

BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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

Ordered by the House of Commons to be printed on 18 July 2018

HC 1312

BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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

Ordered by the House of Commons to be printed on 18 July 2018

HC 1312

© Royal Armouries (2018)

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

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

Any enquiries regarding this publication should be sent to us at enquiries@armouries.org.uk

This publication is available at <https://www.gov.uk/government/publications>

Print ISBN 978-1-5286-0484-0

CCS0618768238 07/18

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

CONTENTS

| | Page |
|--|------|
| Trustees' and Accounting Officer's Annual Report | 2 |
| Remuneration Report | 30 |
| Statement of the Trustees' and Accounting Officer's Responsibilities | 35 |
| Governance Statement | 37 |
| Certificate and Report of the Comptroller and Auditor General | 46 |
| Consolidated Statement of Financial Activities | 51 |
| Consolidated Balance Sheet | 53 |
| Consolidated Statement of Cash Flows | 54 |
| Notes to the Financial Statements | 55 |

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 Digital, Culture, Media and Sport (DCMS) but operating at 'arm's length' from it. A new four-year *Management Agreement* with the DCMS was signed in December 2016, 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 Digital, 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 four 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 2017/18 and served on the sub-committees shown:

| | Date of appointment | Expiry of appointment |
|--|----------------------------|------------------------------|
| Chairman | | |
| General the Lord Dannatt GCB CBE MC DL | 09.07.15 | 01.11.18 |
| Members | | |
| Hemant Patel | 12.07.10 | 11.07.19 |
| Major General Sir Sebastian Roberts KCVO OBE | 05.02.11 | 04.02.19 |
| Mark Urban | 03.09.12 | 29.03.18 (resigned) |
| Professor Anne Curry | 03.03.14 | 02.03.20 |
| Dr Andrew Burnett CBE | 03.03.14 | 02.03.21 |
| Mrs Christine Mayer CBE | 03.03.14 | 02.03.22 |
| Ms Deborah Mills | 03.03.14 | 02.04.18 |
| Mr Jason Kingsley OBE | 03.03.14 | 02.04.18 |
| General the Lord Houghton GCB CBE | 01.08.16 | 31.07.21 |

Trustee Sub-Committees

| Sub Committee | Chair | Members |
|--|-----------------|---|
| <i>Audit</i> | Hemant Patel | Christine Mayer Deborah Mills (to 02.04.18) Andrew Broome (co-opted external member) Brian Boullier (co-opted external member) |
| <i>Finance and Capital Development</i> | Hemant Patel | Deborah Mills (to 02.04.18) Christine Mayer Richard Dannatt |
| <i>Remuneration</i> | Richard Dannatt | Hemant Patel Christine Mayer Deborah Mills (to 02.04.18) |

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 Digital, 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 Andrew Burnett, Anne Curry and Christine Mayer were reappointed by DCMS for a second term.

Executive Board

Dr Edward Impey – Director General & Master

Rod Taylor – Chief Operating Officer

Malcolm Duncan – Finance Director

Emma Carver – Public Engagement Director to 13 August 2017 then Masterplan Director from 14 August 2017

Siona Mackelworth – Interim Public Engagement Director from 14 August 2017

Frank Riley – Director of National Firearms Centre

Laura Bell – Director of Collections from 30 April 2018 (Interim from 19 October 2017)

Dr Stefan Maeder – Director of Collections from 2 May 2017 to 17 October 2017

Staff Communications

Communications between staff and senior management have been supported by a programme of frequent staff meetings 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 7.1 (2016/17: 5.3). Excluding those members of staff who were on long term sickness over 4 weeks, the average number of days was 3.8 (2016/17 3.6).

Financial Instruments and Risk

Details of financial instruments are given in Note 25 to the financial statements. There is not considered to be any material risk in relation to financial instruments.

Fundraising Practices

Fundraising activities at the Royal Armouries are led by the Development Team, which is made up of four suitably qualified and experienced fundraisers. No fundraising activity was carried out by professional fundraisers or commercial participators during the year.

The Team is led by the Head of Development, who is responsible for monitoring the work of the Team through regular team meetings, one to one meetings and project updates, and reports into the Public Engagement Director.

The Royal Armouries voluntarily subscribes to the Fundraising Regulator who sets and maintains the standards for charitable fundraising. These standards ensure that fundraising is respectful, open, honest and accountable to the public. The Royal Armouries Development Team comply with the standards for fundraising as outlined in the Code of Fundraising Practice which the Fundraising Regulator sets through its Standards Committee. Three of the four current members of staff in the Development Team are independent members of the Institute of Fundraising.

All fundraising conducted on behalf of Royal Armouries, whether by staff or volunteers, must comply with the Code of Practice of the Institute of Fundraising, the professional body for UK fundraising in addition to all relevant legislation, including but not limited to Charities Act 2011, Equality Act 2010, Bribery Act 2010 and Data Protection Act 2018.

Internally, staff or volunteers fundraising for the Royal Armouries must also comply with the charity's policies and procedures pertaining to fundraising, including but not limited to Ethics Policy, Cash Handling Policy, Gifts & Hospitality Policy, Information & Records Management Policy, Information Security Policy, Data Protection Policy, Anti Money Laundering Policy and Anti-Fraud Policy.

With regard to the organisational Ethics Policy, the Development Team has its own Due Diligence process to which it refers when ethical issues are raised in association with the organisation's fundraising.

To date, Royal Armouries has received no complaints about its fundraising activities.

Trade Union Facility Time

As required by the Trade Union (Facility Time Publication Requirements) Regulations 2017 the following information is reported:

i) Relevant Union Officials

| | |
|--|---|
| Number of employees who were relevant union officials during the relevant period | 2 |
| Full-time equivalent employee number | 2 |

ii) Percentage of time spent on facility time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0% | - |
| 1-50% | 2 |
| 51-99% | - |
| 100% | - |

iii) Percentage of paybill spent on facility time

| | |
|---|------------|
| Total Cost of facility time | £146 |
| Total Paybill | £4,854,000 |
| % of total paybill spent on facility time | 0.003% |

iv) Paid trade union activities

| | |
|---|-------|
| Time spent on trade union activities as a % of total paid facility time hours | 0.21% |
|---|-------|

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 2017/18.

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 ensuring that the policy is effective and during the 2018/19 financial year it is the intention to conduct a diversity review which will analyse and consider scope for interventions to improve diversity performance across the organisation. The primary outcome of the review will be a new Diversity strategy and action plan.

At 31 March 2018 the Royal Armouries and Royal Armouries Trading & Enterprises Ltd had 203 full, part-time and casual contract employees in total split as follows:

| | Male | Female | Total |
|------------------|-------------|---------------|--------------|
| Executive | 4 | 3 | 7 |
| Staff | 98 | 98 | 196 |
| Total | 102 | 101 | 203 |

149 of the staff were on permanent contracts with the remaining 54 on fixed term or casual contracts. Permanent staff accounted for £3,564k of the total £3,826k salaries and wages cost disclosed in note 4a, with the remaining £262k attributable to staff on fixed term and casual contracts. These numbers have been subject to audit.

Sustainability Report

The Royal Armouries is exempt from producing a sustainability report on the basis that it has less than 250 FTE employees.

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 24 to the financial statements.

The Royal Armouries is a Non-Departmental Public Body whose parent body is the DCMS. The DCMS is regarded as a related party.

The *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 RADT 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 AAHT during the year. The AAHT awarded a £200,000 grant to the Royal Armouries in 2016/17 to be paid equally over four years to support a number of important initiatives including publishing, research, public engagement and the NFC.

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. General the Lord Houghton, who holds the post of Constable of the Tower of London, is an *ex-officio* Trustee and is also a Trustee of Historic Royal Palaces.

PERFORMANCE INDICATORS

The Royal Armouries entered into a new four year Management Agreement with DCMS in December 2016. This agreement confirms the 12 performance indicators for the Royal Armouries. The actual performance achieved against each of the indicators for 2016/17 and 2017/18 is set out in the table below. Explanations of key movements are given in the Achievements and Performance section on pages 11 to 24 and the Financial Review on pages 26 to 29.

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 | 2017/18 Out-turn | 2016/17 Out-turn |
|---|-----------------------------|-----------------------------|
| Total number of visits | 2,112,635 | 1,870,534 |
| Number of unique users visiting the website | 506,992 | 441,539 |
| Number of children aged 16 and under visiting the Royal Armouries | 621,350 | 540,631 |
| Number of overseas visitors | 1,413,170 | 1,252,327 |
| Number of visitors under 18, in formal education, attending the Royal Armouries in facilitated and self-directed visits * | 16,342 | 14,150 |
| Number of visitors under 18 participating in on-site organised activities * | 9,207 | 10,364 |
| Percentage of visitors who would recommend a visit | 92% | 99% |
| Admissions income * | £72,725 | £45,635 |
| Trading income- Net Profit * | £36,650 | £10,954 |
| Fundraising income (excluding lottery funding) | £445,205 | £1,156,429 |
| Ratio of fund raising to Grant-in-Aid | 5.7% | 16.3% |
| Number of UK loan venues | 98 | 118 |

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 <https://royalarmouries.org/about-us/purpose-and-vision/>

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

The conservation and management of the collection is one of the Royal Armouries fundamental day to day activities and priorities, guided by our Conservation Plan. This year, particular attention has been paid to the collection at Fort Nelson and the conservation of over 70 pieces from our collection of oriental mail.

Collections Policies and Procedures

From April 2017 to March 2018 the Collections Department received and responded to 889 individual enquiries. A new Collections Enquiries Policy has been implemented to help manage the number of enquiries and streamline processes.

Following the launch of Collections Trust's SPECTRUM 5.0, the documentation standard, and changes to the Collections Department structure, all collections policies and procedures were reviewed in March 2018.

Collections Management System

From April 2017 to March 2018 an ordered programme was implemented to add and improve catalogue entries on EMu, our Collections Management System, leading to the completion of 600 new Full Entries. Our Documentation Team completed the second year of auditing the firearms collection, and accelerated the processes for enhancing the 'Collections Online' section of our website.

Archives

A successful Heritage Lottery Fund (HLF) bid was confirmed in March 2017 to support the Arthur Conan Doyle display of replica archive material and armour, which will be shown at over six sites until March 2019.

The museum was awarded Archive Services Accreditation in March 2018 following last year's formal application, supported by the completion of the First World War Archives Project. The Accreditation Panel feedback commended '...the integration of the archive service into the strategic goals of the museum and [its] vital role in the museum's strategy and audience development, going far beyond a specialist and technical audience'.

