

BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

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

Ordered by the House of Commons to be printed on 14 July 2014

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TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT

INTRODUCTION

The Royal Armouries is the United Kingdom's National Museum of Arms and Armour and one of the oldest museums in the world. It has one of the largest collections of arms and armour in the world, comprising the National Collection of Arms and Armour, National Artillery Collection, and National Firearms Centre (NFC). It is also the keeper of the Tower of London history.

The Royal Armouries began life as the main royal and national arsenal and was originally housed in the Tower of London. Indeed the Royal Armouries has occupied buildings within the Tower for making and storing arms, armour and military equipment for as long as the Tower itself has been in existence.

In 1990, the decision was taken to establish a new museum in the north of England in which to house the bulk of the collection of world-wide arms and armour. As a consequence the main site of the Royal Armouries opened in Leeds in 1996. A continuous presence has been maintained in the Tower of London and in 1995 the Royal Armouries assumed responsibility of Fort Nelson, Portsmouth, which houses that part of the national artillery collection not held by the Royal Collection, the Royal Artillery Collection, or on loan around Great Britain. It also houses the Board of Ordnance Archive relating to artillery.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Armouries has the status of a non-departmental public body, operating in the public sector but at arm's length from its sponsor department, the Department for Culture, Media and Sport (DCMS). The Royal Armouries signed a three year *Management Agreement* with the DCMS in May 2014 and receipt of Grant-in-Aid is dependent upon the Royal Armouries' compliance with the agreement. The Royal Armouries is an exempt charity under the Charities Act 1993.

The governing body is the Board of Trustees, which was established in 1984 in accordance with the National Heritage Act 1983. Trustees are appointed by the Secretary of State for Culture, Media and Sport, with the exception of two Trustees, one of whom is appointed by HM The Queen, and the Constable of the Tower of London who is an ex-officio member of the Board.

The Board of Trustees is responsible for overseeing the affairs of the Royal Armouries and determining the overall strategy for the Royal Armouries. 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 met four times during the year.

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

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

The Board of Trustees appointed a director to be responsible for providing leadership to the Royal Armouries and reporting to the Board of Trustees in all matters relating to the Royal Armouries performance. This director also holds responsibility as Accounting Officer.

Up to 29 September 2013 this role was undertaken by the Interim Chief Executive Officer ("CEO"). From the 30 September 2013 the role has been undertaken by the new Director General & Master. Further details are provided in the Governance Statement.

There are four sub-committees of the Board:

- Finance and Capital Development Committee
- Research and Education 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 2013/14 and served on the sub-committees shown:

	Date of appointment	Expiry of appointment
Chairman		
Wesley Paul	03.01.12	02.01.16
Members		
Chris Case	10.11.08	09.11.16
General the Lord Dannatt GCB CBE MC DL	01.08.09	31.07.15
Hemant Patel	12.07.10	11.07.14
Major General Sir Sebastian Roberts KCVO OBE	05.02.11	04.02.15
Stephen Smith	10.05.11	07.08.13
Mark Urban	03.09.12	02.09.16
Professor Anne Curry	03.03.14	02.03.18
Dr Andrew Burnett CBE	03.03.14	02.03.18
Mrs Christine Mayer OBE	03.03.14	02.03.18
Ms Deborah Mills	03.03.14	02.03.18
Mr Jason Kingsley OBE	03.03.14	02.03.18

Trustee Sub-Committees

Sub Committee	Chair	Members
<i>Audit</i>	Chris Case	Hemant Patel Andrew Broome (co-opted external member)
<i>Finance and Capital Development</i>	Hemant Patel	Wesley Paul Chris Case Stephen Smith (to 07.08.13)
<i>Research and Education</i>	Sebastian Roberts	Wesley Paul Stephen Smith (to 07.08.13) Mark Urban
<i>Remuneration</i>	Wesley Paul	Hemant Patel Chris Case Richard Dannatt

Recruitment and Appointment of New Trustees

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

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

Executive Team

Edward Impey – Director General & Master (appointed 30 September 2013)

Chris Walker – Interim CEO and Finance & Administration Director (left 29 September 2013)

Malcolm Duncan – Finance Director (appointed 1 July 2013) *

Emma Carver – Public Engagement Director (appointed 20 January 2014)

Thom Richardson – Deputy Master (appointed 1 February 2014)

Rod Taylor – Chief Operating Officer (appointed 17 February 2014)

Frank Riley – Head of National Firearms Centre

Peter Armstrong – Creative & Development Director (left 31 December 2013)

*Malcolm Duncan was initially appointed as Interim Finance Director on a six month fixed term contract. After a full recruitment process he was appointed to the role on a permanent basis from 1 January 2014

Staff Communications

Communications between staff and senior management are held monthly through staff briefings and e-newsletters which cover strategy, performance and updates on site development. 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 10.5 (2012/13: 10.3).

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 2014 the Royal Armouries had 160 full and part time employees split:

	Male	Female	Total
Executive	5	1	6
Staff	81	73	154
Total	86	74	160

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 2013/14.

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 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.

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, 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 Company issued 150,000 £1 shares on 29 July 2010 which became fully paid up on 29 March 2011.

The Frazier History Museum in Louisville, Kentucky, where the Royal Armouries had a long term agreement to display, is no longer regarded as a related party. Since the departure of Jon Hammond Booth in May 2012, the Royal Armouries has not had any formal representation on the board of the Frazier History Museum, although the current Chairman of the Royal Armouries, Wes Paul, is invited to attend board meetings.

The Tower of London houses part of the Royal Armouries' national collection of arms and armour and the Royal Armouries is also the keeper of the Tower of London history. However, the Tower of London itself 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. A Trustee of the Royal Armouries, General the Lord Dannatt, is also a Trustee of Historic Royal Palaces.

Royal Armouries Foundation, Inc is a company established on 21 November 2000 and registered in Delaware, USA. Its purpose is to educate the public about the history of arms, armouries and related items. It has the ability to award grants to organisations that support the education of arms and armour including, but not limited to, the Royal Armouries. No Trustees serve as officers of the company and as such there not considered to be any common control and hence the Accounts are not consolidated into the Royal Armouries' financial statements.

A new trust, *The Arms and Armour Heritage Trust*, has been formed which has the ability to award grants that can support the achievement of the Royal Armouries charitable objectives as well as grants to other charities supporting the efficiency of the Armed Services. The Arms and Armour Heritage Trust is completely self-regulating and the Trust Deed ensures that no serving Royal Armouries board member can be a trustee. The Accounting Officer and Finance Director will attend meetings but have no voting powers. A Commercial Licence Agreement has also been agreed detailing the charges to be made by the Royal Armouries for administrative support and venue hire provided. The Royal Armouries did not award any grants to The Arms and Armour Heritage Trust during the year.

PERFORMANCE INDICATORS

The Royal Armouries entered into a new three Management Agreement with DCMS in May 2014. This agreement establishes 12 performance indicators for the Royal Armouries. The actual performance achieved against each of the indicators for 2012/13 and 2013/14 is set out in the table below.

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

The overall increase in museum visits reflects a recovery in visitor levels at the Tower of London after the impact of the Queen's Golden Jubilee and London Olympics in 2012 along with a strong performance at Fort Nelson.

Performance Indicator	2013/14 Out-turn	2012/13 Out-turn
Total number of visits	1,941,533	1,810,783
Number of unique users visiting the website	547,558	466,851
Number of children aged 16 and under visiting the Royal Armouries	562,212	521,224
Number of overseas visitors	1,324,849	1,227,563
Number of visitors under 18, in formal education, attending the Royal Armouries in facilitated and self-directed visits	15,675	12,298
Number of visitors under 18 participating in on-site organised activities	226,328	233,110
Percentage of visitors who would recommend a visit	99.5%	99.5%
Admissions income *	£98,000	£111,000
Trading income *	£385,732	£395,256
Fundraising income *	£267,000	£126,000
Ratio of fund raising to Grant-in-Aid	2.77%	1.4%
Number of UK loan venues *	120	120

COLLECTIONS & RESEARCH

Academic Programme

A major feature of 2013 has been the celebration of the 400th anniversary of Anglo-Japanese relations, the commemoration of Captain Saris of the East India Company and his voyage to Japan, returning with a trade agreement for the company and two presentation armours for King James I, both of which are currently in the museum's galleries. Our major contribution to the anniversary was the 'East Meets West' conference held at the Tower of London in September 2013, with a wide range of papers on aspects of diplomatic gift-giving with arms and armour between Asia and Europe, which was well received. Conference proceedings are in preparation, and will be published in 2014.

Interest in things Japanese has also been kindled by the excellent *Samurai, Armor from the Anne and Gabriel Barbier-Mueller Collection* exhibition, currently on a world tour which has taken in the Musée du quai Branly, Paris; the Museum of Fine Arts, Boston; Portland Art Museum, Oregon; and in 2014, the Kimbell Art Museum, Fort Worth. Our Deputy Master, Thom Richardson delivered lectures on Japanese armour to large audiences at Portland and at Fort Worth. His visit to Fort Worth was combined with a visit to the Metropolitan Museum of Art, New York, co-funded by the Metropolitan Museum, to conduct research into their collection of mail armour. The Royal Armouries' Curator of Edged Weapons, Bob Woosnam-Savage, has continued his work on the bones of Richard III, presenting a number of lectures and TV appearances on the subject. A publication is due to follow.

