

BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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

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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 nearly 70,000 objects – apart from the c. 2,300 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 19th century by the British Army (the former Pattern Room), now also in Leeds and known as the National Firearms Centre (NFC).

OBJECTIVES AND ACTIVITIES

The charitable objectives of the Board of Trustees of the Royal Armouries are set out under the provisions of the National Heritage Act 1983 and are as follows:

- 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 primary activity undertaken in relation to these objectives is the operation of the Royal Armouries museum across the three sites in Leeds, Portsmouth and the Tower of London. More details of the Corporate Plan and activities undertaken are given in the Achievements and Performance section below.

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 five times during the year.

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 three sub-committees of the Board of Trustees:

- Finance and Capital Development Committee
- 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 2015/16 and served on the sub-committees shown:

	Date of appointment	Expiry of appointment
Chairman		
Wesley Paul	03.01.12	08.07.15
General the Lord Dannatt GCB CBE MC DL	09.07.15	31.07.16
Members		
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	04.02.17
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 CBE	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

Sub Committee	Chair	Members
<i>Audit</i>	Chris Case	Hemant Patel Christine Mayer (from 14.10.15) Deborah Mills (from 14.10.15) Andrew Broome (co-opted external member) Catherine Hall (co-opted external member) Rhidian Lewis (co-opted external member) Brian Boullier (co-opted external member) (from 14.10.15)
<i>Finance and Capital Development</i>	Hemant Patel	Wesley Paul (to 08.07.15) Chris Case Deborah Mills Christine Mayer Richard Dannatt (from 09.07.15)

Sub Committee	Chair	Members
<i>Remuneration</i>	Wesley Paul (to 08.07.15) Richard Dannatt (from 09.07.15)	Hemant Patel Chris Case Richard Dannatt (to 08.07.15)

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.

During the year Wesley Paul stepped down as Chairman and Trustee. DCMS appointed General the Lord Dannatt as Interim Chairman, initially for a 12 month period.

Executive Board

Edward Impey – Director General & Master

Rod Taylor – Chief Operating Officer

Thom Richardson – Deputy Master to 16 September 2015

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 a programme of frequent 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. 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 5.3 (2014/15: 7.0). Excluding those members of staff who were on long term sickness over 4 weeks, the average number of days was 1.9 (2014/15: 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 2016 the Royal Armouries had 183 full and part-time employees split as follows:

	Male	Female	Total
Executive	4	1	5
Staff	87	91	178
Total	<hr/> 91	<hr/> 92	<hr/> 183

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 2015/16.

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 £500,000 to the Royal Armouries during the year to support major repair work on the Leeds museum roof required to ensure a watertight building and hence preserving the collection both on display and in stores.

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 and Interim Chairman of the Royal Armouries and also a Trustee of Historic Royal Palaces.

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 2014/15 and 2015/16 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.

Performance Indicator	2015/16 Out-turn	2014/15 Out-turn
Total number of visits	1,944,860	2,025,134
Number of unique users visiting the website	469,572	494,553
Number of children aged 16 and under visiting the Royal Armouries	560,664	582,206
Number of overseas visitors	1,312,202	1,374,649
Number of visitors under 18, in formal education, attending the Royal Armouries in facilitated and self-directed visits	11,229	13,861
Number of visitors under 18 participating in on-site organised activities	244,665	263,593
Percentage of visitors who would recommend a visit	99%	99%
Admissions income *	£79,055	£136,441
Trading income (Income less cost of sales)*	£434,577	£424,470
Fundraising income *	£783,000	£249,000
Ratio of fund raising to Grant-in-Aid	11.0%	3.1%
Number of UK loan venues *	115	93

ACHIEVEMENTS AND PERFORMANCE

The statement of purpose and corporate vision for the Royal Armouries, signed off by Trustees in September 2014, is 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.

The Royal Armouries' Corporate Plan for 2014-19, agreed alongside the Purpose and Vision, is organised as follows under ten AIMS summarising the Royal Armouries' main aspirations and areas of activity:

- 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, 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

The following sections describe some of the museum's achievements and aspects of its performance during the year and are loosely ordered under the AIMS.

AIM 1 Conserve and manage the collection

Conservation

Conservation effort this year has seen a major emphasis on conservation cleaning and, in collaboration with other teams, the conservators have overseen the full cleaning of the 2,742 items of arms and armour on display in and around the 63m-high interior of the Hall of Steel, and new cleaning regimes put in place for other galleries and stores. The team has worked extensively in support of the temporary exhibition programme (below, page 17) at Leeds, the Tower of London and Fort Nelson, and the loans programme, processing and working on 50 outward loans and 409 objects returned to us, including those formerly on display in the USA. Other conservation work has included addressing hazards posed by radium and asbestos in certain categories of collection items, contributing to salvage planning at the Tower of London, providing and participating in training, and contributing to object conservation plans for English Heritage, Gravesham Borough Council and others.

Collections policies and procedures

In 2015/16 the Royal Armouries began revising its collections management policies and procedures, and developed five core policies governing collections management for the organisation. These included the overarching Collections Management Policy, the Collections Access Policy, the Collections Care and Conservation Policy, the Collections Development Policy and the Collections Documentation Policy. A set of secondary policies and procedures has also been developed, providing guidance and support for specific functions within these fields. The revised policies and procedures will support the Royal Armouries in continuing to demonstrate its strategic and integrated approach to developing and caring for collections, creating information about them, and enabling the public to access, use and learn from them.

Collections Management System (CMS)

Online public access to the Royal Armouries CMS (<https://collections.royalarmouries.org>) has been available since 1 May 2016, giving access to images and descriptive entries on over 139,000 objects, archives and library items. The website is in Beta mode (i.e. subject to testing), a phase which will end on 31 March 2017. Meanwhile the online visibility the website gives to our commercial image library will be useful to our clients and potential clients, who can now search online. Images are currently requested from our Licensing team by email, but online checkout is being explored and costed for future consideration.

Archives

The Archives and Records Manager has been preparing for the Museum's application for Archives Service Accreditation in 2017, and has implemented the recommendations of the conservation audit carried out by the National Conservation Service in November 2014. Significant improvements have been made to general storage conditions in the main Archives Store, to maintenance routines and to packaging. Work has also begun on improving the catalogue, prioritising First World War records, the personal papers of Sir James Mann (Master of the Armouries 1939-62), the records of the Royal Small Arms Factory at Enfield and the Museum's own institutional archives, adding approximately 8,000 records to the EMU Archives Management System.

An important part of the application for Accreditation will be the outreach programme, and the Royal Armouries has not only supported the Museum's own exhibitions and events programme, but has also continued to work with a number of other museums and heritage organisations to deliver a project funded by the Esmée Fairbairn Collections Trust as part of the national commemoration of the 100th anniversary of the First World War. The project aims to unlock the archival collections of the Royal Armouries and its partners to contribute to a better understanding of the impact of the war on society, and to engage with communities

on a national and local level. The Project Team, including students on placement from Hull and Salford universities and virtual volunteers, has worked with local museums to digitize, transcribe, catalogue and interpret their collections relating to Yorkshire regiments that fought on the Western Front and in other theatres. The team has also worked with heritage organisations in North London to copy, preserve and list the archives relating to the Royal Small Arms Factory, which employed a staff of over 16,000 men, women and children during the war, and made nearly 2.2 million rifles for the British and Imperial forces.

AIM 2 Enhance the collection

Acquisitions

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 2015/16 are listed and described below:

Waterloo medal, as issued in 1816 to all soldiers of the British Army who had served at Waterloo. This example was awarded to Private David Craig, 2nd or North British Dragoons (RA catalogue no. XVIII.1604)

Letter from Charles I to George Villiers, 1st Duke of Buckingham (1592-1628), dated 17th August 1627. Buckingham was then besieging the fortress of Saint-Martin-de-Ré on the Ile de Ré, held by Jean Caylar d'Anduze de Saint-Bonnet, Marquis de Toiras (1585-1636), concerning rates of pay and other expenses. The siege was a failure, but Buckingham returned with over 630 items of captured armour, most stamped TOIRAS. Many of these are on display in Leeds and in the White Tower (RA catalogue no. B.0191).

18th-century fencing manual. Angelo, D., *The School of Fencing, with a General Explanation of the Principal Attitudes and Positions Peculiar to the Art*, London 1796. First edition in English and second overall of one of the most important 18th-century fencing manuals, with hand-coloured engravings by James Gwynne, dedicated to Princes William Henry and Henry Frederick (younger brothers of George III). The Royal Armouries has a number of related items, including the first known fencing manual (13th-c) and this acquisition reinforces the position of our library as an important destination for the study of fencing (RA library 27206).

Camel gun, probably early 19th-century, of a type used in South Asia. The gun has a swivel attachment and an accompanying replica frame copied from the equipment used to mount such a gun on the back of a camel. Donated by C. Blair and Joanne K. Allen. (awaiting accession).

Officer's sabre of Lieutenant George Lloyd Hodges, 13th Dragoons, by Osborn & Gunby, London, 1813–20, an example of an important group of pipe-backed 1796 Pattern light cavalry officers' swords, thought to be the final version of the 1796 pattern before its replacement. In addition to its association with Hodges (1790-1862), a distinguished soldier and diplomat, it may have been carried by him at Waterloo (RA catalogue number X.5648).

Pulse Rifle. A rare example of a production-used live-fire 'hero' 'M41-A Pulse Rifle'. Acquired in support of our HLF-funded 'Collecting Cultures' project to put together a core collection of arms and armour from the world of motion pictures. One of the most iconic weapons in science fiction and movie history, this 'M41-A Pulse Rifle' appeared in the critically acclaimed and successful genre films 'Aliens' (1986) and 'Alien 3' (1992). It is of technical and historical interest due to the use of Second World War and Cold War-era parts in its construction, and was one of only six live-firing guns used in the original film 'Aliens'. (RA catalogue number XII.11846).

