative conservation, in particular the monitoring and treatment of moth infestation and managing asbestos in historic artefacts.

The team has continued to enhance its skills by attending specialist training courses and conferences and contributing to them - including a four-day course on the conservation of arms and armour held at West Dean College (Chichester).

Papers were given in the *Leather and Warfare* conference and at the opening of the church armour exhibition, both in Leeds. Interns have been accommodated from the University of Oslo, Cardiff and jointly with Leeds Museums and Galleries.

At Fort Nelson the conservation laboratory now provides improved facilities for the refurbishment of artillery and the treatment of cannon found at sea, much of it carried out by a band of skilled volunteers.

### **Collections Management System (CMS)**

Replacement of the museum's collection management system, Cuadra STAR, which had served the museum exceptionally well from 1992 to 2014, was completed this year. The new system is based around KE Emu for museum collection and archive management, and KOHA for the library catalogue, combined together by K-Int and Gooii to provide a fully searchable online database presence for all the museum's collections and digital assets. By year end all the back office functions were fully functioning and live. Development of the public interface functionality of the system was still being finished and tested and is anticipated to go live in the summer.

### **AIM 2 Enhance the collection**

The Royal Armouries continues to expand its collection through the acquisition of items by purchase, a process governed by our Acquisitions Strategy and the selection criteria it contains, and through accepting gifts. A selection of the items acquired or received in the period 2014-15 are listed and described below.

#### **Acquisitions**

- III.4808, Vambrace from the armour garniture of Wilhelm von Boxberg by Kolman Helmschmid, Augsburg, about 1525.
- IX.5646, Migration period sword (spatha), Denmark or north Germany, 6-7th century AD, an excellent example of Oakeshott's Type 4 migration period hilt type, with the grip shape of the Type 3 sword, mostly found in Denmark.
- IX.5636, Basket-hilted sword, an example of a rare form of early basket-hilt, English, 1550-1600.
- IX.5637, Basket-hilted sword, by Peter Wirsberg/Weyersberg, German, Solingen, 1570-1602.

- IX.5640, Basket-hilted sword for the 2nd Troop of Horse Guards, English, mid-18th century.
- IX.5644, Light Cavalry estoc and scabbard, Hungarian, 1650–60, stamped with the Bishop's profile head mark and initials "PM" of the bladesmith Peter Munch of Solingen.
- IX.5645, Early Highland Officer's silver hooped-bar basket-hilted backsword, London, dated 1745, maker's mark 'TB' either for Thomas Bass or Thomas Bibb.
- XII.11833, Handcannon (handrohr), the 'Danzig' gun, northern Germany or Scandinavia, probably late 14th century.
- B.0905, Armour, the 'Lancelot armour' from the cult movie *Excalibur*, 1981.

### **Gifts**

- XIX.973, 6" Howitzer, Mk 1, British, dated 1916. Gift, Hughes Fabrications, 3 November 2014.
- XIX.974, Accurate scale model of a British 12 pdr SBML naval gun on truck carriage with all equipment, proofed for firing blank. Built to one-third scale from measured drawings of a 12 pdr gun at Fort Nelson. Gift of Mrs Caroline Fielden.
- .50 calibre heavy machine Browning M2 (L1A1). Gift of BAE Systems, March 2015.
- 7.62 medium machine gun (GPMG L37). Gift of BAE Systems, March 2015.
- Composite Drake, of copper alloy and iron, probably Dutch, about 1630. One of only seven guns of this kind known to exist found on or near the Goodwin Sands. Gift of the Receiver of Wrecks.
- Two rare elm wood gun carriage cheeks, English, 18th century or earlier, uncovered on the Thames foreshore at Rotherhithe. Gift of Port of London Authority.
- XXVIS.404 Katana blade signed Yamato ni kami Yoshimichi, Japan, dated 1660. Gift of Cheshire Police.

## **Loans**

In addition to acquisitions and gifts, the range of items the museum has available for study and display is regularly enhanced through loans, just as the exposure of the museum's own objects to wider audiences is enhanced by outward loans. Among the most significant inward loans arranged in 2014-15 have been the following:

- AL.393 Armet, Flemish, early 16th century. Lent by the Parochial Church Council of Wootton St Lawrence, Hampshire.
- AL.391 Buckingham cartridge, 1918. Lent from a private collection.
- AL.390, Medals and ephemera relating to George Coppard, Machine Gun Corps, and others. Lent by the Imperial War Museum.
- AL.389 Notebooks relating to machine guns and war service, medals etc. belonging to George Smirk, Army Ordnance Corps. Lent from a private collection.
- AL.388 Pair of hour-glass gauntlets, English, late 14th century. Lent by the Dean and Chapter of Ripon Cathedral, Yorkshire.

### **AIM 3     Research and dissemination:**

#### ***Research Strategy and Plan***

The Royal Armouries Research Strategy was approved in near-final draft by Trustees in March 2015. Its purpose is to bring a strategic dimension to our research, steer its future direction, show how we intend to use, benefit from and apply the results, and align it with the overall aims and objectives set out in the Corporate Plan.

The first product of the Strategy, in 2015-16, will be the Research Plan, identifying the projects to be taken forward during the next few years, allocating resource to them, and planning for the longer term. Research projects currently underway - in addition to those in support of exhibition and display work - include the following:

- Natasha Bennett (Acting Curator, Oriental), 'Indian painted matchlocks of Hajji Sha'aban', article, 2015.
- Keith Downen (Assistant Curator, Armour), 'Seventeenth-century Buff Coats in Britain and Europe', article, 2016.

- Jonathan Ferguson (Curator, Firearms), 'Wound Ballistics of British Infantry Arms 1540 – Present' Longer term project.
- Nicholas Hall (Keeper of Artillery), in collaboration with Alexzandra Hildred, 'How accurate was Tudor artillery?' Article, 2015.
- Malcolm Mercer (Curator of Tower History), 'Domestic arms and armour manufacture in England 1272–1399', article, 2016.
- Thom Richardson (Deputy Master), *The Tower armoury in the 14th century*, monograph, 2015/6.
- Lisa Traynor (Assistant Curator, Firearms), 'Could the silk armour of Archduke Franz Ferdinand, have saved his life? Article (part 2), 2016.
- Karen Watts (Senior Curator, Armour & Art), *Reconstruction of the missing armoured statues in the Sanctuary of Beata Vergine delle Grazie, Curtatone, near Mantua, Italy*, monograph, 2016.
- Bob Woosnam-Savage (Curator, European Edged Weapons), 'Cromwell and Turner: Three swords associated with Commanders of the Wars of the Three Kingdoms (1642-51)', article, 2016.
- Henry Yallop (Assistant Curator, European Edged Weapons), 'The development, use and effect of Napoleonic cavalry swords', article, 2015.

### **Publications**

The following items by Royal Armouries staff and Graeme Rimer, Emeritus Curator, were published during the year:

- Suzanne Dalewicz-Kitto (Head of Conservation), 'Skin Deep: An investigation into protective surface coatings on firearms', *Historic Breechloading Smallarms Association*, volume 4, number 4, December 2012, 2014, pp 8-13.
- Suzanne Dalewicz-Kitto and Cahill, A. (2014), 'Conservation of a jousting reinforcement belonging to Emperor Maximilian I', *ICON NEWS March 14*, pp.30-34.
- Jonathan Ferguson (Curator, Firearms), 'The Blanch-Chevallier discharger, a shoulder-fired grenade launcher for the trenches', *Arms & Armour* 11.2 (2014) pp.187–199.
- Jonathan Ferguson 'How To Kill a Vampire', *The Field*, October 2014, pp.132-6.
- Nicholas Hall, N., 'The gift of the Dardanelles gun by Abdulaziz of Turkey to Queen Victoria', in Richardson, T. (ed.), 2014, pp.139–153.
- Edward Impey (Director-General), *Longthorpe Tower, Peterborough*, English Heritage Official Guidebook, London 2014.
- - and Mark Murray-Flutter (Senior Curator, Firearms), 'Haile shotte peics for gamebirds', *The Field*, January 2014, pp.62-5.
- Malcolm Mercer (Curator of Tower History), 'King's Armourers and the Growth of the Armourer's Craft in Early Fourteenth-Century London' in *Fourteenth Century England*, VIII, ed., Hamilton., Woodbridge, 2014, pp.1-20.



- Mark Murray-Flutter, 'Weapons of the hunt: the boar spear', *The Field*, February 2015, p. 97.
- Thom Richardson (Deputy Master) ed., *East Meets West* (Leeds, 2014, conference proceedings).
- Thom Richardson 'Editorial' and 'British Expeditionary Force armour', *Arms & Armour* 11.2 (2014) pp. 87–9, 142–6.
- Thom Richardson 'Weapons of the hunt: the crossbow', *The Field*, March 2015, p. 96.
- Thom Richardson and Natasha Bennett (Acting Curator, Oriental) 'The East India Company gift to the Tower of London in 1853', in Richardson, T. (ed.), 2014, pp.112–138.
- Graeme Rimer (Curator Emeritus), 'The Enigmatic Mr Smith: three pairs of rifled turn-off pistols by Roger Smith, and a number of related English firearms', *Catalogue of the London Park Lane Arms Fair*, 2014, pp. 55-75.
- - 'An Important Sword associated with the visit of King George IV to Scotland in August 1822', *ibid*, pp. 106-119.
- - (As Primary Consultant) with Houze, H.G., Smithurst, P., Wilkinson, P., and Henry, C; *Firearms: An Illustrated History - The Definitive Visual Guide*, Dorling Kindersley Ltd., London, 2014, ISBN: 978-1-4093-4797-2.
- - 'Maximilian and the gift armour to Henry VIII: further examinations of a famous enigma', in Richardson, T. (ed.), 2014, pp.40-64.
- Lisa Traynor (Assistant Curator, Firearms), 'The Archduke and the bullet-proof vest: 19th-century innovation versus 20th-century firepower', *Arms & Armour* 11.2 (2014) 147–163.
- Karen Watts (Senior Curator, Armour and Art), 'A medieval Letter from King René of Anjou concerning the gift of a crossbow', *Jahrbuch der Interessengemeinschaft historische Armbrust* (2014).
- Bob Woosnam-Savage (Curator, European Edged Weapons) *et. al.*, 'Perimortem trauma in King Richard III: a skeletal analysis', *The Lancet*, 15 September 2014.

#### **AIM 4     Display and interpret the collection**

##### **Royal Armouries Museum, Leeds**

The second half of 2014 saw the installation of the museum's new 100-m<sup>2</sup> First World War display 'Bullets, Blades and Battle Bowlers' on the mezzanine floor of the War Gallery. Over 150 objects are accompanied by interactive audio visual content based on new research (including specially-commissioned slow-motion films of weapons in action), which will later be joined by new First World War-themed online content to reach the widest public. An accompanying academic events programme saw a sold-out handling session 'Deadly Machines: the arms and armour of the First World War' and the delivery of three themed lectures.

A new display highlighting the importance of arms and armour preserved in English churches thanks to the peculiarly English practice of displaying such items as 'funerary achievements', on and in association with tombs, was opened in February 2015. In addition to putting these fascinating objects on display, the story is also told of the origins, significance and development of the practice from the 14<sup>th</sup> to the 18<sup>th</sup> century.

As part of the preparations for the commemoration of the bicentenary of Waterloo, the 19<sup>th</sup> century Siborne model of the battlefield has been conserved. The work was carried out in the War Gallery in Leeds under the banner of *Conservation Live!*, giving visitors the opportunity to see the work in progress and discuss it with the conservator.

### **Tower of London**

A rolling case display dedicated to the Tower of London in the First World War in the Treasures gallery of the White Tower made its debut with a display telling the story of Armouries staff, including Charles ffoulkes (Curator of the Armouries, 1913-38) supplemented by the Keeper of Tower History's (Bridget Clifford) blog 'The Curator @ War'. Some adjustments were made to the Line of Kings display in the White Tower to relieve congestion and improve visibility.

### **Fort Nelson**

The Artillery Hall at Fort Nelson has been reorganised to interpret and display our important 20<sup>th</sup> century collection, with the grouping of objects chronologically, starting with the First World War and followed by the Second World War, the Cold War and the recent desert wars. Exhibits include the extraordinary British 18-inch BL Railway Howitzer of 1918, on loan from Royal Artillery Historical Trust, and other artefacts, newly acquired, newly conserved, or on show for the first time.

## **AIM 5 Provide an education service**

### **Royal Armouries Museum, Leeds**

As at many other museums, formal education has experienced a challenging year, with school bookings affected adversely by the introduction of the National Curriculum 2014. Changes to the History curriculum have meant that Key Stage 2 plays less well to the strengths of the collection, such as its Tudor content, and have led schools across the country to alter their patterns of museum visiting. New lessons have, however, been launched in response to curriculum requirements and some of these have already seen substantial take-up, notably those about the First World War. Careful monitoring, adjustments and additions to our education programme will now allow us to build new audiences as teachers start to re-establish museum visiting.

Informal learning at the museum has been strengthened by the development of additional talks, tours and demonstrations in the galleries. In particular, half-term and holiday events have attracted large crowds, especially of family learners, to explore topics from the Second World War to superheroes, and from medieval jousting to Japanese warriors. To commemorate the centenary of the start of the First World War a horse show in the Arena, *The Final Charge*, demonstrated the skills of the cavalymen of 1914. While the holiday events have catered primarily for families, with plenty of hands-on activities for children, there has also been a programme of lectures and in-depth seminars, delivered mostly by the curators to enthusiasts and more specialist audiences.

To encourage learners of all ages and backgrounds to use the Museum, links have been developed with organisations ranging from Leeds Beckett University to the Children's University in Leeds and the Dementia Café movement.

### **Tower of London**

Royal Armouries educational activity at the Tower of London continues to be delivered in association with Historic Royal Palaces, the main educational providers at the site. Our contribution has included providing specialist arms and armour sessions for Year 4 & 5 pupils, A-level and university students, and adult learners. In addition, RA staff assisted with producing the *Soldier's Small Book*, a Tower-wide trail for informal learners exploring the First World War centenary at the Tower, which ran from 6 August to November 2014, as well as taking part in outreach sessions on the Wharf for Tower Archaeology Weekend.

