

BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

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

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TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT

INTRODUCTION

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

The collection of nearly 70,000 objects – apart from the c. 2,300 loans to other bodies – is now displayed and housed at the Tower of London, at our purpose-built museum in Leeds and at Fort Nelson, near Portsmouth. Since 2005 the museum has also managed the collection of small arms assembled since the early 19th century by the British Army (the former Pattern Room), now also in Leeds and known as the National Firearms Centre (NFC).

OBJECTIVES AND ACTIVITIES

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

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

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Armouries was established in its present form by the National Heritage Act (1983) and is a Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS) but operating at 'arm's length' from it. A 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 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 2016/17 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		
Chris Case	10.11.08	09.11.16
Hemant Patel	12.07.10	11.07.18
Major General Sir Sebastian Roberts KCVO OBE	05.02.11	04.02.18
Mark Urban	03.09.12	02.09.20
Professor Anne Curry	03.03.14	02.03.18
Dr Andrew Burnett CBE	03.03.14	02.03.18
Mrs Christine Mayer CBE	03.03.14	02.03.18
Ms Deborah Mills	03.03.14	02.03.18
Mr Jason Kingsley OBE	03.03.14	02.03.18
General Sir Nicholas Houghton GCB CBE ADC Gen	01.08.16	31.07.21

Trustee Sub-Committees

Sub Committee	Chair	Members
<i>Audit</i>	Chris Case (to 09.11.16) Hemant Patel (from 10.11.16)	Hemant Patel (to 09.11.16) Christine Mayer Deborah Mills Andrew Broome (co-opted external member) Catherine Hall (co-opted external member) (to 24.09.16) Rhidian Lewis (co-opted external member) (to 24.09.16) Brian Boullier (co-opted external member)
<i>Finance and Capital Development</i>	Hemant Patel	Chris Case (to 09.11.16) Deborah Mills Christine Mayer Richard Dannatt

Sub Committee	Chair	Members
<i>Remuneration</i>	Richard Dannatt	Hemant Patel Chris Case (to 09.11.16) Christine Mayer (from 30.11.16) Deborah Mills (from 30.11.16)

Recruitment and Appointment of New Trustees

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

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

During the year DCMS appointed General the Lord Dannatt as Chairman, until 1 November 2018.

Executive Board

Dr Edward Impey – Director General & Master

Rod Taylor – Chief Operating Officer

Emma Carver – Public Engagement Director

Malcolm Duncan – Finance Director

Frank Riley – Head of National Firearms Centre

Paul Goodman – Head of Collections (Interim) from 1 April to 31 December 2016

Dr Stefan Maeder – Director of Collections from 2 May 2017

Staff Communications

Communications between staff and senior management have been supported by a programme of frequent staff briefings at all three sites, covering strategy, performance and updates on projects, programmes and the development of the Corporate Plan, and monthly e-newsletters. Staff representation is by the Prospect Trade Union.

Sickness Absence

The average number of days lost per head due to sickness absence during the year was 5.3 (2015/16: 5.3). Excluding those members of staff who were on long term sickness over 4 weeks, the average number of days was 3.6 (2015/16 restated: 3.7).

Equal Opportunities

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

At 31 March 2017 the Royal Armouries had 190 full and part-time employees split as follows:

	Male	Female	Total
Executive	4	1	5
Staff	91	94	185
Total	<u>95</u>	<u>95</u>	<u>190</u>

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 2016/17.

Financial Instruments and Risk

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

Relationship between Charity and Other Parties

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

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

The *Royal Armouries Development Trust* (RADT) is a charity connected to the Royal Armouries. It was established on 10 May 1990 to pursue such charitable purposes as the Trustees, with the consent of the Board of Trustees of the Royal Armouries, think fitting. The 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 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, re-written and signed by both parties in August 2014. General Sir Nicholas Houghton, who took up the post of Constable of the Tower of London during the year, 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 2015/16 and 2016/17 is set out in the table below.

Those key performance indicators marked with an asterisk do not include figures for the Tower of London, for which the information is either not available from Historic Royal Palaces or else is not relevant.

Performance Indicator	2016/17 Out-turn	2015/16 Out-turn
Total number of visits	1,870,534	1,944,860
Number of unique users visiting the website	441,539	469,572
Number of children aged 16 and under visiting the Royal Armouries	540,631	560,664
Number of overseas visitors	1,252,327	1,312,202
Number of visitors under 18, in formal education, attending the Royal Armouries in facilitated and self-directed visits	14,150	11,229
Number of visitors under 18 participating in on-site organised activities	237,621	244,665
Percentage of visitors who would recommend a visit	99%	99%
Admissions income *	£45,635	£79,055
Trading income (Income less cost of sales)*	£482,728	£434,577
Fundraising income *	£1,212,000	£783,000
Ratio of fund raising to Grant-in-Aid	17.5%	11.0%
Number of UK loan venues *	118	115

ACHIEVEMENTS AND PERFORMANCE

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

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

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

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

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

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

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

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

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

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

- AIM 7 Status, perception and recognition:** strive for recognition as a major cultural institution and enhance our profile as an international leader in the conservation, study and display of arms and armour.
- AIM 8 Financial success and sustainability:** ensure a stable and sustainable financial basis for the Royal Armouries' activities through inspired and diligent management of grants, donations and income generation.
- AIM 9 Organisational stability and management:** build a confident, positive, stable and dynamic organisation through the use of effective governance structures, management processes and the development of our staff.
- AIM 10 Efficiency and standards:** make the most efficient and effective use of our resources, and achieve the highest appropriate standards in everything we do.

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

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

AIM 1 Conserve and manage the collection

Conservation

At the Leeds museum a condition audit was carried out to determine the state of all objects on display, and an action plan for implementation in 2017/18 devised in response. Meanwhile the improved cleaning regimes put in place last year are taking effect, and will be further bolstered by the recent appointment of a Preventative Conservator. Attention has also been paid to improving the training and equipment necessary for effective disaster management, backed up by a new contract for services with Harwell Documentation Restoration Services.

Collections policies and procedures

In November 2016 the Royal Armouries' Board of Trustees approved a new Collections Management Framework. The revised policies it includes are available via the museum's website. The policies continue to support the museum in demonstrating its strategic and integrated approach to developing and caring for its collections, creating information about them, and enabling the public to view, use and learn from them.

The museum also developed a Documentation Plan and Cataloguing Standard to enhance information for the museum's and public use, and implemented a Conservation and Care Plan to support compliance with the 'Best' category in Benchmarks in Collections Care.

Collections Management System (CMS)

Since the Royal Armouries CMS (<https://collections.royalarmouries.org>) was made available in May 2016, a new cataloguing standard has been developed and implemented to help ensure that content is appropriate in length, detail and accessibility. One hundred and seven objects have been catalogued to that standard. Additionally, a total of c.36,000 object locations have been amended in line with a new Location Information Standard, improving the efficiency of object retrieval. Meanwhile nearly 16,000 new records of items in the Royal Armouries Archive have been added to the collections database and work is underway to create a similar cataloguing standard for these items.

The online visibility CMS gives to our commercial images has also grown. With the creation of the Licensing Team and through open access to images of the collection, the potential for CMS as a world-leading arms and armour learning resource as well as an important source of income is on the way to being realised.

Archives

The First World War Archives Project funded by the Esmée Fairbairn Collections Trust has been completed. During the course of the project the team successfully developed partnerships with five local and regimental museums in Yorkshire, three regimental museums in Hampshire, and three heritage organisations in Enfield. Additional partnerships were also established with the Institute of Mechanical Engineers, the Royal Small Arms Factory Apprentices Association and a number of other organisations, two of whom, British Aerospace (Glascoed) and Ettwein Bridges Architects LLP lent material for digitisation.