Loans

The Royal Armouries displays and its research projects are regularly enhanced through inward loans, just as the exposure of the museum's own collection to wider audiences is enhanced by outward loans. In 2015/16, the museum borrowed 82 objects including for our temporary exhibitions, *Waterloo: The Art of Battle* and *The Battle of Agincourt*.

The museum also lent 50 objects to organisations in the UK and overseas and maintained 115 existing loans, including developing a programme to address the maintenance of artillery. Among the most significant outward loans in 2015/16 have been those to the following organisations:

Heritage Malta, objects for their exhibition entitled *450 Years – The Great Siege of Malta* between 4 September 2015 – 10 January 2016. All the items borrowed have a strong connection to Malta, including components, held by us, that were reunited with their respective armours in Malta for the duration of the exhibition. The loan has paved the way for further collaboration with Heritage Malta in the future.

Musée du Luxembourg, Paris, in partnership with the National Portrait Gallery, London: Henry VIII's Tonlet armour between 18 March to 19 July 2015 for their *Les Vrais Tudors* exhibition, a noted success and which received nearly 129,000 visitors, including new student audiences. It also generated extensive press coverage including special hors-série editions of *Le Figaro*.

Musée de l'Armée, Paris: four mid-15th century European swords and a Northern European late 15th-century mace between 7 October 2015 - 24 January 2016 for their exhibition *Chevaliers et Bombardes 1415-1515. D'Azincourt à Marignan*. Our objects took centre stage in the section of the exhibition dedicated to the battle of Agincourt and the reign of Charles VII. This was part of a reciprocal loan arrangement which allowed us to borrow the cuirass with cannonball hole, worn at Waterloo, probably by carabinier Fauveau, for our temporary Waterloo exhibition *Waterloo: The Art of Battle* in May 2015.

This year the Royal Armouries has adopted a new policy on loans charging, to address the discrepancy between the costs we have recovered from loans over the last few years against the actual cost of lending. The new policy has allowed the Royal Armouries not only to recover costs but fund staff to support further and future lending, and core collections and conservation work for the public's benefit.

AIM 3 Research and dissemination

Research Strategy and Research Plan

The Royal Armouries Research Strategy, approved by Trustees in March 2015, is intended 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. In January 2015 we published the Royal Armouries Research Plan, the first product of the Strategy, identifying the projects to be taken forward during the next few years, allocating resource to them, and planning for the longer term (<https://www.armouries.org.uk/about-us/purpose-and-vision>) To help implement the Research Strategy and Research Plan, we have established a Research Advisory Panel, which met for the first time in January 2016.

Arms and Armour – the Royal Armouries' Journal

In 2015 Maney Publishing, the academic publishers of the Royal Armouries' journal, *Arms & Armour*, was taken over by Taylor & Francis Group and placed under the Routledge imprint. The transfer has offered an opportunity to re-think aspects of the journal's remit, scope, format and editorial style, with the intention of further increasing the quality of its content, and its circulation, on-line presence and impact. After several years as editor, for which fulsome thanks are due on behalf of the museum and the journal's readers, Dr Thom Richardson has stood down. His place has been taken by Curator Emeritus, Graeme Rimer, and Henry Yallop, Assistant Curator of Edged Weapons, has become Deputy Editor and Jill McKnight Editorial Team Secretary. The Royal Armouries has also signed a Letter of Understanding with the Arms and Armour Society, publishers of the *Journal of the Arms and Armour Society*, redefining the distinction between the two publications and reinforcing the collaborative relationship between the two organisations.

Publishing

This year we published the first four volumes in the re-launched introduction to Arms and Armour series, a beautifully produced catalogue to accompany *The Battle of Agincourt* exhibition in partnership with Yale, a volume on Daniel Maclise's 1861 painting 'The meeting of Blücher and Wellington after Waterloo' with the Royal Academy and exhibition souvenir mini-guides for both.

The Publishing Board produced a working document 'Towards a Publishing Strategy' which set out a way forward for Royal Armouries' publishing and identified priorities and gaps in the list to be filled over the next two years. A Publishing Manager will be joining the Public Engagement Department in May 2016. The emphasis over the next two years is to improve our introductory list through the inclusion of two new guidebooks to accompany displays at the Tower and at Fort Nelson, guidebooks for children at our sites, a full colour catalogue of collection highlights and to continue to expand our introductory series. We will of course continue to produce specialist publications such as conference proceedings and up to two monographs in the same period.

Publications 2015/16

Royal Armouries staff, Trustees and Emeritus Curators have published a combined total of 62 items on arms and armour and related subjects, including substantial scholarly monographs, popular books, articles in refereed journals, proceedings and catalogues, and short pieces in special interest magazines. These include:

Curry, A. *Great Battles. Agincourt* (Oxford: University Press, 2015). 250 pp.

-*Henry V*, Penguin Monarchs (London: Allen Lane, 2015). 143pp.

- **& Mercer, M (eds.)**, *The Battle of Agincourt*, Yale University Press, New Haven and London, in association with Royal Armouries, October 2015

Downen, K. 2016, 'An Early Medieval Sword in the Wallace Collection'. *Acta Militaria Mediaevalia*. Tom XI. pp. 181 – 194. Sanok/Wroclaw

Hall, N., 'The French 75mm Modèle 1897 field gun', *Arms & Armour*, Spring 2015, pp.4–20

Rimer, G. 'A fine Scottish Basket Hilt with a Hanoverian Cavalry Blade', *London Park Lane Arms Fair Catalogue*, Spring 2016, pp.66-74

Smithurst, P. 'Colt and the Yorkshire Connection: Serendipity (or fate?) in action', *The Hertsmere Fine Antique Arms Fair Catalogue*, Sunday 29th November 2015, pp.10-13, 30-31

Richardson, T., 'Armour in Henry V's Great Wardrobe', *Arms & Armour*, Spring 2015, pp.21–8

- *The arms and armour of Henry VIII*, revised edition, Leeds, 2015

- *Islamic arms and armour*, Leeds, 2015

- *Arms and armour of the Elizabethan court*, Leeds, 2015

- and **N. Bennett**, *Indian arms and armour*, revised edition., Leeds, 2015

Watts, K. 'Observations on the De Valette armour in the Palace Armoury, Valletta and a comb morion in the Palazzo Venezia, Rome', *Besieged Malta 1565*, ed. M. Camilleri, 2 vols., Valletta, 2015, vol.2, pp.163-176

Woosnam-Savage, R.C. "'Agincourt, Agincourt! Know Ye Not Agincourt'": the history and the memory', in Colau, J-F. (ed.), *Chevaliers et Bombardes*, Éditions Gallimard / Livres d'art, Paris, 2015, pp. 132-141

-and **DeVries, K.**, 'Battle trauma in medieval warfare: wounds, weapons and armor' in **Tracy, L., and DeVries, K., (eds.)**, *Wounds and Wound Repair in Medieval Culture*, Brill: Leiden, 2015, pp. 47-84

AIM 4 Display and interpret the collection

The museum has enjoyed some success this year with the revival of its temporary exhibition programme. In addition we have put effort into the refurbishment of our permanent displays and are paving the way towards greater recognition of the role that digital technology will play in the presentation of our collections.

Temporary exhibitions

In partnership with the Royal Academy of Arts, *Waterloo: the Art of Battle* ran from May - August 2015 at the Royal Armouries Museum Leeds. The Newsroom was transformed to hold the display which included the Daniel Maclise cartoon and a number of other significant loans including a breastplate (Musée de l'Armée), 'Scotland Forever' by Lady Butler (Leeds Museums and Galleries), 'Croft's Retreat from Quatre Bras' (Sheffield Museums) and 'The Battle of Waterloo: the British Squares receiving the Charge of the French Cuirassiers' by Henri Philippoteaux (Victoria & Albert Museum). The exhibition attracted about 40,000 visitors during its three-month run, which represented a conversion rate of 59%. It was launched amidst 'Waterloo Week', a series of events in celebration of the bicentenary of the battle itself and which included a study day, a war-gaming weekend, Freedom Parade and Napoleonic cavalry and infantry horse show.

Hot on the tail of Waterloo, we opened *The Battle of Agincourt* in the White Tower. The exhibition included a number of exceptional objects drawn from collections across the country and from France to illustrate this celebrated and fascinating moment in English history and to commemorate the 600th anniversary of the battle. The purpose-built model, now on display in Leeds, created a lot of interest and a lasting legacy. We received in the region of 250,000 visitors during the exhibition's short run from October - January 2016. An interim display, *Tower Curiosities* was installed in the gallery in March and will run until November 2016.

The museum continued to offer and enhance its outreach exhibition programme under the banner of the *Inspired by...* series. In collaboration with our partners we co-curated *Threads of War* (March - June (Leeds), August - October at Fort Nelson); *Unseen Collection* (July - October, (Leeds)); *Lest we Forget* from (November - January, Leeds); and *Armoured Angel Wings* (November - February, Leeds).

Permanent displays

The commemorative anniversaries of Waterloo and Agincourt this year provided an opportunity to enhance the relevant permanent displays. The mid-19th century model by Captain Siborne has been meticulously conserved and redisplayed in the War Gallery along with the new model of the Battle of Agincourt, now the centrepiece for a display on the Hundred Years War, due to open in July 2016.

This year has seen a concerted effort to put a proactive maintenance programme in place to ensure that our displays are properly looked after. An audit has been conducted at the museum in Leeds to understand the number and type of issues which prevail and a new cross-departmental system put in place to deal with them.

Digital

We are conscious of the need to up our game in respect of our digital presence online and within the museum. The biggest achievement this year in this area was the launch of Collections Online and the First World War digitisation project, but in order to keep the momentum going we are working with digital consultancy, Numiko, to produce a Digital Engagement Strategy which will help the museum move towards a more proactive approach to this technology.