### **Fort Nelson**

The highlight of our educational year at the Fort in 2014 was its success in achieving a Sandford Learning Award, presented in December at the National Maritime Museum, Greenwich. Meanwhile, formal education at the Fort has faced similar challenges to those faced at Leeds. With many of its learners coming from Primary schools, the new history curriculum's focus at Key Stage 2 on the pre-1066 period has reduced the appeal of our 19<sup>th</sup> century fort and its largely post-medieval collection. However, new lessons are being introduced to recapture lost ground, including one based on an innovative collaboration with English Heritage at nearby Portchester Castle.

Exciting initiatives in other areas include the Strong Voices project, in collaboration with Artsworld, Portsmouth Autism Support Network, Butterfly Fx and Ben Claybon. This creative project involved a group of teenagers with autism who interpreted Fort Nelson and its collection by making light graffiti and audio works, resulting in the impressive exhibition *Light Fever – Painting the Fort with Light*. Some of these pieces are now being exhibited at other venues and online. Analysis of the exhibition feedback has proved the exhibition's appeal to a young audience - 85% of the entries in the comments book were by children. The success of the project has prompted Artsworld and the Fort's Education team to apply jointly for an award from the Association of Heritage Interpretation.

### **National Firearms Centre (NFC)**

Well recognised as a provider of specialist education and training, the NFC has delivered a further series of Light Weapons Capability Appreciation Courses for the Defence Science & Technology Laboratory, as well as continuing to provide firearms awareness and weapon handling sessions to recruits from Catterick Garrison as part of the military's 'interest and retention' programme.

The NFC supports the fight against crime by regularly answering enquiries, providing briefings and hosting visits of UK security agencies, along with being a member of the Association of Chief Police Officers (ACPO) Criminal Use of Firearms (CUF) practitioner group. Additionally, the Centre has delivered search awareness training for Search Officers of both North and West Yorkshire Police. The NFC also contributed to the UK's position on the UN Arms Trade Treaty, not only in the regulation of international trade in conventional arms, but in ensuring that the museums and heritage sector was not prevented from going about its legitimate business.

As well as working with several universities to produce bespoke courses for forensics and criminology undergraduates, the NFC is now working with Leeds Beckett School of Law to deliver weapons identification training for war crimes investigation teams from around the world.

### **AIM 6 Audience Development and access**

A major audience research programme has been commissioned, the results of which will be available towards the end of 2015. The results will inform the development of a new organisation-wide Public Engagement Strategy and Audience Development Plan.

Publishing has always been important to the museum, and this year we have been analysing our publishing activity with a view to revitalising the list with new publications aimed across our audiences. A revised version of the guidebook for Leeds was published in April and has been well received by visitors, selling 2,913 copies this year. Volume 11, Issues I (April) and II (October) of the Royal Armouries journal, *Arms & Armour*, were published through a partnership with Maney Publishing. The proceedings of last year's conference, *East Meets West*, on diplomatic gifts of arms and armour between Asia and Europe were also published.

Royal Armouries has continued to develop its *Inspired by...* programme of exhibitions showcasing work by community groups and creative artists who have found inspiration in subject matter related to arms, armour and their context. This year we have worked with the Yorkshire Heraldry Society, the photographer Brian David Stevens, the visual arts organisation Firstsite with Chavasse VC House Personnel Recovery Centre, and finally members of the 1914-18 Commemorative Quilts and Textiles Group. This year's programme consisted of the following exhibitions:

- 'Inspired by Heraldry', 28 March – 5 October 2014, in Leeds.
- 'They that are left', 4 November – January 2016 in Leeds, 28 February – 23 June 2015, at Fort Nelson.
- 'Facing-Recovering', 6 November 2014 – 1 March 2015, at Fort Nelson.
- 'Threads of War', 27 March – 21 June 2015, in Leeds.

One of our stated intentions is to increase the number of people visiting and benefiting from the displays at the three sites, and this year we have been successful in attracting 83,000 visitors over and above the target of 1,942,000. All sites exceeded their individual targets, but Fort Nelson demonstrated the strongest growth at 11%, due to its improved and extended offer and attraction to the 'family day out' audience at peak seasons.

## **AIM 7      Status, perception and recognition**

The museum undertook the planning and implementation of two major events this year: a nine-day Medieval Festival in collaboration with Leeds Castle in Kent and the Easter Joust in the arena at Leeds. The first of these included costumed interpretation, combat arena, 'Knight School' and a temporary exhibition on the royal workshop at Greenwich jointly curated by the Deputy Master and the Leeds Castle curator, Tori Reeve. Meanwhile the considerable investment of time and energy in improving the overall quality of the Easter Joust in the Leeds arena this year was rewarded with an increase of 24% in the numbers attending, a 104% increase in income, and excellent feedback from the participants and attendees. This owed partly to better marketing, attributable to bringing the function back in house, and resulting in a successful and coordinated campaign which included active and innovative use of social media.

The NFC has collaborated with a number of film companies throughout the year to produce firearms related documentaries, to test myths and theories. The NFC has also filmed a range of weapons being fired providing interesting footage to support the Museum's First World War display.

Our regular programme of lectures and seminars continued into 2015 with two full day study sessions on the themes of 'Fakes and Forgeries' and a look at unusual weaponry in 'You Don't See One of Those Every Day'. These followed 'The Flashing Blade' and 'Swords of Asia'. The Spotlight series of curators' talks featured 'Killed the boar, shaved his head: the violent death of Richard III' by Bob Woosnam-Savage (Curator, European Edged Weapons) and 'Remove the Head or Destroy the Brain? The science of zombie killing' by Jonathan Ferguson (Curator, Firearms) saw over 100 attendees gather just before Halloween to ponder the question.

This year's conference, *Leather and Warfare*, held in conjunction with the Archaeological Leather Group and ably organised by Quita Mould (Barbican Research Associates) and Alison Watson (Curatorial Manager), attracted a large and appreciative audience. The conference proceedings will be published in 2015.

## **AIM 8 Financial success and sustainability**

### ***Royal Armouries Trading & Enterprises Ltd***

All major National Museums, including the Royal Armouries, are making strenuous efforts to use their assets to increase income. However, the conventional routes are largely unavailable to us, as by longstanding agreement we are prevented from retailing at the Tower, whilst the post-PFI arrangement in Leeds leaves all commercial activity, with the exception of our shop, in the hands of the wholly separate Royal Armouries International PLC.

However, in May 2015, a report was presented to the RATE Board by the Chief Operating Officer, Rod Taylor, which provided an overview of the trading position, and outlined the opportunities for future development. After spending some months analysing, reviewing and discussing where best to prioritise interventions and available resources it was decided that effort should be concentrated in three key areas: retail, including e-commerce services, live options for major hospitality events, and licensing / IPR development opportunities around 3-D digitisation of items from the collection; initiatives were taken towards the end of the 2014-15 trading period to enhance and improve the retail offer by:

- Letting contracts to improve and upgrade shop fitting at Leeds.
- Ensuring that a comprehensive buying strategy is developed for all sites to help ensure that appropriately priced, attractive stock is offered to visitors and customers.
- Upgrading the on-line shop to provide a more powerful and hard-working facility.
- Separating out retail staff from front of house staff and developing appropriate high quality training and incentive schemes to promote and support improved retail performance.

In addition, areas for future development were identified as second-tier priorities, as capacity and available resources permit, including catering and venue hire at Fort Nelson, paid-for on-gallery experiences, picture library operations, publishing and the potential to raise income from sub-letting elements of the non-museum estate.

## **Fundraising**

The Royal Armouries Development Team, since 2014 part of the Public Engagement Department, has embarked on a long-term organisation-wide fundraising strategy to support the Aims and Objectives of the Corporate Plan 2015-20, with the intention of maximising the generation of income from all sectors – public funding, trusts and foundations, corporate sponsorship and individual donors. This is based on significant pieces of strategic fundraising research procured from the Management Centre, including comparator research, external benchmarking and internal feasibility.

Meanwhile, the team has been active and successful in bringing in third-party support in excess of £400,000 for a variety of programmes and initiatives. The largest sums have been raised to support the display of the collection and public engagement with it. These include £180,000 generously granted by the Arms and Armour Heritage Trust for our exhibition, *The Battle of Agincourt*, in addition to the generous grant already committed by the Trust for the creation of a battlefield model and its interpretation.

In support of our other anniversary exhibition, *Waterloo: The Art of Battle* and the conservation of the famous 19<sup>th</sup> century model of the battle, we have received generous support from the Radcliffe Trust, the John S Cohen Foundation, the Anthony and Elizabeth Mellows Charitable Trust, the Leeds Philosophical and Literary Society, and the Golden Bottle Trust. This is in addition to pledges of sponsorship from Waterloo Air Products, Peter Finer Arms & Armour and Fuller's Brewery for the conservation and re-display of the 'Waterloo battery' - the six bronze cannon captured at the battle and on display at the Tower of London.

In October 2014 the museum was fortunate to be awarded £98,000 by the Heritage Lottery Fund under their far-sighted *Collecting Cultures* programme, which is allowing us to collect, study and display weaponry and equipment used in film and popular culture, helping us to introduce new audiences to the fascination of arms and armour. We have also benefited from the Heritage Lottery Fund's support through their Transition Fund programme in the form of a generous grant to help develop the Royal Armouries future sustainability and financial success.

Additional corporate sponsorship has come from A&E Networks History in the USA, who have renewed their Bronze level Royal Partners Membership, benefitting both Royal Armouries and our partners at the Tower of London, Historic Royal Palaces.

Finally, we are pleased to report that we have received in excess of £25,000 from visitors at the three sites, to whom we are extremely grateful.



## **AIM 9      Organisational stability and management**

During the year changes were made to the management structure and allocation of responsibilities in the Royal Armouries functional Departments, following on from re-organisation of our Executive Board roles last year. Informed by staff consultation and now implemented, the aim of the process has been to equip the Departments with the focus and capacity to implement the Corporate Plan. Areas of weakness or absence in the previous structure, now addressed, include marketing, interpretation and communications, education, commercial development and collections management.

Meanwhile, to foster commitment and facilitate the empowerment of our staff, an organisation-wide Staff Engagement Strategy has been developed in close collaboration with the newly formed Trustee-led HR Advisory Panel and the newly-appointed Head of Marketing and Communications. Implementation of key components, including revised approaches to discussing and sharing information, a newly-introduced video conferencing facility, briefing measures and 'social' calendar dates, is in progress.

To begin the process of understanding, monitoring and responding to staff concerns and morale, in November and December 2014 we carried out the Royal Armouries first ever formal staff survey. Boosted by a 79% response rate, the results were communicated to staff in January and an action-plan formulated with the aid of facilitated focus groups in February.

Finally, a major project to review the pay and grading framework, including band definitions and internal relativity and consistency, was undertaken and delivered internally, with support from colleagues in Prospect, the recognised trade union. The results of the review include much tighter, clearly defined grades and job families, greater internal consistency of posts and their locations within the grade hierarchy. Adjustments to the banding of a number of roles, where deemed necessary, were agreed by Executive Board and Prospect officers. The findings were implemented within year and within budget – a challenge, given the scale of the work involved, including the scrutiny of hundreds of internal and external job descriptions, and vindicated by the relatively small number of appeals outstanding at year end.

## **AIM 10 Efficiency and standards**

This year we have been undertaking a number of initiatives to improve customer service and the visitor environment at Leeds and Fort Nelson. These include the re-organisation of our front of house teams to put the right people in the right posts and improve trading and related customer services. At Leeds and Fort Nelson we have also made numerous upgrades to general site presentation, decorative order, signage, cleaning and visitor facilities.

With regard to efficiency and standards in the realm of IT, we have reduced our staff overheads whilst improving standards of service, reliability and delivery. To improve communication and save travel costs, we have installed high-quality video conferencing technology across all three sites. A programme of server virtualisation also completed in year, is improving reliability of service and provides more cost-effective support.

A particular emphasis has been placed on raising, promoting and applying Health & Safety Standards, leading to significant improvements in compliance, helped greatly by redeployment into the role of Health and Safety Manager from elsewhere within the Operations Department.

Risk management has also received particular attention, with a complete re-write of the Royal Armouries Risk Policy and Strategic Risk Register by the Executive Board. The Register, approved by the Audit Committee, is now being continuously reviewed as part of the refreshed and renewed risk management process.

Meanwhile, a review of policies began in year and has seen a complete re-draft, supported in part by an external consultant, of the museum's policies related to security.

The Royal Armouries Museum recognises that it has a responsibility to the environment beyond that set by legislation. We are committed to reducing our environmental impact, and seeking to improve our performance in this area is as an integral part of our business strategy. To this end we have continued to focus our efforts on reducing the Royal Armouries' carbon footprint through the following initiatives:

- As lightbulbs fail they have been replaced with low-maintenance energy-saving LED fittings.
- Re-tendering the waste management contract following new revised EU Framework Directive in January 2015, with a new specification which sets standards for recycling above those required.

- The refurbishment or replacement of plant and equipment with more energy efficient models and parts.
- The revision of a Display Energy Certificate to promote the energy improvement of public buildings. This shows us to have an energy efficiency rating of D (where A is very efficient and G is very poor).
- The continual development of our Building Management System in managing energy consumption through programming.

### **FUTURE DEVELOPMENT PLANS**

The museum's work in 2015-16 will concentrate on the following aspects of the Corporate Plan:

- Working with the DCMS on the Royal Armouries' approach and response to the next Spending Review.
- The formal launch of the web-enabled public access to the Royal Armouries' collections through the 'Search' function of the new Collections Management System (AIMS 1 & 2).
- The development and publication of the Royal Armouries' Research Plan and the appearance of its first products (AIM 3).
- The drafting of the Royal Armouries' Public Engagement Strategy, informed by an extensive programme of Audience Research (AIMS 4 & 6).
- The opening of the Royal Armouries commemorative exhibitions at Leeds and the Tower of London – *Waterloo: The Art of Battle* (Leeds, 22 May – August 23) and *The Battle of Agincourt* (London, 22 October - 31 January) AIMS 4 & 7.
- The further refinement and extension of the Royal Armouries' education service in response to the National Curriculum (AIM 5).
- The production of a Publishing Strategy for the Royal Armouries and continuation of efforts to replenish the list (AIM 6).