The project's primary objective was to digitise material held by the Royal Armouries and other museums and archives, to tell the story of those who fought in local regiments on the Western Front and other theatres of war, and the contribution of the men and women who worked in the Royal Small Arms Factory at Enfield. During the course of the project over 50,000 images were created from 750 archival collections.

The results of the project will be used to support the museum's formal application for Archive Services Accreditation in 2017, along with a revision of archives management policies.

AIM 2 Enhance the collection

Acquisitions

The Royal Armouries continues to expand its collection through the acquisition of items by purchase, a process governed by our Collections Development Policy and the selection criteria it contains, and through accepting gifts. A selection of the 135 items acquired or received in the period 2016/17 are described below:

Matchlock musket (niao qiang), 19th century, Taiwan – XXVIF.242. A long-barrelled matchlock musket for bird shooting, with a deeply curved wooden stock and primitive form of matchlock ignition in which the trigger and serpentine (holding the glowing match) are connected by string. Only two other examples are known, in the collection of the Peabody Museum in Salem, Massachusetts.

Missaglia breastplate – III.4809. The Milanese Missaglia dynasty of armourers was the most renowned and productive of the Middle Ages and supplied armour all over Europe. The breastplate bears the Missaglia mark, an 'M' under a split cross on the right shoulder, was made under Giovanni Angelo Missaglia (fl. 1504-1529), and bears several virtuoso features peculiar to these makers. It is now displayed next to a breastplate made by Giovanni's father Antonio, on loan from collector Colin Fox.

Archives from the Royal Small Arms Factory (RSAF), Enfield, - BAE1. A highly significant collection of plans and drawings relating to the RSAF Enfield, until now separated from the remainder of the collection received in 2005, has been given to the Royal Armouries by British Aerospace (Glascoed). The material includes plans of the factory site, architectural drawings, and detailed engineering drawings – unique records of the most important government small arms factory of the 19th and 20th centuries, now almost wholly destroyed.

Loans

In line with Royal Armouries' strategies and policies, in 2016/17 the museum enriched its own public offer by borrowing 49 objects from 20 organisations and individual collectors from around the UK, whilst also retaining existing inward loans of 1,518 objects from 134 institutions. The museum continued to lend 2,278 objects to 110 other organisations, furthering the study and appreciation of arms and armour around the UK and abroad, and in 2016/17 lent a further 18 objects to 7 further organisations.

Among the most significant of these are the following:

National Army Museum, Chelsea, London In support of the National Army Museum's transformation project, the Royal Armouries has lent a pike head (VII.3017) and a Scottish targe (V.104) for display in the *Battle* gallery and *Discovery* galleries respectively. The targe helps to illustrate the history and equipment of the Jacobite troops, and the pike head the broader theme of the replacement of pikes by muskets in European armies of the late 17th century.

National War Museum, National Museums Scotland, Edinburgh In partnership with the HALO Trust, National Museums Scotland mounted an exhibition in March 2017 entitled *Safer Steps*, highlighting the charity's work in the clearance of anti-personnel mines. The Royal Armouries has lent a body armour (III.4642) worn by Diana, Princess of Wales, on the occasion of her well known visit to the Huambo minefield in Angola in 1997.

AIM 3 Research and dissemination

Arms and Armour – the Royal Armouries' Journal

This year saw the appearance of three issues of the Royal Armouries' Journal *Arms & Armour*, containing 23 articles, written by museum staff, academics and independent scholars. Their contributions range in subject from Classical armour to modern firearms, manufacturing processes and studies in terminology. The journal also now regularly features conservation articles and book reviews. All articles are subject to a blind peer review system. The new and successful relationship with Routledge has seen all *Arms & Armour* articles from the journal's inception in 2004 (from 1996 – 2002 the Royal Armouries published its own Yearbook) become available online, significantly and measurably increasing its readership.

Publications 2016/17

Royal Armouries staff, Trustees and Emeritus Curators have published a combined total of 39 items on arms and armour and related subjects, including substantial scholarly monographs, popular books, articles in refereed journals, proceedings and catalogues, and short pieces in special interest magazines as well as blogs and other web content.

These include:

Abbott, P. 'William Siborne's new Waterloo model' in *British Journal for Military History*, Vol. 2, No. 3, 2016, pp. 78-100

Bennett, N. 'India' (introductory chapter) in *Asiatische Blankwaffen/Asian Edged Weapons: Catalogue Raisonné of the Asian Edged Weapons in the German Blade Museum Solingen*, ed. B. Grotkamp-Schepers and Maximilian Berkel, Deutsches Klingensmuseum: Solingen. 2016, pp.92-99

Bottomley, I. *Japanese Arms and Armour*, Royal Armouries: Leeds, 2017

- 'Leather in Japanese arms and armour', in *Leather in Warfare: Attack, Defence and the Unexpected*, ed. Mould, Q., Royal Armouries: Leeds, 2017, pp.183-198

Curry, A., 'Foreign Soldiers in English pay: identity and unity in the armies of the English crown, 1415-1450', in *Routiers et mercenaires pendant la guerre de Cent Ans*, ed. G. Pépin, F. Boutoulle and F. Lainé (Centre Ausonius, Université de Bordeaux, 2016), pp. 303-16

- 'The *baillis* of Lancastrian Normandy: English men wearing French hats', *The Plantagenet Empire 1259-1453*, ed. P. Crooks, D. Green, W.M. Ormrod, Harlaxton Medieval Studies, XXXVI (Shaun Tyas: Donington, 2016), pp. 357-68.

- 'Representing War and Conquest, 1415-1429. The Evidence of College of Arms Manuscript M 9', *Representing War and Violence*, ed. J. Bellis and L. Slater, Boydell, 2016

Dalewicz-Kitto, S.J. 'No Place to Hide: a Look at Leathers in the Royal Armouries Collection' in Mould, Q., Royal Armouries: Leeds, 2017, pp.212-221

- 'Stopping corrosion around the world: an investigation into protective surface coatings on arms and armour' in *Journal of the Institute of Conservation*, Vol. 39, No.1, 2016, pp.44-56

- and **Marston, H.** 'Asbestos in the collection of the Royal Armouries and the conservation of a First World War German gas mask', in *Arms & Armour*, Vol. 13, No 2, 2016, pp.177-189

Dannatt, R., *Boots on the Ground. Britain and her Army since 1945*, London 2016

Downen, K. 'The State of Militia and Private Armouries in England and Wales on the Eve of the Civil Wars' in *Journal of the Arms and Armour Society*, Vol. XXII, No. 2, 2016, pp.72-91

- 'Seventeenth-century buff coats and other military equipment', in *Leather in Warfare: Attack, Defence and the Unexpected*, ed. Mould, Q., Royal Armouries: Leeds, 2017, pp.116-128

Impey, E., 'A castle in the air? The building, arms, action and incident on the 11th-century "castle" capital from Westminster Hall', *Arms and Armour*, Vol. 13, No. 2, 2016, pp.1-23

McGhee, L. 'Conserving a late eighteenth – early nineteenth century Indian helmet: a technical study', *Arms & Armour*, Vol. 13, No. 2, 2016, pp.157-176

Mercer, M. 'Shaping the Ordnance Office Collections at the Tower of London: The Impact of Colonial Expansion, Diplomacy, and Donation in the early 19th century' in *Museum History Journal* 9:2, 2016, pp.153-167

with **Richardson, T.**, 'Greek Armour at the Tower of London' in *Arms & Armour*, Vol. 13, No. 1, 2016, pp.3-13

Richardson, T. *The Tower Armoury in the Fourteenth Century*, Royal Armouries: Leeds, 2016

- 'Leather plate armour in medieval Europe', in Mould, Q., Royal Armouries: Leeds, 2017, pp.48-56