Tower of London

We have worked closely with HRP this year on the development of their interpretation strategy for the Tower of London, known as Tower Core Story. The Royal Armouries contribution is intended to ensure that the public offer gives appropriate emphasis to the historic role of the armoury and to the integral importance of Royal Armouries displays to the understanding and enjoyment of the Tower.

AIM 5 Provide an education service

National Curriculum and Informal Learning

The museum continued its efforts to mitigate the impact of the National Curriculum (2014) and GCSE specifications this year with some success. We commissioned and received a report evaluating our education offer across the three sites from the learning consultancy, People Tree, which will feed into an education plan to be developed over the coming year and help us continue to build the service.

This year the museum in Leeds received about 9,000 formal education visitors (both facilitated and self-led groups) with about a further 4,000 education visitors at Fort Nelson and via outreach.

Our informal learning programme goes from strength to strength, engaging more than 85,000 visitors in Leeds with over 1,800 live interpretation performances and 27,000 visitors with 1,000 performances at Fort Nelson.

At Leeds we worked with specialist contractors to deliver an exciting, entertaining and educational events programme which included two highly successful jousting tournaments, a Waterloo 200 week, and half-term programmes ranging in subjects from 'Sagas, Myths & Legends' to 'Eastern Warriors: India'.

Grundtvig Programme, Conference and Exhibition, RAM Leeds

On 17 November 2015 Royal Armouries organised a one-day conference on Adult Learning & the Cultural Sector, as part of a two-year programme on adult learning and historical memory funded by the EU. The conference attracted over 70 delegates from across the UK and beyond. Nine presentations were delivered and feedback was very positive. Working with local adult learners, we created a historical memory display, 'Lest We Forget?' about the centenary of the First World War as a case study in non-formal local memories.

The project, involving partners from six EU countries, concluded on 31 December 2015. The new methodology for organising non-formal education programmes for adults with particular reference to developing key competencies and promoting the use of historical memory to engage adults in learning programmes [KC-MEM], has been made publicly available.

'Lessons from History'

In close collaboration with the NFC, the education team has developed a full-day visit programme for the MoD for young recruits undertaking their basic training at Catterick, North Yorkshire. Implementation of the pilot phase will begin in May 2016 with a view to welcoming about 2,500 infantry recruits to the museum in Leeds by March 2017.

The NFC also delivered a series of presentations and weapon handling sessions in support of the Infantry Training Centre's Interest & Retention programme, as well as an HQ staff training day. NFC staff also delivered firearms recognition and awareness training for North Yorkshire and West Yorkshire Police, and provided tours for RAF and army personnel.

Tower of London

In support of the opening of the Agincourt exhibition at the Tower, members of the education team from Leeds delivered 36 performances over the nine days of October 2015 half term, attracting audiences totalling almost 9,000 spectators. Members of the Royal Armouries curatorial team at the Tower have delivered a number of educational sessions for school pupils, undergraduates and adult learners as part of HRP's learning programme.

AIM 6 Audience Development and access

The main emphasis this year has been on the development of a baseline survey across all three sites on which to build our audience development plan. In addition we have commissioned access audits, again at all three sites, to inform our ongoing aspirations in this area and to assist the museum in developing an action plan.

Audience research

Royal Armouries has joined the Association of Leading Visitor Attractions (ALVA) visitor research initiative for the next three years. Results of this research have now been published and enable the organisation to benchmark itself against the sector as a whole and specifically with other museums and galleries. Results are also available for the Tower of London (but not specifically for the White Tower). This year Fort Nelson was not able to participate in the research as the site did not receive sufficient visitor numbers, but this position will change now that we have achieved 100,000 per annum.

The market research agency which carries out the ALVA research also delivered the Royal Armouries' bespoke nine-month audience research and segmentation project this year. The results have been considered by all staff and presented to the Board and, in due course, will form the foundation for the forthcoming Public Engagement Strategy.

Outreach

In addition to the *Inspired by...* exhibition programme described above we organised a Dementia Café at the museum in Leeds and have run dementia awareness training sessions for staff. We have also established links with Leeds Carers and are planning events to support them in organising visits to the museum.

At Fort Nelson we helped to devise and facilitate *Strong Voices*, an award-winning creative arts project to encourage young people with autism in their artistic responses to the site and collection. This Arts Council sponsored 'Artwork' project was runner up at the 2015 national awards of the Association for Heritage Interpretation in the Projects for a Target Audience category.

AIM 7 Status, perception and recognition

Premises and infrastructure

A number of actions have been taken to improve the condition and appearance of the Leeds museum, including repairs to external paving, the renovation of some Tiltyard seating, the redecoration of public and other areas of the building, and renewed signage to improve the ambience of the museum and support conversion rates and commercial activity. The exterior of the building was cleaned in time for the 20th anniversary of the museum's opening, and the lettering of the commemorative inscriptions outside the canal-side entrance re-gilded. At Fort Nelson, significant improvements have been made to signage and external lighting.

Marketing and Public Relations

This year we have seen a major increase in the museum's promotion across our three sites. Overall we have received £4.5 million advertising value equivalency in press and media coverage, with over 1,700 pieces in the press and media and an overall circulation of almost 402 million. We have increased Twitter followers and net Facebook likes by 26%, with highest levels of engagement for half term activities, the Easter Tournaments and holidays and the early publicity for *Warrior Treasures*.

The *Waterloo: Art of Battle* exhibition achieved £126,000 advertising value equivalency and a circulation of 26 million, closely followed by *The Battle of Agincourt* exhibition which achieved a circulation of about 25 million with £330,000 advertising value equivalency. The Easter Tournaments were particularly successful in respect of social media reach with over 1,300 likes on a new dedicated Facebook Tournaments page.

The museum fielded stands at high profile events in Yorkshire including the Great Yorkshire Show and the CLA Game Fair at Harewood House with the aim of reaching new audiences and raising awareness locally.

Special events

This year the museum organised and delivered two Easter Joust weekends entertaining 4,179 visitors in 2015 and 6,576 visitors in 2016. Teams from England, France and Poland took part in a jousting competition and, for the first time in 2015, a mêlée. We have reviewed and updated the Royal Armouries' Jousting Code of Conduct and developed many new measures to raise the standard of production and management of the event.

A series of events has been planned to mark the 20th anniversary of the museum in Leeds. The first of these was a reception in the Tournament gallery on 24 March 2016 to coincide with the launch of the Easter Joust. The museum welcomed over 100 guests to this event including many faces from the past, existing and potential stakeholders. A small number of guests joined the Chairman for dinner in the Hunting gallery afterwards.

European Union Firearms Directive

The proposal made by the European Commission in November 2015 to amend the current European Union (EU) Directive 91/477/EEC of 1991, on the control of the acquisition and possession of weapons, has caused great concern amongst European museums and collectors thanks to the proposed removal of the exemption for cultural and heritage organisations. If agreed as first drafted, these amendments could require the destruction or deactivation of all Section 5/Category A weapons in public museums and private hands, amounting to the loss of a whole category of European cultural heritage. Mark Murray-Flutter (Senior Curator, Firearms) has been advising the EU's Internal Market Committee, chaired by Vicky Ford, MEP, and on behalf of the European museums, on technical and drafting issues for the EU Commission's working group with a view to limiting the impact of any amendments on historic firearms. Mr Murray-Flutter and Edward Impey attended a public hearing in Brussels in early March 2016, at which Dr Impey delivered a presentation representing the position of European museums and the heritage sector. The Royal Armouries continues to participate in and inform the debate, which will end with a vote on agreed amendments to the Directive by European Parliament later in 2016.

Policing and Crime Bill

This new bill is currently going through Parliament. Of interest to the UK museum community and the Royal Armouries in particular is the proposal to define, for the first time, 'antique' as applied to firearms. We have been instrumental in advising the Home Office on the proposed definition for 'antique' as to be applied to firearms. After a period of consultation a statutory instrument will be published outlining the definition and its operation. The Royal Armouries will continue to play a key role in this process.

AIM 8 Financial success and sustainability

Royal Armouries Trading & Enterprises Ltd (RATE)

RATE earnings for the year were marginally behind the stretched income targets set for the year but ahead of income achieved last year. In March 2016 the RATE Board of Directors agreed the plan to invest and grow in 16/17 and particularly as regards to licensing strategy, image licensing and customer acquisition across the range of activity. The financial year 2015/16 saw an increased spend-per-head from a reduced visitor base. In year we also:

- Developed and gained Trustee approval for a three-year Commercial Strategy;
- Created and delivered an action plan for our retail operations, including a major re-fit of the Leeds shop, which delivered marked improvements in commercial performance;
- Commenced a re-organisation of our picture library operation, which saw an increase in turnover and began a programme to enhance our range of digital images;
- Formed a working partnership with property development partners to generate revenue from our estates assets, expected to commence January 2017, subject to a successful conclusion of the negotiations.
- Supported and developed our catering and events offer at Fort Nelson and improved income as a result, and formulated a long-term plan to promote growth in this area in 2016-19;

Fundraising

In 2015/16 the Development team commissioned a key piece of strategic fundraising research to inform the development of an organisational fundraising strategy. Working with the experienced fundraising consultancy, The Management Centre (=mc), this research included identifying priority prospects across the sectors, comparator research to assess feasibility, examining the potential of a capital campaign for the Royal Armouries Museum, Leeds and an assessment of Royal Armouries' internal readiness to launch such a capital campaign.

The results were presented to the Board of Trustees in January 2016 and outcomes and recommendations will be embedded into next year's Annual Operating Plan. A review of the museum's corporate sponsorship activity was also commissioned.

The Development team secured in excess of £330,000 to support major public engagement initiatives including the bicentenary of the Battle of Waterloo, the 600th Anniversary of the Battle of Agincourt and the forthcoming *Warrior Treasures* exhibition. Work continues on raising funds for the new interactive gallery in the White Tower.