- In order to improve public access to the National Firearms Collection, reach a conclusion on the feasibility of establishing a permanent presence at a more favourable site (AIM 6).
- The development and improvement of Royal Armouries' commercial effort through improving current activities to maximise their income potential, by identifying new products and opportunities, increased sales online and in our shops, and the transformation of the retail offer at Leeds (AIM 8).
- Through the development of the Royal Armouries Fundraising Strategy, and building on this year's success, extend our fundraising activity and its contribution to implementing the Corporate Plan (AIM 8).
- The continued improvement of internal processes, policies and systems, and the increased engagement of Royal Armouries staff with the activities of the museum and planning for its future (AIMS 9 and 10).

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

A register of Trustees' interests is held and this is regularly updated. It is available on request. The Secretary of State for Culture, Media and Sport was appointed principal regulator of the Royal Armouries on 1 June 2010, with the implementation of the relevant provisions under the Charities Act 2006.

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

The fees paid to the National Audit Office (NAO) for audit services for the Museum and Consolidated accounts which are included in Note 6 amounted to £37.5k which was unchanged from last year. The fees paid to Grant Thornton LLP for the provision of audit services for Royal Armouries Trading & Enterprises Ltd amounted to £10k and the fees paid to Volans, Leach and Schofield for the independent examination of Royal Armouries Development Trust amounted to £1k.

## **Royal Armouries Addresses**

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

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Royal Armouries  
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## **List of Royal Armouries Advisers**

### **External Auditors for Royal Armouries**

Comptroller and Auditor General  
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### **Internal Auditors**

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The Lexicon  
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### **Bankers**

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London  
EC2P 2AP

### **Solicitors**

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BS2 0ZX

### **External Auditors for Royal Armouries Trading & Enterprises Ltd**

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### **Investment Advisers to RADT**

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## FINANCIAL REVIEW

### Overview of Financial Position

The financial statements have been prepared in accordance with the Statement of Recommended Practice 2005 (SORP 2005), Accounting and Reporting for Charities and by reference to the Government Financial Reporting manual. In accordance with the SORP, the total amount of grant and other income received for capital projects is included in the Statement of Financial Activities (SOFA) on page 53.

In 2014/15 the Royal Armouries recorded £971k net incoming resources before transfers for general unrestricted funds. In addition, a restricted funds surplus of £8k has been recorded by the Royal Armouries Development Trust. More information on this can be found at note 25 on page 76.

Incoming resources for the period amounted to £9,592k which included Grant-in-Aid amounting to £7,954k. Resources expended amounted to £10,802k, resulting in net outgoing resources of £1,210k (before transfers and revaluations). £1,903k was attributable to depreciation provisions; these were financed from the capital project income credited to designated and restricted funds in previous years.

Visitor levels to the Royal Armouries across all three sites during 2014/15 were 4% higher than both last year and budget. Sponsorship and donations income fell slightly from £267k to £249k with the reduction primarily due to the timing of funded projects. Royal Armouries share of gate income from Historic Royal Palaces has contributed £246k towards the Tower of London operating costs.

Total resources expended included salaries and related employee costs of £4,548k, this being £127k higher than 2013/14. Salary and related employee expenditure accounted for 42.1% of operational cost with depreciation and impairment at £3,047k for 28.2%.

The performance of the group's trading subsidiary, Royal Armouries Trading and Enterprises Ltd, remained constant with a profit of £13k being recorded against a profit of £15k in 2013/14. Actions to grow profitability continue and are supported by a new Head of Commercial Development. Areas of development include a retail refresh, development of the online and digital offering and licensing opportunities.

No charitable donations were made during the year (2013/14: £0) and no grants were awarded (2013/14: £0).

## Balance Sheet

Of the fund balances at 31 March 2015:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £46,667k (2013/14: £45,785k), 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 £6,334k (2013/14: £6,500k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Royal Armouries amounted to £2,069k (2013/14: £1,098k).

By virtue of the National Heritage Act 1983, the Royal Armouries was vested with the property and objects, which formed part of the collection of arms and armour, or were associated with the maintenance or administration of the collection. The value of the collection was not identified in the records passing into the Royal Armouries ownership and the Trustees have determined that the cost of obtaining valuations for the pre 2001 collection is not commensurate to the benefits provided by doing so. In accordance with the Financial Reporting Manual, additions to the collection since 1 April 2001 are capitalized and recognized in the Balance Sheet, at the cost or value of the acquisition. Such items are not depreciated or revalued as a matter of routine. Acquisitions and donations to the value of £152k were capitalised in 2014/15.

The overall level of Debtors has seen a significant reduction of £286k due to the timing of invoicing and payment of regular transactions with two organisations where payment was received before the 31 March this year, but last year the amounts were outstanding. The £119k increase in creditors is due to a greater level of spend in the final month resulting in higher accrual levels pending receipt of the invoice for payment.

Historically, under the terms of its government grant, the Royal Armouries is required to break-even, taking one year with another. A range of museum freedoms measures were introduced in the June 2013 Spending Review which includes some flexibility around carrying forward surpluses and more freely accessing them in future years.

Whilst this gives some flexibility in terms of committing funds in future years, the Royal Armouries is still mindful of not committing funds beyond those available, even though this means that some projects cannot be pursued and others can proceed only as fast as funding permits. It actively pursues other sources of funding for activities that cannot be financed by grant. Nevertheless, the future financial viability of the Royal Armouries is critically dependent on continued government Grant-in-Aid. The funds of the Royal Armouries are adequate to support its future requirements only in the technical sense that commitments are not made beyond the resources available.

### **Reserves Policy**

The policy on reserves is reviewed by the Trustees as part of the annual planning and budget setting process.

The museum freedom measures mean that access to historic reserves is easier and building up reserves from current year operating surpluses to cover anticipated future costs is more practical and relevant.

The Trustees recognise that a General Reserve allows the organisation to deal with short-term fluctuations in income, to provide adequate working capital and to underpin budgetary risk arising from capital expenditure projects.

The Trustees have considered the scale, complexity and risk profile of the Royal Armouries, and taken account of the funding base which consists of Grant-in-Aid from the DCMS and self-generated income. The former has historically been reasonably foreseeable, given that it is subject to a three year funding agreement, but in the current climate the level of this can no longer be assumed. Self-generated income is always liable to fluctuation depending on economic circumstances and visitor activity.

After considering these factors, the Trustees consider that a minimum General Reserve balance of between £500k and £750k should be maintained, representing around six months of operational expenditure not covered by the current level of Grant-in-Aid.

Although the Royal Armouries total reserves at 31 March 2015 are shown as £55 million on the balance sheet, all but the £2,069k of General Reserves and £632k of the Designated Reserves is tied up in restricted funds, fixed assets and the Royal Armouries Development Trust Fund, none of which can be used for other purposes.



The level of accessible reserves has been built up over the last couple of years to cover anticipated capital costs, primarily in respect of the Leeds building.

### **Payment of Creditors**

The Royal Armouries 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 supplier's terms of business. In 2014/15, the Royal Armouries paid approximately 80% (2013/14: 73%) of supplier invoices within the target of 30 days.

Wesley Paul  
Chairman

Date 24 June 2015

Edward Impey  
Accounting Officer

Date 24 June 2015

## **REMUNERATION REPORT**

### **Remuneration Committee**

The membership of the Remuneration Committee is:

Wesley Paul (Chairman)

Hemant Patel

Chris Case

Richard Dannatt

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

The Remuneration Committee reviews and approves the salaries of the Accounting Officer and Directors with reference to any guidance from the Government. At the annual meeting in March it was concluded that the existing salaries were appropriate and should remain unchanged.

Although the 2013 Budget continued to impose a 1% average increase for public sector pay awards, under Museum Freedoms, the Royal Armouries, along with other national museums, are exempt from this restriction.

An internal pay and grading exercise was undertaken during the year to ensure that salaries were consistent across the organisation and in line with external benchmarking. The outcome of the exercise meant that a number of members of staff received pay increases in excess of 1%, whilst those not impacted by the exercise received an increase of 1%. Directors did not receive a pay increase. Overall these pay changes increased the annual paybill by 1.8%.

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

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

## **Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium or classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

For 2014/15 employee contributions were set at rates between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos depending on salary level. From 1 April 2015 the existing pension scheme closed to new entrants and a new Alpha pension scheme was introduced. Most members of the existing schemes transferred into Alpha although a few who were near retirement age or had joined from another public sector employer remained in their existing schemes. Revised employee contribution rates apply to those staff who are now a member of Alpha.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In alpha a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.32% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

### **Cash Equivalent Transfer Value**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pensions Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real Increase in CETV

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

The following disclosures have been audited.

|              | Salary (Annual Equivalent) £'000 |                    | Benefits in kind to nearest £100 ^ |         | Pension Benefit * £'000 |         | Total Remuneration £'000 |         |
|--------------|----------------------------------|--------------------|------------------------------------|---------|-------------------------|---------|--------------------------|---------|
|              | 2014/15                          | 2013/14            | 2014/15                            | 2013/14 | 2014/15                 | 2013/14 | 2014/15                  | 2013/14 |
| E Impey      | 115-120<br>(115-120)             | 50-55<br>(115-120) | 3,100                              | 2,600   | 20-25                   | 40-45   | 140-145                  | 90-95   |
| R Taylor     | 75-80<br>(75-80)                 | 5-10<br>(75-80)    | -                                  | -       | 25-30                   | 0-5     | 100-105                  | 10-15   |
| T Richardson | 65-70<br>(65-70)                 | 10-15<br>(65-70)   | -                                  | -       | 155-160                 | 25-30   | 220-225                  | 40-45   |
| E Carver     | 65-70<br>(65-70)                 | 10-15<br>(65-70)   | -                                  | -       | 15-20                   | 0-5     | 80-85                    | 15-20   |
| M Duncan     | 65-70<br>(65-70)                 | 45-50<br>(65-70)   | -                                  | -       | 20-25                   | 15-20   | 85-90                    | 65-70   |
| F Riley      | 45-50<br>(45-50)                 | 45-50<br>(45-50)   | -                                  | -       | 15-20                   | 15-20   | 60-65                    | 60-65   |

^The benefit in kind relates to the use of flat within the Tower of London. The allocation of a flat to the Royal Armouries is a historical right and the full extent of any potential benefit in kind is still being reviewed and needs to be agreed with HMRC. An estimated value has been disclosed in the table above.

\*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Salary is gross salary only as no overtime or allowances are paid to Directors. No bonuses were paid during 2013/14 or 2014/15. Trustees receive no emoluments however they are reimbursed for legitimate expenses, see note 4b of the financial statements.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The annual equivalent remuneration of the highest paid director in the Royal Armouries in 2014/15 was £115-120k (2013/14 £115-120k). This was 5.82 times (2013/14 5.87) the median remuneration of the workforce, which was £20k (2013/14 £20k). Remuneration includes salary and allowances but does not include employer pension contributions.

|              | <b>Accrued pension at pension age as at 31/3/15 (related lump sum) £'000</b> | <b>Real increase in pension (related lump sum) at pension age £'000</b> | <b>CETV at 31 March 2015 £'000</b> | <b>CETV at 31 March 2014 £'000</b> | <b>Real Increase in CETV £'000</b> |
|--------------|--|---|------------------------------------|------------------------------------|------------------------------------|
| E Impey      | 20-25 (0-5)  | 0-5 (0-5)   | 383                                | 347                                | 18                                 |
| R Taylor     | 0-5 (0-5)  | 0-5 (0-5)   | 21                                 | 2                                  | 12                                 |
| T Richardson | 25-30 (75-80)  | 5-10 (20-25)  | 565                                | 391                                | 154                                |
| E Carver     | 0-5 (0-5)  | 0-5 (0-5)   | 20                                 | 3                                  | 11                                 |
| M Duncan     | 0-5 (0-5)  | 0-5 (0-5)   | 28                                 | 12                                 | 10                                 |
| F Riley      | 0-5 (0-5)  | 0-5 (0-5)   | 55                                 | 37                                 | 13                                 |

There were no changes to the executive team during the year.

Wesley Paul  
Chairman

Date 24 June 2015

Edward Impey  
Accounting Officer

Date 24 June 2015

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

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

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* and in the Statement of Recommended Practice 2005 Accounting and Reporting for Charities have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

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

Wesley Paul  
Chairman

Date 24 June 2015

Edward Impey  
Accounting Officer

Date 24 June 2015

## ROYAL ARMOURIES GOVERNANCE STATEMENT

### Purpose

This statement covers the Royal Armouries governance arrangements for the year ended 31 March 2015 and up to the date the financial statements were approved by the Board of Trustees. The Accounting Officer has responsibility for ensuring that the organisation maintains a sound system of internal control that supports the achievement of the Royal Armouries policies, aims and objectives, whilst safeguarding the public funds and museum assets. The purpose of the Governance Statement is to show how these responsibilities have been carried out in the course of the year.

### Governance Framework

The Strategic direction of the Royal Armouries is set by a Board of non-executive Trustees, who also serve as Trustees of the Charity. One Trustee is appointed by HM The Queen; the Constable of the Tower of London is an *ex-officio* Trustee and the remaining Trustees and Chair are appointed by the Secretary of State for Culture, Media and Sport.

Operational issues and the implementation of strategy are delegated to an Executive Board led by the Director General & Master of the Armouries. On the advice of the Board of Trustees, DCMS appointed the Director General & Master of the Royal Armouries to be the Accounting Officer. Chapter 3 of *Managing Public Money* sets out the responsibilities of an Accounting Officer and these include: personal responsibility for safeguarding the public funds for which they have charge, propriety and regularity in handling public funds and ensuring that the Royal Armouries is run according to the highest standards of governance, decision-making and financial management.