The programme of seminars and lectures continued apace, with 'Weapons and the Movies' and 'Hearts of Oak: Tudor Artillery' in October 2013 (the latter at Fort Nelson), 'War Gaming' and 'The Tower of London and the Ordnance Office' in November 2013 and lectures on 'How to Kill a Vampire' and 'The Japanese Gift Armours' in October and November 2013 respectively. The 2014 programme started with 'The Gangster's Paradise' on the weapons of Al Capone and his friends, but a session on the Battle of Towton and the arms and armour of the Wars of the Roses was cancelled owing to low level of bookings. A new leaflet for academic events 2014/5 is available, and all details and booking facilities are available on the museum's website. The Royal Armouries continues to use its Curator Emeritus group not only to add their immensely rich knowledge to help with our own research, but also to deliver occasional seminars.

The conference programme for 2014 included the co-hosting of The Battlefields Trust 'Conservation of Battlefield Finds' conference in April, and we are staging 'Leather in Warfare' in conjunction with the Archaeological Leather Group in November.

Research into the Horse Armoury at the Tower for the exhibition which opened in 2013 has been published, with articles in *Arms & Armour* on the 'Armours in the Line of Kings', 'Samuel Meyrick, the Tower Storekeepers, and the rearrangements of the Tower's historic collections of arms and armour' and 'The conservation of a jousting reinforce', while publication of research on the wooden horses of the Line is in preparation. The proceedings of the conference *Mars und Bellona* (Ingolstadt 2012) were published in 2013 including an article on experimental gun firing trials.

Following a conference on 'Collections Hazards' in Spring 2013 hosted by the Royal Armouries in collaboration with the UK Registrar's Group, our Registrar, Laura Walsh, has been asked to produce guidance on museums and firearms law, which is due to be published by the UK Registrar's Group in 2014.

Collections Management

Collections Management System (CMS)

The project to upgrade the museum's collection management system, replacing the Cuadra STAR system which has served the museum since 1991, began in 2013 and is due to be completed in 2014. The new system comprises a library Koha database, a collections and archives databases running on EMu, and a new Digital Asset Management system (DAMS). Migration to the new CMS is going relatively smoothly with only a few weeks' slippage from the schedule. The earliest phase, the library Koha database, is in full working order and undergoing final tweaks before going live. The collections and archives databases are preparing for migration to the new EMu system in May 2014. DAMS is under development and will follow later in 2014.

One of the key aims in developing a new CMS was to make available to members of the general public as much information as possible about Royal Armouries' collections of objects, images, archives and library books and periodicals. A bespoke user interface has been commissioned and is in development to enable online users to search collection records, view the image library and generate content in response to the collections. The system will also provide an efficient means for the digital delivery of licensed image sales to customers.

Policy and Procedure

The Collections Department has ensured that all relevant Royal Armouries' policies and procedures are enforced and complied with, across the organisation and not just in collections. A number of Collections Management policies and procedures are now being reviewed and revised in-line with our Accreditation follow-up work stipulated by the Arts Council, and a new 'Red Zone' Policy governing access to the Collection has been produced and is due to be approved and implemented in May 2014.

Enquiries

Curatorial staff in Leeds received, on average, 50 enquiries a month from a diverse range of people and organisations. These included requests from a number of film makers and computer games manufacturers, as well as the general public. Enquiries at the Tower averaged 39 per month with an additional 30 to Fort Nelson. The Registrar has received approximately 20 ownership queries, 50 loan requests, 150 loan queries from lenders and 260 enquiries from the public, museums and like-minded institutions asking for advice or information over the past year.

Accreditation

As a Fully Accredited Museum across its three sites, the Royal Armouries was asked by Arts Council England to complete its Accreditation Return in 2013 alongside other national museums, to provide evidence of continuing compliance with the internationally recognised Accreditation Standard. Museum Accreditation is always a complex task. Every department, policy and procedure has to be audited to ensure that the most professional and current systems are in place, and that the museum still runs both efficiently and ethically as part of the Standard. Following an assessment of the returns from the Royal Armouries, which included a visit to Fort Nelson, recommendations were considered by an Accreditation panel appointed by Arts Council England on 21st November 2013. The panel were pleased to award the Royal Armouries Full Accreditation for all sites on the 5 December 2013.

Major Acquisitions 2013/14

Details of significant acquisitions made during 2013/14 are included in note 9 to the financial statements.

Library

Staff welcomed 897 visitors to the reading room this year and responded to several hundred enquiries. The library holdings are continually reviewed and updated to ensure they are current and that the collection remains one of the best in the world on the subject of arms and armour. Library staff have contributed to major projects such as the 'Line of Kings', CMS and the First World War programme through the sourcing of internal and external images and commissioning of new photography. External organisations such as the BBC, the publishing house Extraordinary Editions, and the Victoria & Albert Museum have made significant use of the library's services this year.

Volunteers have made valuable contributions through their assistance with the cataloguing and transcribing of our archives.

Conservation

The department can report a busy and productive year with a large volume of high-profile loans being prepared, installed and, in some cases, returned in a short space of time. Approximately 623 objects passed through the department; this is up by 246 objects on last year, a level made possible by additional temporary staff.

The start of this year saw the team relocated to London working as part of a larger team to successfully install the Line of Kings. A second major project dealt with a large preventive conservation issue predominantly in the Oriental Gallery in Leeds. This was largely successful although continues to be monitored. Throughout the year the Conservation Department has supported the museum in many of its projects including the CMS and curatorial talks and seminars.

The team was also joined at Leeds by students/interns from Durham University, Delaware (USA) and Oslo University (Norway) and by two volunteers. An additional member of staff will shortly join the department as a one year conservation intern, a joint post with Leeds City Council Museums and funded by the Arts Council.

The team continues to attend specialist training courses and conferences and to contribute to them. Most notably this year, members of the department ran a four day course on the conservation of arms and armour at West Dean College Chichester. This was the first of its type in the UK and was attended by conservators from the USA, Norway and Ireland. In addition members of the department ran a conservation course as part of Heritage without Borders in Albania. Articles were published in the *Arms and Armour Journal* and *ICON* (Institute of Conservation) news.

PUBLIC ENGAGEMENT

The year has seen improvements, large and small, to the physical displays at all three sites as well as some important steps towards bigger and better provision of information via the Royal Armouries website. In addition to projects delivered during this financial year, considerable time and effort has been devoted towards planning displays for 2014/15 to commemorate the start of the First World War and for 2015/16 to mark the 200th anniversary of the battle of Waterloo and 600th anniversary of the battle of Agincourt.

Exhibitions & Displays

Royal Armouries Museum, Leeds

To mark the 400th anniversary of Japanese-British relations in 2013, the Japanese arms and armour in the Oriental Gallery were redisplayed and re-interpreted. This included the addition of important mid-16th century Japanese armour which was a diplomatic gift to the King of Spain in the 1580's, long before British contact with Japan. This armour [XXVIA.2], which was acquired by the Tower Armouries in 1841, is scheduled to undergo conservation and re-lacing. Important stages in this process will be recorded for the public to show how research has enabled the armour to be correctly re-assembled.

The new display also features a fresh selection of Japanese blades and sword furniture from the generous gift made by the family of Deryck Ingham in his memory in 2001. In addition, a new style of graphic presentation was introduced and audience research was carried out to measure visitors' responses to some alternative methods for presenting information. The lessons learned are informing future display developments within Royal Armouries.

Several display enhancements were implemented during the year, including replacing the figure on the 'diving board' high above The Street. The 'white knight' on horseback forms a dramatic spectacle for visitors as they first enter the museum. Other upgrades have resulted from both new acquisitions and the transfer of objects between Leeds and the Tower. Two very different acquisitions which were put on display during the past year were a Mamluk hand cannon (XXVIF.245), from late 15th century Syria, and 'Orcrist' (IX.5635), the sword of the fictional Thorin Oakenshield, which was added to the ever-popular Middle-Earth exhibit. Amongst several Greenwich armours brought from the Tower, two of the most outstanding are a boy's light cavalry armour of about 1550 and a boy's harquebusier armour of about 1640. The former (II.178) is thought to have been made for King Edward VI and the latter (II.92) for Charles II when Prince of Wales. Other items which have returned to Leeds from display at the Tower include a sword associated with Oliver Cromwell (IX.1096).

Royal Armouries has continued to develop a wide-ranging programme of exhibitions showcasing work by community groups and creative artists who have found inspiration in subject matter related to arms, armour and their context. Some of these exhibitions are shown at both Leeds and the Fort, others at only one site. As word has spread, we now have several individuals and groups who are working on ideas for future 'Inspired By...' exhibitions. This interest has been reflected in the generous support of several sponsors who have given financial support to ensure the success and continuation of the programme. The programme this year consisted of:

- 'Royal Armouries: In Focus' (Leeds 16/2/13 – 30/9/13) with Leeds Photographic Society
- 'Other Ranks', an installation by sound artist Amie Slavin (Leeds 1/11/12 – 22/9/13; FN 4/11/13 – 30/4/14)
- 'The Last Stand' by photographer Marc Wilson (FN 3/5/13 – 24/9/13; Leeds 8/11/13 – 28/2/14); and finally,
- 'Inspired by Heraldry' (Leeds 27/3/14 – 5/10/14) with the Yorkshire Heraldry Society.