Rimer, G. 'Doleps for the Medici - A new study of a group of firearms by Andrew Dolep, traditionally a British royal gift to Cosimo III, Grand Duke of Tuscany' in *the Catalogue of the London Park Lane Arms Fair*, 2017, pp.103-131

Smithurst, P. 'Thomas Firth and Sons — Steelmakers to the Arms Industry Part 1 — Small arms — Enfield, Government Contractors and Others' in *Arms & Armour*, Vol.13, No. 2, 2016, pp.143-56

Traynor, L. 'Collaboration, Mentoring, Research & Friendship: when the Royal Armouries Leeds met Wehrtechnische Studiensammlung, Koblenz'. *ICOMAM Magazine*, Issue 16 December 2016, pp.25-6

Watts, K. 'Taken for a ride? The case for a unique surviving leather horse bard of Henry VIII', in Mould, Q., Royal Armouries: Leeds, 2017, pp.78-92

Yallop, H. 'Grips, sleeves and liners: leather on European edged weapons', in Mould, Q., *Royal Armouries: Leeds*, 2017, pp.124-35

-'Swords of Empire: The 19th century Frenchification of European Edged Weapons', in *The Ambassadors of Dialogue: The Role of Diplomatic Gifts and Works of Arts and Crafts in Intercultural Exchange* (papers from the International Conference of ICOMAM and ICDAD, 16th-18th of September, 2015) ed. Michał Dziewulski. Muzeum Narodowe w Krakowie, 2016, pp.81-94

AIM 4 Display and interpret the collection

Public Engagement Strategy

This year saw the completion of the Public Engagement Strategy 2016-21, setting the priorities for the museum in this area over the next three to five years. The approach is informed by research including the extensive visitor baseline survey and audience segmentation exercise carried out in 2015.

Temporary exhibitions

The exhibition *Warrior Treasures: Gold from the Staffordshire Hoard* opened at the museum in Leeds in May 2016 and ran until October 2016. This was designed in collaboration with the West Midlands museums consortium responsible for the hoard and from whom the exhibits were borrowed. The exhibition received 59,211 visitors, representing a 63% conversion rate. A full and lively events programme accompanied the exhibition, along with a one-day conference, *Exploring the Staffordshire Hoard*. In addition to evaluating the exhibition itself, the opportunity was taken to test ideas for a five-year temporary exhibition programme at Leeds as part of our Public Engagement Strategy, to be implemented subject to funding.

Maintenance of displays

There have been a number of improvements this year to the War Gallery in Leeds with the refurbishment of the Hundred Years War display including the redisplay of the Agincourt model and the refurbishment of the Hands on History interactives.

A reinvigorated maintenance programme in Leeds, including a cross-departmental Maintenance Week, has greatly enhanced the presentation of a number of areas of the museum, including the interior and exterior of the Hall of Steel and the Oriental Gallery.

Digital

The museum commissioned a Digital Engagement Strategy to help us realise our ambition to attract, empower and engage audiences with one of the world's greatest collections of arms and armour. This presents a route map for the development of a new website, Phase II of Collections Online, the resolution of outstanding issues with the commercial arm of the Picture Library, the options for a digital presence at the Tower of London and at Fort Nelson, and a new system of audience relationship management.

This year also saw the launch of the Collections Online platform, making the riches of our collection available to an online audience, publication of the First World War Archives project (above, p11), the launch of a microsite to accompany *Warrior Treasures* and the Object of the Month blog.

Tower of London

At the Tower of London Royal Armouries staff have continued to work closely with Historic Royal Palaces (HRP) on the development of Royal Armouries' contribution to their masterplan, *The Tower Future Thinking Plan* and their Interpretation Strategy, the *Tower Core Story*, to ensure that the public offer gives appropriate emphasis to the Tower's historic role as the nation's armoury and to the integral importance of Royal Armouries displays to the understanding and enjoyment of the site. Work has also begun on a long-term Interpretation & Learning Strategy for the museum's presence at the Tower of London which will complement HRP's plans.

In partnership with HRP, a new interactive gallery has been developed and opened on the top floor of the White Tower. Known as *Armoury in Action*, this introduces visitors to key aspects of the history of the armoury at the Tower and provides opportunities to experience the physicality of weapons and equipment displayed in the building. A number of difficult teething problems remain to be addressed.

The Treasures gallery has been enhanced by the arrival of the long term loan (from Trustees of the Late 12th Earl of Scarborough's 1979 Children's Settlement) of the spectacular Lumley Horseman, a unique life-size equestrian statue of Edward III in armour, made for John Lord Lumley (1534?-1609) for Lumley Castle, County Durham.

Fort Nelson

Building on the achievements of 2011, with the creation of the new visitor centre, entrance and introductory gallery, we have begun the process of devising the next phase of capital development at the Fort.

AIM 5 Provide an education service

Overall, the formal and non-formal learning programmes, facilitated and self-directed, engaged a total of 23,211 participants at the Leeds and Fort Nelson sites. The museum in Leeds accounted for just over 18,000 of these, of which 10,499 were Under-18, an increase of over 50% on last year. Fort Nelson accounted for just under 5,000 participants, of which 3,651 participants were Under-18.

In Leeds, a notable highlight in the formal learning programme has been the new pilot training project, '*Realities of War*', set up for the Ministry of Defence through which we welcomed 1,600 new recruits undertaking their basic training at ITC Catterick. Another has been the special programme for schools launched in support of *Warrior Treasures* which proved so popular the sessions have been retained in the regular programme.

The daily informal learning programme of over 3,800 performances, combat demonstrations, talks, tours and handling sessions at the Leeds and Fort Nelson sites engaged 127,000 participants, about 40% of all visitors to both sites. The Special Events programme at the Leeds site featured monthly 'Insight' weekends on themes prompted by anniversaries (such as the Battle of the Somme and the Battle of Hastings) and perennial favourites such as the Battle of Agincourt and the Battle of Waterloo, which consistently drove up footfall by well over 10%. School half-term and other holiday activities supported the *Warrior Treasures* exhibition, seasonal themes (for example Morbid Monarchs at Halloween) and community engagement. The China event over the February half-term was particularly successful, uniquely achieving almost 100% conversion of all visitors to participation, partly by staging a very colourful, very loud dragon dance in the Street – the museum's central atrium.

AIM 6 Audience Development and access

Audience research this year included a comprehensive evaluation of the *Warrior Treasures* temporary exhibition and the testing of the concept and content of a five-year temporary exhibition programme at Leeds. The exhibition was promoted with the development of a strong campaign of outdoor, digital and print marketing and media activity which achieved an advertising value equivalency of £258,000 and eight million reach. We also carried out research as part of the development of the Digital Engagement Strategy.

New visitor counters have been installed in the White Tower and at Fort Nelson to assist with accounting and visitor management. We successfully implemented a programme of activity around the temporary exhibition *Warrior Treasures* which enticed in the region of 20,000 new

visitors to the Leeds museum (BDRC 2016). The most important audience development initiative this year, however, has been the commissioning of comprehensive access audits at all three sites and online. The recommendations have been classified according to their urgency and a cross-departmental work programme agreed.

Publishing

The biggest development this year has been the recruitment of an experienced Publishing Manager who started in May 2016 and will take forward the development of the museum's offer. In addition to the renewed emphasis on our popular publications such as new guidebooks for each site and a revitalised introductory series, work has begun in earnest on developing academic publications.

Public participation

Under the banner of the *Inspired by...* series of outreach exhibitions we mounted *Blossoms and Blades* by the Textile Art Group (April to October 2016) and the staff family history exhibition *In Memoriam* (November 2016 to April 2017) in Leeds and *Call up the Men* by Amie Slavin (May to June 2016), *Aspects of Fort Nelson* by Portchester Community College (July to October 2016) and *In Memoriam* (November to April 2017) at Fort Nelson. In addition we worked with our partners involved in the First World War Archives Project to commemorate the 100th anniversary of the Battle of the Somme. The museum in Leeds has also launched a revitalised and co-ordinated volunteer scheme.