### Control Environment

Significant time and resource has been spent improving the control environment across the organisation over the last couple of years. Key areas of focus in the past 12 months have been:

- Risk Management. As well as the Executive Board continuing to meet on a regular basis over the year to work on embedding risk management across the organisation, during the year the Risk Management policy was significantly revised and approved by the Board of Trustees in December. Risk management remains a standing agenda item for the Audit Committee.



- Health and Safety. An internal audit report early in the year identified a number of fundamental recommendations. In response to this a full health and safety review was carried out across all three sites by an independent health and safety consultant with additional input and oversight from one of the co-opted members of the audit committee who is a specialist in this area. Following the review a comprehensive six month action plan was put in place to address all the points raised. Where applicable high risk activities were suspended until such time as the key areas of concern were rectified.

Under the direction of the Chief Operating Officer and the new Safety and Resilience manager significant progress was made during the course of the year to address the points identified in both the original internal audit and the subsequent independent review. Of the 9 recommendations raised in the initial internal audit report, only one was outstanding at the end of the year. A review of progress by the co-opted committee member has given the Audit Committee and in turn the Board of Trustees additional assurance in this key area.

As part of the overall health and safety framework a revised health and safety policy was developed during the year with input from the co-opted member. The revised policy was approved by the Board of Trustees in January.

- Timely resolution of audit recommendations. At the start of the period there were 25 audit recommendations that had not been implemented. In addition a further 35 were raised from audits carried out over the course of the year. Resolution of these recommendations has been a key focus of the Audit Committee and management. Over the course of the year 34 points were resolved with independent assurance of their resolution being given by the Internal Auditors, leaving 26 outstanding.

Whilst work over the last couple of years has considerably improved key controls, it is recognised that there needs to be a continual process of control review and improvements. This remains a key focus of the Audit Committee and the Executive Board. The main challenges for the coming year are:

- The timely resolution of the 26 audit recommendations outstanding at the start of the year along with any new points raised in audits during the course of the year. Updates on the progress in the implementation of the recommendations will continue to be reported by the Internal Auditors to the Audit Committee and updates on the control environment has also been added as a standing agenda item at Executive Board meetings to ensure any matters are reported and addressed promptly;
- Resolution of the remaining health and safety issues and ensuring that a better culture of health and safety is embedded in the working practices of all employees. This will be supported by a revised training programme.
- Ensuring that any system changes in the year are done with the necessary review and revision of supporting processes and controls. The internal audit programme includes provision for Mazars to provide advice and guidance with this work.

The rolling programme of Internal Audit reviews has been structured to ensure not only that key areas such as finance, HR, payroll, procurement and IT routinely reviewed but also that other areas of concern can be included as necessary such as health and safety.

The Royal Armouries has in place policies and procedures to manage conflicts of interest. At each Board of Trustees and committee meeting all attendees are asked to declare any conflict of interest and the details are recorded in the formal minutes. A register of interests for Trustees and Directors is maintained and updated bi-annually. Potential conflicts of interest are required to be disclosed in advance and where appropriate the individual concerned takes no direct part in the decision making process. Likewise, potential conflicts of interest in the procurement and recruitment processes are required to be disclosed and the individuals should not participate in the decision making process.

## **The Board of Trustees**

The Board met six times in 2014/15, four times at the Royal Armouries site at the Tower of London, and twice at the site at Leeds. The Board considers the information presented to it and where appropriate will request amendments to formats or such additional information as may be required to improve the understanding of the operations and activities of the organisation.

Following the recruitment of five new trustees in March 2014, there have been no changes in the Board membership up to the date of these accounts. Two trustees came to the end of their term of appointment but both had their term extended. At 24 June 2015, the Board comprised the Chairman and 10 Trustees and full details are included on page 4 of this report.

A review of board effectiveness commenced in the year with a review of the Audit Committee. A key point identified in the review was the need to improve the breadth of skills across the committee members. Steps have been taken to address this point, as detailed below.

During the current year it is the intention that the internal auditors will assist with analysing the findings of the Audit Committee review, identifying solutions and facilitating a workshop with Audit committee members to implement the necessary changes. It is then planned to extend the effectiveness review to the full Board of Trustees.

Over the course of the year key topics discussed by the Board included:

- Reports from the Board subcommittees on progress of key issues including audit control points, financial planning, risk and health and safety;
- Operational updates;
- Pay and Grading review;
- Partnership agreement with Historic Royal Palaces;
- Review of overseas strategy and opportunities;
- Medium term financial and business planning;
- Health and Safety;
- Corporate Plan;
- Exhibition programme.

Board Papers are prepared by the Executive Board and circulated at least one week prior to meetings. Regular reports are provided on strategy, policy, governance, financial position, meetings of sub committees and operational issues. The Board considers these to be of an appropriate standard to support detailed discussion, and where relevant supplementary information is provided through verbal update or presentation at the meeting.

Table of attendance at meetings during 2014/15

|                   | Board | Audit | Finance &<br>Capital<br>Development | Research<br>&<br>Education | Remuneration |
|-------------------|-------|-------|-------------------------------------|----------------------------|--------------|
| Wesley Paul       | 6/6   | -     | 5/5                                 | 1/1                        | 1/1          |
| Chris Case        | 5/6   | 5/5   | 4/5                                 | -                          | 1/1          |
| Richard Dannatt   | 5/6   | -     | -                                   | -                          | 0/1          |
| Hemant Patel      | 6/6   | 4/5   | 5/5                                 | -                          | 1/1          |
| Mark Urban        | 4/6   | -     | -                                   | 1/1                        | -            |
| Sebastian Roberts | 3/6   | -     | -                                   | 1/1                        | -            |
| Anne Curry        | 5/6   | -     | -                                   | 0/1                        | -            |
| Andrew Burnett    | 4/6   | -     | -                                   | 1/1                        | -            |
| Christine Mayer   | 5/6   | -     | -                                   | -                          | -            |
| Deborah Mills     | 5/6   | -     | 1/3                                 | -                          | -            |
| Jason Kingsley    | 6/6   | -     | -                                   | 1/1                        | -            |
| Andrew Broome*    | -     | 3/5   | -                                   | -                          | -            |
| Catherine Hall*   | -     | 2/3   | -                                   | -                          | -            |
| Rhidian Lewis*    | -     | 0/0   | -                                   | -                          | -            |

\*Andrew Broome, Catherine Hall and Rhidian Lewis are independent co-opted members of the Audit Committee and as such only attend that committee.

### Committees of the Board

The Board has established a number of Committees to provide support and monitoring on matters of risk, control and governance. These Committees are Remuneration; Finance and Capital Development; Research and Education (to 25.09.14); and Audit. Following the Governance audit, work has started on reviewing the terms of reference of the Board and all the committees. The first output from the review was to cease the Research & Education committee and replace it with the Cultural Programme Forum, with its own terms of reference, and open to any member of staff. This change was made as it was felt that any discussion and decisions on these topics would benefit by having as wider a range of participants as possible. In addition the first steps have been taken in introducing an annual work programme.

### *Remuneration Committee*

The Remuneration Committee reviews the salaries of the Accounting Officer and Directors. The Committee met in March 2015 and concluded that the existing salaries were appropriate and should remain unchanged.

### *Finance and Capital Development Committee*

This committee has responsibility for reviewing the annual budget, quarterly re-forecasts, the outturn and all capital projects and income generating ventures valued at more than £50,000. The Accounting Officer, Finance Director, Chief Operating Officer and Public Engagement Director routinely attend the meetings.

### *Research and Education Committee*

This committee was created to act as the *think tank* for the cultural policy of the museum. Prior to being disbanded in September as detailed above, the Accounting Officer, Deputy Master, Public Engagement Director and senior Curators routinely attended the meetings of this committee. They continue to attend the Cultural Programme Forum.

### *Audit Committee*

The Board of Trustees has delegated authority to the Audit Committee for reviewing the integrity of the annual report and accounts, together with the effectiveness of the system of internal control and risk management systems. Specific duties include working with the external auditors to consider the nature and scope of the audit together with its outcomes, cost effectiveness and the audit fee. The Audit Committee will also review and discuss with management and auditors the financial statements including Accounting Policies, significant judgements and estimates and compliance with relevant financial reporting standards. Finally, the Audit Committee reviews and comments on the Governance Statement and the appointment of Internal Auditors, together with the scope of their work and its outcomes.

Whilst the existing committee members had a diverse mix of skills including finance, governance, risk, commercial trading, and health and safety matters, the effectiveness review identified that key areas around building services, contracts and IT were not covered. In response to this two additional co-opted committee members were recruited and a further co-opted member with IT skills is being sought.

The Accounting Officer, Chief Operating Officer, Finance Director and the internal and external auditors routinely attend the meetings.

Previously the Chairman of the Royal Armouries also attended meetings, although not formally a member of the committee. This attendance was part of the greater oversight from the Board in response to the previous assessment that the level of inherent risk was at a higher level than was considered appropriate. In light of the improvement in controls over the last couple of years and the associated reduction in the level of risk, the Chairman of the Royal Armouries has ceased attending Audit Committee meetings.

The committee has received and reviewed reports and presentations from management, internal and external auditors to fulfil its term of reference. In particular the committee considered:

- Accounting principles, policies and procedures adopted in the financial statements and the accounting issues dealt with in the accounts;
- External audit planning document, the detailed findings following audit and recommendations therein;
- Areas covered by internal audit during 2014/15 which included Health and Safety, Procurement, Trading Subsidiary, Key Financials Controls, Acquisition Committee, Core HR Controls and Payroll and Expenses;
- Implementation of recommendations from current and prior year audits;
- Policies due for renewal;
- The risk registers and processes being undertaken to embed effective risk management across the organisation.

A report from Audit Committee has been adopted as a standing item on the Board Agenda to ensure that matters of risk and control receive the appropriate attention.

### **Royal Armouries Trading and Enterprises Ltd**

Royal Armouries Trading and Enterprises Ltd (RATE) is a wholly owned subsidiary of the Royal Armouries and is managed by a Board of Directors with relevant skills and experience including sales, finance and marketing. The objectives of RATE are set out in its Memorandum and Articles of Association and its Statutory Accounts are approved by the Board of RATE and subject to external audit Grant Thornton UK LLP.

A number of measures are in place to provide assurance to the Accounting Officer that RATE is operating in accordance with the best interests of the Royal Armouries. These include a Service Level Agreement which is reviewed and approved annually and Trustees who serve on both Boards. In addition, the Accounting Officer is also appointed as a Director of RATE and attends Board meetings in that capacity together with a senior member of the Royal Armouries finance team.

The RATE business plan is agreed with the Royal Armouries Board of Trustees and there are regular updates to the Royal Armouries Board of Trustees on the financial performance of RATE activities and the anticipated financial contribution for the year.

Trading conditions remained challenging during 2014/15 and although a weaker than anticipated attendance at a joint summer event resulted in a loss which reduced the overall profit to £13k. This remains below the level of profit targeted by the Trustees and Executive. Steps continue to be taken to improve the overall profitability including:

- Appointment of a Chief Operating Officer with extensive commercial experience and the recruitment of a new Head of Commercial Development;
- Structured matrix assessment of growth opportunities that took into consideration return, risk and effort of various initiatives and identified the areas of initial prioritisation over the next 12 months;
- An end to end review of the current retail offering including the overall strategy, range of products, online offering, staffing structure and physical layouts;
- Development of image licencing opportunities;
- Development of training opportunities offered by the NFC;
- Development of publication offering including new guidebooks and mini guides.

### **Executive Board**

The team supporting the Accounting Officer comprises:

Chief Operating Officer  
Deputy Master  
Public Engagement Director  
Finance Director  
Head of National Firearms Centre

The Executive Board, which generally meets weekly, is responsible for keeping under review all controls, policies and procedures and in particular to ensure at an operational level that the organisation complies with changes in the law or with instructions and guidance from the sponsoring departments, H.M. Treasury and the Charity Commission.

The new Corporate Plan was approved by the Trustees and was subsequently published both internally and externally. The delivery of the Corporate Plan is being facilitated by the development of a Corporate Action Plan that aims to identify dependencies between work streams, plot milestones and highlight resource constraints. Ultimately the plan should allow for a structured, balanced and successful delivery of the Corporate Plan.

## **System of Internal Control**

The Accounting Officer and the Board of Trustees are responsible for setting a system of internal control and reviewing its effectiveness and the Executive Board is responsible for implementing and maintaining the system of controls. This system is designed to manage rather than eliminate the risk of failing to achieve aims, objectives and policies; it therefore provides reasonable but not absolute assurance of effectiveness.

A corporate risk register is maintained centrally along with individual departmental registers which are held and maintained by departments. The new Executive Board are reviewing and improving the departmental registers. All of the registers are maintained in the same template format, with common classifications. The corporate register and key changes to departmental registers are reviewed and discussed at regular risk management meetings attended by the Executive Board and other members of staff as appropriate. The corporate risk register is also reviewed by the Audit Committee.

Where significant risks are recognised and accepted, potential impacts are identified and appropriate mitigating actions put in place. The key areas identified in our strategic risk register are:

- Continued pressure on public sector funding.  
Anticipated future cuts will put pressure on the financial position of the organisation. Despite the sign of improvement in the overall economic situation, the outlook for the next spending review is equally tough. In response, the Royal Armouries has continued to develop commercial opportunities, explore "new model" opportunities, identify areas of cost saving and explore fundraising opportunities for exhibitions.
- Attracting and retaining a skilled workforce.  
In recent years the Public Sector pay freeze has had an impact on staffing. The introduction of Museum Freedoms and the exemption from the 1% increase cap meant the issue of pay and grading could begin to be addressed during the year. Whilst the initial exercise has been completed, financial constraints mean that not all desirable elements could be addressed in year and will ideally be addressed over the next couple of years.



- Project management

It is recognised that a robust project management process is required that ensures not only that projects are adequately planned, managed and delivered, but that risks are identified, updates are given when appropriate and ultimately post project review are carried out to identify lessons learned. The Chief Operating Officer has been developing a suitable project management framework which will shortly be rolled out across the organisation.