Tower of London

After a considerable period of research and design, installation of the new Line of Kings exhibition on the entrance floor of the White Tower took place from April 2013. Carried out in partnership with HRP, the Line of Kings was by far Royal Armouries' largest display project of the year. It was launched on 9 July 2013 with a press day and a private view. Media and visitor responses were very positive and during the summer the exhibition was enjoyed by large numbers of visitors. This gallery, telling the story of a visitor attraction at the Tower since the 17th century, and re-displaying some of the famous and important items from the collection which featured in the historical display, was the final step in the four-year programme to redisplay the White Tower.

Fort Nelson

In anticipation of the anniversary of the outbreak of the First World War, collections staff at Fort Nelson worked on a plan to concentrate on artillery arms of that period. Several important guns have been conserved and presented to display standard; one notable gap has been filled by the acquisition of a French 75mm M97 field gun and plans to refurbish and reorganise the Artillery Hall, to incorporate a permanent First World War display, are well in hand.

But the most spectacular addition, on loan from the Royal Artillery Historical Trust, is the British 18-inch BL Railway Howitzer, dated 1918. This arrived in September 2013 and was placed on show in the Artillery Hall. The First World War was expected to be mobile, fast moving and short. Notoriously, the Western Front instead became a gigantic siege. To break this stalemate, heavier artillery was constantly demanded. This railway-mounted howitzer is the only survivor of the British Army's four biggest guns.

As indicated above, two of the 'Inspired by...' exhibitions were also displayed at the Fort: 'Last Stand', an exhibition by award winning photographer Marc Wilson and 'Other Ranks', a sound installation by artist Amie Slavin.

Activities and events were delivered throughout the year, mainly focussing on school holidays; these included the launch of daily guided tours which are proving popular.

Online Programmes

The 'Line of Kings'

In order to share some of the large quantity of research undertaken during the Line of Kings project, for which there was no space in the physical display, it was decided that a digital resource would be launched at the same time that the exhibition in the White Tower opened (from July 2013). This was Royal Armouries' first venture into creating extensive sets of information- and image-rich pages for those wanting to know in depth about one of its displays.

'People of the Tower'

During the creation of the digital element to complement the new 'Line of Kings' exhibition, it was decided that Royal Armouries should also explore the potential of entirely web-based projects. 'People of the Tower' is a pilot project to present information about the Tower of London, its residents and workers from all levels of society. The project has great scope for contributing to the establishment of Royal Armouries as a centre for academic excellence. Phase 1 was launched in March 2014.

Education

Royal Armouries Museum, Leeds

Formal education at Leeds has continued to grow over the past year. There were just over 7,400 bookings for paid sessions in 2013/14 and an estimated 13,800 self-guided visits by groups of all kinds. Huge efforts have been made to improve data records to allow for better quantitative reporting in future, alongside a concerted effort to gather more effectively qualitative feedback.

Content-wise, the programme has remained the same, with six themed workshops for pre-booked school groups alongside a tour and handling session for private sessions of all ages. The workshops cover key stages 1 – 3 (ages 5 – 14) and are split into two 45 minute slots; an object-based lesson and a hands-on experience called the 'Discover Session'. All workshops focus on the collections strengths and are directly related to the Curriculum. Topics are: Knights and storytelling (KS1), the Middle Ages (KS2), the Tudors (KS2), the English Civil Wars (KS3), and the First and Second World Wars (KS3). Loans boxes were introduced in September 2013 to support classroom-based learning for schools unable to visit. Work has been ongoing for the arrival of the new primary school Curriculum in September 2014, with a view to expanding our offer to learners of all ages and ensuring our collection still remains at the heart of our education programme.

National Firearms Centre (NFC)

The NFC has firmly established itself as a training and education provider and has successfully delivered a series of Light Weapons Capability Appreciation Courses to Ministry of Defence staff. Firearms awareness and weapon handling sessions continue to be provided to recruits from Catterick Garrison and are an important part of the military's 'interest and retention' programme.

Working closely with several universities, the NFC has produced bespoke courses for Forensics and Criminology undergraduates as well as providing research opportunities for PhD and MSc students.

NFC curators and technical staff have been heavily committed to the programme of work commemorating the centenary of First World War, producing material such as video and sound footage to support the new gallery in the museum at Leeds.

Tower of London

The delivery of education at the Tower continues to be in association with HRP who are the main providers of the education programme on site. Royal Armouries 'behind-the-scenes' visitors/education sessions averaged 36 individuals per month. From the beginning of the new academic year 2013/14, HRP implemented a new delivery system across its five properties streamed by age of intended recipient rather than by site. The community and family teams have been absorbed into the new structure and site-based facilitators will oversee individual palace facilities, while a centralised booking system at Hampton Court Palace will administer the programmes and allocation of resources. This means that established relationships and practices will change and a more formal approach to on-site relationships will be introduced. In 2013/14 the successful RA/HRP Tower Civil war study days and the E15 stage combat courses continued.

Fort Nelson

Much was done in the last financial year to build on the successes of the previous year, with a particular focus on developing our reputation beyond the organisation as a provider of high quality formal education. At the Fort we welcomed just over 2,400 school children taking part in our paid education sessions and facilitated over 1,400 self-guided school visits. The team has been actively involved in outreach through our popular school assembly programme, annual cultural events such as the Sealife Roadshow hosted by the National Museum of the Royal Navy, the Hampshire Inspectorate and Advisory Service conferences and the Hampshire Solent Museum Learning, Access and Interpretation Network (LAINet).

The team initiated a number of long term projects with schools and other organisations to commemorate the Centenary of the First World War; these include film making with disadvantaged pupils from inner city Southampton and 'Light Graffiti' a project working with autistic teenagers from Portsmouth.

Fort Nelson has been proud to receive the annual Education Business Partnership 'Amazing People' Award 2013 for our outstanding work with young people on Science, Technology, Engineering and Mathematics (STEM). We have also been preparing for the Sandford Award which will be judged in April 2014. We are grateful for the continued support committed by the Worshipful Company of Armourers & Braziers to our education programme.

Publications

It has been a relatively quiet year for Publications with a focus on co-publishing. Royal Armouries teamed up with specialist publishers of military manuscripts, Extraordinary Editions, to produce a full-size facsimile of I.33 Illuminated Fightbook manuscript in a limited edition and in April 2014 Royal Armouries co-published '*A History of the World in 100 Weapons*' with Osprey. Volume 10, Issues I (Spring) and II (Autumn) of the *Arms & Armour* journal were published in association with Maney Publishing this year, in a partnership which continues to ensure the successful delivery of the Journal of the Royal Armouries. Work in progress includes the conference proceedings for the East meets West conference (referred to above) and a new introduction to Islamic Arms and Armour by Deputy Master, Thom Richardson.

FUNDRAISING AND SPONSORSHIP

In the latter half of the year the team joined the newly formed Public Engagement department where it will develop its longer-term organisational fundraising strategy based on and to support the priorities identified in the new corporate plan with the intention of maximising the generation of income from all sectors – public funding, trusts and foundations and individual donors. In the meantime, Development has already looked at ways of securing support for the organisation at this time of transition, including close consultation with the Heritage Lottery Fund (HLF) and the proposal of an application to the HLF's Transition Fund. If successful, this will support Royal Armouries' commitment to addressing and resourcing some of the more fundamental aspects of its operation in the areas of organisational stability and management; financial success and sustainability; efficiency and standards; and status, perception and recognition.

Visitor giving has also undergone a re-assessment with the Individual Giving Manager focusing on competitor research and benchmarking in the preparation of a discussion paper for the Executive Board. The intention is to re-invigorate Royal Armouries' approach to visitor giving both to engage our visitors and maximise potential for generating unrestricted income. New donation facilities at the Royal Armouries Museum in Leeds have already been trialled resulting in a 37% increase in visitor donations year on year.

In parallel with the above the team has focused on active fundraising in three areas:

- the team has raised £170k (in response to a target of £85k) for the First World War Centenary Programme with headline support coming from the DCMS/Wolfson Museum and Galleries Improvement Fund, the Esmée Fairbairn Collections Fund and HESCO Bastion. Supporting funding has come from The Liz & Terry Bramall Foundation and the Worshipful Company of Fishmongers towards activities such as the redisplay of the First World War gallery in Leeds and a major archive digitisation project. A new corporate membership scheme – Centenary Partners – was established for Fort Nelson to support installation of the Railway Howitzer and their 'Inspired By. . .' programme. The scheme is designed to grow over the five years of First World War commemorative activity and we look forward to adding to the five members we have already welcomed;

- the expansion of the joint RA/HRP corporate membership scheme – Royal Partners – at the Tower of London introduced levels of £25k (Silver) and £10k (Bronze), which were added to the £50k (Gold) level. During the year we were delighted to sign up Impressions of China and AETN (HISTORY) in the USA as Gold and Bronze Partners respectively;
- planning is well underway for future projects including the Waterloo Bicentenary and the battle of Agincourt commemoration for which a major grant in support of an exhibition has been received from the Arms & Armour Heritage Trust.