A museum-wide Individual Giving Strategy was implemented, with the pilot visitor giving project at Fort Nelson achieving a 126% increase in annual income, taking donations from £3,800 to just over £8,500 in an eight month period. The next phase at the Royal Armouries Museum, Leeds will be the focus in 2016/17 alongside development and implementation of a Major Donor Strategy, to include a re-launch of the organisation's Patrons scheme.

AIM 9 Organisational stability and management

Collections Department Review

Of the Royal Armouries functional Departments, the Collections Department, guardian of the organisation's expertise on arms and armour, has been the least subject, over the last few years, to structural change, reassessment of purpose and scrutiny of its calibre, efficiency and output. We therefore commissioned a review of the Department, carried out by Giles Waterfield and Dr Stefan Krause. Its purpose was to analyse the current strengths and weaknesses of the Department, and its position in the museum and its specialist museum sector and produce recommendations to help us ensure that:

- the Department reaches and maintains the highest possible expertise, and quality and quantity of output, proportionate to available resources and the museum's needs;
- the Department and other sections of the museum work in the most efficient, creative and complementary way to serve the needs of the museum and its audiences;
- the Department is equipped and resourced to meet the challenges of the future, and to play a crucial part role in realising the RA's Purpose and Vision;
- the management and Trustees of the RA can arrive at a clear and informed position on how the Department should be led in the future.

The Report and recommendations are expected early in the financial year 2016-17.

Staff engagement

A finalised Staff Engagement Strategy has been prepared for presentation to the Executive Board early in 2016-17, addressing such issues as communications, reward and development. Interventions involving staff in reviewing this year's Business Plan, rolling out next year's and other planning and development processes are all under way, including management development and Leadership Group events.

Board of Trustees and Sub-committees

A training programme was provided for Trustees, and preparations made for a Board Effectiveness Review and Skills Audit. We have also introduced an annual review of the Terms of Reference for the Trustee sub-committees.

AIM 10 Efficiency and standards

RA Annual Operating Plan

The Royal Armouries Corporate Plan 2014-19 was agreed by Trustees in September 2014. It remains in force and can be found, with some minor amendments, at https://www.royalarmouries.org/assets-uploaded/documents/Corporate_Plan.pdf. Whilst the Corporate Plan sets out, in fairly general terms, the AIMS and Objectives of the Royal Armouries over a five-year period, the Annual Operating Plan (AOP) sets out what we will begin or complete in 2016/17. It is structured according to the AIMS and OBJECTIVES of the Corporate Plan, and includes our statements of Purpose and Vision and our Principles but leaves out the introductory and contextual material found in the original document. In addition to setting out the tasks for 2016/17, it also summarises the key achievements of 2015/16.

We will use the AOP, in conjunction with other documents and processes, to manage the allocation of work and resources in 2016/17, monitor its progress, and help the different parts of the organisation understand each other's tasks. It will form the basis of annual Department Plans, Team Plans and the content of Forward Job Plans.

Facilities and estates

The contract for renewal of the Leeds Museum roof was placed following complex design and procurement processes. The practical work can now advance in 2016/17. We have also developed a 10-year capital renewal strategy and a Planned Preventative Maintenance system for the Leeds building. Several items of high-value, critical M&E infrastructure have been replaced or renovated, and we have let a suite of contracts for routine Heating, Ventilation and Air Conditioning repair.

River Aire floods

Leeds City Centre was one of the many areas affected by very high rainfall levels over a condensed period on Boxing Day 2015. The programme for river defence upgrades upstream in Leeds had by then been partially completed, which may have exacerbated the problem in the Dock area around the museum. The river burst its banks, flooding the riverside footpath, Armouries Square, the Tiltyard access road, the Craft Court and eventually entered the museum building. The Director General, Directors, senior managers and the Chairman were involved in handling the crisis and exchanging updates, and information was provided to staff and visitors via telephone and web messaging as the situation developed.

Damage was limited by the initiative of security staff in raising materials of value above the water level. Losses and cost of repairs will total c. £15,000. A clean-up operation went into effect early on 27 December 2015 and at no time did the museum fail to open to the public during published opening hours. Informed by the experience, efforts are being made to review and upgrade all of our incident management and emergency procedures, and steps were taken immediately following the incident to reduce the risks should the situation recur in the short term.

Project Management

A new policy and procedure framework has been introduced, according to which we will plan, coordinate and deliver all major projects successfully and safely. We also provided external training and guidance in the form of a two day project management course for all key staff involved in this area, and expect to see better managed projects as a result.

PLAN FOR FUTURE PERIODS

The museum's work in 2016/17 will concentrate on the following aspects of the Corporate Plan:

- Working with the DCMS on the Royal Armouries' approach and response to government agendas and the next Spending Review (AIMS 8&9);
- The completion of the Royal Armouries' Public Engagement Strategy (AIMS 4 & 6);
- Initiating the process of devising a Master Plan for the full refurbishment of the Royal Armouries Museum Leeds (AIM 4);
- The opening of *Warrior Treasures*, the Royal Armouries temporary exhibition at Leeds (27 May – 2 October) and, funding permitting, the development of a temporary exhibition programme at Leeds (AIM 4);
- The development of the Royal Armouries Digital Strategy (AIM 4).

- The opening of the new interactive gallery and displays in the White Tower, top floor east (AIM 4);
- In liaison with HRP, the development of an Interpretation Plan for the White Tower (AIM 4);
- The further refinement and extension of the Royal Armouries' education service in response to the National Curriculum (AIM 5);
- The implementation of the recommendations of the Review of the Collections Department (AIM 9);
- The fulfilment of year one of the Royal Armouries Publishing Plan and the refinement of plans for the following years (AIM 6);
- Completing the roof repairs to the Royal Armouries Museum, Leeds, and related work (AIM 10);

REFERENCE AND ADMINISTRATION DETAILS

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 Accounting Officer has confirmed that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The fees paid for audit services are disclosed in Note 6. The fee paid to the National Audit Office (NAO) shows a small increase from last year reflecting additional work required around the new charities accounting standard.

Royal Armouries Addresses

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List of Royal Armouries Advisers

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Bankers

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Solicitors

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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 new Charities Statement of Recommended Practice (Charities SORP (FRS102)), 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 51.

In 2015/16 the Royal Armouries recorded £232k net income before transfers for general unrestricted funds. In addition, a restricted funds deficit of £3k has been recorded by the Royal Armouries Development Trust. More information on this can be found at note 26 on page 78.

Incoming resources for the period amounted to £9,254k which included Grant-in-Aid amounting to £7,103k. Resources expended amounted to £10,730k, resulting in net expenditure of £1,479k (before transfers and revaluations). £1,878k was attributable to depreciation and amortisation provisions; these were financed from the capital project income credited to designated and restricted funds in previous years.

Overall visitor levels to the Royal Armouries across all three sites during 2015/16 were 4% lower than last year with reductions in Leeds and the Tower of London partially offset by an increase at Fort Nelson. Sponsorship and donations income increased significantly from £266k to £783k with funding secured for the Agincourt and Waterloo programme during the year. Royal Armouries share of gate income from Historic Royal Palaces has contributed £243k towards the Tower of London operating costs.

Total resources expended included salaries and related employee costs of £4,804k, this being £256k higher than 2014/15 due to higher staff numbers and higher employer pension contributions. Salary and related employee expenditure accounted for 44.8% of operational cost with depreciation, amortisation and impairment at £1,878k for 17.5%.

The performance of the group's trading subsidiary, Royal Armouries Trading & Enterprises Ltd, showed a welcome increase with a profit of £62k being recorded against a profit of £13k in 2014/15. The increase reflects the positive impact of a focus on commercial activity lead by the new Head of Commercial Development.

No charitable donations were made during the year (2014/15: £0) and no grants were awarded (2014/15: £0).

Balance Sheet

Of the fund balances at 31 March 2016:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £46,182k (2014/15: £46,667k), the majority of which comprise the value of buildings;
- designated funds, set aside to finance tangible fixed assets other than those classed as restricted, amounted to £3,128k (2014/15: £3,397k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Royal Armouries amounted to £2,200k (2014/15: £2,069k).

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 capitalised and recognised 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 £155k were capitalised in 2015/16.

The overall level of Debtors has seen an increase of £156k due to the timing of invoicing and payment of regular transactions with two organisations where payments were outstanding at the year end, but last year the amounts had been settled before the year end. The £139k increase in creditors is due to the increase in lease liability partially offset by the timing of payments, with a payment just before year end this year, reducing the level of trade creditors.

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 multi-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 £1m, representing around nine months of operational expenditure not covered by the current level of Grant-in-Aid plus a 5% contingency for a Grant-in-Aid reduction.

Although the Royal Armouries total reserves at 31 March 2016 are shown as £51.5 million on the balance sheet, all but the £2,200k 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 2015/16, the Royal Armouries paid approximately 83% (2014/15: 80%) of supplier invoices within the target of 30 days.

Richard Dannatt
Chairman

Date 7 July 2016

Edward Impey
Accounting Officer

Date 7 July 2016

REMUNERATION REPORT

Remuneration Committee

The membership of the Remuneration Committee is:

Wesley Paul (Chairman) (to 08.07.15)

Richard Dannatt (Chairman) (from 09.07.15)

Hemant Patel

Chris Case

Richard Dannatt (to 08.07.15)

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 a 1% cost of living increase should be awarded to all members of the executive.

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.

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 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits 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.