### **Independent Assurance**

The Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control and the review is informed by the work of the internal auditors and the executive directors who have responsibility for the development and maintenance of the internal control framework, and also by comments made by the external auditors in their management letter and other reports.

In order to provide the assurance necessary to support completion of this Governance Statement, the Accounting Officer has taken into account the reports provided by the Internal Auditor; the minutes of Trustee and Committee meetings; discussions with the Chair of Audit Committee and other long serving Trustees together with the information provided by the current Executive Board; a detailed review of the Management Accounts and the remedial actions described above to address the identified control weaknesses.

Internal Audit for 2014/15 was provided under contract by Mazars, who undertook specific audits and gave an opinion on the effectiveness of internal controls on the following areas:

|                           | <b>OPINION</b> |
|---------------------------|----------------|
| • Health and Safety       | Limited        |
| • Procurement             | Adequate       |
| • Trading Subsidiary      | Limited        |
| • Key Financials Controls | Adequate       |
| • Acquisition Committee   | Adequate       |
| • Core HR Controls        | Adequate       |
| • Payroll and Expenses    | Substantial    |

They also provided assurance to the Audit Committee on the implementation of both internal and external audit recommendations including outstanding points from prior years.

In their Annual Report Mazars concluded that, on the basis of our audit work, they considered that the Royal Armouries' governance, risk management and internal control arrangements were generally adequate and effective. They noted that certain weaknesses and exceptions were highlighted by their audit work, some of which were fundamental in nature, but that these matters had been discussed with management, a number of recommendations made and that they had been or were in the process of being addressed.

Overall, the view of the Board of Trustees and Accounting Officer is that the governance, risk management and internal control have been adequate to allow the Royal Armouries to continue its usual operations. Improvements to processes and controls across key areas such as in HR, IT Finance and Health and Safety have made them fit for purpose. Resolution of these issues means that the status of internal control and the level of inherent risk have reduced to a level that is considered appropriate by the Audit Committee and the Board of Trustees.

### **Compliance with the Corporate Governance Code**

Changes in recent years mean that the Royal Armouries generally complies with the intentions of the 'Corporate governance in central government departments: Code of good practice 2011', in so far as it is relevant for an NDPB.

The key area the Board of Trustees and Management is continuing to address is the establishment of a formal process of rigorous evaluation of the Board's own performance on an annual basis. The process has started with an evaluation of the Audit Committee and is being support by a sub group of trustees that has been set to review the whole corporate governance regime, deliver recommendations and oversee their implementation.

### **Data and Information Security Management**

The Royal Armouries has an information management strategy with which all staff must comply. The Royal Armouries Head of Archives and Records Management acts as the Departmental Records Officer, Freedom of Information Officer and Data Controller. The Royal Armouries Finance Director has been designated as the Senior Information Risk Owner and Freedom of Information champion. Particular focus for 2014/15 was the establishment of the new collections management systems and data storage.

The Royal Armouries has reviewed the status of information and data security during the year to ensure that information is correctly managed and safeguarded. These are contained in the Royal Armouries Records and Information Management Policy and the Information Security Policy.

There were no protected personal data related incidents reportable to the Information Commissioner's Office in 2014/15.

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

Edward Impey  
Accounting Officer

Date 24 June 2015

Wesley Paul  
Chairman

Date 24 June 2015

Chris Case  
Chairman, Audit Committee

Date 24 June 2015

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

I certify that I have audited the financial statements of the Board of Trustees of the Royal Armouries for the year ended 31 March 2015 under the under the National Heritage Act 1983. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of the Trustees' and the Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Heritage Act 1983. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Board of Trustees of the Royal Armouries' affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Heritage Act 1983 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Heritage Act 1983; and
- the information given in the sections headed Structure, Governance and Management, Future Development Plans, Reference and Administration Details of the Charity, its Trustees and Advisors and the Financial Review included within the Trustees' and Accounting Officers Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

### **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date**     **30 June 2015**

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

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2015

|   | Notes | Unrestricted funds |              | Restricted funds | Total funds     | Total funds    |
|---|-------|--------------------|--------------|------------------|-----------------|----------------|
|   |       | General            | Designated   |                  | 2014/15         | 2013/14        |
|   |       | £000               | £000         | £000             | £000            | £000           |
| <b>Incoming resources</b>   |       |                    |              |                  |                 |                |
| <b>Incoming resources from generated funds</b>                                      |       |                    |              |                  |                 |                |
| Voluntary Income  |       |                    |              |                  |                 |                |
| Grant-in-Aid  | 2     | 7,332              | 622          | -                | 7,954           | 7,620          |
| Grant DCMS / Wolfson  |       | -                  | -            | 60               | 60              | -              |
| Other voluntary income  |       | 27                 | -            | 162              | 189             | 267            |
| Share of HRP gate income  | 3     | 246                | -            | -                | 246             | 247            |
| Activities for generating funds   |       |                    |              |                  |                 |                |
| Income from trading activities  |       | 720                | -            | -                | 720             | 546            |
| Conservation income   |       | 2                  | -            | -                | 2               | 3              |
| Investment Income   |       | 6                  | -            | 5                | 11              | 11             |
| <b>Incoming resources from charitable activities</b>                                |       |                    |              |                  |                 |                |
| Events income   |       | 189                | -            | -                | 189             | 231            |
| Educational income  |       | 46                 | -            | -                | 46              | 48             |
| Other operating income  |       | 158                | -            | 17               | 175             | 147            |
| <b>Total incoming resources</b>   |       | <u>8,726</u>       | <u>622</u>   | <u>244</u>       | <u>9,592</u>    | <u>9,120</u>   |
| <b>Resources expended</b>   |       |                    |              |                  |                 |                |
| <b>Costs of generating funds</b>  |       |                    |              |                  |                 |                |
| Costs of generating voluntary income  | 4     | (240)              | -            | -                | (240)           | (281)          |
| Fundraising trading: costs of goods and services                                    | 4     | (1,136)            | (22)         | (73)             | (1,231)         | (982)          |
| <b>Charitable activities</b>  |       |                    |              |                  |                 |                |
| Care of the collection  | 4     | (2,491)            | (174)        | (585)            | (3,250)         | (3,017)        |
| Education   | 4     | (522)              | (49)         | (165)            | (736)           | (599)          |
| Visitor experience  | 4     | (3,199)            | (447)        | (1,531)          | (5,177)         | (4,323)        |
| <b>Governance costs</b>   | 4     | (98)               | -            | (1)              | (99)            | (91)           |
| <b>Other outgoing resources</b>   |       |                    |              |                  |                 |                |
| Redundancy costs and holiday pay  | 4     | (69)               | -            | -                | (69)            | (95)           |
| <b>Total resources expended</b>   |       | <u>(7,755)</u>     | <u>(692)</u> | <u>(2,355)</u>   | <u>(10,802)</u> | <u>(9,388)</u> |
| <b>Net incoming / (outgoing) resources before transfers</b>                         |       | 971                | (70)         | (2,111)          | (1,210)         | (268)          |
| Transfers between funds   |       | -                  | (135)        | 135              | -               | -              |
| <b>Net incoming / (outgoing) resources before other recognised gains / (losses)</b> |       | 971                | (205)        | (1,976)          | (1,210)         | (268)          |
| (Loss) / Gain on revaluation of investments   |       | -                  | -            | 6                | 6               | (15)           |
| (Loss) / Gain on revaluation of assets  |       | -                  | 39           | 2,852            | 2,891           | (140)          |
| <b>Net movement of funds</b>  |       | <b>971</b>         | <b>(166)</b> | <b>882</b>       | <b>1,687</b>    | <b>(423)</b>   |
| Fund balances as at 1 April 2014  |       | 1,098              | 6,500        | 45,785           | 53,383          | 53,806         |
| <b>Fund balances as at 31 March 2015</b>  |       | <u>2,069</u>       | <u>6,334</u> | <u>46,667</u>    | <u>55,070</u>   | <u>53,383</u>  |

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 56 to 77 form an integral part of these accounts.

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

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2015**

|  | Notes | 2014/15       |               | 2013/14       |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | Group         | Museum        | Group         | Museum        |
|  |       | £000          | £000          | £000          | £000          |
| <b>Fixed Assets</b>                          |       |               |               |               |               |
| Intangible Assets                            | 7     | 22            | 22            | 11            | 11            |
| Tangible Assets                              | 8     | 49,479        | 49,466        | 49,132        | 49,116        |
| Heritage Assets                              | 9     | 2,714         | 2,714         | 2,562         | 2,562         |
| Investments                                  | 12    | 137           | -             | 126           | -             |
| Investments in Subsidiary                    | 13    | -             | 150           | -             | 150           |
|  |       | <u>52,352</u> | <u>52,352</u> | <u>51,831</u> | <u>51,839</u> |
| <b>Current Assets</b>                        |       |               |               |               |               |
| Stocks                                       | 14    | 64            | -             | 57            | -             |
| Debtors                                      | 15    | 348           | 440           | 634           | 686           |
| Cash at Bank and in Hand                     |       | 3,401         | 3,208         | 1,837         | 1,665         |
|  |       | <u>3,813</u>  | <u>3,648</u>  | <u>2,528</u>  | <u>2,351</u>  |
| <b>Creditors</b>                             |       |               |               |               |               |
| Amounts falling due within one year          | 16    | (1,032)       | (974)         | (913)         | (830)         |
|  |       | <u>2,781</u>  | <u>2,674</u>  | <u>1,615</u>  | <u>1,521</u>  |
| <b>Net Current Assets</b>                    |       |               |               |               |               |
|  |       | <u>55,133</u> | <u>55,026</u> | <u>53,446</u> | <u>53,360</u> |
| <b>Total Assets less Current Liabilities</b> |       |               |               |               |               |
| Provision for Liabilities and Charges        | 17    | (63)          | (63)          | (63)          | (63)          |
|  |       | <u>55,070</u> | <u>54,963</u> | <u>53,383</u> | <u>53,297</u> |
| <b>Net Assets</b>                            |       |               |               |               |               |
| <b>Represented by</b>                        |       |               |               |               |               |
| <b>Income Funds</b>                          |       |               |               |               |               |
| Restricted Reserves                          | 21    | 46,667        | 46,500        | 45,785        | 45,626        |
| Unrestricted Reserves                        |       |               |               |               |               |
| Designated funds                             | 21    | 6,334         | 6,334         | 6,500         | 6,500         |
| General                                      | 21    | 2,069         | 2,129         | 1,098         | 1,171         |
|  |       | <u>55,070</u> | <u>54,963</u> | <u>53,383</u> | <u>53,297</u> |

The notes on pages 56 to 77 form an integral part of these accounts.

The financial statements of pages 53 to 55 were approved by the Board of Trustees and were signed on their behalf by:

Edward Impey  
Accounting Officer

Date 24 June 2015

Wesley Paul  
Chairman

Date 24 June 2015



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

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015**

|   | Notes | <b>2014/15</b>      | 2013/14        |
|---|-------|---------------------|----------------|
|   |       | <b>£000</b>         | £000           |
| Net cash (outflow) / inflow from operating activities | 22    | <b>2,337</b>        | (192)          |
| Returns on investment and servicing of finance        | 22    | <b>11</b>           | 11             |
| Capital expenditure and financial investment          | 22    | <b>(784)</b>        | (1,009)        |
| (Decrease) / Increase in cash                         |       | <b><u>1,564</u></b> | <u>(1,190)</u> |

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

The notes on pages 56 to 77 form an integral part of these accounts.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 Accounting policies**

#### **1.1 Basis of accounting**

These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the required valuation methods for financial instruments. The accounts comply with the Charities SORP 2005, applicable accounting standards, and the requirements of the Companies Act 2006 and HM Treasury's Financial Reporting Manual. The accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, a copy of which can be obtained from the Royal Armouries.

The consolidated financial statements incorporate those of the Royal Armouries Development Trust and Royal Armouries Trading & Enterprises Ltd. Arms and Armour Heritage Trust is not consolidated into the Group Accounts as they are independent of the Royal Armouries.

All financial statements are made up to 31 March 2015. The consolidation has been carried out on a line by line basis.

#### **1.2 Fundamental accounting concept**

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 over the next 12 months, is adequate to meet known and reasonably foreseeable circumstances likely to arise in that period. 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 comprise all the resources incurred in undertaking its work to meet its charitable objectives. Such costs include those incurred on conserving and managing the collection, providing an educational and interpretation programme and all costs associated with customer service.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1 Accounting policies (continued)

#### 1.5 Fund accounting

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

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The use of the designated funds is set out in the Note 21 to the accounts on page 72.

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

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

#### 1.6 Intangible fixed assets

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

#### 1.7 Tangible fixed assets

In line with Treasury guidance and FRS15, the buildings were professionally valued at depreciated replacement cost in March 2014 and the remaining lives adjusted accordingly.

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

|                                |   |
|--------------------------------|---|
| Buildings                      | 14 years, 29 years, 42 years & 43 years |
| Plant & machinery              | 10 years, 14 years & 22 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. 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.

#### 1.8 Heritage fixed assets

The Royal Armouries is the National Museum of Arms and Armour and has one of the largest collections of arms and armour in the world which comprises the National Collection of Arms and Armour, National Artillery Collection and National Firearms Centre. It is also the keeper of the Tower of London history.

The collection of heritage assets is held to support the Royal Armouries' charitable objectives defined in the National Heritage Act 1983 including; the care and preservation of the collection; increasing knowledge, understanding and appreciation of the collection; upkeep of records relating to the collection and Tower of London.

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

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

#### **1.8 Heritage fixed assets (continued)**

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

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

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

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

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

#### **1.9 Stock**

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

#### **1.10 Pensions**

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

#### **1.11 Operating leases**

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

#### **1.12 Taxation**

Any cumulative trading profits generated through Royal Armouries Trading & Enterprises Ltd are paid to the parent under Gift Aid and the levels of non-primary purpose trading remaining in the main charity are such that no corporation tax provision has been made.