AIM 7 Status, perception and recognition

Marketing and Public Relations

This year a successful plan was delivered across marketing, media and social media activities. There were 987 different pieces of positive media coverage for the Royal Armouries achieving a total circulation of 147 million and an advertising value equivalency of £3 million. Highlights within media coverage included regional press and media interest in the 20th anniversary of the opening of the museum in Leeds, the museum's commemoration of the Battle of the Somme and for the *Warrior Treasures* exhibition.

National coverage included the *Inspired by...* installation of the exhibit 'Harness' at the Tower of London and the launch of Collections Online. The museum also hosted familiarisation visits by 29 overseas journalists. The public relations launch of the World Triathlon Series took place at the museum in Leeds with the Brownlee brothers in attendance, and the Royal Armouries once again supported the West Yorkshire Police's successful media campaign for its annual weapons surrender.

Royal Armouries experts contributed to television documentaries including the three-part series *Sword, Musket & Machine Gun* broadcast by BBC Four and *1066: A year to conquer England* (BBC Two). Social media activity has increased its reach by 35% and revitalised the Royal Armouries presence on Twitter for Fort Nelson; 45 blogs have been published, and digital marketing is firmly embedded within the museum's campaign planning and delivery.

A brand positioning exercise has been commissioned to ensure that the museum's brand reflects the aspirations of the Corporate Plan 2014-19.

Special events

2016 was the 20th anniversary of the museum's opening in Leeds and a series of events were organised throughout the year to celebrate the occasion. In London the 950th anniversary of the Battle of Hastings was marked by a two-day conference at the Tower of London *1066: Interpreting the Norman Conquest in 2016*. Speakers included renowned medievalist and biographer of William the Conqueror, Professor David Bates.

In March 2017, the Royal Armouries Museum in Leeds welcomed HRH the Earl of Wessex for a special visit, during which he met staff and Trustees, toured the museum, and unveiled a commemorative plaque.

European Union Firearms Directive

The threats to museum collections posed in 2015 by the European Commission's proposals to amend the European Union (EU) Directive 91/477/ECC of 1991 (commonly known as the 'Firearms Directive') have, it appears, been addressed. After many drafts and debates, informed by Royal Armouries' participation, a final compromise text was approved in Plenary on 14 March 2017. The proposed amendments should now allow museums and collectors to continue to collect automatic and semi-automatic firearms, with permission to do so remaining in the gift of individual member states.

Deactivation Regulations

As part of the EU's review of firearms regulations in 2015/16, new EU-wide guidelines were drafted for the de-activation of firearms. Although part of the Firearms Directive amendment process, these new requirements came into effect early, as an EU regulation, in April 2016, and in February 2017 were enshrined in the new Policing and Crime Act 2017. The new regulations prohibit the sale or gifting of firearms de-activated before 2016, now technically known as 'defectively de-activated firearms'. In order to protect UK museums' ability to gift or sell pre-2016 de-activated firearms, the Royal Armouries drafted and agreed with the Home Office a new clause exempting museums with Museum Firearms Licences from these conditions.

Policing and Crime Act 2017

The Policing and Crime Act received Royal Assent in March 2017 and its commencement orders were published in May 2017. The Royal Armouries has been instrumental in advising the Home Office on those aspects of this Act with an impact on museums. Apart from the de-activation regulations, there are two areas of concern for museums and the Royal Armouries in particular - the definition of component parts and the definition of 'antique'. The Act now states specifically what can be considered a component part of a firearm and which therefore is captured by the provisions of the Firearms Acts. The question of the definition of 'antique' has yet to be resolved and a consultation will be launched by the Home Office in the summer of 2017 to inform this definition. A committee will then be formed to advise ministers on the application of the definition, on which the Royal Armouries will be represented.

AIM 8 Financial success and sustainability

Retail

Work to develop and embed the Retail Strategy was advanced, resulting in much improved buying and merchandising practices, slicker, more professional looking shops, and improvements to the motivation and incentivisation of staff. These achievements, coupled with enhanced retail management expertise in place, have helped Retail to accomplish a strong set of figures for the year, showing growth in a number of key indices and improving its financial contribution, despite obstacles and set-backs which had to be overcome.

Experiences

Research and planning was undertaken to improve and upgrade 'paid for' visitor experiences at Fort Nelson and Leeds. Further developments in 2017/18 will focus largely on Fort Nelson, within the comprehensive 'Starburst' development programme, to be progressed during 2017-19.

Licensing

The development of a new strategy for the licensing business was an important objective for the year and has now been finalised, with support from external licensing consultants, ready for implementation in-year. The benefits of this investment should be felt in 2017/18.

Corporate Event sales - Fort Nelson

A second year of strong growth in private and corporate event sales was enjoyed at Fort Nelson, and good work begun in improving the marketing of this business. Continued steady growth is anticipated.

Customer Acquisition

An aspiration exists to obtain and develop Customer Relationship Management (CRM) software, and create a database by which to manage and grow relationships with customers. This objective was absorbed within the Digital Engagement Strategy project during the course of the year, and outline work to scope the CRM activity was undertaken by that project. The project confirmed the need for a CRM system, and identified how and when it might be taken forward.

Fundraising

In 2016/17 the Fundraising Team secured £457k of funding, the main highlight being the £125k grant from the DCMS / Wolfson Foundation Museums and Galleries Improvement Fund for the forthcoming 'Wayfinder' project in Leeds. Also of note is the £42k raised through visitor giving across all three sites, which represents a 50% increase year on year and illustrates the continuing success in Year 2 of the Individual Giving Strategy.

Meanwhile, a corporate Fundraising Strategy has been developed which will inform our priorities over the next three to five years, and includes a new emphasis on the development of corporate partnerships in Yorkshire.

AIM 9 Organisational stability and management

Premises and infrastructure

The replacement of almost the whole of the roof to the Leeds museum building was initiated and completed in-year. A complex and high-risk undertaking, funded by DCMS investment held on reserve and the AAHT, the project was managed and led by Royal Armouries managers with specialist consultant support, and was delivered to plan without serious mishap, on-time and on budget at slightly over £1 million. The architect-led design of the new roof, backed by comprehensive corporate and insurance-backed warranties, will ensure that it provides decades of reliable service.

Health & Safety (H&S) Management

Accidents involving visitors, staff and contractors remained at very low levels and the safety record of the Royal Armouries has continued to improve over this period. All managers were provided with extensive training in H&S management to IOSH standards, to ensure continued high-performance across the museum.

H&S processes were audited mid-year by Mazars and no serious flaws in current H&S systems and processes were identified. Work has also begun to completely review the Royal Armouries' emergency incident management policies and procedures, covering a wide range of potential incident types, including Fire, Flood, Epidemic, Civil Disturbance, Bomb threat and Terrorism and Epidemic. This will be completed in 2017/18.

AIM 10 Efficiency and standards

Management Information Systems

Teams museum-wide have devised processes to capture and report on important business information and performance data from across the RA. This Management Information System will inform and improve management supervision and help to direct and focus future improvement activity, enabling better reporting at Executive Board.

Access Audit

An Access Audit was commissioned and undertaken by specialist consultancy firm Access Matters with a remit to review standards of access across all three sites. The audit focussed on the complete visitor journey, from planning the trip to leaving the site, and involved forming and inviting an access group at each site to review the pathway through each of the key components of the visitor journey. The audit outcome reports included a detailed list of recommendations totalling over 900 across all three sites, in 20 categories (such as wayfinding, entrance, and pre-visit information), although no instances of legal non-compliance were identified. An internal Access Group of key departmental managers is creating a task-list and prioritised action plan to respond to the audit findings. Once the plan is approved, the Access Group will oversee the work to be scheduled for 2017-19.