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 is the element of the increase in accrued pension funded by the employer. It excludes increases due to inflation and contributions paid by the employee. It is worked out using 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 to nearest £1,000 [*]		Total Remuneration £'000	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
E Impey	115-120 (115-120)	115-120 (115-120)	500	3,100	28,000	24,000	140-145	140-145
R Taylor	75-80 (75-80)	75-80 (75-80)	-	-	29,000	28,000	100-105	100-105
T Richardson	25-30 (65-70)	65-70 (65-70)	-	-	7,000	157,000	35-40	220-225
E Carver	65-70 (65-70)	65-70 (65-70)	-	-	23,000	17,000	90-95	80-85
M Duncan	65-70 (65-70)	65-70 (65-70)	-	-	25,000	24,000	90-95	85-90
F Riley	45-50 (45-50)	45-50 (45-50)	-	-	19,000	18,000	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. A change in the policy for using the flat meant that the benefit in kind ceased in June 2015. The basis of calculating the benefit was agreed with HMRC during the year.

^{*}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 2014/15 or 2015/16. 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 2015/16 was £115k-120k (2014/15 £115-120k). This was 5.9 times (2014/15 5.8) the median remuneration of the workforce, which was £20k (2014/15 £20k).

In 2015/16 (and 2014/15) no employee received remuneration in excess of the highest paid director. Remuneration ranged from £13,065 to £115,500 (2014/15 £13,065 to £118,100)

Remuneration includes salary and allowances but does not include employer pension contributions.

	Accrued pension at pension age as at 31/3/16 (related lump sum) £'000	Real increase in pension (related lump sum) at pension age £'000	CETV at 31 March 2016 £'000	CETV at 31 March 2015 £'000	Real Increase in CETV £'000	Employer contribution to partnership pension account £'000
E Impey	25-30 (20-25)	0-5 (0-5)	453	383	21	-
R Taylor	0-5 (0-5)	0-5 (0-5)	42	21	13	-
E Carver	0-5 (0-5)	0-5 (0-5)	38	20	12	-
M Duncan	0-5 (0-5)	0-5 (0-5)	46	28	10	-
F Riley	0-5 (0-5)	0-5 (0-5)	76	25	13	-

Thom Richardson took partial retirement in September 2015 and stood down from the Deputy Master post at this time. There were no other changes to the executive team during the year.

Richard Dannatt
Chairman

Date 7 July 2016

Edward Impey
Accounting Officer

Date 7 July 2016

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: Accounting and Reporting for Charities (Charities SORP (FRS 102)) have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the financial statements 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.

Richard Dannatt
Chairman

Date 7 July 2016

Edward Impey
Accounting Officer

Date 7 July 2016

ROYAL ARMOURIES GOVERNANCE STATEMENT

Purpose

This statement covers the Royal Armouries governance arrangements for the year ended 31 March 2016 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 Chairman 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.

The Trustees have a duty under section 17 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission and the Trustees consider that they have complied with this duty.

Control Environment

Significant time and resource was spent in previous years improving the control environment across the organisation to bring it to an acceptable level. Having achieved that level last year, the focus in the current year has been consolidating and maintaining that position.

The Executive Board continues to hold regular risk review meetings and risk management remains a standing agenda item for the Audit Committee. Work continued during the year to resolve the previously identified health and safety issues and improved incident reporting processes were introduced to identify potential areas of concern at the earliest point.

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 although there are currently no major areas of concern.

The Internal Audit programme has been structured to ensure that key areas such as finance, HR, payroll, procurement and IT are regularly reviewed but also that other areas of concern can be included if necessary.

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 five times in 2015/16, twice at the Royal Armouries site at the Tower of London, and the site at Leeds, and once at Fort Nelson. 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.

In July 2015 Wesley Paul stepped down as a Trustee and DCMS appointed Lord Dannatt as Interim Chairman initially for a period of 12 months. At 7 July 2016, the Board comprised the Chairman and 9 Trustees and full details are included on page 4 of this report.

A review of board effectiveness and Trustee skills audit was undertaken in the year. The review concluded that the board was operating effectively, whilst the skill audit identified a number of areas of future trustee training. A programme of training will be developed and delivered in the coming year.

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

- Reports from the Board sub-committees on progress of key issues including audit control points, financial planning, risk and health and safety;
- Operational updates;
- Pay and Grading review;
- Spending review and strategic impact;
- 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 2015/16

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

*Andrew Broome, Catherine Hall, Rhidian Lewis and Brian Boullier 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; and Audit.

Remuneration Committee

The Remuneration Committee reviews the salaries of the Accounting Officer and Directors. The Committee met in March 2016 and concluded that it was appropriate to award a 1% cost of living increase effective from 1 April 2016.

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.

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.

In response to the effectiveness review undertaken last year, the membership of the Committee was strengthened with the recruitment of a further co-opted member with IT skills and two additional trustees.

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

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.

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 2015/16 which included Corporate Governance, Security review, Financial Planning, Corporate Data and Licensing;
- 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.

Royal Armouries Trading & Enterprises Ltd

Royal Armouries Trading & 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 by 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.

There was a welcome improvement in trading over the year which saw RATE reporting a £62k profit. It is anticipated that further investment and development of opportunities in 2016/17 will see further improvements to underlying trading and profitability.

Executive Board

The team supporting the Accounting Officer comprises:

Chief Operating Officer
Deputy Master (to September 2015)
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.

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 Executive Board is 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:

- Funding.
Although the overall outcome of the recent spending review was positive with a cash neutral settlement, external cost pressures such as rent increases and the introduction of the National Living Wage continue to put pressure on budgets. 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.
- Pest infestation.
The organisation faces an ongoing challenge to minimise the risk of pest infestation within the museum. A regular and robust cleaning regime combined with regular pest treatments is in place to reduce the likelihood.
- Licensing.
The internal audit carried out during the year recommended that independent assurance was sought for the range and level of licenses held across the organisation. Burges Salmon were engaged to carry out a review which is currently ongoing.

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 Chairman of Audit Committee and other long serving Trustees together with the information provided by the current Executive Board and a review of the Management Accounts.

Internal Audit for 2015/16 was provided under contract by Mazars, who undertook specific audits and gave an opinion on the effectiveness of internal controls on the following areas:

	OPINION
• Corporate Governance	Substantial
• Corporate Data Management	Adequate
• Financial Planning	Adequate
• Licensing arrangements	Limited

Mazars also provided an independent review of the internal security provision review that was undertaken in the year. The review identified only minor areas for improvement.

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. The level of inherent risk has remained at 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, including the board effectiveness review undertaken in the current year, 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.

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.

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 2015/16.

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 7 July 2016

Richard Dannatt
Chairman

Date 7 July 2016

THE CERTIFICATE 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 2016 under the National Heritage Act 1983. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Museum Balance Sheets, the Consolidated Statement of Cash Flows 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 Trustees, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and 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 2016 and of its net expenditure 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 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 12 July 2016

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 2016

	Notes	Unrestricted funds		Restricted funds	Total funds
		General	Designated		2015/16
		£000	£000	£000	£000
Income and endowments from					
Grant-in-Aid	2	6,442	661	-	7,103
Donations and legacies	3	42	-	741	783
Charitable activities	3	368	-	-	368
Other trading activities	3	988	-	-	988
Investments		10	-	2	12
Total Income and endowments		7,850	661	743	9,254
Expenditure on					
Raising Funds	4	(1,212)	(39)	(78)	(1,329)
Charitable activities	4	(6,406)	(1,291)	(1,704)	(9,401)
Total Expenditure		(7,618)	(1,330)	(1,782)	(10,730)
Net gains/(losses) on investments	12	-	-	(3)	(3)
Net income / (expenditure)		232	(669)	(1,042)	(1,479)
Transfers between funds		(101)	(38)	139	-
Other recognised gains / (losses)					
Gain/ (losses) on revaluation of fixed assets	8	-	438	418	856
Net movement in funds		131	(269)	(485)	(623)
Total Funds brought forward		2,069	3,397	46,667	52,133
Total Funds carried forward		2,200	3,128	46,182	51,510

All activities are on an ongoing basis.

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

The notes on pages 55 to 79 form an integral part of these accounts.

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
		General	Designated		Restated 2014/15
		£000	£000	£000	£000
Income and endowments from					
Grant-in-Aid	2	6,965	989	-	7,954
Donations and legacies	3	27	-	239	266
Charitable activities	3	393	-	-	393
Other trading activities	3	968	-	-	968
Investments		6	-	5	11
Total Income and endowments		8,359	989	244	9,592
Expenditure on					
Raising Funds	4	(1,392)	(40)	(73)	(1,505)
Charitable activities	4	(5,996)	(1,226)	(2,282)	(9,504)
Total Expenditure		(7,388)	(1,266)	(2,355)	(11,009)
Net gains/(losses) on investments	12	-	-	6	6
Net income / (expenditure)		971	(277)	(2,105)	(1,411)
Transfers between funds		-	(135)	135	-
Other recognised gains / (losses)					
Gain/ (losses) on revaluation of fixed assets		-	399	2,852	3,251
Net movement in funds		971	(13)	882	1,840
Total Funds brought forward		1,098	3,410	45,785	50,293
Total Funds carried forward		2,069	3,397	46,667	52,133

All activities are on an ongoing basis.

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

The notes on pages 55 to 79 form an integral part of these accounts.

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016

	Notes	2015/16		Restated 2014/15	
		Group	Museum	Group	Museum
		£000	£000	£000	£000
Fixed Assets					
Intangible Assets	7	16	16	22	22
Tangible Assets	8	55,868	55,848	56,550	56,537
Heritage Assets	9	2,869	2,869	2,714	2,714
Investments	12	135	-	137	-
Investments in Subsidiary	13	-	150	-	150
		<u>58,888</u>	<u>58,883</u>	<u>59,423</u>	<u>59,423</u>
Current Assets					
Stocks	14	77	-	64	-
Debtors	15	504	626	348	440
Cash at Bank and in Hand		3,255	2,996	3,401	3,208
		<u>3,836</u>	<u>3,622</u>	<u>3,813</u>	<u>3,648</u>
Creditors					
Amounts falling due within one year	16	(1,450)	(1,397)	(1,399)	(1,341)
		<u>2,386</u>	<u>2,225</u>	<u>2,414</u>	<u>2,307</u>
Net Current Assets					
		<u>61,274</u>	<u>61,108</u>	<u>61,837</u>	<u>61,730</u>
Total Assets less Current Liabilities					
Creditors: Amounts falling due after more than one year	16	(9,729)	(9,729)	(9,641)	(9,641)
Provision for Liabilities and Charges	17	(35)	(35)	(63)	(63)
		<u>51,510</u>	<u>51,344</u>	<u>52,133</u>	<u>52,026</u>
Net Assets					
The funds of the charity					
Income Funds					
Restricted Reserves	21	46,182	46,018	46,667	46,500
Unrestricted Reserves					
Designated funds	21	3,128	3,128	3,397	3,397
General	21	2,200	2,198	2,069	2,129
		<u>51,510</u>	<u>51,344</u>	<u>52,133</u>	<u>52,026</u>
Total Funds					

The notes on pages 55 to 79 form an integral part of these accounts.