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

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

#### **1.13 Grants**

The consent of the Secretary of State for Culture, Media and Sport is required before the Board of Trustees of the Royal Armouries award any grants. The grants are recognised in the Financial Statements once the recipient Trust has accepted the terms and conditions attached to the grant in writing.

#### **1.14 Financial Instruments**

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

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

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

All financial liabilities are recorded at amortised cost.

#### **1.15 Provisions**

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

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

The financial statements include an accrual for outstanding holiday pay due to employees as at 31 March 2015. The movement on the accrual is included in note 4 to the Financial Statements.

#### **1.17 Investment in Subsidiary**

In the Museum accounts the investment in its subsidiary undertaking, Royal Armouries Trading & Enterprises Ltd is stated at cost.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Grant-in-Aid

Grant-in-Aid received in 2014/15 was £7,954,000 (2013/14: £7,620,000). 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 £487k (2013/14: £710k) has been designated by the Trustees for the purposes of capital projects. The sum of £135k (2013/14: £190k) has been designated by the Trustees for the purposes of collection purchases.

### 3. Share of gate income generated at the Tower of London

|                        | 2014/15<br>£000 | 2013/14<br>£000 |
|------------------------|-----------------|-----------------|
| Historic Royal Palaces | <u>246</u>      | <u>247</u>      |

### 4. Total resources expended

|   | Staff<br>costs<br>£000 | Other<br>direct<br>costs<br>£000 | Impairment,<br>Depreciation<br>& Disposals<br>£000 | Allocated<br>Support<br>Cost<br>£000 | 2014/15<br>£000 | 2013/14<br>£000 |
|---|------------------------|----------------------------------|--|--------------------------------------|-----------------|-----------------|
| <b>Direct Costs</b>                         |                        |                                  |  |                                      |                 |                 |
| Cost of generating funds                    |                        |                                  |  |                                      |                 |                 |
| Cost of generating voluntary income         | 150                    | 44                               | -  | 46                                   | 240             | 281             |
| Fund raising: cost of goods and other costs | 297                    | 536                              | 98   | 300                                  | 1,231           | 982             |
| Charitable activities                       |                        |                                  |  |                                      |                 |                 |
| Care of the collection                      | 1,221                  | 158                              | 758  | 1,113                                | 3,250           | 3,017           |
| Education                                   | 211                    | 48                               | 214  | 263                                  | 736             | 599             |
| Visitor Services                            | 854                    | 459                              | 1,979  | 1,885                                | 5,177           | 4,323           |
| Governance                                  | -                      | 99                               | -  | -                                    | 99              | 91              |
| Redundancy / Early retirement / Holiday pay | 69                     | -                                | -  | -                                    | 69              | 95              |
|   | <u>2,802</u>           | <u>1,344</u>                     | <u>3,049</u>                                       | <u>3,607</u>                         | <u>10,802</u>   | <u>9,388</u>    |
| <b>Support Costs</b>                        |                        |                                  |  |                                      |                 |                 |
| Directorate                                 | 654                    | 260                              | -  | (914)                                |                 |                 |
| Administrative support                      | 342                    | 311                              | -  | (653)                                |                 |                 |
| Shared services                             | 750                    | 1,290                            | -  | (2,040)                              |                 |                 |
|   | <u>1,746</u>           | <u>1,861</u>                     | <u>-</u>   | <u>(3,607)</u>                       |                 |                 |
|   | <u>4,548</u>           | <u>3,205</u>                     | <u>3,049</u>                                       | <u>-</u>                             |                 |                 |

### Governance costs

|                                    | 2014/15<br>£000 | 2013/14<br>£000 |
|------------------------------------|-----------------|-----------------|
| Trustee expenditure                | 17              | 17              |
| Fees paid to auditors (see note 6) | 82              | 74              |
|                                    | <u>99</u>       | <u>91</u>       |

### 4a Staff Costs

|   | 2014/15<br>£000 | 2013/14<br>£000 |
|---|-----------------|-----------------|
| Salaries and wages                                      | 3,511           | 3,300           |
| Agency staff  | 136             | 287             |
| National Insurance contributions                        | 231             | 222             |
| Superannuation  | 596             | 517             |
| Early retirement costs                                  | 35              | 35              |
| Movement on provisions (see note 17)                    | (30)            | (96)            |
| Redundancy costs  | 40              | 191             |
| Holiday pay (see note 1.16 to the financial statements) | 29              | (35)            |
|   | <u>4,548</u>    | <u>4,421</u>    |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total resources expended (continued)

Total spend on contingent labour is disclosed under the heading 'agency staff'. During the year there were no off-payroll engagements for more than £220 per day that had lasted longer than six months (2013/14: Nil).

There was 1 redundancy during the year. (2013/14: 2).

| Exit package cost band               | Number of compulsory redundancies |         | Number of other departures agreed |         | Total number of exit packages by cost band |         |
|--------------------------------------|-----------------------------------|---------|-----------------------------------|---------|--|---------|
|                                      | 2014/15                           | 2013/14 | 2014/15                           | 2013/14 | 2014/15                                    | 2013/14 |
| <£10,000                             | -                                 | -       | -                                 | -       | -  | -       |
| £10,000 - £25,000                    | -                                 | -       | -                                 | -       | -  | -       |
| £25,000 - £50,000                    | -                                 | -       | 1                                 | -       | 1  | -       |
| £50,000-£100,000                     | -                                 | -       | -                                 | 2       | -  | 2       |
| <b>Total number of exit packages</b> | -                                 | -       | 1                                 | 2       | 1  | 2       |
| <b>Total resource cost (£0,000)</b>  | -                                 | -       | 40                                | 159     | 40   | 159     |

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

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

|   | Group and Museum |            |
|---|------------------|------------|
|   | 2014/15          | 2013/14    |
| Cost of generating voluntary funds        | 4                | 5          |
| Fundraising: cost of goods sold and other | 18               | 19         |
| Care of the collection                    | 53               | 51         |
| Education                                 | 11               | 9          |
| Visitor Experience                        | 61               | 61         |
|   | <u>147</u>       | <u>145</u> |

#### Director General & Master of the Armouries

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

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

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

|                     | 2014/15 | 2013/14 |
|---------------------|---------|---------|
| £60,001 - £70,000   | 3       | -       |
| £70,001 - £80,000   | 1       | -       |
| £110,001 - £120,000 | 1       | -       |

The 2013/14 comparative correctly shows no employee earning above £60,000 during the year. This is because changes in the executive team during 2013/14 meant that all senior members of staff were only paid for a part year and none of these payments exceed £60,000.

#### Pension Scheme

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total resources expended (continued)

The Principal Civil Service Pension Scheme (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. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2014/15, employers' contributions of £595k were payable to the PCSPS (2013/14: £517k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014/15 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 £1k (2013/14: £0k) 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 of £0k, 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.

As at the balance sheet date there were one current employee contributing to a **partnership** pension and there were contributions of £0k (13/14:£0k) due to the **partnership** pension providers at the balance sheet date and no prepaid contributions at that date.

### 4b. Trustees

No member of the Board of Trustees of the Royal Armouries received any emoluments during the year. Ten Royal Armouries Trustees, 2 co-opted members of the Audit Committee and one Director of Royal Armouries Trading & Enterprises Ltd were reimbursed for their travel and subsistence expenses during the year, which amounted to £16,811 (2013/14: Seven Royal Armouries Trustees, two Royal Armouries Development Trust Trustees and three Directors of Royal Armouries Trading & Enterprises Ltd were reimbursed for their travel and subsistence expenses during the year, which amounted to £17,262).

### 5. Grants Awarded

The consent of the Secretary of State for Culture, Media and Sport is required before the Board of Trustees of the Royal Armouries award any grants. No grants were awarded in the current year (2013/14 £0). Any grant awarded during the year is shown as a cost within Charitable Activities section of the Statement of Financial Activities.

Grants falling due under one year

|                                  | <b>Group</b>   |         |
|----------------------------------|----------------|---------|
|                                  | <b>2014/15</b> | 2013/14 |
|                                  | <b>£000</b>    | £000    |
| Commitment as at 1 April         | <b>20</b>      | 905     |
| Grants awarded during the year   | -              | -       |
| Grants settled during the year   | -              | (885)   |
| <b>Commitment as at 31 March</b> | <b>20</b>      | 20      |

Grants falling due under one year

|                                  | <b>Museum</b>  |         |
|----------------------------------|----------------|---------|
|                                  | <b>2014/15</b> | 2013/14 |
|                                  | <b>£000</b>    | £000    |
| Commitment as at 1 April         | -              | 885     |
| Grants awarded during the year   | -              | -       |
| Grants settled during the year   | -              | (885)   |
| <b>Commitment as at 31 March</b> | <b>-</b>       | -       |



## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

|  | 2014/15<br>£000 | 2013/14<br>£000 |
|--|-----------------|-----------------|
| Net incoming resources is stated after charging: |                 |                 |
| Operating lease rentals                          | 378             | 383             |
| External auditor for audit work                  | 49              | 54              |
| External auditor for non-audit work              | 1               | 0               |
| Internal Auditor                                 | 32              | 20              |
| Legal services                                   | 18              | 62              |
| Travel and subsistence costs                     | 179             | 151             |
| Loss on disposal of fixed assets                 | 2               | 40              |

All auditors' remuneration was in respect of audit work with the exception of £1,250 that was paid to Grant Thornton for the tax compliance work in relation to Royal Armouries Trading & Enterprises Ltd. £37,500 (2013/14: £37,500) was charged by the National Audit Office on behalf of the Comptroller and Auditor General for the audit of the Royal Armouries, £9,750 was charged by Grant Thornton for the audit of Royal Armouries Trading & Enterprises Ltd (2013/14: £15,500 charged by the National Audit Office) and £1,200 (2013/14: £1,200) by Volans, Leach and Schofield for the audit of the Royal Armouries Development Trust.

There were no resources expended on 'advisory consultancy' during the year (2014: nil), with all consultancy falling within the 'business-as-usual' environment and being classified as 'operational consultancy'.

### 7. Intangible Fixed assets (Group and Museum)

|   | Website<br>Development<br>£000 | Software<br>Licences<br>£000 | Total<br>£000 |
|---|--------------------------------|------------------------------|---------------|
| Cost as at 1 April 2014                 | 100                            | 115                          | 215           |
| Additions                               | -                              | 21                           | 21            |
| Disposals                               | (59)                           | (38)                         | (97)          |
| <b>Cost as at 31 March 2015</b>         | <b>41</b>                      | <b>98</b>                    | <b>139</b>    |
| Amortisation as at 1 April 2014         | 89                             | 115                          | 204           |
| Amortisation during year                | 10                             | -                            | 10            |
| Disposals                               | (59)                           | (38)                         | (97)          |
| <b>Amortisation as at 31 March 2015</b> | <b>40</b>                      | <b>77</b>                    | <b>117</b>    |
| <b>Net Book Value at 31 March 2015</b>  | <b>1</b>                       | <b>21</b>                    | <b>22</b>     |
| Net Book Value at 31 March 2014         | 11                             | -                            | 11            |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. Tangible Fixed assets

| Cost                                   | Group                                |                   |                                |   | Total<br>£000  |
|--|--------------------------------------|-------------------|--------------------------------|---|----------------|
|  | Assets under<br>Construction<br>£000 | Buildings<br>£000 | Plant and<br>Machinery<br>£000 | Fixtures<br>Fittings and<br>Equipment<br>£000 |                |
| As at 1 April 2014                     | 132                                  | 41,063            | 5,366                          | 6,141   | <b>52,702</b>  |
| Additions                              | -                                    | -                 | -                              | 495   | <b>495</b>     |
| Disposals                              | -                                    | -                 | -                              | (137)   | <b>(137)</b>   |
| Transfer                               | (132)                                | -                 | -                              | 132   | -              |
| Impairment                             | -                                    | (1,144)           | -                              | -   | <b>(1,144)</b> |
| Revaluations                           | -                                    | 2,868             | 26                             | 32  | <b>2,926</b>   |
| <b>As at 31 March 2015</b>             | -                                    | <b>42,787</b>     | <b>5,392</b>                   | <b>6,663</b>                                  | <b>54,842</b>  |
| <b>Depreciation</b>                    |                                      |                   |                                |   |                |
| As at 1 April 2014                     | -                                    | 211               | 83                             | 3,276   | <b>3,570</b>   |
| Charge for the year                    | -                                    | 1,073             | 261                            | 559   | <b>1,893</b>   |
| Disposals                              | -                                    | -                 | -                              | (135)   | <b>(135)</b>   |
| Revaluation                            | -                                    | 15                | 1                              | 19  | <b>35</b>      |
| <b>As at 31 March 2015</b>             | -                                    | <b>1,299</b>      | <b>345</b>                     | <b>3,719</b>                                  | <b>5,363</b>   |
| <b>Net Book Value at 31 March 2015</b> | -                                    | <b>41,488</b>     | <b>5,047</b>                   | <b>2,944</b>                                  | <b>49,479</b>  |
| Net Book Value at 31 March 2014        | 132                                  | 40,852            | 5,283                          | 2,865   | 49,132         |
| Cost                                   | Museum                               |                   |                                |   | Total<br>£000  |
|  | Assets under<br>Construction<br>£000 | Buildings<br>£000 | Plant and<br>Machinery<br>£000 | Fixtures<br>Fittings and<br>Equipment<br>£000 |                |
| As at 1 April 2014                     | 132                                  | 41,063            | 5,366                          | 6,125   | <b>52,686</b>  |
| Additions                              | -                                    | -                 | -                              | 495   | <b>495</b>     |
| Disposals                              | -                                    | -                 | -                              | (137)   | <b>(137)</b>   |
| Transfer                               | (132)                                | -                 | -                              | 132   | -              |
| Impairment                             | -                                    | (1,144)           | -                              | -   | <b>(1,144)</b> |
| Revaluations                           | -                                    | 2,868             | 26                             | 32  | <b>2,926</b>   |
| <b>As at 31 March 2015</b>             | -                                    | <b>42,787</b>     | <b>5,392</b>                   | <b>6,647</b>                                  | <b>54,826</b>  |
| <b>Depreciation</b>                    |                                      |                   |                                |   |                |
| As at 1 April 2014                     | -                                    | 211               | 83                             | 3,276   | <b>3,570</b>   |
| Charge for the year                    | -                                    | 1,073             | 261                            | 556   | <b>1,890</b>   |
| Disposals                              | -                                    | -                 | -                              | (135)   | <b>(135)</b>   |
| Revaluation                            | -                                    | 15                | 1                              | 19  | <b>35</b>      |
| <b>As at 31 March 2015</b>             | -                                    | <b>1,299</b>      | <b>345</b>                     | <b>3,716</b>                                  | <b>5,360</b>   |
| <b>Net Book Value at 31 March 2015</b> | -                                    | <b>41,488</b>     | <b>5,047</b>                   | <b>2,931</b>                                  | <b>49,466</b>  |
| Net Book Value at 31 March 2014        | 132                                  | 40,852            | 5,283                          | 2,849   | 49,116         |

Following the completion of the redevelopment of Fort Nelson, a full valuation on the basis of depreciated replacement cost was carried out by Rushton International, RICS qualified asset valuers, in January 2012, deemed valid as at 31 March 2012. The building will be depreciated over a 29-year period & plant and machinery over a 14-year period.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. Tangible Fixed assets (continued)

A full valuation of the Leeds Museum building on the basis of depreciated replacement cost was carried out by Rushton International as at 31 March 2014. Following this valuation the building will be depreciated over a 43-year period & plant and machinery over a 22-year period.