AIM 2 Enhance the collection

Acquisitions

The Royal Armouries continues to expand its collection through the acquisition of items by purchase and accepting gifts, a process governed by our Collections Development Policy and its criteria. A selection of the 113 items acquired or received in the period 2017/18 are described below:

Trooper's sword and scabbard of special pattern of the Queen's Own Oxfordshire Hussars, 1901, Enfield – IX.5670. A sword of hitherto unknown type, combining elements of contemporary British infantry patterns (the straight tapering blade of the Pattern 1892 and the unpierced guard of the Pattern 1897) to create a cavalry sword. The bowl guard bears the crowned royal cypher of Queen Adelaide above a scrolling floral pattern.

Handwritten invitation, 1848 – RAR.1685. The Tower of London "Ceremony of the Washing of the Lions" is a well-known hoax perpetrated since the mid-17th century. Handwritten on paper, this unique and original example invites the bearer to the 'Washing of the Lion's [sic] on Saturday the 1st day of April 1848,' apparently signed by (?) May (Tower Keeper) and James Burgoyne (Tower Chief Warden).

Scinde Horse Pattern Sword and Scabbard, about 1850, London – IX.5671. The sword and scabbard of Robert Fitzgerald, Lieutenant of the Scinde Irregular Horse, Commandant of the Scinde Camel Corps and Commandant of the 5th Punjab Irregular Cavalry. The sword is plated and bears the East India Company Lion, the Royal Cypher, the dates of Fitzgerald's commands and an Arabic inscription. The sword is of particular interest in being noticeably larger than other examples of the pattern.

Colt 1849 'London' Pocket revolver, 1853, Hartford, Connecticut – XII.11932. A very early example of a Hartford-made but London-marked revolver. This example was given to the Royal Armouries amongst other antique pistols and archival material from the collection of the author and collector Joseph G. Rosa. Mr Rosa rightly believed that this would be of value to scholars and collectors, and bequeathed it to the Royal Armouries to ensure its permanent availability to the public.

Loans

In line with Royal Armouries' strategies and policies, in 2017/18 we enriched our own public offer by borrowing 7 objects from an organisation and 3 objects from an artist, whilst also retaining existing inward loans of 1,499 objects from 137 institutions. The museum continued to lend 2,285 objects to 119 other organisations, furthering the study and appreciation of arms and armour around the UK and abroad, and in 2017/18 lent a further 177 objects to 10 further organisations. A selection of these outward loans are described below:

American Revolution Museum, Yorktown, Virginia, U.S.A. The Royal Armouries lent four objects to the Museum's temporary exhibition, entitled 'Afterward: The revolutionary veterans who built America', which showed how participants in the siege of Yorktown helped to shape modern America. Lord Cornwallis, defeated at the siege, went on to hold high office in India where he acquired these items. All associated with his adversary, Tipu Sultan of Mysore, they consisted of a 24pr bronze gun (XIX.99), a bayonet (XXVID.27), a gun barrel (XXVIF.46) and a Talwar (XXVIS.115).

Moesgaard Museum, Aarhus, Denmark. In 2017 Moesgaard Museum opened a new gallery ('Deliver us from evil') focused on Denmark from c. 1050 to 1536. Fifteenth-century weapons are rare in Denmark, but the Royal Armouries was able to help in illustrating the period with the loan of a Rondel dagger (X.1701), a Ballock dagger (X.1704) and a Pollaxe (VII.1670).

Fairfax House, York, England. In 2017 Fairfax House put on an exhibition entitled 'Made in York: Enlightening the Georgian City', on the subject of the craftsmen who lived and worked there in the 18th century. The Armouries' spectacular flintlock sporting gun (XII.5843), made by the former London maker William Simpson in 1738, was prominently displayed, providing an example of the high- quality arms that could be purchased in York at the time.

AIM 3 Research and dissemination

Research Strategy and Plan

The Royal Armouries Research Strategy has been revised to focus on addressing a small number of important research questions, of varying scale and resource requirement, related to our subject and our collection, which our corporate needs, expertise, and partnerships require or favour. A major emphasis for the next few years will be on guiding and informing the museographic, interpretation and conservation requirements of the emerging Masterplan (see AIM 4). The Research Advisory Group, composed of internal and external experts in a number of fields, will help guide the selection, execution, application and dissemination of our research efforts and its products and monitor its impact.

Meanwhile, 2017/18 has seen an impressive array of research and research-based products, including peer-reviewed articles (9) and monographs (8), contributions to special interest periodicals, proceedings, catalogues, and the delivery of over 40 lectures and seminar contributions, including a full day of papers at Royal Armouries Museum, Leeds, for the Institute of Conservation's 'Managing Firearms and Hazards' Conference in July 2017. Numerous and popular outputs have also been delivered via social media. Staff have also contributed to the work of others, providing 'behind the scenes' access to the collection and expert advice.

On a different stage, Royal Armouries staff have taken a lead role in the Home Office consultation on the draft Crime and Policing Bill 2017, and in the government's consultation on Offensive and Dangerous Weapons and Antique Firearms.

Arms & Armour – journal published by the Royal Armouries

This year saw the appearance of our peer-reviewed journal's 14th volume, its content ranging from classical armour to modern firearms, and from manufacturing processes to studies of terminology. The successful relationship with Routledge has seen all *Arms & Armour* articles become available online, significantly increasing its readership. The Editorial Team is working closely with the publisher to position the journal as the primary academic periodical in the field.

Publications 2017/18

Below is a selection of publications by or facilitated by Royal Armouries staff in 2017/18:

Abbott, P. 2017. *Saving lives: Sir Arthur Conan Doyle and the Campaign for Body Armour*, Leeds: Royal Armouries.

Bennett, N. 2018. 'The Elephant in the Room: Perspectives in the Displays of Indian Arms and Armour in the Royal Armouries Museum', in Crowley, T., and Mills, A., (eds.), *Weapons, Culture and the Anthropology Museum, Newcastle Upon Tyne*: Cambridge Scholars Press, 2018, pp. 191-207.

Clifford, B. 2018. 'Edith Garrud: The West Country Superwoman who created the 'Jujutsuffragettes'', <https://royalarmouries.org/edith-garrud-the-west-country-superwoman-who-created-the-jujutsuffragettes/> (accessed 08 February 2018).

Dowen, K. 2017. 'The Introduction and Development of Plate Armour in Medieval Western Europe c.1250- 1350', *Fasciculi Archaeologiae Historicae*, vol.30, pp 19-29

Ferguson, J. 2017. *The "Broomhandle" Mauser*, Oxford: Osprey Publishing.

- 2017. 'Improvised and Craft-Built Firearms', <https://www.youtube.com/watch?v=0TMrunbZLJw> (accessed 27 December 2017).
- 2018. 'Musket or Mistress?', *Man-At-Arms Magazine*, vol. 40 no. 1 (February 2018), pp.31-34
- 2018. 'Revolvers from Peaky Blinders', <https://www.youtube.com/watch?v=zXvkGCsp8EE> (accessed 18 January 2018).
- and **Traynor, L.**, and **Yallop, H.**, 2017, *Arms and Armour of the First World War*, Leeds: Royal Armouries.

Larsen A. and **Yallop H.**, 2017. *The Cavalry Lance*, Oxford: Osprey Publishing.

Lawrence, M.,(ed.) 2018. *1918: Stumbling Towards Victory: The Final Year of the Great War*, Leeds: Royal Armouries.

Murray-Flutter, M., 2017. 'The continuing search for a hammerless breech loading shotgun', *The Field*, November 2017, Vol.330, No.7360, p.163

Traynor, L., 2018. 'The Tula Sporting Garniture', <https://royalarmouries.org/object-of-the-month-for-february-the-tula-sporting-garniture/> (accessed 27 February 2018).

Woosnam-Savage, R., 2017. 'Ceremonial Swords of Britain: State and Civic Swords', *Arms & Armour: Journal of the Royal Armouries* 14, pp.223-4. 2018, *Arms and Armour of Late Medieval Europe*, Leeds: Royal Armouries

AIM 4 Display and interpret the collection

Developing a masterplan

We began work this year on developing a masterplan for the Royal Armouries which will both transform its public offer and build a more sustainable long-term cultural and financial basis for the organisation itself. A major product of this will be the transformation of the display and interpretation of the collection in Leeds, but we will make improvements at the Tower of London and at Fort Nelson, and develop long term plans for both. The project will be structured in line with the RIBA framework and its business planning developed according to HM Treasury's 'five-case model'. In the meantime the Executive Board has met regularly to define the aims and scope of the masterplan and our vision for what it will deliver.

Wayfinder and Treasures

This year saw the completion of a project to enhance the visitor welcome and wayfinding at the museum in Leeds and to highlight key treasures of the Royal Armouries Collection, part-funded by the DCMS/Wolfson scheme and the Arms and Armour Heritage Trust (AAHT). The new scheme was officially unveiled by Michael Ellis MP, Parliamentary Under-Secretary of State for Arts, Heritage and Tourism, at the end of March 2018.

Digital

We have embarked on the first phase of our digital action plan with the development and launch of a new interim website, designed to be accessible and mobile and tablet optimised, and to introduce the Royal Armouries new brand positioning. Meanwhile the Royal Armouries blog has been reviewed and reconfigured, leading to a 138% increase in users over the past year.

Tower of London

Royal Armouries staff have continued to work closely with Historic Royal Palaces (HRP) on the development of a long term vision and strategy for the re-presentation of the Royal Armouries collection at the Tower. A number of problems with the new interactive gallery, *Armoury in Action*, have now been resolved and it re-opened in February 2018. It has been well received by Tower visitors.

Fort Nelson

Building on the achievements of 2011, including the new visitor centre, entrance and introductory gallery, the consultation process has begun to inform the development of commercial activity and interpretation at the Fort. Work has also been carried out in preparation for the arrival of 14-18 Now's *Poppies: Wave* sculpture, to be displayed there for ten weeks from the 12 April 2018.

AIM 5 Provide an education service

Overall, the formal and non-formal learning programmes, both facilitated and self-directed, engaged a total of 28,359 participants at the Leeds and Fort Nelson sites, an increase of 17% on the previous year. The museum in Leeds accounted for 21,385, of whom 13,127 were Under-18. Fort Nelson accounted for nearly 7,000 participants, of whom 5,751 were Under-18, reversing a period of stagnation in education numbers. New curriculum-related cross-curricular content has been introduced on a Greeks and Romans theme at Leeds and on the Second World War at Fort Nelson. A new volunteer programme has been introduced at Leeds and Fort Nelson to enhance the development and delivery of content.

In Leeds, a notable highlight in the formal learning programme continues to be the training project, 'Realities of War', set up for the Ministry of Defence. In its second year we welcomed 1,682 new recruits undertaking their basic training at Infantry Training Centre Catterick.

An Informal Learning Action Plan was approved during the year and begun. The daily programme of over 3,800 performances, combat demonstrations, talks, tours and handling sessions at the Leeds and Fort Nelson sites per year engaged 154,340 participants, representing a 22% increase over last year - about 48% of all visitors to both sites. This activity has provided a firm base on which to develop and diversify audiences in the future.