ENVIRONMENT AND SUSTAINABILITY

Public bodies are obliged to include a sustainability report within the annual report and accounts unless the body falls under the de-minimis threshold for reporting of 250 full time equivalent staff or floor space of less than 1,000 metres. As Royal Armouries full time equivalent staff for 2013/14 was 145 we are not required to include a report.

Nonetheless, the organisation has continued to focus its efforts on reducing its carbon footprint through the following initiatives:

- all fire escape stairwell lighting has been replaced with low maintenance energy saving LED lighting with plans to replace shop and external lamp fittings;
- re-tendering the waste management contract with a new specification which sets higher standards for recycling and looks towards to a partnership approach to continually look for improvement;
- the refurbishment or replacement of plant equipment such as air handling units and chiller with more energy efficient models and parts;
- a reduction in the amount of electricity coming into the museum substation from approximately 100 Kwh to 80 Kwh which has resulted in a lower voltage at the sockets and which will prevent damage to some electrical devices such as lamps and CCTV as well as reducing the electricity bill.

FUTURE DEVELOPMENT PLANS

The museums' work in 2014/15 will concentrate on the following areas:

- development and implementation of the Royal Armouries Corporate Plan 2014-19;
- departmental adjustments to support the delivery of the Corporate Plan;
- the delivery of the new Collections Management System; and
- development of the anniversary programmes including the centenary of the First World War (August 2014 onwards), the bicentenary of the battle of Waterloo (June 2015) and the 600th anniversary of the battle of Agincourt (October 2015).

As the Royal Armouries looks to the future, it is realistic about the funding challenges it faces and it continues to explore and develop other sources of funding to accomplish and sustain future activity growth.

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

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

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

Royal Armouries Addresses

Principal Address

Royal Armouries
Armouries Drive
Leeds
LS10 1LT

Website: www.royalarmouries.org

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

Royal Armouries
HM Tower of London
London
EC3N 4AB

List of Royal Armouries Advisers

External Auditors

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

Internal Auditors

Mazars LLP
The Lexicon
Mount Street
Manchester
M2 5NT

Bankers

NatWest plc
Bishopsgate Business Centre
London
EC2P 2AP

Solicitors

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

Investment Advisers to RADT

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

FINANCIAL REVIEW

Overview of Financial Position

The financial statements have been prepared in accordance with the Statement of Recommended Practice 2005 (SORP 2005), Accounting and Reporting for Charities and by reference to the Government Financial Reporting manual. In accordance with the SORP, the total amount of grant and other income received for capital projects is included in the Statement of Financial Activities (SOFA) on page 50.

In 2013/14 the Royal Armouries recorded £538k net incoming resources before transfers for general unrestricted funds. In addition, a restricted funds deficit of £13k has been recorded by the Royal Armouries Development Trust. More information on this can be found at note 25 on page 73.

Incoming resources for the period amounted to £9,120k which included Grant-in-Aid amounting to £7,620k. Resources expended amounted to £9,388k, resulting in net outgoing resources of £268k (before transfers and revaluations). £1,879k was attributable to depreciation provisions; these were financed from the capital project income credited to designated and restricted funds in previous years.

Visitor levels to the Royal Armouries across all three sites during 2013/14 were 7% higher than last year, although 1% lower than budget. Sponsorship and donations income rose £141k to £267k mainly due to contributions towards the development of the Line of Kings exhibition in the White Tower at the Tower of London. Royal Armouries share of gate income from Historic Royal Palaces has contributed £247k towards the Tower of London operating costs.

Total resources expended included salaries and related employee costs of £4,421k, this being £207k lower than 2012/13. Salary and related employee expenditure accounted for 47.1% of operational cost with depreciation at £1,879k for 20.0%.

The performance of the group's trading subsidiary, Royal Armouries Trading and Enterprises Ltd, improved with a profit of £15k being recorded against a loss of £88k in 2012/13. The improved performance was due to a number of factors including improved cost control, additional sponsorship income and fund raising events. Actions to further increase profitability levels continue and include a review of retail strategy, identification of new commercial opportunities joint ventures and additional fund raising events.

No charitable donations were made during the year (2012/13: £15k) and no grants were awarded (2012/13: £885k).

Balance Sheet

Of the fund balances at 31 March 2014:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £45,785k (2012/13: £48,325k), the majority of which comprise the value of land and buildings;
- designated funds, set aside to finance tangible fixed assets other than those classed as restricted, amounted to £6,500k (2012/13: £4,921k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Royal Armouries amounted to £1,098k (2012/13: £560k).

By virtue of the National Heritage Act 1983, the Royal Armouries was vested with the property and objects, which formed part of the collection of arms and armour, or were associated with the maintenance or administration of the collection. The value of the collection was not identified in the records passing into the Royal Armouries ownership and the Trustees have determined that the cost of obtaining valuations for the pre 2001 collection is not commensurate to the benefits provided by doing so. In accordance with the Financial Reporting Manual, additions to the collection since 1 April 2001 are capitalized and recognized in the Balance Sheet, at the cost or value of the acquisition. Such items are not depreciated or revalued as a matter of routine. Acquisitions to the value of £190k were capitalised in 2013/14.

The overall level of Debtors remained relatively unchanged at £0.6m. The £1.7m decrease in creditors is due in part to the lack of any outstanding grant amount payable to The Arms and Armour Heritage Trust (2012/13: £885,000) and in part due to the absence of capital spend accruals at the 2014 year end reflecting the absence of significant capital spend in the final quarter of the year.

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

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

Reserves Policy

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

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

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

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

After considering these factors, the Trustees consider that a minimum General Reserve balance of between £300k and £400k should be maintained, representing around three months of operational expenditure not covered by Grant-in-Aid.

Although the Royal Armouries total reserves at 31 March 2014 are shown as £53 million on the balance sheet, all but £1,098k in General Reserve and £391k in Designated Reserves is tied up in restricted funds, fixed assets and the Royal Armouries Development Trust Fund, none of which can be used for other purposes.

Payment of Creditors

The Royal Armouries continues to review the efficiency of its operations and aims to comply with best practice wherever possible. The Royal Armouries aims to settle all bills within 30 days or in accordance with the supplier's terms of business. In 2013/14, the Royal Armouries paid approximately 73% (2012/13: 66%) of supplier invoices within the target of 30 days.

Wesley Paul
Chairman

Date 26 June 2014

Edward Impey
Accounting Officer

Date 26 June 2014

REMUNERATION REPORT

Remuneration Committee

The membership of the Remuneration Committee is:

Wesley Paul (Chairman)

Hemant Patel

Chris Case

Richard Dannatt

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

The Remuneration Committee reviews and approves the salaries of the Accounting Officer and Directors with reference to any guidance from the Government. Although there was only one formal meeting of the Committee in during 2013/14, members of the Committee approved the salaries for the new Accounting Officer and Directors recruited during the course of the year.

The emergency budget following the election of the Coalition Government in 2010 imposed a two year pay freeze on all staff except those earning a full time equivalent salary of less than £21k. The Government announced further sanctions in the 2011 Autumn Statement that will restrict the pay award possible to 1% of the overall pay bill for a further two years.

With consideration for these sanctions, in the 2013 pay award, Directors and senior members of staff received pay increases of between 0% and 1%. All other members of staff received increases of between 1% and 1.5%.

Policy on Duration of Contracts, Notice Period and Termination Payments

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

Civil Service Pensions

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

For 2013/14 employee contributions were set at rates between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos depending on salary level. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Value

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

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

Real Increase in CETV

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

The following disclosures have been audited.

	Salary (Annual Equivalent) 2013/14 £'000	Salary (Annual Equivalent) 2012/13 £'000	Benefits in kind (to nearest £100)^	Pension Benefit 2013/14 * £'000	Pension Benefit 2012/13 * £'000	Total Remuneration 2013/14 £'000	Total Remuneration 2012/13 £'000
E Impey	50-55 (115-120)	- (-)	2,600	40-45	-	90-95	-
C Walker	45-50 (85-90)	60-65(85-90)	-	10-15	20-25	60-65	80-85
P Armstrong	55-60 (65-70)	70-75 (70-75)	-	5-10	30-35	65-70	100-105
F Riley	45-50 (45-50)	45-50 (45-50)	-	15-20	15-20	60-65	60-65
L Drake	20-25 (50-55)	20-25 (50-55)	-	-	-	20-25	20-25
M Duncan	45-50(65-70)	- (-)	-	15-20	-	65-70	-
R Taylor	5-10 (75-80)	- (-)	-	0-5	-	10-15	-
E Carver	10-15 (65-70)	- (-)	-	0-5	-	15-20	-
T Richardson	10-15 (65-70)	- (-)	-	25-30	-	40-45	-

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

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

Salary is gross salary only as no overtime or allowances are paid to Directors. No bonuses were paid during 2012/13 or 2013/14. 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 2013/14 was £115k (2012/13 £95k). This was 5.87 times (2012/13 4.9) the median remuneration of the workforce, which was £20k (2012/13 £19k). Remuneration includes salary and allowances but does not include employer pension contributions.