Facilities

Several operating and contract changes have been introduced with a view to ensuring a cleaner, better-presented museum in Leeds and a programme of continuous improvement is being put into place to secure even better standards.

Sustainability Reporting

The Royal Armouries is exempt from the sustainability reporting requirements as it has less than 250 employees.

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.

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		Benefit in kind to nearest £100 [^]		Bonus Payments £'000		Pension Benefit to nearest £1,000 [*]		Total Remuneration £'000	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
E Impey	115-120 (115-120)	115-120 (115-120)	-	500	-	-	25,000	28,000	140-145	140-145
R Taylor	75-80 (75-80)	75-80 (75-80)	-	-	1	-	30,000	29,000	105-110	100-105
E Carver	65-70 (65-70)	65-70 (65-70)	-	-	-	-	26,000	23,000	90-95	90-95
M Duncan	65-70 (65-70)	65-70 (65-70)	-	-	1	-	26,000	25,000	90-95	90-95
F Riley	45-50 (45-50)	45-50 (45-50)	-	-	-	-	19,000	19,000	65-70	60-65
P Goodman	25-30 (50-55)	n/a	-	n/a	-	n/a	-	n/a	25-30	n/a

[^]The benefit in kind in 2015/16 related to the use of flat within the Tower of London. A change in the policy for using the flat meant that the benefit in kind ceased in June 2015.

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

Salary is gross salary only as no overtime or allowances are paid to Directors. Bonuses were paid to two directors during 2016/17 (2015/16: Nil). 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 2016/17 was £115k-120k (2015/16: £115-120k). This was 5.6 times (2015/16: 5.9) the median remuneration of the workforce, which was £21k (2015/16: £20k).

In 2016/17 (and 2015/16) no employee received remuneration in excess of the highest paid director. Remuneration ranged from £12,898 to £116,150 (2015/16: £13,065 to £115,500).

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

	Accrued pension at pension age as at 31/03/17 (related lump sum) £'000	Real increase in pension (related lump sum) at pension age £'000	CETV at 31 March 2017 £'000	CETV at 31 March 2016 £'000	Real Increase in CETV £'000	Employer contribution to partnership pension account £'000
E Impey	25-30 (20-25)	0-2.5 (0-2.5)	500	453	21	-
R Taylor	5-10 (0-5)	0-2.5 (0-2.5)	63	42	14	-
E Carver	0-5 (0-5)	0-2.5 (0-2.5)	57	38	13	-
M Duncan	5-10 (0-5)	0-2.5 (0-2.5)	63	46	11	-
F Riley	5-10 (0-5)	0-2.5 (0-2.5)	96	76	15	-
P Goodman	n/a	n/a	n/a	n/a	n/a	-

Paul Goodman was employed as Interim Head of Collections on a 6 month contract from 1 July to 31 December 2016. Mr Goodman did not join any pension scheme during his contract and no contributions were made during his period of employment.

Richard Dannatt
Chairman

Date 29 June 2017

Edward Impey
Accounting Officer

Date 29 June 2017

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

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

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* and in the Statement of Recommended Practice: Accounting and Reporting for Charities (Charities SORP (FRS 102)) have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the financial statements on a going concern basis.

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

Richard Dannatt
Chairman

Date 29 June 2017

Edward Impey
Accounting Officer

Date 29 June 2017

ROYAL ARMOURIES GOVERNANCE STATEMENT

Purpose

This statement covers the Royal Armouries governance arrangements for the year ended 31 March 2017 and up to the date the financial statements were approved by the Board of Trustees. The Accounting Officer has responsibility for ensuring that the organisation maintains a sound system of internal control that supports the achievement of the Royal Armouries policies aims and objectives, whilst safeguarding the public funds and museum assets. The purpose of the Governance Statement is to show how these responsibilities have been carried out in the course of the year.

Governance Framework

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

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

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

Control Environment

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 2016/17, 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.

Following the early departure of the previous Chairman in July 2015 DCMS had appointed Lord Dannatt as Interim Chairman initially for a period of up to 12 months. The Secretary of State for Culture, Media and Sport subsequently extended Lord Dannatt's term as Chairman to 1 November 2018. At 29 June 2017, 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 2016 and May 2017. 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;
- Organisational review of the Collections Department;
- Future strategic direction;
- Health and Safety;
- Annual Operating Plan;
- Future Public Engagement strategy.

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 2016/17.

	Board	Audit	Finance & Capital Development	Remuneration
Richard Dannatt	4/4	-	1/3	1/1
Chris Case	0/2	0/1	0/1	-
Hemant Patel	3/4	3/3	3/3	1/1
Mark Urban	1/3	-	-	-
Sebastian Roberts	3/4	-	-	-
Anne Curry	3/4	-	-	-
Andrew Burnett	2/4	-	-	-
Christine Mayer	3/4	3/3	3/3	1/1
Deborah Mills	3/4	3/3	3/3	1/1
Jason Kingsley	2/4	-	-	-
Nicholas Houghton	2/3			
Andrew Broome*	-	1/3	-	-
Catherine Hall*	-	1/1	-	-
Rhidian Lewis*	-	0/1	-	-
Brian Boullier*	-	2/3	-	-

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

Committees of the Board

The Board has established a number of Committees to provide support and monitoring on matters of risk, control and governance. These Committees are Remuneration; Finance & 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. An earlier meeting in November 2016 agreed the payment of a non-contractual bonus to two members of the Executive Board in recognition of their work on long term strategic planning matters.

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 complimented 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 2016/17 which included Staff Performance Management, Fraud Risk Management, Data Quality, Procurement and Health and Safety;
- Implementation of recommendations from current and prior year audits;

- Policies due for renewal;
- Health and Safety issues including building security and fire systems
- Management resource levels
- The risk registers and processes being undertaken to embed effective risk management across the organisation.

Royal Armouries Trading & Enterprises Ltd

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

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

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

RATE remained profitable in 2016/17 although planned investment in a number of areas of potential future income streams mean profit at £11k was lower than 2015/16. Projections for 2017/18 anticipate profit levels in excess of £60k.

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

I certify that I have audited the financial statements of the Board of Trustees of the Royal Armouries for the year ended 31 March 2017 under the National Heritage Act 1983. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Museum Balance Sheets, the Consolidated Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Board of Trustees of the Royal Armouries' affairs as at 31 March 2017 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Heritage Act 1983 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Heritage Act 1983; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 4 July 2017

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 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	8	-	681	2,528	3,209
Net movement in funds		(191)	(219)	2,885	2,475
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 53 to 76 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 2016

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

All activities are on an ongoing basis.

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

The notes on pages 53 to 76 form an integral part of these accounts.

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

	Notes	2016/17		2015/16	
		Group	Museum	Group	Museum
		£000	£000	£000	£000
Fixed Assets					
Intangible Assets	7	-	-	16	16
Tangible Assets	8	59,084	59,069	55,868	55,848
Heritage Assets	9	2,924	2,924	2,869	2,869
Investments	12	129	-	135	-
Investments in Subsidiary	13	-	150	-	150
		<u>62,137</u>	<u>62,143</u>	<u>58,888</u>	<u>58,883</u>
Current Assets					
Stocks	14	96	-	77	-
Debtors	15	408	380	504	626
Cash at Bank and in Hand		2,532	2,387	3,255	2,996
		<u>3,036</u>	<u>2,767</u>	<u>3,836</u>	<u>3,622</u>
Creditors					
Amounts falling due within one year	16	(1,472)	(1,402)	(1,450)	(1,397)
		<u>1,564</u>	<u>1,365</u>	<u>2,386</u>	<u>2,225</u>
Net Current Assets					
		<u>63,701</u>	<u>63,508</u>	<u>61,274</u>	<u>61,108</u>
Total Assets less Current Liabilities					
Creditors: Amounts falling due after more than one year	16	(9,708)	(9,708)	(9,729)	(9,729)
Provision for Liabilities and Charges	17	(8)	(8)	(35)	(35)
		<u>53,985</u>	<u>53,792</u>	<u>51,510</u>	<u>51,344</u>
Net Assets					
The funds of the charity					
Income Funds					
Restricted Reserves	21	49,067	48,887	46,182	46,018
Unrestricted Reserves					
Designated funds	21	2,909	2,909	3,128	3,128
General	21	2,009	1,996	2,200	2,198
		<u>53,985</u>	<u>53,792</u>	<u>51,510</u>	<u>51,344</u>

The notes on pages 53 to 76 form an integral part of these accounts.