In addition to the daily programme the Leeds visitors have been offered a rich mix of weekend highlight events on themes including Sherlock Holmes, the Wild West, Passchendaele, Tudors and East Meets West, along with holiday programmes, including Medieval Easter, a summer of Dangerous Arts, a Civil War-themed 'Christmas is Cancelled' and a half term of Warrior Women and 'Suffrajitsu'. The August bank holiday was a particular highlight thanks to the spectacular performance by 12 volunteers from the Polish Winged Hussar Banner of the Marshal of Pomorskie Voivodeship, attracting 5,400 visitors against a target of 3,500 (see also AIM 7).

AIM 6 Audience Development and access

An Audience Development plan has been devised to support the Public Engagement Strategy, aimed at increasing penetration amongst existing audience segments and amongst BAME audiences, and to encourage greater inbound tourism over the next five years. Market research was carried out which incorporated the Royal Armouries segmentation model and the Leeds museum participated in the Association of Leading Visitor Attractions research.

Publishing

This year has witnessed a step change in publishing activity with the implementation of the publications action plan. This has seen the creation of a new introductory arts series and the appearance of its first product, *Dangerous Arts*, the commissioning of the Royal Armouries 'Hundred Treasures' volume (working title), the publication of four volumes in the introduction to Arms and Armour series, and the launch of a new series of short publications ('Talking Points'). We have also entered into a new distribution and marketing agreement, resulting in a 37.2% increase in the volume of books sold compared to 16/17 (see also AIM 4 above).

Public participation

The event programme included the hosting of a collaborative international conference and concert based on Sikh music traditions and the First World War at the Leeds museum which drew a diverse local audience, while the Winged Hussars attracted a significant Polish audience in August. We also developed a new programme of British Sign Language live interpretation which has been recorded for future use and is now available through our YouTube channel.

We have also continued to mount a number of small exhibitions and displays, responding to or engaging with a range of different audiences, amongst other things on Arthur Conan Doyle's campaign for body armour, which has toured a number of venues in Yorkshire and the South East. The museum in Leeds has also hosted *Spence: The Art of War* on loan from Preston Park Museum and Grounds, delivered a display about Lord Kitchener at the Tower of London and hosted a photographic display from Poland on the Winged Hussars and displayed the installation *Harness* at all three sites.

AIM 7 Status, perception and recognition

Marketing and Public Relations

This year we produced a museum-wide marketing and communication plan in line with the Public Engagement Strategy and developed a new brand positioning to build the museum's national and international profile. The brand positioning has been applied to the new interim website and to the Wayfinder project and it will support Royal Armouries activities over the next five years prior to delivery of the Master Plan and inform the Royal Armouries corporate plan from 2019 onwards.

The brand repositioning will inform tone of voice, look and feel of communications and activities and how we design and implement a range of projects. Areas of focus informed by the brand positioning will include catering and conferences provision, public engagement planning and delivery, positioning of the collection at the Tower of London and implementation of an interpretation and commercial upgrade plan at Fort Nelson. A few of these activities may involve consultancy support at brand audit stage to ensure positioning is appropriate for that area. Market research is helping to inform audience development planning and delivery across the public engagement spectrum of activities, including live interpretation, exhibit display interpretation, visitor welcome/management and marketing and communications.

We increased the advertising value equivalency of our press and media activity from £3 million to £4.1million and increased our reach by 51% over the course of the year, reinvigorated our Instagram account, introduced a Facebook page for Fort Nelson and continued to grow audiences across all our social media channels. Press, media and social media engagement has responded to a wide range of the Royal Armouries activities, from the launch of new publications to national picture stories about the Easter Tournament or conservation activities, and is a response to the wider spread and reach of marketing and communications effort.

Special events

In addition to the Winged Hussars event in April 2017 we welcomed teams to the Easter Tournament from France, England and Poland, who competed in shows which sold out throughout the long weekend. At the end of March 2018 we provided the first half of the Easter Tournament, fielding the same contenders and - for the first time - a team from Australia. Online tickets sold out in advance. At Fort Nelson we hosted the second 'Artillery on Parade' event in July 2017 which attracted 1,355 visitors against a target of 900.

On average footfall during special events increased by over 40% when compared to non-event periods; audience participation rates were at over 90% and advertising value equivalency was £50,000 per event.

We have also planned a performance of '100 Days to Peace' to mark the 100th anniversary of the final 100 days of hostilities of the First World War which will take place on 6 September 2018 at Central Hall Westminster. The concert will feature the Armed Man conducted by its composer, Sir Karl Jenkins, commissioned by the Royal Armouries in 1999. We also successfully bid for the opportunity to host the sculpture Poppies: Wave at Fort Nelson.

AIM 8 Financial success and sustainability

Royal Armouries International (RAI)

Since 1999, following a restructuring of the original arrangements for creating the Royal Armouries museum in Leeds, the catering and events business in the building and adjacent premises has been owned and operated by private company, Royal Armouries (International) PLC. The company has developed a renowned and successful business, with a turnover of over £5.2m, but the model did not provide the Royal Armouries with any share of its profits, depriving it of an income stream enjoyed by most other national museums.

In January 2018, following the approval of an RA-generated Green Book Business case submission, and with the active support of DCMS and of HM Treasury, the company was bought by DCMS with the intention of passing it on to the Royal Armouries once a number of conditions have been met. The new arrangement will, we believe, contribute very significantly to the sustainability of the museum and to the experience of our clients and visitors.

Commercial Strategy

Following the successful three-year commercial strategy, which has taken the Museum's trading company from deficit to profit, a new five-year strategy and plan has been developed for 2018-2023. This will increase income both on and off-site through an imaginative but realistic programme of commercial activities.

Customer Relationship Management (CRM)

In preparation for procuring a CRM system, the project team has been working with colleagues to understand their requirements for data storage, sharing and use, now and in the future, to ensure that any such system meets their needs. This work will inform a capability assessment that will allow interested suppliers to respond in a consistent format and demonstrate their ability to fulfil the requirement.

AIM 9 Organisational stability and management

Organisational Structure

The Collections and Operations Departments were both restructured this year, resulting in improved efficiency and six-figure savings.

Royal Armouries Trading and Enterprises Ltd (RATE)

The Board of Directors has been significantly enhanced with the addition of new members with expertise in strategic planning, governance and commerce.

Armouries Collections Team

The Armouries Collection Team (ACT) is a new group intended to develop and review Collections Department programmes, mirroring those operated by the Public Engagement and Operations Departments.

Management Development Programme

A Management Development Programme is underway intended to give middle managers a better awareness and understanding of the principles and practice of good management.

Facilities and Estate

A modern and compliant fire alarm system has been procured and installed at the Royal Armouries Museum, Leeds, replacing its 20-year old precursor.

AIM 10 Efficiency and standards

Project Management

In line with the revised Internal Governance policy, the Executive Board meets monthly in its capacity as the Programme Board to review projects over a value of £50k or of a mission critical or risky nature.

Partnerships

The Museum has actively supported the Association for Cultural Enterprises (ACE), which aims to develop expertise and commercial effectiveness across the cultural and heritage sector.

Culture Consortium Leeds

This year we have been working closely with other cultural organisations in Leeds to develop an effective forum for promoting and influencing the contribution that we collectively make to the life of the city. Royal Armouries is the inaugural chair of the group and has been playing an active part in developing a number of partnership initiatives, such as the commissioning of an Economic Impact Assessment and a fledgling business to business events programme.

PLAN FOR FUTURE PERIODS

Particular emphasis in 2018/19 will be placed on the following activities (ordered by AIM):

- **Research:** refining and implementing the Research Strategy;
- **Conference Programme:** related to the above, develop a specialist arms and conference programme;
- **Masterplan:** producing and gaining approval for the Strategic Outline Case, the RIBA Stage 0 Strategic Definition and the Outline Business Case (feasibility);
- **Fort Nelson:** planning the next phase of capital development at Fort Nelson, focusing on improving the visitor experience and the interpretation and presentation of the historic site;

- **Digital:** dependent on HLF support, developing a digital engagement plan and delivering the first year;
- **ICT Strategy:** begin the implementation of the agreed ICT strategy, addressing issues including knowledge management, data storage, access, equipment renewal and 'cloud' hosting, to increase efficiency and capability whilst reducing risk;
- **Interpretation Framework:** will set out the process by which we identify the key themes and messages of our collections and how we communicate those ideas to our target audiences;
- **Brand:** completing the Royal Armouries Brand positioning and review, prioritise and implement the recommendations;
- **Events:** successfully displaying the 'Wave' sculpture at Fort Nelson and maximizing the legacy; arranging the performance of The Armed Man in September 2018, the Easter Joust 2019 and Artillery on Parade at Fort Nelson;
- **RAI purchase:** completing the transfer of the shareholdings of Royal Armouries (International) PLC from DCMS to RATE, on behalf of the Royal Armouries Museum;
- **Catering and events contract:** successfully letting a contract to a major catering and events business to manage these activities at the Leeds site and return an agreed minimum sum and percentage of turnover to the Royal Armouries;
- **Contract management:** successfully managing the above contract from Autumn 2018 to 1 April 2019, refining procedures and practices, and collaboratively developing an ambitious business plan for 2019/20 and thereafter;
- **Commerce:** implementing year one of the five-year Commercial Strategy.

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

Royal Armouries Addresses

Principal Address:
Royal Armouries
Armouries Drive
Leeds
LS10 1LT

Website: www.royalarmouries.org

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

Royal Armouries
HM Tower of London
London
EC3N 4AB

List of Royal Armouries Advisers

External Auditors for Royal Armouries

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

Internal Auditors

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Bankers

NatWest plc
Bishopsgate Business Centre
London
EC2P 2AP

Solicitors

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

External Auditors for Royal Armouries Trading & Enterprises Ltd

Grant Thornton UK LLP
No 1 Whitehall Riverside
Whitehall road
Leeds
LS1 4BN

Investment Advisers to RADT

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

The fees paid for audit services are disclosed in Note 6.

FINANCIAL REVIEW

Overview of Financial Position

The financial statements have been prepared in accordance with the 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 2017/18 the Royal Armouries recorded £283k net income before transfers for general unrestricted funds. In addition, a restricted funds deficit of £2k has been recorded by the Royal Armouries Development Trust. More information on this can be found at Note 27 on page 77.

Incoming resources for the period amounted to £10,010k comprising of Grant-in-Aid of £7,788k, Donations and Legacies of £487k, Charitable Activity income of £209k, Other Trading income of £1,519k and Investment income of £7k. Resources expended in the period in furtherance of the Royal Armouries charitable objectives as set out on page 2, amounted to £10,906k and with investment losses of £4k results in net expenditure of £900k (before transfers and revaluations). £2,125k 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 2017/18 were 13% higher than last year with an increase at the Tower of London slightly offset by small reductions at Leeds and Fort Nelson. The overall likelihood of visitors to recommend a visit remains high despite the latest market survey showing a fall. This fall is attributed to the gap within the temporary exhibition offer and the lack of major new redisplays.