Investigation work in Autumn 14 in response to water ingress problems identified that there were significant issues with the current roof covering on the Leeds Museum building and the recommendation was to replace the roof covering. Since the March 14 valuation was made on the basis of the building having a sound roof, it was considered appropriate to make an impairment charge in the current year accounts, equivalent to the cost of rectifying the roof issues.

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 2014 with the building being depreciated over a 42-year period & plant and machinery over a 22-year period.

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

### 9. Heritage Fixed Assets (Group and Museum)

|  | <b>Armour and<br/>Weapons<br/>£000</b> | <b>Works of<br/>Art<br/>£000</b> | <b>Archive<br/>£000</b> | <b>Total<br/>£000</b> |
|--|--|----------------------------------|-------------------------|-----------------------|
| Cost or valuation as at 1 April 2014         | 2,467                                  | 35                               | 60                      | <b>2,562</b>          |
| Additions                                    | 152                                    | -                                | -                       | <b>152</b>            |
| <b>Cost or valuation as at 31 March 2015</b> | <b>2,619</b>                           | <b>35</b>                        | <b>60</b>               | <b>2,714</b>          |
| Cost   | 1,846                                  | 35                               | 60                      | <b>1,941</b>          |
| Valuation                                    | 773                                    | -                                | -                       | <b>773</b>            |
| <b>Total</b>                                 | <b>2,619</b>                           | <b>35</b>                        | <b>60</b>               | <b>2,714</b>          |

There have been no disposals of heritage assets during 2014/15.

The collection comprises 396 pieces of armour or weapons, 5 works of art and 10 sets of archive material that were either acquired or donated since 2001. This represents a very small part of the overall collection which is detailed further in note 11.

Details of the significant additions and donations are given in the Trustee and Accounting Officer Annual Report on pages 11-12.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

|                    | 2014/15<br>£000 | 2013/14<br>£000 | 2012/13<br>£000 | 2011/12<br>£000 | 2010/11<br>£000 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>Purchases</u>   |                 |                 |                 |                 |                 |
| Armour and weapons | 135             | 190             | 266             | 59              | 66              |
| Works of art       | -               | -               | -               | -               | -               |
| Archive            | -               | -               | -               | 12              | 10              |
| <u>Donations</u>   |                 |                 |                 |                 |                 |
| Armour and weapons | 17              | -               | -               | 104             | 9               |
| Works of art       | -               | -               | -               | -               | -               |
| Archive            | -               | -               | -               | -               | -               |
| <b>Total</b>       | <b>152</b>      | <b>190</b>      | <b>266</b>      | <b>175</b>      | <b>85</b>       |

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

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

The collection is preserved at three sites across the United Kingdom; the Tower of London, the head office and main museum in Leeds and at the Museum of Artillery at Fort Nelson near Portsmouth. In addition, many objects are loaned to exhibitions and long term displays nationally and internationally. The 300 or so objects previously displayed on dedicated floor at the Frazier History Museum in Louisville, Kentucky, USA were removed from display in January 2015 returned to the Royal Armouries museum in April 2015.

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

#### Armour and weapons

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

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

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

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

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

#### Works of art

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

#### Archive

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

#### Heritage assets of particular importance

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

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

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

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

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

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

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

#### Preservation and management

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

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

The archive is managed by the archivist, who reports to the Deputy Master.

#### Collection Management Database

This year saw the go live of the new collection management system.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. Investments

|                                   | Group           |                 |
|-----------------------------------|-----------------|-----------------|
|                                   | 2014/15<br>£000 | 2013/14<br>£000 |
| Investments as at 1 April         | 126             | 139             |
| Additions                         | 116             | 46              |
| Disposals                         | (111)           | (44)            |
| (Loss) / gain in value            | 6               | (15)            |
| <b>Investments as at 31 March</b> | <b>137</b>      | <b>126</b>      |

The investments comprise government stock, fixed interest bonds and funds. All are held within the Royal Armouries Development Trust

Subsequent to initial recognition these assets are recorded at fair value, with any realised and unrealised gains and losses reflected in the Statement of Financial Activities.

### 13. Investments in subsidiary

The museum owns 100% of the issued share capital of Royal Armouries Trading & Enterprises Ltd.

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

### 14. Stocks

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2014/15<br>£000 | 2013/14<br>£000 |
| Stocks valued at cost  | 67              | 58              |
| Less: provisions for publications and other slow moving stocks | (3)             | (1)             |
|  | <b>64</b>       | <b>57</b>       |

### 15. Debtors

|                                | Group           |                 |
|--------------------------------|-----------------|-----------------|
|                                | 2014/15<br>£000 | 2013/14<br>£000 |
| Trade debtors                  | 27              | 131             |
| Other debtors                  | 5               | 183             |
| VAT recoverable                | 107             | 118             |
| Prepayments and accrued income | 210             | 207             |
| Provision for bad debts        | (1)             | (5)             |
|                                | <b>348</b>      | <b>634</b>      |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Debtors (continued)

|  | <b>Museum</b>  |            |
|--|----------------|------------|
|  | <b>2014/15</b> | 2013/14    |
|  | <b>£000</b>    | £000       |
| Trade debtors  | 21             | 85         |
| Other debtors  | 5              | 183        |
| Amounts due from Royal Armouries Trading & Enterprises Ltd | 86             | 107        |
| VAT recoverable  | 134            | 131        |
| Prepayments and accrued income                             | 194            | 182        |
| Provision for bad debts                                    | -              | (2)        |
|  | <b>440</b>     | <b>686</b> |

Group debtors include a balance of £107k (2013/14: £118k) with HM Revenue & Customs. There are no other material balances with the Whole of Government Accounts bodies at 31 March 2015.

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

|                                | <b>Group</b>   |            |
|--------------------------------|----------------|------------|
|                                | <b>2014/15</b> | 2013/14    |
|                                | <b>£000</b>    | £000       |
| Trade creditors                | 286            | 31         |
| Income tax and Social Security | 173            | 128        |
| Other creditors                | 22             | 21         |
| Grants                         | 20             | 20         |
| Accruals and deferred income   | 531            | 713        |
|                                | <b>1,032</b>   | <b>913</b> |

|                                | <b>Museum</b>  |            |
|--------------------------------|----------------|------------|
|                                | <b>2014/15</b> | 2013/14    |
|                                | <b>£000</b>    | £000       |
| Trade creditors                | 285            | 13         |
| Income tax and Social Security | 173            | 128        |
| Other creditors                | 19             | 19         |
| Accruals and deferred income   | 497            | 670        |
|                                | <b>974</b>     | <b>830</b> |

Group creditors include a balance of £94k (2013/14: £71k) with HM Revenue & Customs and £79k (2013/14: £57k) with the Cabinet Office. There are no other material balances with the Whole of Government Accounts bodies at 31 March 2015.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Provisions for Liabilities and Charges (Group and Museum)

|                                     | Tax<br>£000 | Early Retirement<br>£000 | Total<br>£000 |
|-------------------------------------|-------------|--------------------------|---------------|
| Balance as at 1 April 2014          | -           | 63                       | 63            |
| Charge                              | 30          | -                        | 30            |
| Utilisation of provision            | -           | (30)                     | (30)          |
| <b>Balances as at 31 March 2015</b> | <b>30</b>   | <b>33</b>                | <b>63</b>     |
| Liability due within one year       | 30          | 16                       | 46            |
| Liability due after one year        | -           | 17                       | 17            |

The early retirement provision reflects ongoing costs for those employees aged over 50 previously made redundant. The final charge against this provision will be in the year to March 2018 and as the time value of money is not material the values are not discounted.

### 18. Contingent Liabilities (Group and Museum)

There were no contingent liabilities as at 31 March 2015 or 31 March 2014.

### 19. Capital Commitments (Group and Museum)

|   | 2014/15<br>£000 | 2013/14<br>£000 |
|---|-----------------|-----------------|
| Capital expenditure contracted but not provided for in the accounts | -               | 158             |
| Capital expenditure authorised but not contracted for               | 2,000           | -               |

The expenditure authorised but not contracted for relates to the capital budget approved for 2015/16.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

|   | <b>Group</b>          |                    | Restricted<br>funds<br>£000 | <b>Total</b><br><br><b>£000</b> |
|---|-----------------------|--------------------|-----------------------------|---------------------------------|
|   | Unrestricted<br>funds |                    |                             |                                 |
|   | General<br>£000       | Designated<br>£000 |                             |                                 |
| Funds balances as 31 March 2015 are represented by: |                       |                    |                             |                                 |
| Intangible fixed assets                             | -                     | 22                 | -                           | <b>22</b>                       |
| Tangible fixed assets                               | -                     | 5,693              | 43,786                      | <b>49,479</b>                   |
| Heritage fixed assets                               | -                     | -                  | 2,714                       | <b>2,714</b>                    |
| Investments   | -                     | -                  | 137                         | <b>137</b>                      |
| Current assets                                      | 3,164                 | 619                | 30                          | <b>3,813</b>                    |
| Current liabilities                                 | (1,032)               | -                  | -                           | <b>(1,032)</b>                  |
| Provisions for Charges & Liabilities                | (63)                  | -                  | -                           | <b>(63)</b>                     |
| <b>Total net assets</b>                             | <b>2,069</b>          | <b>6,334</b>       | <b>46,667</b>               | <b>55,070</b>                   |

|   | <b>Museum</b>         |                    | Restricted<br>funds<br>£000 | <b>Total</b><br><br><b>£000</b> |
|---|-----------------------|--------------------|-----------------------------|---------------------------------|
|   | Unrestricted<br>funds |                    |                             |                                 |
|   | General<br>£000       | Designated<br>£000 |                             |                                 |
| Funds balances as 31 March 2015 are represented by: |                       |                    |                             |                                 |
| Intangible fixed assets                             | -                     | 22                 | -                           | <b>22</b>                       |
| Tangible fixed assets                               | -                     | 5,693              | 43,773                      | <b>49,466</b>                   |
| Heritage fixed assets                               | -                     | -                  | 2,714                       | <b>2,714</b>                    |
| Investments   | 150                   | -                  | -                           | <b>150</b>                      |
| Current assets                                      | 3,016                 | 619                | 13                          | <b>3,648</b>                    |
| Current liabilities                                 | (974)                 | -                  | -                           | <b>(974)</b>                    |
| Provision for Charges & Liabilities                 | (63)                  | -                  | -                           | <b>(63)</b>                     |
| <b>Total net assets</b>                             | <b>2,129</b>          | <b>6,334</b>       | <b>46,500</b>               | <b>54,963</b>                   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. Statement of funds

|                          | 1 April 2014         | Income              | Expenditure            | Group<br>Revaluation | Transfers       | 31 March<br>2015<br>£000 |
|--------------------------|----------------------|---------------------|------------------------|----------------------|-----------------|--------------------------|
|                          | £000                 | £000                | £000                   | £000                 | £000            |                          |
| Unrestricted funds       |                      |                     |                        |                      |                 |                          |
| General fund             | 1,098                | 8,726               | (7,755)                | -                    | -               | 2,069                    |
| Designated fund          | 6,500                | 622                 | (692)                  | 39                   | (135)           | 6,334                    |
| Total unrestricted funds | <u>7,598</u>         | <u>9,348</u>        | <u>(8,447)</u>         | <u>39</u>            | <u>(135)</u>    | <u>8,403</u>             |
| Restricted funds         |                      |                     |                        |                      |                 |                          |
| Land and Buildings       | 34,999               | -                   | (2,079)                | -                    | -               | 32,920                   |
| National Firearms Centre | 1,309                | -                   | (44)                   | -                    | -               | 1,265                    |
| Sponsorship and          |                      |                     |                        |                      |                 |                          |
| Donations                | 3,632                | 222                 | (229)                  | -                    | -               | 3,625                    |
| Heritage Assets          | 1,806                | -                   | -                      | -                    | 135             | 1,941                    |
| Donated Assets           | 756                  | 17                  | -                      | -                    | -               | 773                      |
| Revaluation Reserve      | 3,124                | -                   | -                      | 2,852                | -               | 5,976                    |
| RADT                     | 159                  | 5                   | (3)                    | 6                    | -               | 167                      |
| Total restricted funds   | <u>45,785</u>        | <u>244</u>          | <u>(2,355)</u>         | <u>2,858</u>         | <u>135</u>      | <u>46,667</u>            |
| <b>Total funds</b>       | <b><u>53,383</u></b> | <b><u>9,592</u></b> | <b><u>(10,802)</u></b> | <b><u>2,897</u></b>  | <b><u>-</u></b> | <b><u>55,070</u></b>     |
|                          |                      |                     |                        | <b>Museum</b>        |                 |                          |
|                          | 1 April 2014         | Income              | Expenditure            | Revaluation          | Transfers       | 31 March<br>2015<br>£000 |
|                          | £000                 | £000                | £000                   | £000                 | £000            |                          |
| Unrestricted funds       |                      |                     |                        |                      |                 |                          |
| General fund             | 1,171                | 7,774               | (6,816)                | -                    | -               | 2,129                    |
| Designated fund          | 6,500                | 622                 | (692)                  | 39                   | (135)           | 6,334                    |
| Total unrestricted funds | <u>7,671</u>         | <u>8,396</u>        | <u>(7,508)</u>         | <u>39</u>            | <u>(135)</u>    | <u>8,463</u>             |
| Restricted funds         |                      |                     |                        |                      |                 |                          |
| Land and Buildings       | 34,999               | -                   | (2,079)                | -                    | -               | 32,920                   |
| National Firearms Centre | 1,309                | -                   | (44)                   | -                    | -               | 1,265                    |
| Sponsorship and          |                      |                     |                        |                      |                 |                          |
| Donations                | 3,632                | 222                 | (229)                  | -                    | -               | 3,625                    |
| Heritage Assets          | 1,806                | -                   | -                      | -                    | 135             | 1,941                    |
| Donated Assets           | 756                  | 17                  | -                      | -                    | -               | 773                      |
| Revaluation Reserve      | 3,124                | -                   | -                      | 2,852                | -               | 5,976                    |
| Total restricted funds   | <u>45,626</u>        | <u>239</u>          | <u>(2,352)</u>         | <u>2,852</u>         | <u>135</u>      | <u>46,500</u>            |
| <b>Total funds</b>       | <b><u>53,297</u></b> | <b><u>8,635</u></b> | <b><u>(9,860)</u></b>  | <b><u>2,891</u></b>  | <b><u>-</u></b> | <b><u>54,963</u></b>     |