The financial statements of pages 49 to 52 were approved by the Board of Trustees and were signed on their behalf by:

Edward Impey
Accounting Officer

Date 29 June 2017

Richard Dannatt
Chairman

Date 29 June 2017

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2016/17	2015/16
		£000	£000
Cash Flows from operating activities:			
Net Cash provided by / (used in) operating activities	22	1,179	342
Cash Flows from investing activities:			
Dividends and interest from investments		11	12
Purchase of intangible fixed assets	7	-	-
Purchase of tangible fixed assets	8	(1,914)	(423)
Purchase of heritage fixed assets	9	(20)	(76)
Proceeds from the sale of investments	12	141	108
Purchase of investments	12	(120)	(109)
Net cash provided by (used in) investing activities		(1,902)	(488)
Change in cash and cash equivalents in the period		(723)	(146)
Cash and cash equivalents at the beginning of the reporting period		3,255	3,401
Cash and cash equivalents at the end of the reporting period		2,532	3,255

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

The notes on pages 53 to 76 form an integral part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

1.1 Basis of accounting

These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the required valuation methods for financial instruments. The accounts comply with the Charities SORP (FRS 102), applicable accounting standards, and the requirements of the Companies Act 2006 and HM Treasury's Financial Reporting Manual. The accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, a copy of which can be obtained from the Royal Armouries.

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

All financial statements are made up to 31 March 2017. 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.4 Expenditure (continued)

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

1.5 Fund accounting

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

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The use of the designated funds is set out in the Note 21 to the accounts on page 70.

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

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

1.6 Intangible fixed assets

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

1.7 Tangible fixed assets

In line with Treasury guidance and FRS 102 Section 17, the land and buildings are periodically professionally valued at depreciated replacement cost in the remaining lives adjusted accordingly. See Note 8 for details of the most recent valuations. Other tangible fixed assets other than the collection assets (see Note 1.8) were professionally revalued as at 31 March 2006.

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. Depreciation is provided on all tangible assets from the year following acquisition at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life as follows:

Land	999 years
Buildings	4 to 43 years
Plant & machinery	10 to 22 years
Fixtures, fittings & equipment	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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.8 Heritage fixed assets

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

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

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

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

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

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

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

1.9 Stock

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

1.10 Pensions

Present and past members of staff are covered by the provisions of the Civil Service pension arrangements, which is 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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.

1.13 Taxation

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

1.13 Grants

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

1.14 Financial Instruments

The Royal Armouries classifies its financial assets into loans and receivables and available for sale. All financial liabilities are recorded at amortised cost.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2017. The movement on the accrual is included in Note 4 to the Financial Statements.

1.17 Investment in Subsidiary

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

2. Grant-in-Aid

Grant-in-Aid received in 2016/17 was £7,088,000 (2015/16: £7,103,000). 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 £267k (2015/16: £612k) has been designated by the Trustees for the purposes of capital projects with a further £20k (2015/16: £49k) designated by the Trustees for the purposes of collection asset purchases.

3. Analysis of Income and Endowments

	2016/17	2015/16
	£000	£000
Donations	57	61
Grants	1,031	578
Heritage asset donations	124	144
Donations and Legacies	1,212	783
Event Income	103	143
Educational Income	44	38
Other Operating Income	91	187
Charitable activities	238	368
Share of HRP gate receipt	220	243
Trading activity	1,046	745
Other Trading activities	1,266	988

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total Expenditure

	Staff costs £000	Other direct costs £000	Impairment, Depreciation & Disposals £000	Allocated Support Cost £000	2016/17 £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	-	

4. Total Expenditure

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

Support Costs

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

* In 2015/16 the lease finance cost of £584k was initially charged to the Shared Services cost line before then being allocated to the appropriate Statement of Financial Activity cost category along with other Support Costs. In 2016/17 the finance lease cost was charged directly to the appropriate cost category meaning the Shared Services cost and total Support Cost to be allocated was lower.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total resources expended (continued)

4a Staff Costs

	2016/17	2015/16
	£000	£000
Salaries and wages	3,921	3,763
Agency staff	147	103
National Insurance contributions	342	241
Pension costs	682	697
Early retirement costs	13	19
Movement on provisions (see Note 17)	(13)	(16)
Redundancy costs	103	-
Holiday pay (see Note 1.16 to the financial statements)	2	(3)
	5,197	4,804

Total spend on contingent labour is disclosed under the heading 'agency staff'. As at 31 March 2017 there were no off-payroll engagements for more than £220 per day that had lasted longer than six months (2015/16: 0).

There were 3 redundancies during the year. (2015/16: 0).

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	1	-	1	-
£25,000 - £50,000	-	-	1	-	1	-
£50,000-£100,000	-	-	1	-	1	-
Total number of exit packages	-	-	3	-	3	-
Total resource cost (£0,000)	-	-	103	-	103	-

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

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

	Group and Museum	
	2016/17	2015/16
Cost of generating voluntary funds	5	5
Fundraising: cost of goods sold and other	20	20
Care of the collection	53	52
Education	9	11
Visitor Experience	71	69
	158	157

Director General & Master of the Armouries

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

Employees receiving remuneration over £60,000

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

	2016/17	2015/16
£60,001 - £70,000	2	2
£70,001 - £80,000	1	1
£110,001 - £120,000	1	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total resources expended (continued)

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 2016/17, employers' contributions of £675k were payable to the civil service (2015/16: £690k) 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 2016/17 to be paid when the member retires and not benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7k (2015/16: £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 £0.3k, 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 two current employee contributing to a **partnership** pension and there were contributions of £1k (2015/16: £1k) due to the **partnership** pension providers at the balance sheet date and no prepaid contributions at that date.

4b. Trustees

No member of the Board of Trustees of the Royal Armouries received any emoluments during the year. 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 (2015/16: Eight Royal Armouries Trustees, 2 co-opted members of the Audit Committee and 1 Director of Royal Armouries Trading & Enterprises Ltd incurred expenses for their travel and subsistence costs during the year, with £5,471 reimbursed and £8,392 paid directly to third parties).

5. Grants Awarded

The consent of the Secretary of State for Culture, Media and Sport is required before the Board of Trustees of the Royal Armouries award any grants. No grants were awarded in the current year (2015/16: £0). Any grant awarded during the year is shown as a cost within Charitable Activities section of the Statement of Financial Activities.

Grants falling due under one year

	Group	
	2016/17	2015/16
	£000	£000
Commitment as at 1 April	-	20
Grants awarded during the year	-	-
Grants settled during the year	-	20
Commitment as at 31 March	-	-

There were no grants awarded relating to the museum.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Net Income / (Expenditure)

	2016/17 £000	2015/16 £000
Net income / (expenditure) is stated after charging:		
Operating lease rentals	13	9
Finance lease charge	584	579
External auditor for audit work	50	50
External auditor for non-audit work	2	2
Internal Auditor	18	17
Legal services	63	44
Travel and subsistence costs	149	*179
Loss on disposal of fixed assets	11	89

*The 2015/16 comparative for travel and subsistence costs has been restated in order to correct an allocation error in the value disclosed in last year's accounts.