The financial statements of pages 51 to 54 were approved by the Board of Trustees and were signed on their behalf by:

Edward Impey
Accounting Officer

Date 7 July 2016

Richard Dannatt
Chairman

Date 7 July 2016

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2015/16	Restated 2014/15
		£000	£000
Cash Flows from operating activities:			
Net Cash provided by / (used in) operating activities	22	342	2,209
Cash Flows from investing activities:			
Dividends and interest from investments		12	11
Purchase of intangible fixed assets	7	-	(21)
Purchase of tangible fixed assets	8	(423)	(495)
Purchase of heritage fixed assets	9	(76)	(135)
Proceeds from the sale of investments	12	108	111
Purchase of investments	12	(109)	(116)
Net cash provided by (used in) investing activities		(488)	(645)
Change in cash and cash equivalents in the period		(146)	1,564
Cash and cash equivalents at the beginning of the reporting period		3,401	1,837
Cash and cash equivalents at the end of the reporting period		3,255	3,401

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

The notes on pages 55 to 79 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 (FRS 102), 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 2016. 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 that there are no material uncertainties about the charity's ability to continue and, therefore, the accounts can be prepared on the basis of a going concern.

1.3 Incoming resources

In general, income is accounted for when a transaction or other event results in an increase in the Royal Armouries' assets or a reduction in its liabilities. Grant-in-Aid is recognised in the year in which it is received.

Income from donations and legacies, including capital grants, is included in incoming resources when there is evidence of entitlement, receipt is probable and the amount can be reliably measured. Income from Charitable activities and Other Trading activities is recognised upon performance of services rendered in accordance with contractual terms.

Gifts in kind are recognised as incoming resources at a reasonable estimate of their current value on receipt.

1.4 Expenditure

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

Expenditure on raising 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.

Expenditure on charitable activities comprises all the resources incurred in undertaking its work to meet its charitable objectives. Such costs include those incurred on care of the collection, providing an educational and interpretation programme and all costs associated with the visitor experience.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.4 Expenditure (continued)

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, Administrative Support and Governance costs have been allocated using headcount whilst Shared Services has been allocated based upon floor space.

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 73.

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. The assets are valued at historic cost. 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 FRS102 Section 17, the land and buildings are periodically professionally valued at depreciated replacement cost in the remaining lives adjusted accordingly. See note 8 for details of the most recent valuations.

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:

Land	999 years
Buildings	4 to 43 years
Plant & machinery	10 to 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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.

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 Civil Service pension arrangements, which is a non-contributory and unfunded scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits lies with Parliament. The Royal Armouries, and other bodies covered by the arrangements 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 Civil Service pension arrangements as a whole. Contributions are included as expenses in the Statement of Financial Activities in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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.

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. All financial liabilities are recorded at amortised cost.

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.

1.15 Provisions

Provisions are recognised when it is probable that a transfer of economic benefits will be required to settle a present obligation at the year-end as a result of a past event 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 2016. 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)

1.18 Adoption of FRS102

The Group has adopted the Charities SORP (FRS 102) for the first time in preparing these accounts. The adoption has resulted in a restatement of the SoFA, Statement of Cash Flows and supporting notes. On the SoFA, Governance costs are no longer shown as a separate cost but are disclosed as support costs in Note 4. Investment gains and losses which were previously reported under SORP 2005 after "Net incoming /(outgoing) resources" are now shown before "Net incoming /(outgoing) resources".

1.19 Prior Period Error

In 1996 the museum entered into a 999 year agreement to rent land in Leeds on which the new museum was to be built. Previously this agreement has been recognised as an operating lease and the annual rental payment recognised as an expense in the year it was paid. On review it is considered that the terms of the agreement mean that it should be recognised as a finance lease. This meant initially recognising the agreement as both an asset and a liability at its net present value as at 1996. The asset value is then subject to depreciation and indexation, whilst the lease liability was reduced by the annual rental payments, with a finance charge expensed in year and added to the liability.

This change in accounting required a net £3.09m charge to be recognised against Brought Forward Reserves at 1 April 2014. In the 2014/15 SoFA an additional £207k decrease to "net income/ (expenditure)" and a £360k increase to "other recognised gains / (losses)" were recognised.

In terms of the Consolidated Balance Sheet at 1 April 2014 the following categories were affected:

	Pre prior period adjustment	Adjustment	Restated
	£'000	£'000	£'000
Tangible Assets	49,132	6,718	55,580
Creditors: Amounts falling due within one year	(913)	(367)	(1,280)
Creditors amounts falling due in greater than one year	-	(9,441)	(9,441)
Designated funds	6,500	(3,090)	3,410

In terms of the 2014/15 SoFA the following categories were affected

	Pre prior period adjustment	Adjustment	Restated
	£'000	£'000	£'000
Expenditure on raising funds	(1,500)	(5)	(1,505)
Expenditure on charitable activities	(9,302)	(202)	(9,504)
Gain/ (losses) on revaluation of fixed assets	2,891	360	3,251

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Grant-in-Aid

Grant-in-Aid received in 2015/16 was £7,103,000 (2014/15: £7,954,000). 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 £612k (2014/15: £854k) has been designated by the Trustees for the purposes of capital projects. The sum of £49k (2014/15: £135k) has been designated by the Trustees for the purposes of collection purchases.

3. Analysis of Income and Endowments

	2015/16	Restated
	£000	2014/15
		£000
Donations	61	31
Grants	578	218
Heritage asset donations	144	17
Donations and Legacies	783	266
Event Income	143	189
Educational Income	38	46
Other Operating Income	187	158
Charitable activities	368	393
Share of HRP gate receipt	243	246
Trading activity	745	722
Other Trading activities	988	968

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total Expenditure

	Staff costs	Other direct costs	Impairment, Depreciation & Disposals	Allocated Support Cost	2015/16
	£000	£000	£000	£000	£000
Cost of generating voluntary income	166	36	-	177	379
Fund raising: cost of goods and other costs	343	379	62	166	950
Raising Funds	509	415	62	343	1,329
Care of the collection	1,396	273	465	1,122	3,256
Education	295	57	131	270	753
Visitor Experience	859	1,118	1,309	2,106	5,392
Charitable activities	2,550	1,448	1,905	3,498	9,401
Total Expenditure	3,059	1,863	1,967	3,841	10,730

Support Costs

					Basis of allocation
Directorate	631	189	-	(820)	Headcount
Administrative support	300	314	-	(614)	Headcount
Shared services	814	1,510	-	(2,324)	Space
Governance Costs	-	83	-	(83)	Headcount
	1,745	2,096	-	(3,841)	
	4,804	3,959	1,967	-	

4. Total Expenditure

	Staff costs	Other direct costs	Impairment, Depreciation & Disposals	Allocated Support Cost	Restated 2014/15
	£000	£000	£000	£000	£000
Cost of generating voluntary income	152	44	-	49	245
Fund raising: cost of goods and other costs	302	536	98	324	1,260
Raising Funds	454	580	98	373	1,505
Care of the collection	1,239	158	760	1,209	3,366
Education	214	48	214	287	763
Visitor Experience	868	460	1,984	2,063	5,375
Charitable activities	2,321	666	2,958	3,559	9,504
Total Expenditure	2,775	1,246	3,056	3,932	11,009

Support Costs

					Basis of allocation
Directorate	669	260	-	(929)	Headcount
Administrative support	342	311	-	(653)	Headcount
Shared services	762	1,489	-	(2,251)	Space
Governance Costs	-	99	-	(99)	Headcount
	1,773	2,159	-	(3,932)	
	4,548	3,405	3,056	-	

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total resources expended (continued)

4a Staff Costs

	2015/16	2014/15
	£000	£000
Salaries and wages	3,763	3,511
Agency staff	103	136
National Insurance contributions	241	231
Pension costs	697	596
Early retirement costs	19	35
Movement on provisions (see note 17)	(16)	(30)
Redundancy costs	-	40
Holiday pay (see note 1.16 to the financial statements)	(3)	29
	4,804	4,548

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 (2014/15: Nil).

There were no redundancies during the year. (2014/15: 1).

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	-	1	-	1
£50,000-£100,000	-	-	-	-	-	-
Total number of exit packages	-	-	-	1	-	1
Total resource cost (£0,000)	-	-	-	40	-	40

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	
	2015/16	2014/15
Cost of generating voluntary funds	5	4
Fundraising: cost of goods sold and other	20	18
Care of the collection	52	53
Education	11	11
Visitor Experience	69	61
	157	147

Director General & Master of the Armouries

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total resources expended (continued)

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:

	2015/16	2014/15
£60,001 - £70,000	2	3
£70,001 - £80,000	1	1
£110,001 - £120,000	1	1

Pension Scheme

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

The Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Royal Armouries is unable to identify its share of the underlying assets and liabilities. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).