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

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

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

The transfers between reserves reflect where there has been expenditure from one reserve on capital assets that by their nature need form part of a different reserve. £135k was transferred from the designated reserve to restricted reserves to reflect the expenditure of designated Grant-in-Aid on land and building and heritage assets.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Cash flow information (Group)

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

|  | 2014/15<br>£000 | 2013/14<br>£000 |
|--|-----------------|-----------------|
| Net outgoing resources                           | (1,210)         | (268)           |
| Interest receivable                              | (11)            | (11)            |
| Depreciation and amortisation                    | 3,047           | 1,879           |
| Disposal of fixed assets                         | 2               | 40              |
| Disposal of investments                          | 111             | 44              |
| (Increase) / Decrease in stocks                  | (7)             | (2)             |
| (Increase) / Decrease in debtors                 | 286             | (58)            |
| Increase/ (Decrease) in creditors                | 119             | (1,720)         |
| Provision for Liabilities & Charges              | -               | (96)            |
| <b>Net cash inflow from operating activities</b> | <b>2,337</b>    | <b>(192)</b>    |

#### b) Analysis of cash flows

|   | 2014/15<br>£000 | 2013/14<br>£000 |
|---|-----------------|-----------------|
| Returns on investment and servicing of finance                            |                 |                 |
| Interest received   | 11              | 11              |
| <b>Net cash inflow for returns on investment and servicing of finance</b> | <b>11</b>       | <b>11</b>       |

#### Capital expenditure and financial investment

|   |              |                |
|---|--------------|----------------|
| Intangible fixed assets   | (21)         | -              |
| Tangible fixed assets   | (495)        | (773)          |
| Heritage fixed assets   | (152)        | (190)          |
| Investments   | (116)        | (46)           |
| <b>Net cash outflow from capital expenditure and financial investment</b> | <b>(784)</b> | <b>(1,009)</b> |

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

|  | 2014/15<br>£000 | 2013/14<br>£000 |
|--|-----------------|-----------------|
| (Decrease) / Increase in cash in the period      | 1,564           | (1,190)         |
| (Decrease) / Increase in net funds in the period | 1,564           | (1,190)         |
| Net funds at 1 April                             | 1,837           | 3,027           |
| <b>Net funds at 31 March</b>                     | <b>3,401</b>    | <b>1,837</b>    |

#### d) Analysis of net funds

|                  | 1 April 2014<br>£000 | Cash flow in<br>period<br>£000 | 31 March<br>2015<br>£000 |
|------------------|----------------------|--------------------------------|--------------------------|
| Cash             | 1,837                | 1,564                          | 3,401                    |
| <b>Net funds</b> | <b>1,837</b>         | <b>1,564</b>                   | <b>3,401</b>             |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. 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.

As a result of the Constable of the Tower of London sitting on the Royal Armouries Board of Trustees, Historic Royal Palaces is regarded as a related party. The following table highlights the financial transactions in the year together with the balances outstanding at the end of the financial year. The figure are shown net of any associated VAT.

|   | 2014/15<br>Income<br>£000 | 2014/15<br>Costs<br>£000 | 2014/15<br>Debtor<br>£000 | 2014/15<br>Creditor<br>£000 |
|---|---------------------------|--------------------------|---------------------------|-----------------------------|
| Historic Royal Palaces  |                           |                          |                           |                             |
| - Contribution to costs (£246k). Costs relate to Tower entrance fees and our share of operating costs | 246                       | 14                       | 46                        | 2                           |

There were no material related party transactions with the Trustees, key managerial staff, or other related parties during the year.

### 24. Financial Instruments

#### Credit risk

The Royal Armouries has cash deposits of £3,401k (2013/14: £1,837k) which are held with National Westminster Bank Plc, part of the UK Government owned RBS. Royal Armouries has never suffered any loss in relation to cash held by its bankers. 40% of trade and other debtor balances are with related parties or organisations working closely with us so the risks are not regarded as material.

#### Liquidity risk

The Royal Armouries has no borrowings and relies primarily on DCMS grants for its cash requirements. Grant-in-Aid accounts for 83% of income (2013/14: 84%). This is further enhanced by the Trustee reserve policy which sets out the level of general reserve required as a minimum. As such the Royal Armouries has little exposure to liquidity risk.

#### Interest rate risk

The Royal Armouries draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements. Under 1% of overall incoming resources, £11k (2013/14: £11k) was generated from interest earned during 2014/15 so the Royal Armouries has negligible interest rate risk.

#### Foreign currency risk

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

#### Fair value

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24. Financial Instruments (continued)

#### Financial assets and liabilities by category

|                          | Group  |   |  |                          |
|--------------------------|--|---|--|--------------------------|
|                          | Available for<br>sale<br>Financial Assets<br>2014/15<br>£000 | Loans and<br>Receivables<br>2014/15<br>£000 | Other Financial<br>Liabilities at<br>amortised cost<br>2014/15<br>£000 | Total<br>2014/15<br>£000 |
| Fixed asset investments  | 137  | -   | -  | 137                      |
| Cash                     | -  | 3,401                                       | -  | 3,401                    |
| Trade and other debtors  | -  | 32  | -  | 32                       |
| Trade and other payables | -  | -   | (328)  | (328)                    |
|                          | <u>137</u>   | <u>3,433</u>                                | <u>(328)</u>   | <u>3,242</u>             |

|                          | Group  |   |  |                          |
|--------------------------|--|---|--|--------------------------|
|                          | Available for<br>sale Financial<br>Assets<br>2013/14<br>£000 | Loans and<br>Receivables<br>2013/14<br>£000 | Other Financial<br>liabilities as<br>amortised cost<br>2013/14<br>£000 | Total<br>2013/14<br>£000 |
| Fixed asset investments  | 126  | -   | -  | 126                      |
| Cash                     | -  | 1,837                                       | -  | 1,837                    |
| Trade and other debtors  | -  | 314   | -  | 314                      |
| Trade and other payables | -  | -   | (72)   | (72)                     |
|                          | <u>126</u>   | <u>2,151</u>                                | <u>(72)</u>  | <u>2,205</u>             |

|                          | Loans and<br>Receivables<br>2014/15<br>£000 | Museum<br>Other Financial<br>Liabilities at<br>amortised cost<br>2014/15<br>£000 | Total<br>2014/15<br>£000 |
|--------------------------|---|--|--------------------------|
| Cash                     | 3,208                                       | -  | 3,208                    |
| Trade and other debtors  | 112   | -  | 112                      |
| Trade and other payables | -   | (304)  | (304)                    |
|                          | <u>3,320</u>                                | <u>(304)</u>   | <u>3,016</u>             |

|                          | Loans and<br>Receivables<br>2013/14<br>£000 | Museum<br>Other Financial<br>Liabilities at<br>amortised cost<br>2013/14<br>£000 | Total<br>2013/14<br>£000 |
|--------------------------|---|--|--------------------------|
| Cash                     | 1,665                                       | -  | 1,665                    |
| Trade and other debtors  | 375   | -  | 375                      |
| Trade and other payables | -   | (32)   | (32)                     |
|                          | <u>2,040</u>                                | <u>(32)</u>  | <u>2,008</u>             |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. Royal Armouries Development Trust

Registered Charity Number 803617

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

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

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

|   | 2014/15<br>£000 | 2013/14<br>£000 |
|---|-----------------|-----------------|
| <b>Income and Expenditure Account</b>       |                 |                 |
| Income                                      | -               | -               |
| Administrative costs                        | (3)             | (2)             |
| Grant to Royal Armouries                    | -               | -               |
| Grant to the Arms and Armour Heritage Trust | -               | -               |
| Interest receivable                         | 5               | 4               |
| (Loss) / gain on investments                | 6               | (15)            |
| <b>Surplus/(Deficit)</b>                    | <b>8</b>        | <b>(13)</b>     |
| <b>Balance Sheet</b>                        |                 |                 |
| Investments                                 | 137             | 126             |
| Current assets                              | 52              | 55              |
| Creditors                                   | (22)            | (22)            |
| <b>Net Assets</b>                           | <b>167</b>      | <b>159</b>      |
| Unrestricted reserves                       | 149             | 141             |
| Restricted reserves                         | 18              | 18              |
| <b>Total Funds</b>                          | <b>167</b>      | <b>159</b>      |

The restricted fund relates to donations received to fund the developments at Fort Nelson.

### 26. Royal Armouries Trading & Enterprises Limited

The Royal Armouries owns all the issued share capital of 150,000 issued shares of £1 nominal value of Royal Armouries Trading & Enterprises Ltd, a company registered in England and Wales. The company's principal activities are retail, catering, sale of images and licensing and third party conservation works. The company commenced trading on 1 April 2011. The share issue occurred on 29 July 2010 and became fully paid up on 29 March 2011.

|   | 2014/15<br>£000 | 2013/14<br>£000 |
|---|-----------------|-----------------|
| <b>Profit and Loss Account</b>                |                 |                 |
| Turnover                                      | 952             | 898             |
| Cost of sales                                 | (442)           | (383)           |
| Gross profit                                  | 510             | 515             |
| Administrative expenses                       | (497)           | (500)           |
| <b>Operating profit / (loss)</b>              | <b>13</b>       | <b>15</b>       |
| Gift Aid payable to the Royal Armouries       | -               | -               |
| <b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR</b> | <b>13</b>       | <b>15</b>       |

No salaries and wages have been paid to employees, including directors, during the year. Contracts for employment for the company's personnel are held by the Royal Armouries and the trading company incurs a management charge which includes personnel costs.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26. Royal Armouries Trading & Enterprises Limited (continued)

#### Segmental Analysis (2014/15)

|   | Leeds<br>£000 | Fort<br>Nelson<br>£000 | Tower<br>£000 | Total<br>£000 |
|---|---------------|------------------------|---------------|---------------|
| Turnover                                      | 573           | 310                    | 69            | <b>952</b>    |
| Cost of sales                                 | (260)         | (145)                  | (37)          | <b>(442)</b>  |
| Gross profit                                  | 313           | 165                    | 32            | <b>510</b>    |
| Administrative expenses                       | (276)         | (211)                  | (10)          | <b>(497)</b>  |
| <b>Operating Profit / (Loss)</b>              | <b>37</b>     | <b>(46)</b>            | <b>22</b>     | <b>13</b>     |
| Gift Aid payable to the Royal Armouries       | -             | -                      | -             | -             |
| <b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR</b> | <b>37</b>     | <b>(46)</b>            | <b>22</b>     | <b>13</b>     |

All income has been directly allocated to the relevant location and costs have been directly allocated to the location where known. All other costs have been apportioned on a split turnover.

Income from the trading company has been consolidated onto the Statement of Financial Activities on the trading activity, conservation, events and other operating income lines. Costs have been included in the cost of generating funds and the appropriate charitable activities.

|                          | 2014/15<br>£000 | 2013/14<br>£000 |
|--------------------------|-----------------|-----------------|
| <b>Balance Sheet</b>     |                 |                 |
| Fixed Assets             | 13              | 16              |
| Current assets           | 226             | 243             |
| Creditors                | (149)           | (182)           |
| <b>Net Assets</b>        | <b>90</b>       | <b>77</b>       |
| Share Capital            | 150             | 150             |
| Profit and Loss          | (60)            | (73)            |
| <b>Shareholder Funds</b> | <b>90</b>       | <b>77</b>       |

Creditors include £86k (2013/14: £95k) due to the parent charity for outstanding management charges.

### 27. Financial commitments (Group and Museum)

As at 31 March 2015 the Royal Armouries had annual commitments under non-cancellable operating leases as follows:

|  | Land<br>£000 | Other<br>£000 | 2014/15<br>£000 | 2013/14<br>£000 |
|--|--------------|---------------|-----------------|-----------------|
| Operating lease which expires within<br>one year | -            | -             | -               | -               |
| Two to five years                                | -            | -             | -               | 5               |
| More than five years                             | 371          | 5             | 376             | 371             |
|  | <b>371</b>   | <b>5</b>      | <b>376</b>      | <b>376</b>      |

### 28. 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 the date they were certified by the Comptroller and Auditor General.

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