All auditors' remuneration was in respect of audit work with the exception of £1,950 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 £39.2k (2015/16: £39k) on behalf of the Comptroller and Auditor General for the audit of the Royal Armouries. This consisted of £37.5k for the current year audit and £1.7k for the prior year audit where the actual cost exceeded the £39k initially accrued. Grant Thornton charged £10k for the audit of Royal Armouries Trading & Enterprises Ltd (2015/16: £10k) and £1,200 (2015/16: £1,200) by Volans, Leach and Schofield for the audit of the Royal Armouries Development Trust.

There were no resources expended on 'advisory consultancy' during the year (2015/16: 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 2016	41	98	139
Disposals	-	(21)	(21)
Cost as at 31 March 2017	41	77	118
Amortisation as at 1 April 2016	41	82	123
Disposals	-	(10)	(10)
Amortisation during year	-	5	5
Amortisation as at 31 March 2017	41	77	118
Net Book Value at 31 March 2017	-	-	-
Net Book Value at 31 March 2016	-	16	16

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 2016	7,623	43,296	5,480	6,580	62,979
Additions	-	1,144	-	770	1,914
Disposals	-	-	-	(45)	(45)
Revaluations	254	2,247	26	46	2,573
As at 31 March 2017	7,877	46,687	5,506	7,351	67,421
Depreciation					
As at 1 April 2016	178	2,369	616	3,948	7,111
Charge for the year	8	1,115	267	517	1,907
Disposals	-	-	-	(45)	(45)
Revaluation	-	(476)	(194)	34	(636)
As at 31 March 2017	186	3,008	689	4,454	8,337
Net Book Value at 31 March 2017	7,691	43,679	4,817	2,897	59,084
Net Book Value at 31 March 2016	7,445	40,927	4,864	2,632	55,868
Cost	Museum				Total £000
	Leasehold Land £000	Freehold Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	
As at 1 April 2016	7,623	43,296	5,480	6,554	62,953
Additions	-	1,144	-	770	1,914
Disposals	-	-	-	(45)	(45)
Revaluations	254	2,247	26	46	2,573
As at 31 March 2017	7,877	46,687	5,506	7,325	67,395
Depreciation					
As at 1 April 2016	178	2,369	616	3,942	7,105
Charge for the year	8	1,115	267	512	1,902
Disposals	-	-	-	(45)	(45)
Revaluation	-	(476)	(194)	34	(636)
As at 31 March 2017	186	3,008	689	4,443	8,326
Net Book Value at 31 March 2017	7,691	43,679	4,817	2,882	59,069
Net Book Value at 31 March 2016	7,445	40,927	4,864	2,612	55,848

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.

Investigation work in Autumn 2014 in response to water ingress problems identified that there were significant issues with the current roof covering on the Leeds Museum building and the recommendation was to replace the roof covering. Since the March 2014 valuation was made on the basis of the building having a sound roof, it was considered appropriate to make an impairment charge in the 2015 year accounts, equivalent to the cost of rectifying the roof issues.

As a result of the surrender of the lease on the car park, 24,000 square feet of storage space was acquired to house part of the Royal Armouries' collection, the National Firearms Centre (NFC). 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 2017 for both the Group and the Museum was £41.317m and £4.718m 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 2017 the net carrying value of the leased land asset was £7.691m. This valuation is based on the net present value of lease payments as at 1996, with depreciation and indexation applied up to 31 March 2017. 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 2016	2,751	50	68	2,869
Additions	50	-	5	55
Cost or valuation as at 31 March 2017	2,801	50	73	2,924
Cost	1,914	50	73	2,037
Valuation	887	-	-	887
Total	2,801	50	73	2,924

There have been no disposals of heritage assets during 2016/17.

The collection comprises 499 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 page 12.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Five year financial summary of heritage asset transactions

	2016/17 £000	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000
<u>Purchases</u>					
Armour and weapons	15	53	135	190	266
Works of art	-	15	-	-	-
Archive	5	8	-	-	-
<u>Donations</u>					
Armour and weapons	35	79	17	-	-
Works of art	-	-	-	-	-
Archive	-	-	-	-	-
Total	55	155	152	190	266

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 MOD and comprises the Police, UK Border Agency, HM Revenue and Customs and various military and forensic organisations.

Approximately 1,800 pieces of armour are on display with around 450 on loan; 5,000 weapons are on display with around 1,500 on loan. The remainder is available to the public in the museum's study collections.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Works of art

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

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

Archive

The archives contain some 200 or so major collections, including those of the previous Master of the Armouries, Sir James Mann, and the Royal Small Arms Factory, Enfield, as well as some 500,000 individual items, many relating to the history of the Tower of London and its institutions, and including maps and plans, early photographs and stereographs.

Heritage assets of particular importance

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

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

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

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

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

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

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

Preservation and management

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Investments

	Group	
	2016/17 £000	2015/16 £000
Investments as at 1 April	135	137
Additions	120	109
Disposals	(141)	(108)
Gain/(loss) in value	15	(3)
Investments as at 31 March	129	135

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	
	2016/17 £000	2015/16 £000
Stocks valued at cost	98	82
Less: provisions for publications and other slow moving stocks	(2)	(5)
	96	77

15. Debtors

	Group	
	2016/17 £000	2015/16 £000
Trade debtors	215	163
Other debtors	9	12
VAT recoverable	43	126
Prepayments and accrued income	143	204
Provision for bad debts	(2)	(1)
	408	504

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Debtors (continued)

	Museum	
	2016/17	2015/16
	£000	£000
Trade debtors	98	139
Other debtors	9	12
Amounts due from Royal Armouries Trading & Enterprises Ltd	73	127
VAT recoverable	83	148
Prepayments and accrued income	117	200
	380	626

16. Creditors

Amounts falling due within one year

	Group	
	2016/17	2015/16
	£000	£000
Trade creditors	38	140
Income tax and Social Security	173	148
Other creditors	21	15
Obligations under finance lease	492	492
Accruals and deferred income	748	655
	1,472	1,450

	Museum	
	2016/17	2015/16
	£000	£000
Trade creditors	29	127
Income tax and Social Security	173	148
Other creditors	20	14
Obligations under finance lease	492	492
Accruals and deferred income	688	616
	1,402	1,397

Amounts falling due after more than one year

	Group & Museum	
	2016/17	2015/16
	£000	£000
Obligations under finance lease	9,708	9,729

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Creditors (continued)

As at 31 March 2017 the future minimum lease payments were as follows:

	2016/17	2015/16
	Land	Land
	£000	£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	670,916	671,521
Total gross payments	673,374	673,979
Less: finance charges	(663,174)	(663,758)
Total Lease Liability	10,200	10,221

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

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

	Legal	Tax	Early Retirement	Total
	£000	£000	£000	£000
Balance as at 1 April 2016	11	5	19	35
(Release)	(11)	(2)	-	(13)
Utilisation of provision	-	-	(14)	(14)
Balances as at 31 March 2017	-	3	5	8
Liability due within one year	-	3	5	8
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 will be in the year to March 2018 and as the time value of money is not material the values are not discounted.