For 2015/16, employers' contributions of £690k were payable to the civil service (2014/15: £595k) at one of four rates in the range 20.0% to 24.5% 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 2015/16 to be paid when the member retires and not benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7k (2014/15: £1k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and from 1 October range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.3k, 0.8% of pensionable pay to September 2015 and 0.5% thereafter, were payable to the Civil Service pension arrangements 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 two current employee contributing to a **partnership** pension and there were contributions of £1k (2014/15: £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. Eight Royal Armouries Trustees, 2 co-opted members of the Audit Committee and 1 Director of Royal Armouries Trading & Enterprises Ltd incurred expenses for their travel and subsistence costs during the year, with £5,471 reimbursed and £8,392 paid directly to third parties (2014/15: Ten Royal Armouries Trustees, 2 co-opted members of the Audit Committee and one Director of Royal Armouries Trading & Enterprises Ltd with £5,152 reimbursed and £11,659 paid directly to third parties).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 (2014/15 £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

	Group	
	2015/16 £000	2014/15 £000
Commitment as at 1 April	20	20
Grants awarded during the year	-	-
Grants settled during the year	20	-
Commitment as at 31 March	-	20

There were grants awarded relating to the museum.

6. Net Income / (Expenditure)

	2015/16 £000	Restated 2014/15 £000
Net income / (expenditure) is stated after charging:		
Operating lease rentals	9	11
Finance lease charge	579	567
External auditor for audit work	50	49
External auditor for non-audit work	2	1
Internal Auditor	17	32
Legal services	44	18
Travel and subsistence costs	167	179
Loss on disposal of fixed assets	89	2

All auditors' remuneration was in respect of audit work with the exception of £1,750 that was paid to Grant Thornton for accounts preparation and tax compliance work in relation to Royal Armouries Trading & Enterprises Ltd. £39,000 (2014/15: £37,500) was charged by the National Audit Office on behalf of the Comptroller and Auditor General for the audit of the Royal Armouries, £10,000 was charged by Grant Thornton for the audit of Royal Armouries Trading & Enterprises Ltd (2014/15: £9,750 charged by Grant Thornton) and £1,200 (2014/15: £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 (2015: 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 Development £000	Software Licences £000	Total £000
Cost as at 1 April 2015	41	98	139
Cost as at 31 March 2016	41	98	139
Amortisation as at 1 April 2015	40	77	117
Amortisation during year	1	5	6
Amortisation as at 31 March 2016	41	82	123
Net Book Value at 31 March 2016	-	16	16
Net Book Value at 31 March 2015	1	21	22

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tangible Fixed assets

Cost	Group				Total £000
	Leasehold Land £000	Freehold Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	
As at 1 April 2015 restated	7,242	42,787	5,392	6,663	62,084
Additions	-	90	14	319	423
Disposals	-	-	-	(405)	(405)
Revaluations	381	419	74	3	877
As at 31 March 2016	7,623	43,296	5,480	6,580	62,979
Depreciation					
As at 1 April 2015 restated	171	1,299	345	3,719	5,534
Charge for the year	7	1,057	266	542	1,872
Disposals	-	-	-	(316)	(316)
Revaluation	-	13	5	3	21
As at 31 March 2016	178	2,369	616	3,948	7,111
Net Book Value at 31 March 2016	7,445	40,927	4,864	2,632	55,868
Restated Net Book Value at 31 March 2015	7,071	41,488	5,047	2,944	56,550
Cost	Museum				Total £000
	Leasehold Land £000	Freehold Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	
As at 1 April 2015 restated	7,242	42,787	5,392	6,647	62,068
Additions	-	90	14	309	413
Disposals	-	-	-	(405)	(405)
Revaluations	381	419	74	3	877
As at 31 March 2016	7,623	43,296	5,480	6,554	62,953
Depreciation					
As at 1 April 2015 restated	171	1,299	345	3,716	5,531
Charge for the year	7	1,057	266	539	1,869
Disposals	-	-	-	(316)	(316)
Revaluation	-	13	5	3	21
As at 31 March 2016	178	2,369	616	3,942	7,105
Net Book Value at 31 March 2016	7,445	40,927	4,864	2,612	55,848
Restated Net Book Value at 31 March 2015	7,071	41,488	5,047	2,931	56,537

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 2014 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 2014 valuation was made on the basis of the building having a sound roof, it was considered appropriate to make an impairment charge in the 2015 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.

The net book value of the building and plant and machinery on a historic cost basis at 31 March 2016 for both the Group and the Museum was £40.294m and £4.769m respectively.

The land and building value includes land that was leased in 1986 under a 999 year agreement. The lease is recognised as a finance lease and at 31 March 2016 the net carrying value of the leased land asset was £7.445m. This valuation is based on the net present value of lease payments as at 1996, with depreciation and indexation applied up to 31 March 2016. The land will be professionally valued in March 2019.

9. Heritage Fixed Assets (Group and Museum)

	Armour and Weapons £000	Works of Art £000	Archive £000	Total £000
Cost or valuation as at 1 April 2015	2,619	35	60	2,714
Additions	132	15	8	155
Cost or valuation as at 31 March 2016	2,751	50	68	2,869
Cost	1,899	50	68	2,017
Valuation	852	-	-	852
Total	2,751	50	68	2,869

There have been no disposals of heritage assets during 2015/16.

The collection comprises 488 pieces of armour or weapons, 6 works of art and 11 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 12-13.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Five year financial summary of heritage asset transactions

	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
<u>Purchases</u>					
Armour and weapons	53	135	190	266	59
Works of art	15	-	-	-	-
Archive	8	-	-	-	12
<u>Donations</u>					
Armour and weapons	79	17	-	-	104
Works of art	-	-	-	-	-
Archive	-	-	-	-	-
Total	155	152	190	266	175

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 almost 7,000 pieces of armour and 40,500 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 NFC contains a collection of nearly 18,000 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 1,800 pieces of armour are on display with around 450 on loan; 5,000 weapons are on display with around 1,500 on loan. The remainder is available to the public in the museum's study collections.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Works of art

The museum holds approximately 1,000 pieces of art, comprising paintings, prints, drawings, sculptures and other works of art. Of these 20 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.

Archive

The archives contain some 200 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 500,000 individual items, 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 16th and 17th 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-15th 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 NFC 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Investments

	Group	
	2015/16 £000	2014/15 £000
Investments as at 1 April	137	126
Additions	109	116
Disposals	(108)	(111)
(Loss) / gain in value	(3)	6
Investments as at 31 March	135	137

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

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 (RATE) 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	
	2015/16 £000	2014/15 £000
Stocks valued at cost	82	67
Less: provisions for publications and other slow moving stocks	(5)	(3)
	77	64

15. Debtors

	Group	
	2015/16 £000	2014/15 £000
Trade debtors	163	27
Other debtors	12	5
VAT recoverable	126	107
Prepayments and accrued income	204	210
Provision for bad debts	(1)	(1)
	504	348

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Debtors (continued)

	Museum	
	2015/16	2014/15
	£000	£000
Trade debtors	139	21
Other debtors	12	5
Amounts due from Royal Armouries Trading & Enterprises Ltd	127	86
VAT recoverable	148	134
Prepayments and accrued income	200	194
	626	440

16. Creditors

Amounts falling due within one year

	Group	
	2015/16	Restated
	£000	2014/15
	£000	£000
Trade creditors	140	286
Income tax and Social Security	148	173
Other creditors	15	22
Grants	-	20
Obligations under finance lease	492	367
Accruals and deferred income	655	531
	1,450	1,399

	Museum	
	2015/16	Restated
	£000	2014/15
	£000	£000
Trade creditors	127	285
Income tax and Social Security	148	173
Other creditors	14	19
Obligations under finance lease	492	367
Accruals and deferred income	616	497
	1,397	1,341

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Creditors (continued)

Amounts falling due after more than one year

	Group & Museum	
	2015/16	Restated 2014/15
	£000	£000
Obligations under finance lease	9,729	9,641

As at 31 March 2016 the Royal Armouries had commitments to discounted cash payments under a non-cancellable finance lease as follows:

	2015/16	2014/15
	Land	Land
	£000	£000
Not later than one year	492	367
Later than one year and not later than five years	1,703	1,703
Later than five years	8,026	7,938
	<u>10,221</u>	<u>10,008</u>

The finance lease relates to a 999 year agreement entered into in 1996 for the rent of land in Leeds on which the new museum building was built. The agreement has fixed rental payments across the 999 year term. The agreement includes a number of contingent rent conditions relating to the non-museum use of the site. No contingent rent payments have been made.

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

	Legal	Tax	Early Retirement	Total
	£000	£000	£000	£000
Balance as at 1 April 2015	-	30	33	63
Charge / (Release)	11	(25)	2	(12)
Utilisation of provision	-	-	(16)	(16)
Balances as at 31 March 2016	<u>11</u>	<u>5</u>	<u>19</u>	<u>35</u>
Liability due within one year	11	5	19	35
Liability due after one year	-	-	-	-

Provisions are recognised when it is probable that a transfer of economic benefit will be required to settle a present obligation at the yearend as a result of a past event and a reliable estimate of the amount can be made. 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 2016 or 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Capital Commitments (Group and Museum)

	2015/16 £000	2014/15 £000
Capital expenditure contracted but not provided for in the accounts	122	-
Capital expenditure authorised but not contracted for	1,939	2,000

The expenditure authorised but not contracted for relates to the capital budget approved for 2016/17.