Overall income from sponsorship, grants and donations fell from £1,212k to £487k reflecting the lower level of capital works against which grants were secured. Royal Armouries share of gate income from Historic Royal Palaces has contributed £281k towards the Tower of London operating costs.

Total resources expended included salaries and related employee costs of £5,351k, this being £154k higher than 2016/17 primarily due to the redundancy costs incurred around the restructuring of the Estates Team. Salary and related employee expenditure accounted for 49.1% of operational cost with depreciation, amortisation and impairment at £2,125k accounting for 19.5%.

The performance of the group's trading subsidiary, Royal Armouries Trading & Enterprises Ltd, showed an increase in the year with a profit of £37k being recorded against a profit of £11k in 2016/17. The increase was due to improvements in retail turnover and the lack of a number of "one off" costs incurred in 2016/17. Other areas of trading generally remained steady overall. The profit has been gift aided to the Royal Armouries.

No charitable donations were made during the year (2016/17: £0) and no grants were awarded (2016/17: £0).

Balance Sheet

Of the fund balances at 31 March 2018:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £52,025k (2016/17: £49,067k), 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 £3,479k (2016/17: £2,909k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Royal Armouries amounted to £2,293k (2016/17: £2,009k).

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 £40k were capitalised in 2017/18.

The overall level of Debtors has more than doubled, with a £425k increase to £833k. The increase is due to general differences in timing of invoicing and payments which impacted both trade debtors and VAT. Creditors have increased by £499k to £11,679k due to high project spend in March 2018 resulting in higher trade creditors and accruals at the year end.

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 £1million should be maintained, 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 2018 are shown as £57.8 million on the balance sheet, other than the £2,293k of General Reserves, all of the reserves are 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 2017/18, the Royal Armouries paid approximately 75% (2016/17: 75%) of supplier invoices within the target of 30 days.

Richard Dannatt
Chairman

Date 12 July 2018

Edward Impey
Accounting Officer

Date 12 July 2018

REMUNERATION REPORT

Remuneration Committee

The membership of the Remuneration Committee is:

Richard Dannatt (Chairman)

Hemant Patel

Christine Mayer

Deborah Mills (to 02/04/2018)

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 a meeting in May 2017 it was agreed that a 1% cost of living increase should be awarded to all Directors effective from 1 April 2017.

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: three 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 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha), 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 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Real Increase in CETV

This 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 | | Bonus Payments £'000 | | Pension Benefit to nearest £1,000 * | | Total Remuneration £'000 | |
|---------------|----------------------------------|----------------------|----------------------|---------|-------------------------------------|---------|--------------------------|---------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| E Impey | 115-120 (115-120) | 115-120 (115-120) | - | - | 22,000 | 25,000 | 135-140 | 140-145 |
| R Taylor | 15-20 (75-80) | 75-80 (75-80) | - | 0-5 | 7,000 | 30,000 | 25-30 | 105-110 |
| E Carver | 65-70 (65-70) | 65-70 (65-70) | - | - | 25,000 | 27,000# | 90-95 | 90-95 |
| M Duncan | 65-70 (65-70) | 65-70 (65-70) | - | 0-5 | 26,000 | 26,000 | 90-95 | 90-95 |
| F Riley | 50-55 (50-55) | 45-50 (45-50) | - | - | 20,000 | 19,000 | 70-75 | 65-70 |
| S Maeder | 50-55 (65-70) | - | - | - | 14,000 | - | 65-70 | - |
| S Mackelworth | 30-35 (65-70) | - | - | - | 14,000 | - | 45-50 | - |
| L Bell | 20-25 (50-55) | - | - | - | 9,000 | - | 30-35 | - |

* 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.

#The prior year comparative has been recalculated to take account of retrospective changes to pensionable earnings.

Salary is gross salary and allowances only as no overtime is paid to Directors. No bonuses were paid to directors during 2017/18 (2016/17: 2) and there were no benefits in kind in either 2017/18 or 2016/17. 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 2017/18 was £115-120k (2016/17: £115-120k). This was 6.1 times (2016/17: 5.6) the median remuneration of the workforce, which was £19,143 (2016/17: £20,525).

In 2017/18 (and 2016/17) no employee received remuneration in excess of the highest paid director. Remuneration ranged from £14,625 to £117,311 (2016/17: £12,898 to £116,150). Remuneration includes salary and allowances but does not include employer pension contributions.

| | Accrued pension at pension age as at 31/03/18 (related lump sum) £'000 | Real increase in pension (related lump sum) at pension age £'000 | CETV at 31 March 2018 £'000 | CETV at 31 March 2017 £'000 | Real Increase in CETV £'000 | Employer contribution to partnership pension account £'000 |
|---------------|--|--|-----------------------------|-----------------------------|-----------------------------|--|
| E Impey | 30-35 (0-5) | 0-2.5 (0-2.5) | 554 | 500 | 19 | - |
| R Taylor | 5-10 (0-5) | 0-2.5 (0-2.5) | 70 | 63 | 4 | - |
| E Carver | 5-10 (0-5) | 0-2.5 (0-2.5) | 78 | 58# | 12 | - |
| M Duncan | 5-10 (0-5) | 0-2.5 (0-2.5) | 82 | 63 | 12 | - |
| F Riley | 5-10 (0-5) | 0-2.5 (0-2.5) | 119 | 96 | 17 | - |
| S Maeder | 0-5 (0-5) | 0-2.5 (0-2.5) | 9 | 0 | 6 | - |
| S Mackelworth | 0-5 (0-5) | 0-2.5 (0-2.5) | 50 | 38 | 8 | - |
| L Bell | 5-10 (0-5) | 0-2.5 (0-2.5) | 35 | 31 | 2 | - |

#The prior year comparative has been recalculated to take account of retrospective changes to pensionable earnings.

Stefan Maeder was employed as Director of Collections on 2 May 2017 and left his post on 17 October 2017. Rod Taylor was seconded to DCMS from 1 July 2017 to 31 March 2018 and his salary costs for this period were recharged in full to DCMS. As such the remuneration disclosure above only covers the period 1 April 2017 to 30 June 2017.

Richard Dannatt
Chairman

Date 12 July 2018

Edward Impey
Accounting Officer

Date 12 July 2018

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 Digital, 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 Digital, 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 *Managing Public Money* issued by HM Treasury.

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

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.

Richard Dannatt
Chairman

Date 12 July 2018

Edward Impey
Accounting Officer

Date 12 July 2018

ROYAL ARMOURIES GOVERNANCE STATEMENT

Purpose

This statement covers the Royal Armouries governance arrangements for the year ended 31 March 2018 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 Digital, 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

The Executive Board continues to hold regular risk review meetings and risk management remains a standing agenda item for the Audit Committee.

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 four times in 2017/18, twice at the Royal Armouries site at the Tower of London, and once 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.

At 28 June 2018, the Board comprised the Chairman and nine Trustees and full details are included on page 4 of this report.

An annual board effectiveness review was undertaken in May 2017 and June 2018. The reviews concluded that the Board was operating effectively. The Chairman also conducted annual one to one reviews with each Trustee.

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;
- Acquisition of Royal Armouries (International) plc;
- Masterplanning;
- Health and Safety including the replacement of the fire alarm system;
- Annual Operating Plan;
- "Wave" poppies exhibition at Fort Nelson;

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 2017/18.

| | Board | Audit | Finance & Capital Development | Remuneration |
|-------------------|-------|-------|-------------------------------------|--------------|
| Richard Dannatt | 4/4 | - | 4/4 | 1/1 |
| Hemant Patel | 3/4 | 4/4 | 4/4 | 1/1 |
| Mark Urban | 4/4 | - | - | - |
| Sebastian Roberts | 4/4 | - | - | - |
| Anne Curry | 2/4 | - | - | - |
| Andrew Burnett | 4/4 | - | - | - |
| Christine Mayer | 4/4 | 3/4 | 3/4 | 1/1 |
| Deborah Mills | 3/4 | 3/4 | 3/4 | 1/1 |
| Jason Kingsley | 2/4 | - | - | - |
| Nicholas Houghton | 4/4 | | | |
| Andrew Broome* | - | 1/4 | - | - |
| Brian Boullier* | - | 4/4 | - | - |

*Andrew Broome 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 & Capital Development and Audit.

Remuneration Committee

The Remuneration Committee reviews the salaries of the Accounting Officer and Directors. The Committee met in May 2017 and concluded that it was appropriate to award a 1% cost of living increase effective from 1 April 2017.

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.

The Trustee membership of the Committee is complemented by additional co-opted members with specific skills. Current co-opted members bring knowledge and experience in the areas of IT, legal and Health and Safety.

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

A report from the 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 terms 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 2017/18 which included Data Protection, Key Financials, Payroll, Staff Absence Management and Incident Management;
- Implementation of recommendations from current and prior year audits;
- Policies due for renewal;
- Health and Safety issues including building security and fire systems;
- The new General Data Protection Regulations;
- Management resource levels;

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.

RATE increased its profitability in 2017/18 from £11k to £37k. Projections for profitability from continuing activities in 2018/19 are in excess of £50k.

Executive Board

The team supporting the Accounting Officer comprises:

- Chief Operating Officer
- Public Engagement Director
- Finance Director
- Director of Collections
- Director of National Firearms Centre
- Masterplan Director

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 department, 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 residual risk areas identified in our Strategic Risk Register are:

- Financial Resilience.
In response to the cash neutral funding settlement and external cost pressures, the Royal Armouries is working with DCMS to develop a sustainable business model incorporating the event, catering and car park income streams from the Royal Armouries (International) PLC operation.
- Trustee recruitment.
A large number of Trustees come to the end of their term in 2018 which means that the successful renewal or the recruitment of appropriate new Trustees is key to effective governance and oversight of the organisation.

Independent Assurance

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

In order to provide the assurance necessary to support completion of this Governance Statement, the Accounting Officer has taken into account the reports provided by the Internal Auditor; the minutes of Trustee and Committee meetings; discussions with the 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 2017/18 was provided under contract by Mazars LLP, who undertook two levels of audit, strategic audits where the design of controls are tested and compliance audits where adherence to previously tested processes and controls are checked and confirmed.

The audit areas and outcomes were:

| | OPINION |
|----------------------------|---------------------|
| Strategic Audit | |
| • Payroll | Adequate |
| • Incident Management | Adequate |
| Compliance Audit | |
| • Data Protection | Partially Compliant |
| • Key Financials | Compliant |
| • Staff Absence Management | Partially Compliant |

The partially compliant opinions indicated that the audit testing identified instances where processes and controls were not followed or applied to a small number of the sample tested. The instances were highlighted to management along with recommended actions which management agreed to adopt in order to reduce the likelihood of future non-compliance. Mazars 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 their 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, none 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 2017', in so far as it is relevant to an NDPB.