	Accrued pension at pension age as at 31/3/14 (related lump sum) £'000	Real increase in pension (related lump sum) at pension age £'000	CETV at 31 March 2014 £'000	CETV at 31 March 2013 £'000	Real Increase in CETV £'000
E Impey	20-25 (n/a)	0-5 (n/a)	347	310	32
C Walker	0-5 (n/a)	0-5 (n/a)	23	14	7
P Armstrong	10-15 (n/a)	0-5 (n/a)	166	149	6
F Riley	0-5 (n/a)	0-5 (n/a)	38	21	13
L Drake	- (n/a)	- (n/a)	-	-	-
M Duncan	0-5 (n/a)	0-5 (n/a)	12	-	8
R Taylor	0-5 /n/a	0-5 (n/a)	2	-	2
E Carver	0-5 (n/a)	0-5 (n/a)	3	-	2
T Richardson	15-20 (50-55)	0-5 (0-5)	391	360	28

Dr Edward Impey was appointed Director General & Master on 30 September 2013

Chris Walker left on 29 September 2013.

Peter Armstrong left on 31 December 2013 under terms of voluntary redundancy. Mr Armstrong received redundancy of £54,390 and £20,757 pay in lieu of notice. These amounts were in addition to the remuneration shown in the table above.

Lucy Drake left on 31 August 2013.

Malcolm Duncan was initially appointed as Interim Finance Director on 1 July 2013, having previously been Interim Head of Finance. He was appointed Finance Director on a permanent basis on 1 January 2014.

Rod Taylor was appointed as Chief Operating Officer on 17 February 2014.

Emma Carver was appointed as Public Engagement Director on 20 January 2014.

Thom Richardson was appointed as Deputy Master on 1 February 2014 having previously been Keeper of Armour and Oriental Collections.

Wesley Paul
Chairman

Date 26 June 2014

Edward Impey
Accounting Officer

Date 26 June 2014

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

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

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

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

The Accounting Officer of the Department for Culture, Media and Sport has designated the Director General & Master as the Accounting Officer of the Royal Armouries. Up until 29 September 2013 the Interim CEO was designated as the Accounting Officer. From 30 September the new Director General & Master was designated as the Accounting Officer. Further details are provided in the Governance Statement.

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's assets, are set out in the Accounting Officers memorandum issued by HM Treasury.

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

Wesley Paul
Chairman

Date 26 June 2014

Edward Impey
Accounting Officer

Date 26 June 2014

ROYAL ARMOURIES GOVERNANCE STATEMENT

Purpose

This statement covers the Royal Armouries governance arrangements for the year ended 31 March 2014 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 support the achievement of the Royal Armouries policies, aims and objectives, whilst safeguarding the public funds and museum assets. The purpose of the Governance Statement is to show how these responsibilities have been carried out in the course of the year.

Governance Framework

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

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

Change in Accounting Officer

The Accounting Officer and Interim CEO for the period 1 April 2013 – 29 September 2013 was Chris Walker. Following a successful recruitment campaign, Dr Edward Impey was appointed Director General & Master and took over the role of Accounting Officer from 30 September 2013 to date. The new Accounting Officer obtained assurance that an effective control environment and appropriate governance arrangements had been maintained prior to his appointment through a comprehensive handover from the previous Accounting Officer, a review of audit reports and discussions with senior members of staff, the Chairman and Chair of Audit Committee.

Control Environment

Significant time and resource has been spent improving the control environment across the organisation since early 2013. Key areas of focus have been:

- IT. The contract of the Interim Head of IT was extended to enable work to continue on addressing the control weaknesses identified by the Internal Auditors including penetration testing, encryption and updated IT policies and procedures
- HR. A review of manual and system controls around payroll and recruitment were carried out by the Head of Finance and HR manager with appropriate revisions being made including; the introduction of a formal review and signoff sheet for payroll; the requirement for all changes to permanent payroll data to have a second system authorisation; revised recruitment authorisation forms and a more formal declaration of any interest in job applicants.
- Risk Management. The Executive Board met on a regular basis over the year to work on embedding risk management across the organisation with guidance provided by the Internal Auditors:
- Collection Security. External expert resource was engaged to review and rewrite many of the organisation's security policies in response to recommendations raised by Internal Audit:
- Fraud Prevention. The Internal Auditors held a fraud risk workshop with key members of staff to both raise awareness to fraud and to help identify key fraud risks. These risks and compensating controls were further investigated and tested. Whilst a number of recommendations for improvement were highlighted the Internal Auditors concluded that the overall assessment for the organisation was slightly better than other organisations they had reviewed:
- Timely resolution of audit recommendations. At the start of the period there were 65 audit recommendations that had not been implemented. In addition a further 17 were raised from audits carried out over the course of the year. Resolution of these recommendations was a key focus of the Audit Committee and management. Over the course of the year 57 points were resolved with independent assurance of their resolution being given by the Internal Auditors.

Good progress has been made as evidenced by the new IT General Controls audit which now rates the controls as Adequate against the previous Weak rating, the resolution of current and prior year audit recommendations with independent verification by the Internal Auditors and the overall Adequate rating given by the Internal Auditors in their Annual Report.

It is recognised that further improvements to the controls are required and this remains a key focus of the Audit Committee and the Executive Board. Main challenges for the coming year are:

- The timely resolution of the 25 audit recommendations outstanding at the start of the year along with any new points raised in audits during the course of the year. Updates on the progression of implementation of recommendations will continue to be reported by the Internal Auditors to the Audit Committee and updates on the control environment has also been added as a standing agenda item at Executive Board meetings to ensure any matters are reported and addressed promptly;
- To continue the progress made in resolving issues and improving control within the IT and HR areas, whilst also ensuring that existing control and processes are maintained;
- Ensuring that any system changes in the year are done with the necessary review and revision of supporting processes and controls. The internal audit programme includes provision for Mazars to provide advice and guidance with this work.

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

The Royal Armouries has in place policies and procedures to manage conflicts of interest. At each Board 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

The Board met four times in 2013/14, twice at Royal Armouries site at the Tower of London, and once each at the sites at Leeds and 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.

There were a number of vacancies on the Board at the start of the period, and the Chairman, in collaboration with DCMS undertook a recruitment process to identify suitable new Trustees based on a review of the current mix of skills and experience, and the future needs of the Royal Armouries, in particular to reflect the increasing importance of maximising private sector income and strengthening our relationships in the cultural sector.

This process resulted in the appointment of five new Trustees in March 2014. The new Trustees brought with them experience of senior management of a national Museum and a public body, commercial strategy, academic research and marketing strategy. At 25 June 2014, the Board comprised the Chairman and 10 Trustees and full details are included on page 4 of this report.

The decision had been taken by the Chairman last year to await the outcome of the recruitment process and the appointment of new trustees before undertaking a formal review of Board effectiveness. Following the appointment of the new trustees, it is intended to commence this review shortly and it is anticipated that the review will be completed in autumn 2014.

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

- Reports from the Board subcommittees on progress of key issues including audit control points, financial planning, risk and health and safety;
- Renewal of Arts Council England accreditation;
- Review of overseas strategy and opportunities;
- Medium term financial and business planning;
- Health and Safety;
- Corporate Plan;
- Exhibition programme;
- Maintenance of Leeds museum building.

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 2013/14

	Board	Audit	Finance & Capital Development	Research & Education	Remuneration
Wesley Paul	4/4	-	3/4	3/3	1/1
Chris Case	4/4	5/5	4/4	-	1/1
Richard Dannatt	4/4	-	-	-	1/1
Hemant Patel	2/4	5/5	4/4	-	1/1
Mark Urban	4/4	-	-	0/3	-
Sebastian Roberts	4 /4	-	-	3/3	-
Stephen Smith	1/2	-	2/2	1/1	-
Anne Curry	-	-	-	-	-
Andrew Burnett	-	-	-	-	-
Christine Mayer	-	-	-	-	-
Deborah Mills	-	-	-	-	-
Jason Kingsley	-	-	-	-	-
Andrew Broome*	-	3/5	-	-	-

*Andrew Broome is an independent co-opted member of the Audit Committee and as such only attends that committee.

Committees of the Board

The Board has established a number of Committees to provide support and monitoring on matters of risk, control and governance. These Committees are Remuneration; Finance and Capital Development; Research and Education; and Audit. Following the Governance audit, the terms of reference of the Board and all the committees are going to be reviewed and the introduction of an annual work programme will be considered.

Remuneration Committee

The Remuneration Committee reviews the salaries of the Accounting Officer and Directors. The Committee met in January 2014 and it was agreed to form a working party led by the Director General and Chief Operating Officer to review the current remuneration policy of the organisation and prepare a revised policy to be presented to the Board later in the year. Although there was only one formal meeting of the Committee, members of the Committee approved the salaries for the new Accounting Officer and Directors recruited during the course of the year.

Finance and Capital Development Committee

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

Research and Education Committee

This committee was created to act as the *think tank* for the cultural policy of the museum. The Accounting Officer, Deputy Master, Public Engagement Director and senior Curators routinely attend the meetings.

Audit Committee

The Board 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 committee members have diverse skills which include recent and relevant financial experience, governance, risk and health and safety matters. The Accounting Officer, Chief Operating Officer, Finance Director and the internal and external auditors routinely attend the meetings.

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

- Accounting principles, policies and procedures adopted in the financial statements and the accounting issues dealt with in the accounts;
- External audit planning document, the detailed findings following audit and recommendations therein;
- Areas covered by internal audit during 2013/14 which included Corporate Governance, Fraud Risk Assessment, Fort Nelson site controls and IT General Controls;
- Implementation of recommendations from current and prior year audits
- Policies due for renewal;

- The risk registers and processes being undertaken to embed effective risk management across the organisation.