18. Contingent Liabilities (Group and Museum)

There were no contingent liabilities as at 31 March 2017 or 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Capital Commitments (Group and Museum)

	2016/17	2015/16
	£000	£000
Capital expenditure contracted but not provided for in the accounts	-	122
Capital expenditure authorised but not contracted for	320	1,939

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

20. Analysis of group net assets between funds

	Group		Restricted funds	Total
	Unrestricted funds			
	General £000	Designated £000		
Funds balances as 31 March 2017 are represented by:			£000	£000
Tangible fixed assets	15	13,106	45,963	59,084
Heritage fixed assets	-	-	2,924	2,924
Investments	-	-	129	129
Current assets	2,980	3	53	3,036
Current liabilities	(978)	(492)	(2)	(1,472)
Non current liabilities	-	(9,708)	-	(9,708)
Provisions for Charges & Liabilities	(8)	-	-	(8)
Total net assets	<u>2,009</u>	<u>2,909</u>	<u>49,067</u>	<u>53,985</u>

	Museum		Restricted funds	Total
	Unrestricted funds			
	General £000	Designated £000		
Funds balances as 31 March 2017 are represented by:			£000	£000
Tangible fixed assets	-	13,106	45,963	59,069
Heritage fixed assets	-	-	2,924	2,924
Investments	150	-	-	150
Current assets	2,764	3	-	2,767
Current liabilities	(910)	(492)	-	(1,402)
Non current liabilities	-	(9,708)	-	(9,708)
Provision for Charges & Liabilities	(8)	-	-	(8)
Total net assets	<u>1,996</u>	<u>2,909</u>	<u>48,887</u>	<u>53,792</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Statement of funds

	1 April 2016 £000	Income £000	Expenditure £000	Group Revaluation £000	Transfers £000	31 March 2017 £000
Unrestricted funds						
General fund	2,200	7,764	(7,853)	-	(102)	2,009
Designated fund – assets	5,903	287	(639)	427	(561)	5,417
Designated fund - land lease	(2,775)	605	(592)	254	-	(2,508)
Total unrestricted funds	5,328	8,656	(9,084)	681	(663)	4,918
Restricted funds						
Buildings	32,094	-	(967)	-	1,143	32,270
National Firearms Centre	1,221	-	(46)	-	-	1,175
Sponsorship and Donations	3,440	1,031	(375)	-	(500)	3,596
Heritage Assets	2,017	-	-	-	20	2,037
Donated Assets	852	124	(89)	-	-	887
Revaluation Reserve	6,394	-	-	2,528	-	8,922
RADT	164	19	(3)	-	-	180
Total restricted funds	46,182	1,174	(1,480)	2,528	663	49,067
Total funds	51,510	9,830	(10,564)	3,209	-	53,985

	1 April 2016 £000	Income £000	Expenditure £000	Museum Revaluation £000	Transfers £000	31 March 2017 £000
Unrestricted funds						
General fund	2,198	7,240	(7,340)	-	(102)	1,996
Designated fund - assets	5,903	287	(639)	427	(561)	5,417
Designated fund - land lease	(2,775)	605	(592)	254	-	(2,508)
Total unrestricted funds	5,326	8,132	(8,571)	681	(663)	4,905
Restricted funds						
Buildings	32,094	-	(967)	-	1,143	32,270
National Firearms Centre	1,221	-	(46)	-	-	1,175
Sponsorship and Donations	3,440	1,031	(375)	-	(500)	3,596
Heritage Assets	2,017	-	-	-	20	2,037
Donated Assets	852	124	(89)	-	-	887
Revaluation Reserve	6,394	-	-	2,528	-	8,922
Total restricted funds	46,018	1,155	(1,477)	2,528	663	48,887
Total funds	51,344	9,287	(10,048)	3,209	-	53,792

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

The Designated fund is split into two distinct funds. The Designated fund - assets is a fund which the Board of Trustees of the Royal Armouries has designated as being allocated to finance capital expenditure other than that associated with the Land and Buildings. The Designated fund – land lease is a fund which holds the net liability arising from the finance lease of the Leeds Museum site. The Board of Trustees designate incoming resources from Grant-in-Aid to meet the current liability for minimum lease payments. This fund shows a deficit position as the Royal Armouries is not permitted to draw down cash Grant-in-Aid in advance of need.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Statement of funds (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. £102k was transferred from general reserves to restricted reserves to reflect the expenditure on buildings in excess of capital grant in aid. £561k was transferred from designated reserves to restricted reserves to reflect the expenditure on buildings and heritage assets not funded by restricted grants.

22. Cash flow information (Group)

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

	2016/17 £000	2015/16 £000
Net (expenditure) for the period	(734)	(1,479)
Investment Interest received	(11)	(12)
Depreciation and amortisation	1,912	1,878
Loss on sale of fixed assets	11	89
(Gain) / Loss on investments	(15)	3
Donated assets – collection items	(35)	(79)
(Increase) in stocks	(19)	(13)
Decrease/ (Increase) in debtors	96	(156)
Increase in creditors	1	139
(Decrease) in provisions	(27)	(28)
Net cash provided by operating activities	1,179	342

23. Related party transactions

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

	2016/17 Income £000	2016/17 Costs £000	2016/17 Debtor £000	2016/17 Creditor £000
Historic Royal Palaces				
- Income relates to a contribution to site expenditure. Costs relate to our share of operating costs	575	15	104	1

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Financial Instruments

Credit risk

The Royal Armouries has cash deposits of £2,532k (2015/16: £3,255k) 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. 78% 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 72% of income (2015/16: 77%). This is further enhanced by the Trustee reserve policy which sets out the level of general reserve required as a minimum. As such the Royal Armouries has little exposure to liquidity risk.

Interest rate risk

The Royal Armouries draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements. Under 1% of overall incoming resources, £11k (2015/16: £12k) was generated from interest earned during 2016/17 so the Royal Armouries has negligible interest rate risk.

Foreign currency risk

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

Fair value

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Financial Instruments (continued)

Financial assets and liabilities by category

	Group		
	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

	Group		
	Measured at fair value 2015/16 £000	Measured at cost 2015/16 £000	Total 2015/16 £000
	Fixed asset investments	135	-
Cash	-	3,255	3,255
Trade and other debtors	-	175	175
Trade and other payables	-	(155)	(155)
	135	3,275	3,410

	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

	Museum	
	Measured at cost 2015/16 £000	Total 2015/16 £000
	Cash	2,966
Trade and other debtors	278	278
Trade and other payables	(141)	(141)
	3,103	3,103

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Summary of Results of consolidated entries

	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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Royal Armouries Development Trust

Registered Charity Number 803617

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

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

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

	2016/17 £000	2015/16 £000
Income and Expenditure Account		
Income	-	-
Administrative costs	(3)	(2)
Grant to Royal Armouries	-	-
Grant to the Arms and Armour Heritage Trust	-	-
Interest receivable	4	2
Gain/ (loss) on investments	15	(3)
Surplus/(Deficit)	16	(3)
Balance Sheet		
Investments	129	135
Current assets	53	31
Creditors	(2)	(2)
Net Assets	180	164
Unrestricted reserves	162	146
Restricted reserves	18	18
Total Funds	180	164

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

27. Royal Armouries Trading & Enterprises Limited

Company number 07374477

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

	2016/17 £000	2015/16 £000
Profit and Loss Account		
Turnover	1,139	924
Cost of sales	(353)	(343)
Gross profit	786	581
Administrative expenses	(775)	(519)
Operating profit	11	62
Gift Aid payable to the Royal Armouries	-	-
PROFIT FOR THE FINANCIAL YEAR	11	62

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Royal Armouries Trading & Enterprises Limited (continued)

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

	2016/17	2015/16
	£000	£000
Balance Sheet		
Fixed Assets	15	20
Current assets	331	332
Creditors	(183)	(200)
Net Assets	163	152
Share Capital	150	150
Profit and Loss	13	2
Shareholder Funds	163	152

Creditors include £73k (2015/16: £127k) due to the parent charity for outstanding management charges.

28. Financial commitments (Group and Museum)

As at 31 March 2017 the Royal Armouries had commitments to future minimum lease payments under non-cancellable operating leases as follows:

	Land	Other	2016/17	2015/16
	£000	£000	£000	£000
Not later than one year	4	9	13	9
Later than one year and not later than five years	17	26	43	35
Later than five years	332	-	332	336
	353	35	388	380

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.

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