Whistleblowing Policy

The museum upholds the core values detailed in the Code of Professional Ethics of the Museums Association. In line with these values, the museum is committed to the highest standards of openness, probity and accountability. A vital part of accountability and openness is having a way for our people, including contractors and agency staff, to voice any concerns responsibly and effectively. The Royal Armouries has a clear policy and processes, to raise issues both internally and externally and encourages employees and others with serious concerns about any aspect of the museum's work, to come forward and voice those concerns, and expects its managers to encourage employees to express their views openly. This process is clearly documented in the organisation's Whistleblowing policy which is available to all staff.

There have been no internal whistleblowing activities brought to the attention of Royal Armouries management or Trustees in the period covered by this Annual Report.

Data and Information Security Management

The Royal Armouries has an information management strategy with which all staff must comply. The Royal Armouries Archives & Records Manager 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 2017/18.

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.

Richard Dannatt
Chairman

Date 12 July 2018

Edward Impey
Accounting Officer

Date 12 July 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Board of Trustees of the Royal Armouries for the year ended 31 March 2018 under the National Heritage Act 1983. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 2018 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016.

I am independent of the Board of Trustees of the Royal Armouries and group in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board of Trustees and Accounting Officer

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Heritage Act 1983.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Board of Trustees of the Royal Armouries' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Board of Trustees of the Royal Armouries' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Board of Trustees and Accounting Officer are responsible for the other information. The other information comprises information included in the Trustees' and Accounting Officer's Annual Report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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;
- in the light of the knowledge and understanding of the group and the Museum and its environment obtained in the course of the audit, I have not identified any material misstatements in the Trustees' and Accounting Officer's Annual Report; and
- the information given in the Trustees' and Accounting Officer's Annual Report which we provide a positive consistency opinion on 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 Trustees' and Accounting Officer's Annual Report are not in agreement with the accounting records and returns; 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 16 July 2018

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 2018

| | Notes | Unrestricted funds | | Restricted funds | Total funds |
|--|-------|--------------------|----------------|------------------|-----------------|
| | | General | Designated | | 2017/18 |
| | | £000 | £000 | £000 | £000 |
| Income and endowments from | | | | | |
| Grant-in-Aid | 2 | 6,610 | 1,178 | - | 7,788 |
| Donations and legacies | 3 | 41 | - | 446 | 487 |
| Charitable activities | 3 | 209 | - | - | 209 |
| Other trading activities | 3 | 1,519 | - | - | 1,519 |
| Investments | | 2 | - | 5 | 7 |
| Total Income and endowments | | 8,381 | 1,178 | 451 | 10,010 |
| Expenditure on | | | | | |
| Raising Funds | 4 | (1,377) | (37) | (104) | (1,518) |
| Charitable activities | 4 | (6,721) | (1,164) | (1,503) | (9,388) |
| Total Expenditure | | (8,098) | (1,201) | (1,607) | (10,906) |
| Net (losses) on investments | 12 | - | - | (4) | (4) |
| Net income / (expenditure) | | 283 | (23) | (1,160) | (900) |
| Transfers between funds | | 1 | (16) | 15 | - |
| Other recognised gains / (losses) | | | | | |
| Gains on revaluation of fixed assets | 8 | - | 609 | 4,103 | 4,712 |
| Net movement in funds | | 284 | 570 | 2,958 | 3,812 |
| Reconciliation of funds: | | | | | |
| Total Funds brought forward | | 2,009 | 2,909 | 49,067 | 53,985 |
| Total Funds carried forward | | 2,293 | 3,479 | 52,025 | 57,797 |

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 78 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 2017

| | Notes | Unrestricted funds | | Restricted funds | Total funds |
|--|-------|--------------------|----------------|------------------|-----------------|
| | | General | Designated | | 2016/17 |
| | | £000 | £000 | £000 | £000 |
| Income and endowments from | | | | | |
| Grant-in-Aid | 2 | 6,196 | 892 | - | 7,088 |
| Donations and legacies | 3 | 57 | - | 1,155 | 1,212 |
| Charitable activities | 3 | 238 | - | - | 238 |
| Other trading activities | 3 | 1,266 | - | - | 1,266 |
| Investments | | 7 | - | 4 | 11 |
| Total Income and endowments | | 7,764 | 892 | 1,159 | 9,815 |
| Expenditure on | | | | | |
| Raising Funds | 4 | (1,270) | (40) | (51) | (1,361) |
| Charitable activities | 4 | (6,583) | (1,191) | (1,429) | (9,203) |
| Total Expenditure | | (7,853) | (1,231) | (1,480) | (10,564) |
| Net gains on investments | 12 | - | - | 15 | 15 |
| Net (expenditure) | | (89) | (339) | (306) | (734) |
| Transfers between funds | | (102) | (561) | 663 | - |
| Other recognised gains / (losses) | | | | | |
| Gains on revaluation of fixed assets | | - | 681 | 2,528 | 3,209 |
| Net movement in funds | | (191) | (219) | 2,885 | 2,475 |
| Reconciliation of funds: | | | | | |
| Total Funds brought forward | | 2,200 | 3,128 | 46,182 | 51,510 |
| Total Funds carried forward | | 2,009 | 2,909 | 49,067 | 53,985 |

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 78 form an integral part of these accounts.

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2018

| | Notes | 2017/18 | | 2016/17 | |
|---|-------|---------------|---------------|---------------|---------------|
| | | Group | Museum | Group | Museum |
| | | £000 | £000 | £000 | £000 |
| Fixed Assets | | | | | |
| Intangible Assets | 7 | 21 | 21 | - | - |
| Tangible Assets | 8 | 62,551 | 62,541 | 59,084 | 59,069 |
| Heritage Assets | 9 | 2,964 | 2,964 | 2,924 | 2,924 |
| Investments | 12 | 150 | - | 129 | - |
| Investments in Subsidiary | 13 | - | 150 | - | 150 |
| | | <u>65,686</u> | <u>65,676</u> | <u>62,137</u> | <u>62,143</u> |
| Current Assets | | | | | |
| Stocks | 14 | 135 | 38 | 96 | - |
| Debtors | 15 | 833 | 878 | 408 | 380 |
| Cash at Bank and in Hand | | 2,825 | 2,617 | 2,532 | 2,387 |
| | | <u>3,793</u> | <u>3,533</u> | <u>3,036</u> | <u>2,767</u> |
| Creditors | | | | | |
| Amounts falling due within one year | 16 | (1,881) | (1,802) | (1,472) | (1,402) |
| | | <u>1,912</u> | <u>1,731</u> | <u>1,564</u> | <u>1,365</u> |
| Net Current Assets | | | | | |
| | | <u>1,912</u> | <u>1,731</u> | <u>1,564</u> | <u>1,365</u> |
| Total Assets less Current Liabilities | | | | | |
| | | <u>67,598</u> | <u>67,407</u> | <u>63,701</u> | <u>63,508</u> |
| Creditors: Amounts falling due after more than one year | 16 | (9,798) | (9,798) | (9,708) | (9,708) |
| Provision for Liabilities and Charges | 17 | (3) | (3) | (8) | (8) |
| | | <u>57,797</u> | <u>57,606</u> | <u>53,985</u> | <u>53,792</u> |
| Net Assets | | | | | |
| | | <u>57,797</u> | <u>57,606</u> | <u>53,985</u> | <u>53,792</u> |
| The funds of the charity | | | | | |
| Income Funds | | | | | |
| Restricted Reserves | 22 | 52,025 | 51,847 | 49,067 | 48,887 |
| Unrestricted Reserves | | | | | |
| Designated funds | 22 | 3,479 | 3,479 | 2,909 | 2,909 |
| General | 22 | 2,293 | 2,280 | 2,009 | 1,996 |
| | | <u>57,797</u> | <u>57,606</u> | <u>53,985</u> | <u>53,792</u> |

The notes on pages 55 to 78 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:

Richard Dannatt
Chairman

Date 12 July 2018

Edward Impey
Accounting Officer

Date 12 July 2018

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2017/18 | 2016/17 |
|---|-------|--------------|----------------|
| | | £000 | £000 |
| Cash Flows from operating activities: | | | |
| Net Cash provided by / (used in) operating activities | 23 | 1,229 | 1,179 |
| Cash Flows from investing activities: | | | |
| Dividends and interest from investments | | 7 | 11 |
| Purchase of intangible fixed assets | 7 | (21) | - |
| Purchase of tangible fixed assets | 8 | (962) | (1,914) |
| Disposal of tangible fixed assets | 8 | 82 | - |
| Purchase of heritage fixed assets | 10 | (17) | (20) |
| Proceeds from the sale of investments | 12 | 65 | 141 |
| Purchase of investments | 12 | (90) | (120) |
| Net cash provided by (used in) investing activities | | (936) | (1,902) |
| Change in cash and cash equivalents in the period | | 293 | (723) |
| Cash and cash equivalents at the beginning of the reporting period | | 2,532 | 3,255 |
| Cash and cash equivalents at the end of the reporting period | | 2,825 | 2,532 |

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

The notes on pages 55 to 78 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 Museum is a public benefit entity. The accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Digital, 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. In the Museum accounts the investment in its subsidiary undertaking, Royal Armouries Trading & Enterprises Ltd is stated at cost.

All financial statements are made up to 31 March 2018. 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 for Digital, Culture, Media and Sport 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.4 Expenditure (continued)

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.

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 unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Royal Armouries and which have not been designated for other purposes.

Designated funds comprise unrestricted 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 22 to the accounts on page 72.

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

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

1.6 Intangible fixed assets

Intangible fixed assets reflect the cost of software licences for a number of front line and back office systems together with the cost of developing the Royal Armouries' website. 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 HM Treasury guidance and FRS 102 Section 17, the land and buildings are professionally valued every 5 years at depreciated replacement cost with 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.

The Museum has adopted a policy of using appropriate Building Cost Information Service indices to adjust the carrying values of its land and buildings, and Office for National Statistics indices to adjust the carrying values of its plant and machinery and fixtures and fittings, in the years when they are not professionally re-valued.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Depreciation is provided on all tangible assets, using the straight-line method, 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:

| | |
|--------------------------------|----------------|
| Leasehold land | 999 years |
| Buildings | 10 to 43 years |
| Plant & machinery | 10 to 22 years |
| Fixtures, fittings & equipment | 2 to 14 years |

Tangible fixed assets are defined as assets costing £2,500 or more with a useful life of greater than 1 year. Where the net book value of a fixed asset is higher than its recoverable amount, it will be impaired and written down to its recoverable value.