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

Royal Armouries Trading and Enterprises Ltd

Royal Armouries Trading and Enterprises Ltd (RATE) is a wholly owned subsidiary of the Royal Armouries and is managed by an independent 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 the Comptroller and Auditor General.

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 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 and there are regular updates to the Royal Armouries Board on the financial performance of RATE activities and the anticipated financial contribution for the year.

Trading conditions remained challenging during 2013/14 and although, as set out in note 26 to these Accounts, a small £15k profit was generated, this remains below the level of profit targeted by the Trustees and Executive. Steps continue to be taken to improve the overall profitability including:

- Reorganisation of the Executive Board considered skills and experience required to take the trading business forward as well as their contribution to the Royal Armouries;
- Appointment of new Trustees with skills and experience to contribute to development of trading strategy;
- Strategic review of business operations and opportunities undertaken by new RATE Chairman;
- Development of joint venture activity with third party sites.

Executive Board

Following his appointment the new Director General implemented a restructure of the Executive team effective from 1 January 2014. The new team supporting the Accounting Officer comprises:

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

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

Late in 2013 the Executive Board, in consultation with the Trustees, began the process of creating a new Corporate Plan for the Royal Armouries. In draft form, this sets out the purpose and mission of the organisation, a series of guiding principles, and provisionally identifies its core programme and activities over the next five years. The draft Plan was approved in principle by the Trustees in April 2014, and the process of amplifying and refining it is now under way with a view to final approval by Trustees in November 2014. The Plan will be updated annually on a rolling basis.

Prior to the appointment of the new Director General & Master in September 2013 the permanent Director of Finance and Administration acted as Interim CEO. During this period an Interim Head of Finance was in post to ensure adequate segregation of duties was maintained.

System of Internal Control

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

A corporate risk register is maintained centrally along with individual departmental registers which are held and maintained by departments. The new Executive Board are reviewing and improving the departmental registers. All of the registers are maintained in the same

template format, with common classifications. The corporate register and key changes to departmental registers are reviewed and discussed at regular risk management meetings attended by the Executive Board and other members of staff as appropriate. The corporate risk register is also reviewed by the Audit Committee.

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

- Continued pressure on public sector funding.

A further cut in resource Grant-in-Aid for the 2015/16 spending review in addition to the cuts effected in the previous spending review period (2011/12 – 2014/15) continues to put pressure on the financial position of the organisation. Despite the sign of improvement in the overall economic situation, the outlook for the next spending review is equally tough. In response, the Royal Armouries has continued to develop commercial opportunities and explore fundraising opportunities for exhibitions.

- Health and Safety.

This is an area of continual review and it is recognized by the Board and Directors that the impact of an incident could be significant. To gain the necessary level of comfort the Board requested that an independent health and safety audit be carried out by the Internal Auditors early in 2014/15. The report on this audit was issued in June 2014 and it highlighted a number of points for improvement. A plan to resolve the issues has been formulated by the Executive Board and issues are actively being addressed.

- Attracting and retaining a skilled workforce.

The cut in Grant-in-Aid and previous Public Sector pay freeze have both had a significant impact on staffing. In recognition of this risk a HR working party consisting of Trustees, Directors and Senior Managers has recently been set up to discuss and guide on key topics such as pay and grading and appraisal framework. In addition, the Royal Armouries actively seeks to provide development opportunities wherever possible for existing staff and to support relevant structured training.

Independent Assurance

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

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

Internal Audit for 2013/14 was provided under contract by Mazars, who took over the role from KPMG following a successful procurement tendering process. They undertook specific audits and gave an opinion on the effectiveness of internal controls on the following areas:

	OPINION
• Corporate Governance	Adequate
• Fraud Risk Assessment	Adequate
• Fort Nelson site controls	Adequate
• IT General Controls	Adequate

They also provided advice on the embedding of effective risk management across the organisation and provided assurance to the Audit Committee on the implementation of both internal and external audit recommendations including outstanding points from prior years.

In their Annual Report Mazars concluded that, subject to the implementation of recommendation made during the year, the Royal Armouries has an appropriate framework for identifying, evaluating and managing the significant risks faced by the organisation. This reflects work done over the last two years to review and revise many areas of control previously identified as Weak, including the appointment of senior interim staff tasked with improving control and more recently by the revisions made to the Executive body.

Overall, the view of the Board and Accounting Officer is that the governance, risk management and internal control have been adequate to allow the Royal Armouries to continue its usual operations. However, work continues to ensure that further improvements

to processes and controls in HR, IT Finance and Health and Safety make them fit-for-purpose. Until these are resolved, the status of internal control and the level of inherent risk remains at a higher level than is considered appropriate by the Audit Committee and the Board. This will require the continued enhanced levels of vigilance by management and related oversight by the Board and the Audit Committee.

Compliance with the Corporate Governance Code

The Royal Armouries made progress towards compliance with the intentions of the 'Corporate governance in central government departments: Code of good practice 2011', in so far as it is relevant for an NDPB. Key areas of progress include:

- increasing the frequency of Board meetings;
- embedding risk management to a greater degree within departments.

The key area the Board and Management is seeking to address to ensure compliance with the Corporate Governance Code in future year, is the establishment of a formal process of rigorous evaluation of the Board's own performance on an annual basis.

Data and Information Security Management

The Royal Armouries has an information management strategy with which all staff must comply. The Royal Armouries Head of Library, Archives and Records Management acts as the Departmental Records Officer, Freedom of Information Officer and Data Controller. The Royal Armouries Finance Director has been designated as the Senior Information Risk Owner and Freedom of Information champion. Particular focus for 2013/14 continued to be our IT infrastructure and the establishment of new collections management systems and data storage.

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

There were no protected personal data related incidents reportable to the Information Commissioner's Office in 2013/14.

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

Edward Impey
Accounting Officer

Date 26 June 2014

Wesley Paul
Chairman

Date 26 June 2014

Chris Case
Chairman, Audit Committee

Date 26 June 2014

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 2014 under the National Heritage Act 1983. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Board of Trustees of the Royal Armouries' and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Trustees of the Royal Armouries; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees' and Accounting Officer's Annual Report, Remuneration Report, Statement of the Trustees' and Accounting Officer's Responsibilities and Governance Statement 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 resources expended and incoming resources recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Board of Trustees of the Royal Armouries' affairs as at 31 March 2014 and of the group's incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Heritage Act 1983 and Secretary of State directions issued with HM Treasury consent 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 issued with HM Treasury consent under the National Heritage Act 1983; and
- the information given in the Structure, Governance and Management, Environment and Sustainability, Future Development Plans and Financial Review sections of the Trustees' and Accounting Officers Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Date 30 June 2014

Comptroller and Auditor General

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 2014

		Unrestricted funds		Restricted funds	Total funds	Total funds
	Notes	General	Designated		2013/14	2012/13
		£000	£000	£000	£000	£000
Incoming resources						
Incoming resources from generated funds						
Voluntary Income						
Grant-in-Aid	2	6,720	900	-	7,620	8,773
Grant DCMS / Wolfson		-	-	-	-	100
Other voluntary income		56	-	211	267	26
Share of HRP gate income	3	247	-	-	247	137
Activities for generating funds						
Income from trading activities		546	-	-	546	546
Conservation income		3	-	-	3	2
Investment Income		7	-	4	11	11
Incoming resources from charitable activities						
Events income		231	-	-	231	256
Educational income		48	-	-	48	65
Other operating income		147	-	-	147	222
Total incoming resources		8,005	900	215	9,120	10,138
Resources expended						
Costs of generating funds						
Costs of generating voluntary income	4	(281)	-	-	(281)	(313)
Fundraising trading: costs of goods and services	4	(922)	(19)	(41)	(982)	(832)
Charitable activities						
Care of the collection	4	(2,511)	(190)	(316)	(3,017)	(3,507)
Education	4	(468)	(42)	(89)	(599)	(745)
Visitor experience	4	(3,100)	(392)	(831)	(4,323)	(4,953)
Governance costs	4	(90)	-	(1)	(91)	(102)
Other outgoing resources						
Redundancy costs and holiday pay	4	(95)	-	-	(95)	(219)
Total resources expended		(7,467)	(643)	(1,278)	(9,388)	(10,671)
Net incoming / (outgoing) resources before transfers		538	257	(1,063)	(268)	(533)
Transfers between funds		-	(190)	190	-	-
Net incoming / (outgoing) resources before other recognised gains / (losses)		538	67	(873)	(268)	(533)
(Loss) / Gain on revaluation of investments		-	-	(15)	(15)	4
(Loss) / Gain on revaluation of assets		-	1,512	(1,652)	(140)	519
Net movement of funds		538	1,579	(2,540)	(423)	(10)
Fund balances as at 1 April 2013		560	4,921	48,325	53,806	53,816
Fund balances as at 31 March 2014		1,098	6,500	45,785	53,383	53,806

All activities are on an ongoing basis.

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

The notes on pages 53 to 74 form an integral part of these accounts.