20. Analysis of group net assets between funds

	Group		Restricted funds £000	Total £000
	Unrestricted funds			
	General £000	Designated £000		
Funds balances as 31 March 2016 are represented by:				
Intangible fixed assets	-	16	-	16
Tangible fixed assets	20	12,699	43,149	55,868
Heritage fixed assets	-	-	2,869	2,869
Investments	-	-	135	135
Current assets	3,172	633	31	3,836
Current liabilities	(957)	(491)	(2)	(1,450)
Non current liabilities	-	(9,729)	-	(9,729)
Provisions for Charges & Liabilities	(35)	-	-	(35)
Total net assets	2,200	3,128	46,182	51,510

	Museum		Restricted funds £000	Total £000
	Unrestricted funds			
	General £000	Designated £000		
Funds balances as 31 March 2016 are represented by:				
Intangible fixed assets	-	16	-	16
Tangible fixed assets	-	12,699	43,149	55,848
Heritage fixed assets	-	-	2,869	2,869
Investments	150	-	-	150
Current assets	2,989	633	-	3,622
Current liabilities	(906)	(491)	-	(1,397)
Non current liabilities	-	(9,729)	-	(9,729)
Provision for Charges & Liabilities	(35)	-	-	(35)
Total net assets	2,198	3,128	46,018	51,344

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Statement of funds

	Restated 1 April 2015 £000	Income £000	Expenditure £000	Group Revaluation £000	Transfers £000	31 March 2016 £000
Unrestricted funds						
General fund	2,069	7,850	(7,618)	-	(101)	2,200
Designated fund – assets	6,334	294	(744)	57	(38)	5,903
Designated fund - land lease	(2,937)	367	(586)	381	-	(2,775)
Total unrestricted funds	5,466	8,511	(8,948)	438	(139)	5,328
Restricted funds						
Buildings	32,920	-	(916)	-	90	32,094
National Firearms Centre	1,265	-	(44)	-	-	1,221
Sponsorship and						
Donations	3,625	597	(755)	-	(27)	3,440
Heritage Assets	1,941	-	-	-	76	2,017
Donated Assets	773	144	(65)	-	-	852
Revaluation Reserve	5,976	-	-	418	-	6,394
RADT	167	2	(5)	-	-	164
Total restricted funds	46,667	743	(1,785)	418	139	46,182
Total funds	52,133	9,254	(10,733)	856	-	51,510

	Restated 1 April 2015 £000	Income £000	Expenditure £000	Museum Revaluation £000	Transfers £000	31 March 2016 £000
Unrestricted funds						
General fund	2,129	6,926	(6,756)	-	(101)	2,198
Designated fund - assets	6,334	294	(744)	57	(38)	5,903
Designated fund - land lease	(2,937)	367	(586)	381	-	(2,775)
Total unrestricted funds	5,526	7,587	(8,086)	438	(139)	5,326
Restricted funds						
Buildings	32,920	-	(916)	-	90	32,094
National Firearms Centre	1,265	-	(44)	-	-	1,221
Sponsorship and						
Donations	3,625	597	(755)	-	(27)	3,440
Heritage Assets	1,941	-	-	-	76	2,017
Donated Assets	773	144	(65)	-	-	852
Revaluation Reserve	5,976	-	-	418	-	6,394
Total restricted funds	46,500	741	(1,780)	418	139	46,018
Total funds	52,026	8,328	(9,866)	856	-	51,344

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 split into two distinct funds. The Designated fund - assets 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 Designated fund – land lease is a fund which holds the net liability arising from the finance lease of the Leeds Museum site. The Board of Trustees designate incoming resources from grant in aid to meet the current liability for minimum lease payments. This fund shows a deficit position as the Royal Armouries is not permitted to draw down cash grant in aid in advance of need.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Statement of funds (cont)

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. £38k was transferred from the designated reserve and £101k from general reserves to restricted reserves to reflect the expenditure of Grant-in-Aid on buildings and heritage assets.

22. Cash flow information (Group)

Reconciliation of net income /(expenditure) to net cash flow from operating activities

	2015/16	Restated 2014/15
	£000	£000
Net income / (expenditure) for the period	(1,479)	(1,411)
Investment Interest received	(12)	(11)
Depreciation and amortisation	1,878	3,054
Loss / (profit) on sale of fixed assets	89	2
(Gain) / Loss on investments	3	(6)
Donated assets – collection items	(79)	(17)
(Increase) / Decrease in stocks	(13)	(7)
(Increase) / Decrease in debtors	(156)	286
Increase/ (Decrease) in creditors	139	319
Increase/ (Decrease) in provisions	(28)	-
Net cash provided by / (used in) operating activities	342	2,209

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.

	2015/16 Income £000	2015/16 Costs £000	2015/16 Debtor £000	2015/16 Creditor £000
Historic Royal Palaces				
- Income relates to a contribution to site expenditure. Costs relate to our share of operating costs	255	13	87	1

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Financial Instruments

Credit risk

The Royal Armouries has cash deposits of £3,255k (2014/15: £3,401k) 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. 51% 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 77% of income (2014/15: 83%). 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, £12k (2014/15: £11k) was generated from interest earned during 2015/16 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 sale Financial Assets 2015/16 £000	Loans and Receivables 2015/16 £000	Other Financial Liabilities at amortised cost 2015/16 £000	Total 2015/16 £000
Fixed asset investments	135	-	-	135
Cash	-	3,255	-	3,255
Trade and other debtors	-	175	-	175
Trade and other payables	-	-	(155)	(155)
	<u>135</u>	<u>3,430</u>	<u>(155)</u>	<u>3,410</u>

	Group			
	Available for sale Financial Assets 2014/15 £000	Loans and Receivables 2014/15 £000	Other Financial liabilities as amortised cost 2014/15 £000	Restated Total 2014/15 £000
Fixed asset investments	137	-	-	137
Cash	-	3,401	-	3,401
Trade and other debtors	-	32	-	32
Trade and other payables	-	-	(308)	(308)
	<u>137</u>	<u>3,433</u>	<u>(308)</u>	<u>3,262</u>

	Museum			
		Loans and Receivables 2015/16 £000	Other Financial Liabilities at amortised cost 2015/16 £000	Total 2015/16 £000
Cash		2,966	-	2,966
Trade and other debtors		278	-	278
Trade and other payables		-	(141)	(141)
		<u>3,244</u>	<u>(141)</u>	<u>3,103</u>

	Museum			
		Loans and Receivables 2014/15 £000	Other Financial Liabilities at amortised cost 2014/15 £000	Restated Total 2014/15 £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>

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Summary of Results of consolidated entries

	RAM 2015/16 £000	RATE 2015/16 £000	RADT 2015/16 £000	Intercompany 2015/16 £000	TOTAL 2015/16 £000
Income and endowments from					
Grant-in-Aid	7,103	-	-	-	7,103
Donations and legacies	753	30	-	-	783
Charitable activities	215	153	-	-	368
Other trading activities	614	741	-	(367)	988
Investments	10	-	2	-	12
Total Income and endowments	8,695	924	2	(367)	9,254
Expenditure on					
Raising Funds	(832)	(862)	(2)	367	(1,329)
Charitable activities	(9,401)	-	-	-	(9,401)
Total Expenditure	(10,233)	(862)	(2)	367	(10,730)
(Loss) / Gain on revaluation of investments	-		(3)		(3)
Net income / (expenditure)	(1,538)	62	(3)	-	(1,479)
Other recognised gains / (losses)					
Gain/ (losses) on revaluation of fixed assets	856	-	-	-	856
Net movement in funds	(682)	62	(3)		(623)

	RAM 2014/15 £000	RATE 2014/15 £000	RADT 2014/15 £000	Intercompany 2014/15 £000	TOTAL 2014/15 £000
Income and endowments from					
Grant-in-Aid	7,954	-	-	-	7,954
Donations and legacies	255	11	-	-	266
Charitable activities	171	222	-	-	393
Other trading activities	597	719	-	(348)	968
Investments	6	-	5	-	11
Total Income and endowments	8,983	952	5	(348)	9,592
Expenditure on					
Raising Funds	(911)	(939)	(3)	348	(1,505)
Charitable activities	(9,504)	-	-	-	(9,504)
Total Expenditure	(10,415)	(939)	(3)	348	(11,009)
(Loss) / Gain on revaluation of investments	-	-	6		6
Net income / (expenditure)	(1,432)	13	8	-	(1,411)
Other recognised gains / (losses)					
Gain/ (losses) on revaluation of fixed assets	3,251	-	-	-	3,251
Net movement in funds	1,819	13	8	-	1,840

26. Royal Armouries Development Trust

Registered Charity Number 803617

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

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

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

	2015/16 £000	2014/15 £000
Income and Expenditure Account		
Income	-	-
Administrative costs	(2)	(3)
Grant to Royal Armouries	-	-
Grant to the Arms and Armour Heritage Trust	-	-
Interest receivable	2	5
(Loss) / gain on investments	(3)	6
Surplus/(Deficit)	(3)	8
Balance Sheet		
Investments	135	137
Current assets	31	52
Creditors	(2)	(22)
Net Assets	164	167
Unrestricted reserves	146	149
Restricted reserves	18	18
Total Funds	164	167

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

27. Royal Armouries Trading & Enterprises Limited

Company number 07374477

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.

	2015/16 £000	2014/15 £000
Profit and Loss Account		
Turnover	924	952
Cost of sales	(343)	(442)
Gross profit	581	510
Administrative expenses	(519)	(497)
Operating profit / (loss)	62	13
Gift Aid payable to the Royal Armouries	-	-
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	62	13

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)

27. Royal Armouries Trading & Enterprises Limited (continued)

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 raising funds and the appropriate charitable activities.

	2015/16 £000	2014/15 £000
Balance Sheet		
Fixed Assets	20	13
Current assets	332	226
Creditors	(200)	(149)
Net Assets	152	90
Share Capital	150	150
Profit and Loss	2	(60)
Shareholder Funds	152	90

Creditors include £127k (2014/15: £86k) due to the parent charity for outstanding management charges.

28. Financial commitments (Group and Museum)

As at 31 March 2016 the Royal Armouries had commitments to future minimum lease payments under non-cancellable operating leases as follows:

	Land	Other	2015/16	Restated 2014/15
	£000	£000	£000	£000
Not later than one year	4	5	9	8
Later than one year and not later than five years	17	18	35	37
Later than five years	336	-	336	300
	357	23	380	345

29. Post Balance Sheet Events

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

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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