1.8 Heritage fixed assets

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.9 Stock

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

1.10 Pensions

Present and past members of staff are covered by the provisions of the Civil Service pension arrangements, which is an unfunded multi-employer defined benefit 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.

1.11 Finance and Operating leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement.

Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as 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 Digital, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.14 Financial Instruments

The Royal Armouries classifies its financial assets into loans and receivables and available for sale. 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 2018. The movement on the accrual is included in Note 4 to the Financial Statements.

2. Grant-in-Aid

Grant-in-Aid received from DCMS in 2017/18 was £7,788,000 (2016/17: £7,088,000). 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 £670k (2016/17: £267k) has been designated by the Trustees for the purposes of capital projects with a further £17k (2016/17: £20k) designated by the Trustees for the purposes of collection asset purchases and £491k (2016/17: £605k) designated by the Trustees to meet the current liability for minimum lease payments of the leasehold land finance lease.

3. Analysis of Income and Endowments

| | 2017/18 | 2016/17 |
|---------------------------------|----------------|---------|
| | £000 | £000 |
| Donations | 59 | 57 |
| Grants | 367 | 1,031 |
| Heritage asset donations | 61 | 124 |
| Donations and Legacies | 487 | 1,212 |
| Event Income | 77 | 103 |
| Educational Income | 54 | 44 |
| Other Operating Income | 78 | 91 |
| Charitable activities | 209 | 238 |
| Share of HRP gate receipt | 281 | 220 |
| Trading activity | 1,238 | 1,046 |
| Other Trading activities | 1,519 | 1,266 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total Expenditure

| | Staff costs | Other direct costs | Impairment, Depreciation & Disposals | Allocated Support Cost | 2017/18 |
|---|--------------|--------------------|--------------------------------------|------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost of generating voluntary income | 158 | 90 | - | 61 | 309 |
| Fund raising: cost of goods and other costs | 391 | 454 | 71 | 293 | 1,209 |
| Raising Funds | 549 | 544 | 71 | 354 | 1,518 |
| Care of the collection | 1,195 | 345 | 526 | 1,058 | 3,124 |
| Education | 373 | 92 | 149 | 273 | 887 |
| Visitor Experience | 1,016 | 970 | 1,379 | 2,012 | 5,377 |
| Charitable activities | 2,584 | 1,407 | 2,054 | 3,343 | 9,388 |
| Total Expenditure | 3,133 | 1,951 | 2,125 | 3,697 | 10,906 |

Support Costs

| | | | | | Basis of allocation |
|------------------------|--------------|--------------|--------------|----------------|---------------------|
| Directorate | 782 | 160 | - | (942) | Headcount |
| Administrative support | 613 | 280 | - | (893) | Headcount |
| Shared services* | 823 | 962 | - | (1,785) | Space |
| Governance Costs | - | 77 | - | (77) | Headcount |
| | 2,218 | 1,479 | - | (3,697) | |
| | 5,351 | 3,430 | 2,125 | - | |

4. Total Expenditure

| | Staff costs | Other direct costs | Impairment, Depreciation & Disposals | Allocated Support Cost | 2016/17 |
|---|--------------|--------------------|--------------------------------------|------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost of generating voluntary income | 170 | 16 | - | 59 | 245 |
| Fund raising: cost of goods and other costs | 355 | 384 | 65 | 312 | 1,116 |
| Raising Funds | 525 | 400 | 65 | 371 | 1,361 |
| Care of the collection | 1,457 | 357 | 474 | 1,041 | 3,329 |
| Education | 403 | 111 | 134 | 216 | 864 |
| Visitor Experience | 942 | 986 | 1,239 | 1,843 | 5,010 |
| Charitable activities | 2,802 | 1,454 | 1,847 | 3,100 | 9,203 |
| Total Expenditure | 3,327 | 1,854 | 1,912 | 3,471 | 10,564 |

Support Costs

| | | | | | Basis of allocation |
|------------------------|--------------|--------------|--------------|----------------|---------------------|
| Directorate | 740 | 258 | - | (998) | Headcount |
| Administrative support | 288 | 290 | - | (578) | Headcount |
| Shared services * | 842 | 970 | - | (1,812) | Space |
| Governance Costs | - | 83 | - | (83) | Headcount |
| | 1,870 | 1,601 | - | (3,471) | |
| | 5,197 | 3,455 | 1,912 | - | |

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total resources expended (continued)

4a Staff Costs

| | 2017/18 | 2016/17 |
|---|--------------|--------------|
| | £000 | £000 |
| Salaries and wages | 3,826 | 3,921 |
| Agency staff | 180 | 147 |
| National Insurance contributions | 346 | 342 |
| Pension costs | 682 | 682 |
| Early retirement costs | 47 | 13 |
| Movement on provisions (see Note 17) | (6) | (13) |
| Redundancy costs including top up payments re 2016/17 exits | 243 | 103 |
| Holiday pay accrual (see Note 1.16 to the financial statements) | 33 | 2 |
| | 5,351 | 5,197 |

Total spend on contingent labour is disclosed under the heading 'agency staff'. As at 31 March 2018 there were no off-payroll engagements for more than £245 per day (2016/17 - £220 per day) that had lasted longer than six months (2016/17: 0).

There were 8 redundancies during the year (2016/17: 3).

| Exit package cost band | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | |
|--------------------------------------|-----------------------------------|---------|-----------------------------------|-------------|--|-------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| <£10,000 | - | - | - | - | - | - |
| £10,000 - £25,000 | - | - | 2 | 1 | 2 | 1 |
| £25,000 - £50,000 | - | - | 6 | 1 | 6 | 1 |
| £50,000-£100,000 | - | - | - | 1 | - | 1 |
| Total number of exit packages | - | - | 8 | 3 | 8 | 3 |
| Total resource cost (£0,000) | - | - | 233 | 113* | 233 | 113* |

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.

* Comparative figures for 2016/17 are £10k higher from those disclosed in the 2016-17 accounts as they include top-up payments that have been made in the current year following the quashing at Judicial Review of the 2016 amendments to the Civil Service Compensation Scheme.

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

| | Group and Museum | |
|---|------------------|------------|
| | 2017/18 | 2016/17 |
| Cost of generating voluntary funds | 5 | 5 |
| Fundraising: cost of goods sold and other | 19 | 20 |
| Care of the collection | 50 | 53 |
| Education | 12 | 9 |
| Visitor Experience | 68 | 71 |
| | 154 | 158 |

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:

| | 2017/18 | 2016/17 |
|---------------------|---------|---------|
| £60,001 - £70,000 | 2 | 2 |
| £70,001 - £80,000 | - | 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 2017/18, employers' contributions of £669k were payable to the civil service (2016/17: £675k) 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 2017/18 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 £10k (2016/17: £7k) 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 £0.4k, 0.5% of pensionable pay 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 three current employees contributing to a **partnership** pension and there were contributions of £1k (2016/17: £1k) due to the **partnership** pension providers at the balance sheet date and no prepaid contributions at that date.

Royal Armouries Trading & Enterprises Ltd operates a defined contribution pension scheme with the People's Pension for its employees. The assets of the scheme are held independently from those of the company in a separately administered fund. Employee contributions are paid at rates between 2% and 5% of pensionable pay and employer contributions at rates between 4% and 7%. For 2017/18 Employers' contributions of £3K (2016/17 £0K) were payable to the People's Pension and at the balance sheet date contributions amounting to £1K (2016/17 £0K) were payable.

4b. Trustees

No member of the Board of Trustees of the Royal Armouries received any emoluments during the year. Eight Royal Armouries Trustees, one co-opted member of the Audit Committee and one Director of Royal Armouries Development Trust incurred expenses for their travel and subsistence costs during the year, with £2,433 reimbursed and £7,912 paid directly to third parties (2016/17: Nine Royal Armouries Trustees, one co-opted member of the Audit Committee and one Director of Royal Armouries Development Trust incurred expenses for their travel and subsistence costs during the year, with £2,660 reimbursed and £9,412 paid directly to third parties).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Grants Awarded

The consent of the Secretary of State for Digital, 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 (2016/17: £0). Any grant awarded during the year would be shown as a cost within Charitable Activities section of the Statement of Financial Activities.

6. Net Income / (Expenditure)

| | 2017/18 £000 | 2016/17 £000 |
|--|-----------------|-----------------|
| Net income / (expenditure) is stated after charging: | | |
| Operating lease rentals | 13 | 13 |
| Finance lease charge | 582 | 584 |
| External auditor for audit work | 49 | 50 |
| External auditor for non-audit work | 2 | 2 |
| Internal Auditor | 16 | 18 |
| Legal services | 32 | 63 |
| Travel and subsistence costs | 117 | 149 |
| Loss on disposal of fixed assets | - | 11 |

All auditors' remuneration was in respect of audit work with the exception of £2,150 that was paid to Grant Thornton for accounts preparation and tax compliance work in relation to Royal Armouries Trading & Enterprises Ltd. The National Audit Office charged £37.5k (2016/17: £39.2k) on behalf of the Comptroller and Auditor General for the audit of the Royal Armouries. The prior year cost consisted of £37.5k for the 2016/17 audit and £1.7k for the 2015/16 audit where the actual cost exceeded the £39k initially accrued. Grant Thornton charged £10.5k for the audit of Royal Armouries Trading & Enterprises Ltd (2016/17: £10k) and £1,440 (2016/17: £1,200) was charged 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 (2016/17: 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 2017 | 41 | 77 | 118 |
| Additions | 21 | - | 21 |
| Disposals | (41) | (-) | (41) |
| Cost as at 31 March 2018 | 21 | 77 | 98 |
| Amortisation as at 1 April 2017 | 41 | 77 | 118 |
| Disposals | (41) | (-) | (41) |
| Amortisation during year | - | - | - |
| Amortisation as at 31 March 2018 | - | 77 | 77 |
| Net Book Value at 31 March 2018 | 21 | - | 21 |
| Net Book Value at 31 March 2017 | - | - | - |