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

	Notes	2013/14		2012/13	
		Group	Museum	Group	Museum
		£000	£000	£000	£000
Fixed Assets					
Intangible Assets	7	11	11	31	31
Tangible Assets	8	49,132	49,116	50,398	50,398
Heritage Assets	9	2,562	2,562	2,372	2,372
Investments	12	126	-	139	-
Investments in Subsidiary	13	-	150	-	150
		<u>51,831</u>	<u>51,839</u>	<u>52,940</u>	<u>52,951</u>
Current Assets					
Stocks	14	57	-	55	-
Debtors	15	634	686	576	651
Cash at Bank and in Hand		<u>1,837</u>	<u>1,665</u>	<u>3,027</u>	<u>2,813</u>
		<u>2,528</u>	<u>2,351</u>	<u>3,658</u>	<u>3,464</u>
Creditors					
Amounts falling due within one year	16	(913)	(830)	(2,633)	(2,534)
		<u>1,615</u>	<u>1,521</u>	<u>1,025</u>	<u>930</u>
Net Current Assets					
		<u>1,615</u>	<u>1,521</u>	<u>1,025</u>	<u>930</u>
Total Assets less Current Liabilities		<u>53,446</u>	<u>53,360</u>	<u>53,965</u>	<u>53,881</u>
Provision for Liabilities and Charges	17	(63)	(63)	(159)	(159)
Net Assets		<u>53,383</u>	<u>53,297</u>	<u>53,806</u>	<u>53,722</u>
Represented by					
Income Funds					
Restricted Reserves	21	45,785	45,626	48,325	48,153
Unrestricted Reserves					
Designated funds	21	6,500	6,500	4,921	4,921
General	21	1,098	1,171	560	648
Total Funds		<u>53,383</u>	<u>53,297</u>	<u>53,806</u>	<u>53,722</u>

The notes on pages 53 to 74 form an integral part of these accounts.

The financial statements of pages 50 to 52 were approved by the Board / Trustees and were signed on their behalf by:

Edward Impey
Accounting Officer

Date 26 June 2014

Wesley Paul
Chairman

Date 26 June 2014

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2013/14	2012/13
		£000	£000
Net cash (outflow) / inflow from operating activities	22	(192)	2,199
Returns on investment and servicing of finance	22	11	11
Capital expenditure and financial investment	22	(1,009)	(1,235)
(Decrease) / Increase in cash		<u>(1,190)</u>	<u>975</u>

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

The notes on pages 53 to 74 form an integral part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

1.1 Basis of accounting

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

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

All financial statements are made up to 31 March 2014. The consolidation has been carried out on a line by line basis.

1.2 Fundamental accounting concept

The Trustees are satisfied, on the evidence available, that Grant-in-Aid the Secretary of State has made available, together with estimated events admission fees and other income over the next 12 months, is adequate to meet known and reasonably foreseeable circumstances likely to arise in that period. The Trustees believe, therefore, that the accounts can be prepared on the basis of a going concern.

1.3 Incoming resources

Income from donations and grants, including capital grants, is included in incoming resources when these are receivable. Sponsorship and donation income is recognised as income when the conditions for its receipt have been met. Commercial income is recognised upon performance of services rendered in accordance with contractual terms.

1.4 Expenditure

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

Costs of generating funds are those associated with generating voluntary income and the cost of trading activities, which includes the cost of goods sold and other associated costs.

Resources expended on charitable activities comprise all the resources incurred in undertaking its work to meet its charitable objectives. Such costs include those incurred on conserving and managing the collection, providing an educational and interpretation programme and all costs associated with customer service.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.5 Fund accounting

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

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

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

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

1.6 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. Depreciation is provided in the year following capitalisation on a straight line basis over 3 years.

1.7 Tangible fixed assets

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

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

Buildings	14 years, 29 years, 42 years & 43 years
Plant & machinery	10 years, 14 years & 22 years
Fixtures, fittings & equipment	3 to 10 years

Tangible fixed assets are defined as assets costing £2,500 or more with a useful life of greater than 1 year. All fixed assets, excluding IT, are revalued to current cost using either a range of appropriate price indices or professional revaluation. Where the net book value of a fixed asset is higher than its recoverable amount, it will be impaired and written down to its recoverable value.

1.8 Heritage fixed assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.8 Heritage fixed assets (continued)

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

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

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

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

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

1.9 Stock

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

1.10 Pensions

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

1.11 Operating leases

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

1.12 Taxation

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

1.13 Grants

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

1.14 Financial Instruments

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

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

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

All financial liabilities are recorded at amortised cost.

1.15 Provisions

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

1.16 Holiday Pay Accrual

The financial statements include an accrual for outstanding holiday pay due to employees as at 31 March 2014. The movement on the accrual is included in note 4 to the Financial Statements.

1.17 Investment in Subsidiary

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Grant-in-Aid

Grant-in-Aid received in 2013/14 was £7,620,000 (2012/13: £8,773,000). 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 £710k (2012/13: £1,006k) has been designated by the Trustees for the purposes of capital projects. The sum of £190k (2012/13: £266k) has been designated by the Trustees for the purposes of collection purchases.

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

	2013/14 £000	2012/13 £000
Historic Royal Palaces	247	137

4. Total resources expended

	Staff costs £000	Other direct costs £000	Impairment, Depreciation & Disposals £000	Allocated Support Cost £000	2013/14 £000	2012/13 £000
Direct Costs						
Cost of generating funds						
Cost of generating voluntary income	159	52	-	70	281	313
Fund raising: cost of goods and other costs	258	377	60	287	982	832
Charitable activities						
Care of the collection	1,149	288	506	1,074	3,017	3,507
Education	199	47	131	222	599	745
Visitor Services	828	431	1,222	1,842	4,323	4,953
Governance	-	91	-	-	91	102
Redundancy / Early retirement / Holiday pay	95	-	-	-	95	219
	2,688	1,286	1,919	3,495	9,388	10,671
Support Costs						
Directorate	551	203	-	(754)		
Administrative support	378	370	-	(748)		
Shared services	804	1,189	-	(1,993)		
	1,733	1,762	-	(3,495)		
	4,421	3,048	1,919	-		

Governance costs

	2013/14 £000	2012/13 £000
Trustee expenditure	17	16
Audit fees (see note 6)	74	86
	91	102

4a Staff Costs

	2013/14 £000	2012/13 £000
Salaries and wages	3,300	3,376
Agency staff	287	266
National Insurance contributions	222	235
Superannuation	517	532
Early retirement costs	35	34
Movement on provisions (see note 17)	(96)	(31)
Redundancy costs	191	194
Holiday pay (see note 1.16 to the financial statements)	(35)	22
	4,421	4,628

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total resources expended (continued)

Following the changes in staffing structure at Fort Nelson in early 2013, two employees were potentially redundant at 31 March 2013 pending on the outcome of a trial in new roles. At the end of the trials in April 2013 one person took voluntary redundancy. The cost of this redundancy is shown in note 4a above but is offset by the utilisation of a provision made in March 2013. The cost of the redundancy is shown in the table below in the 2012/13 comparatives as the cost was provided in March 2013.

Following a review of the senior staff structure and roles and responsibilities the Royal Armouries offered voluntary redundancy to two employees in December 2013. The costs of these redundancies are reflected in the values in note 4a and in the table below.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
<£10,000	-	-	2	-	2	-
£10,000 - £25,000	-	-	2	-	2	-
£25,000 - £50,000	-	-	2	-	2	-
£50,000-£100,000	-	-	1	2	1	2
Total number of exit packages	-	-	7	2	7	2
Total resource cost (£0,000)	-	-	187	159	187	159

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

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

	Group and Museum	
	2013/14	2012/13
Cost of generating voluntary funds	5	6
Fundraising: cost of goods sold and other	19	16
Care of the collection	51	52
Education	9	10
Visitor Experience	61	61
	145	145

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:

	2013/14	2012/13
£60,001 - £65,000	-	1
£65,001 - £70,000	-	1
£70,001 - £75,000	-	1
£90,001 - £95,000	-	-

Pension Scheme

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Total resources expended (continued)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Royal Armouries is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013/14, employers' contributions of £517k were payable to the PCSPS (2012/13: £531k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013/14 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; however no employee took this option during 2013/14. Consequently there were no contributions during the year (2012/13: £1k). In the event of this option being chosen, employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0k, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

As at the balance sheet date there were no current employees contributing to a partnership pension. Consequently there were no contributions 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. Seven Royal Armouries Trustees, two Royal Armouries Development Trust Trustees and three Directors of Royal Armouries Trading & Enterprises Ltd were reimbursed for their travel and subsistence expenses during the year, which amounted to £17,262 (2012/13: Nine Royal Armouries Trustees, one Royal Armouries Development Trust Trustee and four Non-Executive Directors of Royal Armouries Trading & Enterprises Ltd were reimbursed for their travel and subsistence expenses during the year, which amounted to £16,259).