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 2017 | 7,877 | 46,687 | 5,506 | 7,351 | 67,421 |
| Additions | - | - | - | 962 | 962 |
| Disposals | - | - | - | (82) | (82) |
| Revaluations | 508 | 4,508 | (5) | 6 | 5,017 |
| As at 31 March 2018 | 8,385 | 51,195 | 5,501 | 8,237 | 73,318 |
| Depreciation | | | | | |
| As at 1 April 2017 | 186 | 3,008 | 689 | 4,454 | 8,337 |
| Charge for the year | 8 | 1,300 | 283 | 534 | 2,125 |
| Disposals | - | - | - | - | - |
| Revaluation | 12 | 290 | (1) | 4 | 305 |
| As at 31 March 2018 | 206 | 4,598 | 971 | 4,992 | 10,767 |
| Net Book Value at 31 March 2018 | 8,179 | 46,597 | 4,530 | 3,245 | 62,551 |
| Net Book Value at 31 March 2017 | 7,691 | 43,679 | 4,817 | 2,897 | 59,084 |
| Cost | Museum | | | | Total £000 |
| | Leasehold Land £000 | Freehold Buildings £000 | Plant and Machinery £000 | Fixtures Fittings and Equipment £000 | |
| As at 1 April 2017 | 7,877 | 46,687 | 5,506 | 7,325 | 67,395 |
| Additions | - | - | - | 962 | 962 |
| Disposals | - | - | - | (82) | (82) |
| Revaluations | 508 | 4,508 | (5) | 6 | 5,017 |
| As at 31 March 2018 | 8,385 | 51,195 | 5,501 | 8,211 | 73,292 |
| Depreciation | | | | | |
| As at 1 April 2017 | 186 | 3,008 | 689 | 4,443 | 8,326 |
| Charge for the year | 8 | 1,300 | 283 | 529 | 2,120 |
| Disposals | - | - | - | - | - |
| Revaluation | 12 | 290 | (1) | 4 | 305 |
| As at 31 March 2018 | 206 | 4,598 | 971 | 4,976 | 10,751 |
| Net Book Value at 31 March 2018 | 8,179 | 46,597 | 4,530 | 3,235 | 62,541 |
| Net Book Value at 31 March 2017 | 7,691 | 43,679 | 4,817 | 2,882 | 59,069 |

A full valuation of buildings and plant and machinery at Fort Nelson on the basis of depreciated replacement cost was carried out by Rushton International, RICS qualified asset valuers, in March 2017. The building will be depreciated over a 25-year period & plant and machinery over a 10-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.

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 2018 for both the Group and the Museum was £40.191m and £4.440m respectively.

The land and building value includes land that was leased in 1996 under a 999 year agreement. The lease is recognised as a finance lease and at 31 March 2018 the net carrying value of the leased land asset was £8.179m. This valuation is based on the net present value of lease payments as at 1996, with depreciation and indexation applied up to 31 March 2018. 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 2017 | 2,801 | 50 | 73 | 2,924 |
| Additions | 40 | - | - | 40 |
| Cost or valuation as at 31 March 2018 | 2,841 | 50 | 73 | 2,964 |
| Cost | 1,931 | 50 | 73 | 2,054 |
| Valuation | 910 | - | - | 910 |
| Total | 2,841 | 50 | 73 | 2,964 |

There have been no disposals of heritage assets during 2017/18.

The collection comprises 506 pieces of armour or weapons, 6 works of art and 12 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 13 - 15.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Five year financial summary of heritage asset transactions

| | 2017/18 £000 | 2016/17 £000 | 2015/16 £000 | 2014/15 £000 | 2013/14 £000 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>Purchases</u> | | | | | |
| Armour and weapons | 17 | 15 | 53 | 135 | 190 |
| Works of art | - | - | 15 | - | - |
| Archive | - | 5 | 8 | - | - |
| <u>Donations</u> | | | | | |
| Armour and weapons | 23 | 35 | 79 | 17 | - |
| Works of art | - | - | - | - | - |
| Archive | - | - | - | - | - |
| Total | 40 | 55 | 155 | 152 | 190 |

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.

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 Ministry Of Defence 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 Bosted 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 Director of the NFC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Investments

| | Group | |
|-----------------------------------|-----------------|-----------------|
| | 2017/18 £000 | 2016/17 £000 |
| Investments as at 1 April | 129 | 135 |
| Additions | 90 | 120 |
| Disposals | (65) | (141) |
| Gain/(loss) in value | (4) | 15 |
| Investments as at 31 March | 150 | 129 |

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 | |
|--|-----------------|-----------------|
| | 2017/18 £000 | 2016/17 £000 |
| Stocks valued at cost | 140 | 98 |
| Less: provisions for publications and other slow moving stocks | (5) | (2) |
| | 135 | 96 |

| | Museum | |
|-----------------------|-----------------|-----------------|
| | 2017/18 £000 | 2016/17 £000 |
| Stocks valued at cost | 38 | - |
| | 38 | - |

15. Debtors

| | Group | |
|--------------------------------|-----------------|-----------------|
| | 2017/18 £000 | 2016/17 £000 |
| Trade debtors | 486 | 215 |
| Other debtors | 7 | 9 |
| VAT recoverable | 117 | 43 |
| Prepayments and accrued income | 226 | 143 |
| Provision for bad debts | (3) | (2) |
| | 833 | 408 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Debtors (continued)

| | Museum | |
|--|----------------|---------|
| | 2017/18 | 2016/17 |
| | £000 | £000 |
| Trade debtors | 430 | 98 |
| Other debtors | 7 | 9 |
| Amounts due from Royal Armouries Trading & Enterprises Ltd | 91 | 73 |
| VAT recoverable | 141 | 83 |
| Prepayments and accrued income | 211 | 117 |
| Provision for bad debts | (2) | - |
| | 878 | 380 |

16. Creditors

Amounts falling due within one year

| | Group | |
|---------------------------------|----------------|---------|
| | 2017/18 | 2016/17 |
| | £000 | £000 |
| Trade creditors | 288 | 38 |
| Income tax and Social Security | 179 | 173 |
| Other creditors | 8 | 21 |
| Obligations under finance lease | 492 | 492 |
| Accruals and deferred income | 914 | 748 |
| | 1,881 | 1,472 |

| | Museum | |
|---------------------------------|----------------|---------|
| | 2017/18 | 2016/17 |
| | £000 | £000 |
| Trade creditors | 265 | 29 |
| Income tax and Social Security | 177 | 173 |
| Other creditors | 3 | 20 |
| Obligations under finance lease | 492 | 492 |
| Accruals and deferred income | 865 | 688 |
| | 1,802 | 1,402 |

Amounts falling due after more than one year

| | Group & Museum | |
|---------------------------------|---------------------------|---------|
| | 2017/18 | 2016/17 |
| | £000 | £000 |
| Obligations under finance lease | 9,798 | 9,708 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Creditors (continued)

The movement on the deferred income account in the year was as follows:

| | 2017/18 £000 | 2016/17 £000 |
|--------------------------------------|-----------------|-----------------|
| As at 1 April 2017 | 61 | 58 |
| Amounts released from previous years | (61) | (22) |
| Income deferred in the current year | 62 | 25 |
| As at 31 March 2018 | 62 | 61 |

Income has been deferred as it relates to sponsorship relating to more than one financial year and deposits for future corporate events.

As at 31 March 2018 the future minimum lease payments were as follows:

| | 2017/18 Land £000 | 2016/17 Land £000 |
|---|-------------------------|-------------------------|
| Not later than one year | 492 | 492 |
| Later than one year and not later than five years | 1,966 | 1,966 |
| Later than five years | 670,424 | 670,916 |
| Total gross payments | 672,882 | 673,374 |
| Less: finance charges | (662,592) | (663,174) |
| Total Lease Liability | 10,290 | 10,200 |

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)

| | Tax £000 | Early Retirement £000 | Total £000 |
|-------------------------------------|-------------|-----------------------------|---------------|
| Balance as at 1 April 2017 | 3 | 5 | 8 |
| (Release) | (-) | - | (-) |
| Utilisation of provision | - | (5) | (5) |
| Balances as at 31 March 2018 | 3 | - | 3 |
| Liability due within one year | 3 | - | 3 |
| 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 year-end 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 was in the year to March 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial commitments (Group and Museum)

As at 31 March 2018 the Royal Armouries had commitments to future minimum lease payments under non-cancellable operating leases as follows:

| | Land £000 | Other £000 | 2017/18 £000 | 2016/17 £000 |
|---|--------------|---------------|-----------------|-----------------|
| Not later than one year | 4 | 9 | 13 | 13 |
| Later than one year and not later than five years | 16 | 17 | 33 | 43 |
| Later than five years | 314 | - | 314 | 332 |
| | 334 | 26 | 360 | 388 |

19. Contingent Liabilities (Group and Museum)

There were no contingent liabilities as at 31 March 2018 or 31 March 2017.

20. Capital Commitments (Group and Museum)

| | 2017/18 £000 | 2016/17 £000 |
|---|-----------------|-----------------|
| Capital expenditure contracted but not provided for in the accounts | - | - |
| Capital expenditure authorised but not contracted for | 191 | 320 |

The expenditure authorised but not contracted for relates to the capital budget approved for 2017/18.

21. Analysis of group net assets between funds

| | Group Unrestricted funds | | Restricted funds £000 | Total £000 |
|---|-----------------------------|--------------------|--------------------------|---------------|
| | General £000 | Designated £000 | | |
| Funds balances as 31 March 2018 are represented by: | | | | |
| Intangible fixed assets | - | 21 | - | 21 |
| Tangible fixed assets | 10 | 13,658 | 48,883 | 62,551 |
| Heritage fixed assets | - | - | 2,964 | 2,964 |
| Investments | - | - | 150 | 150 |
| Current assets | 3,673 | 90 | 30 | 3,793 |
| Current liabilities | (1,387) | (492) | (2) | (1,881) |
| Non current liabilities | - | (9,798) | - | (9,798) |
| Provisions for Charges & Liabilities | (3) | - | - | (3) |
| Total net assets | 2,293 | 3,479 | 52,025 | 57,797 |

| | Museum Unrestricted funds | | Restricted funds £000 | Total £000 |
|---|------------------------------|--------------------|--------------------------|---------------|
| | General £000 | Designated £000 | | |
| Funds balances as 31 March 2018 are represented by: | | | | |
| Intangible fixed assets | - | 21 | - | 21 |
| Tangible fixed assets | - | 13,658 | 48,883 | 62,541 |
| Heritage fixed assets | - | - | 2,964 | 2,964 |
| Investments | 150 | - | - | 150 |
| Current assets | 3,443 | 90 | - | 3,533 |
| Current liabilities | (1,310) | (492) | - | (1,802) |
| Non current liabilities | - | (9,798) | - | (9,798) |
| Provision for Charges & Liabilities | (3) | - | - | (3) |
| Total net assets | 2,280 | 3,479 | 51,847 | 57,606 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Statement of funds

| | 1 April 2017 £000 | Income £000 | Expenditure £000 | Group Revaluation £000 | Transfers £000 | 31 March 2018 £000 |
|------------------------------|-------------------------|----------------|---------------------|------------------------------|-------------------|--------------------------|
| Unrestricted funds | | | | | | |
| General fund | 2,009 | 8,381 | (8,098) | - | 1 | 2,293 |
| Designated fund – assets | 5,417 | 687 | (611) | 113 | (16) | 5,590 |
| Designated fund - land lease | (2,508) | 491 | (590) | 496 | - | (2,111) |
| Total unrestricted funds | 4,918 | 9,559 | (9,299) | 609 | (15) | 5,772 |
| Restricted funds | | | | | | |
| Buildings | 32,270 | - | (1,110) | - | - | 31,160 |
| National Firearms Centre | 1,175 | - | (49) | - | - | 1,126 |
| Sponsorship and Donations | 3,596 | 385 | (406) | - | - | 3,575 |
| Heritage Assets | 2,037 | - | - | - | 15 | 2,052 |
| Donated Assets | 887 | 61 | (39) | - | - | 909 |
| Revaluation Reserve | 8,922 | - | - | 4,103 | - | 13,025 |
| RADT | 180 | 5 | (3) | (4) | - | 178 |
| Total restricted funds | 49,067 | 451 | (1,607) | 4,099 | 15 | 52,025 |
| Total funds | 53,985 | 10,010 | (10,906) | 4,708 | - | 57,797 |

| | 1 April 2017 £000 | Income £000 | Expenditure £000 | Museum Revaluation £000 | Transfers £000 | 31 March 2018 £000 |
|------------------------------|-------------------------|----------------|---------------------|-------------------------------|-------------------|--------------------------|
| Unrestricted funds | | | | | | |
| General fund | 1,996 | 7,756 | (7,473) | - | 1 | 2,280 |
| Designated fund - assets | 5,417 | 687 | (611) | 113 | (16) | 5,590 |
| Designated fund - land lease | (2,508) | 491 | (590) | 496 | - | (2,111) |
| Total unrestricted funds | 4,905 | 8,934 | (8,674) | 609 | (15) | 5,759 |
| Restricted funds | | | | | | |
| Buildings | 32,270 | - | (1,110) | - | - | 31,160 |
| National Firearms Centre | 1,175 | - | (49) | - | - | 1,126 |
| Sponsorship and Donations | 3,596 | 385 | (406) | - | - | 3,575 |
| Heritage Assets | 2,037 | - | - | - | 15 | 2,052 |
| Donated Assets | 887 | 61 | (39) | - | - | 909 |
| Revaluation Reserve | 8,922 | - | - | 4,103 | - | 13,025 |
| Total restricted funds | 48,887 | 446 | (1,604) | 4,103 | 15 | 51,847 |
| Total funds | 53,792 | 9,380 | (10,278) | 4,712 | - | 57,606 |

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)

22. Statement of funds (continued)

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 to form part of a different reserve. £1k was transferred from general reserves to restricted reserves and £16k was transferred from designated reserves to restricted reserves to reflect the expenditure heritage assets not funded by restricted grants.

23. Cash flow information (Group)

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

| | 2017/18 £000 | 2016/17 £000 |
|--|-----------------|-----------------|
| Net (expenditure) for the period | (900) | (734) |
| Investment Interest received | (7) | (11) |
| Depreciation and amortisation | 2,125 | 1,912 |
| Loss on sale of fixed assets | - | 11 |
| (Gain) / Loss on investments | 4 | (15) |
| Donated assets – collection items | (23) | (35) |
| (Increase) in stocks | (39) | (19) |
| Decrease/ (Increase) in debtors | (425) | 96 |
| Increase in creditors | 499 | 1 |
| (Decrease) in provisions | (5) | (27) |
| Net cash provided by operating activities | 1,229 | 1,179 |

24. Related party transactions

The Royal Armouries is a Non-Departmental Public Body whose parent department is the Department for Digital, Culture, Media and Sport. During the year the Royal Armouries had a number of transactions in the normal course of business and at full arm's 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.

| | 2017/18 Income £000 | 2017/18 Costs £000 | 2017/18 Debtor £000 | 2017/18 Creditor £000 |
|--|---------------------------|--------------------------|---------------------------|-----------------------------|
| Historic Royal Palaces | | | | |
| - Income relates to a contribution to site expenditure. Costs relate to our share of operating costs | 346 | 14 | 204 | 1 |

There were no material related party transactions with the Trustees, key managerial staff, or other related parties during the year. Key management compensation is disclosed in the remuneration report on pages 30-34.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments

Credit risk

The Royal Armouries has cash deposits of £2,825k (2016/17: £2,532k) 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. 80% 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 78% of income (2016/17: 72%). 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, £7k (2016/17: £11k) was generated from interest earned during 2017/18 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)

25. Financial Instruments (continued)

Financial assets and liabilities by category

| | Group | | |
|--------------------------|--|--|--------------------------|
| | Measured at fair value 2017/18 £000 | Measured at cost 2017/18 £000 | Total 2017/18 £000 |
| | Fixed asset investments | 150 | - |
| Cash | - | 2,825 | 2,825 |
| Trade and other debtors | - | 493 | 493 |
| Trade and other payables | - | (296) | (296) |
| | 150 | 3,022 | 3,172 |

| | Group | | |
|--------------------------|--|--|--------------------------|
| | Measured at fair value 2016/17 £000 | Measured at cost 2016/17 £000 | Total 2016/17 £000 |
| | Fixed asset investments | 129 | - |
| Cash | - | 2,532 | 2,532 |
| Trade and other debtors | - | 224 | 224 |
| Trade and other payables | - | (59) | (59) |
| | 129 | 2,697 | 2,826 |

| | Museum | |
|--------------------------|--|--------------------------|
| | Measured at cost 2017/18 £000 | Total 2017/18 £000 |
| | Cash | 2,617 |
| Trade and other debtors | 437 | 437 |
| Trade and other payables | (268) | (268) |
| | 2,786 | 2,786 |

| | Museum | |
|--------------------------|--|--------------------------|
| | Measured at cost 2016/17 £000 | Total 2016/17 £000 |
| | Cash | 2,387 |
| Trade and other debtors | 180 | 180 |
| Trade and other payables | (49) | (49) |
| | 2,518 | 2,518 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Summary of Results of consolidated entries

| | RAM 2017/18 £000 | RATE 2017/18 £000 | RADT 2017/18 £000 | Intercompany 2017/18 £000 | TOTAL 2017/18 £000 |
|---|------------------------|-------------------------|-------------------------|---------------------------------|--------------------------|
| Income and endowments from | | | | | |
| Grant-in-Aid | 7,788 | - | - | - | 7,788 |
| Donations and legacies | 524 | - | - | (37) | 487 |
| Charitable activities | 209 | - | - | - | 209 |
| Other trading activities | 857 | 1,219 | - | (557) | 1,519 |
| Investments | 2 | - | 5 | - | 7 |
| Total Income and endowments | 9,380 | 1,219 | 5 | (594) | 10,010 |
| Expenditure on | | | | | |
| Raising Funds | (890) | (1,182) | (3) | 557 | (1,518) |
| Charitable activities | (9,388) | - | - | - | (9,388) |
| Total Expenditure | (10,278) | (1,182) | (3) | 557 | (10,906) |
| (Loss) on revaluation of investments | - | - | (4) | - | (4) |
| Net (expenditure)/income | (898) | 37 | (2) | (37) | (900) |
| Other recognised gains / (losses) | | | | | |
| Gift Aid payable by RATE to RAM | - | (37) | - | 37 | - |
| Gains on revaluation of fixed assets | 4,712 | - | - | - | 4,712 |
| Net movement in funds | 3,814 | - | (2) | - | 3,812 |

| | RAM 2016/17 £000 | RATE 2016/17 £000 | RADT 2016/17 £000 | Intercompany 2016/17 £000 | TOTAL 2016/17 £000 |
|---|------------------------|-------------------------|-------------------------|---------------------------------|--------------------------|
| Income and endowments from | | | | | |
| Grant-in-Aid | 7,088 | - | - | - | 7,088 |
| Donations and legacies | 1,211 | 1 | - | - | 1,212 |
| Charitable activities | 143 | 95 | - | - | 238 |
| Other trading activities | 838 | 1,043 | - | (615) | 1,266 |
| Investments | 7 | - | 4 | - | 11 |
| Total Income and endowments | 9,287 | 1,139 | 4 | (615) | 9,815 |
| Expenditure on | | | | | |
| Raising Funds | (845) | (1,128) | (3) | 615 | (1,361) |
| Charitable activities | (9,203) | - | - | - | (9,203) |
| Total Expenditure | (10,048) | (1,128) | (3) | 615 | (10,564) |
| Gain on revaluation of investments | - | - | 15 | - | 15 |
| Net (expenditure)/income | (761) | 11 | 16 | - | (734) |
| Other recognised gains / (losses) | | | | | |
| Gains on revaluation of fixed assets | 3,209 | - | - | - | 3,209 |
| Net movement in funds | 2,448 | 11 | 16 | - | 2,475 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. 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.

| | 2017/18 £000 | 2016/17 £000 |
|---|-----------------|-----------------|
| Income and Expenditure Account | | |
| Income | - | - |
| Administrative costs | (3) | (3) |
| Grant to Royal Armouries | - | - |
| Grant to the Arms and Armour Heritage Trust | - | - |
| Interest receivable | 5 | 4 |
| Gain/ (loss) on investments | (4) | 15 |
| Surplus/(Deficit) | (2) | 16 |
| Balance Sheet | | |
| Investments | 150 | 129 |
| Current assets | 30 | 53 |
| Creditors | (2) | (2) |
| Net Assets | 178 | 180 |
| Unrestricted reserves | 160 | 162 |
| Restricted reserves | 18 | 18 |
| Total Funds | 178 | 180 |

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

28. 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.

| | 2017/18 £000 | 2016/17 £000 |
|---|-----------------|-----------------|
| Profit and Loss Account | | |
| Turnover | 1,219 | 1,139 |
| Cost of sales | (392) | (353) |
| Gross profit | 827 | 786 |
| Salary costs | (151) | - |
| Administrative expenses | (639) | (775) |
| Operating profit | 37 | 11 |
| Gift Aid payable to the Royal Armouries | (37) | - |
| PROFIT FOR THE FINANCIAL YEAR | - | 11 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Royal Armouries Trading & Enterprises Limited (continued)

During the year the company became an employer in its own right and directly employed a small number of staff. The majority of staff resource continues to be provided by staff employed by the Royal Armouries for which a management charge is made to the company which includes personnel costs.

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.

| | 2017/18 £000 | 2016/17 £000 |
|--------------------------|-------------------------------|-----------------|
| Balance Sheet | | |
| Fixed Assets | 10 | 15 |
| Current assets | 346 | 331 |
| Creditors | (193) | (183) |
| Net Assets | 163 | 163 |
| Share Capital | 150 | 150 |
| Profit and Loss | 13 | 13 |
| Shareholder Funds | 163 | 163 |

Creditors include £54k (2016/17: £73k) due to the parent charity for outstanding management charges and £37K (2016/17: £0K) due to the parent charity for a Gift Aid donation.

29. Post Balance Sheet Events

There are no post balance sheet events.

The financial statements were authorised for issue by the Accounting Officer and Trustees on the date they were certified by the Comptroller and Auditor General.