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 (2012/13 Grant of £885k was awarded to The Arms & Armour Heritage Trust for the purpose of promoting enjoyment, knowledge or understanding of arms and armour). 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	
	2013/14	2012/13
	£000	£000
Commitment as at 1 April	905	464
Grants awarded during the year	-	885
Grants settled during the year	(885)	(444)
Commitment as at 31 March	20	905

Grants falling due under one year

	Museum	
	2013/14	2012/13
	£000	£000
Commitment as at 1 April	885	444
Grants awarded during the year	-	885
Grants settled during the year	(885)	(444)
Commitment as at 31 March	-	885

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Net Incoming / (Outgoing) Resources

	2013/14 £000	2012/13 £000
Net incoming resources is stated after charging:		
Operating lease rentals	383	390
External auditor for audit work	54	54
Internal Auditor	20	32
Legal services	62	79
Travel and subsistence costs	151	140
Loss on disposal of fixed assets	40	3

All auditors' remuneration was in respect of audit work. £53,000 was charged by the National Audit Office on behalf of the Comptroller and Auditor General who now also audits Royal Armouries Trading & Enterprises Ltd and £1,200 by Volans, Leach and Schofield for the audit of the Royal Armouries Development Trust.

7. Intangible Fixed assets (Group and Museum)

	Website Development £000	Software Licences £000	Total £000
Cost as at 1 April 2013	100	115	215
Additions	-	-	-
Revaluation	-	-	-
Cost as at 31 March 2014	100	115	215
Amortisation as at 1 April 2013	75	109	184
Amortisation during year	14	6	20
Amortisation as at 31 March 2014	89	115	204
Net Book Value at 31 March 2014	11	-	11
Net Book Value at 31 March 2013	25	6	31

8. Tangible Fixed assets

	Assets under Construction £000	Group Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	Total £000
Cost					
As at 1 April 2013	-	47,401	5,073	5,600	58,074
Additions	132	-	-	641	773
Disposals	-	-	-	(164)	(164)
Impairment	-	-	-	-	-
Revaluations	-	(6,338)	293	64	(5,981)
As at 31 March 2014	132	41,063	5,366	6,141	52,702
Depreciation					
As at 1 April 2013	-	3,846	967	2,863	7,676
Charge for the year	-	1,049	307	503	1,859
Disposals	-	-	-	(124)	(124)
Revaluation	-	(4,684)	(1,191)	34	(5,841)
As at 31 March 2014	-	211	83	3,276	3,570
Net Book Value at 31 March 2014	132	40,852	5,283	2,865	49,132
Net Book Value at 31 March 2013	-	43,555	4,106	2,737	50,398

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tangible Fixed assets (continued)

		Museum		Fixtures	
	Assets under	Buildings	Plant and	Fittings and	Total
	Construction	£000	Machinery	Equipment	£000
	£000		£000	£000	
Cost					
As at 1 April 2013	-	47,401	5,073	5,600	58,074
Additions	132	-	-	625	757
Disposals	-	-	-	(164)	(164)
Impairment	-	-	-	-	-
Revaluations	-	(6,338)	293	64	(5,981)
As at 31 March 2014	132	41,063	5,366	6,125	52,686
Depreciation					
As at 1 April 2013	-	3,846	967	2,863	7,676
Charge for the year	-	1,049	307	503	1,859
Disposals	-	-	-	(124)	(124)
Revaluation	-	(4,684)	(1,191)	34	(5,841)
As at 31 March 2014	-	211	83	3,276	3,570
Net Book Value at 31 March 2014	132	40,852	5,283	2,849	49,116
Net Book Value at 31 March 2013	-	43,555	4,106	2,737	50,398

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

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.

As a result of the surrender of the lease on the car park, 24,000 square feet of storage space was acquired to house part of the Royal Armouries' collection, the National Firearms Centre. The NFC has also been valued on the basis of depreciated replacement cost by Rushton International as at 31 March 2014 with the building being depreciated over a 42-year period & plant and machinery over a 22-year period.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2013	2,277	35	60	2,372
Additions	190	-	-	190
Cost or valuation as at 31 March 2014	2,467	35	60	2,562
Cost	1,711	35	60	1,806
Valuation	756	-	-	756
Total	2,467	35	60	2,562

There have been no disposals of heritage assets during 2013/14.

The collection comprises 379 pieces of armour or weapons, 5 works of art and 10 sets of archive material that were either acquired or donated since 2001. This represents a very small part of the overall collection which is detailed further in note 11.

Significant additions at cost in 2013/14 include the following:

- 20-bore self-opening sidelock ejector double-barrelled shotgun for General de Wiart VC, by J Purdey & Son, London, British, March 1952. £12,000
- Hand canon (midfa) made for the Mamluk Emir Kertbey al-Ahmar. Syria, late 15th Century. £45,000
- Close helmet, Greenwich. English, about 1590. £28,000
- French 75mm Modèle 97 Quick-firing field gun on field carriage, barrel dated 1918, shield dated 1916. £45,000

There were no donations in 2013/14.

10. Five year financial summary of heritage asset transactions

	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000
<u>Purchases</u>					
Armour and weapons	190	266	59	66	52
Works of art	-	-	-	-	-
Archive	-	-	12	10	15
<u>Donations</u>					
Armour and weapons	-	-	104	9	23
Works of art	-	-	-	-	-
Archive	-	-	-	-	-
Total	190	266	175	85	90

NOTES TO THE FINANCIAL STATEMENTS (continued)

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. A display of around 300 objects occupies a dedicated floor at the Frazier History Museum in Louisville, Kentucky, USA.

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

Armour and weapons

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

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

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

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

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

Works of art

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

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

Archive

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

Preservation and management

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

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

The archive is managed by the archivist, who is also in charge of the library and photographic archive, and reports to the Deputy Master.

Collection Management Database

This year saw work continuing on the project to replace the Royal Armouries' current system with contracts award following a full tender exercise and configuration of the system commence. Temporary resource continues to assist in cleansing incorrect data and the input of missing data in advance of populating the new system. Go live of the new system is anticipated in the summer of 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Investments

	Group	
	2013/14 £000	2012/13 £000
Investments as at 1 April	139	128
Additions	46	136
Disposals	(44)	(129)
(Loss) / gain in value	(15)	4
Investments as at 31 March	126	139

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

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

13. Investments in subsidiary

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

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

14. Stocks

	Group	
	2013/14 £000	2012/13 £000
Stocks valued at cost	58	58
Less: provisions for publications and other slow moving stocks	(1)	(3)
	57	55

15. Debtors

	Group	
	2013/14 £000	2012/13 £000
Trade debtors	131	98
Other debtors	183	190
VAT recoverable	118	169
Prepayments and accrued income	207	124
Provision for bad debts	(5)	(5)
	634	576

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Debtors (continued)

	Museum	
	2013/14	2012/13
	£000	£000
Trade debtors	85	78
Other debtors	183	189
Gift aid due from Royal Armouries Trading & Enterprises Ltd	-	-
Other amounts due from Royal Armouries Trading & Enterprises Ltd	107	90
VAT recoverable	131	175
Prepayments and accrued income	182	120
Provision for bad debts	(2)	(1)
	686	651

Group debtors include a balance of £118k with HM Revenue & Customs. There are no other material balances with the Whole of Government Accounts bodies at 31 March 2014.

16. Creditors: amounts falling due within one year

	Group	
	2013/14	2012/13
	£000	Restated £000
Trade creditors	31	1
Income tax and Social Security	128	135
Other creditors	21	112
Grants	20	905
Accruals and deferred income	713	1,480
	913	2,633

The 2012/13 Other creditors and Grants balances have been restated to correctly show the £20k grant payable by the Royal Armouries Development Trust.

	Museum	
	2013/14	2012/13
	£000	£000
Trade creditors	13	1
Income tax and Social Security	128	135
Other creditors	19	109
Grants	-	885
Accruals and deferred income	670	1,404
	830	2,534

Group creditors include a balance of £71k with HM Revenue & Customs and £57k with the Cabinet Office. There are no other material balances with the Whole of Government Accounts bodies at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Redundancy £000	Early Retirement £000	Total £000
Balance as at 1 April 2013	65	94	159
Release of surplus provision	(40)	-	(40)
Utilisation of provision	(25)	(31)	(56)
Balances as at 31 March 2014	-	63	63
Liability due within one year	-	31	31
Liability due after one year	-	32	32

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 2014.

19. Capital Commitments (Group and Museum)

	2013/14 £000	2012/13 £000
Capital expenditure contracted but not provided for in the accounts	158	215
Capital expenditure authorised but not contracted for	-	300

The expenditure contracted but not provided for commitments relates to contracts awarded for the new collections management system and Agincourt exhibition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Analysis of group net assets between funds

	Group		Restricted	Total
	Unrestricted		funds	
	General	Designated		
	£000	£000	£000	£000
Funds balances as 31 March 2014 are represented by:				
Intangible fixed assets	-	11	-	11
Tangible fixed assets	-	6,098	43,034	49,132
Heritage fixed assets	-	-	2,562	2,562
Investments	-	-	126	126
Current assets	2,074	391	63	2,528
Current liabilities	(913)	-	-	(913)
Provisions for Charges & Liabilities	(63)	-	-	(63)
Total net assets	1,098	6,500	45,785	53,383

	Museum			
	Unrestricted funds		Restricted funds	Total
	General	Designated		
	£000	£000	£000	£000
Funds balances as 31 March 2014 are represented by:				
Intangible fixed assets	-	11	-	11
Tangible fixed assets	-	6,098	43,018	49,116
Heritage fixed assets	-	-	2,562	2,562
Investments	150	-	-	150
Current assets	1,914	391	46	2,351
Current liabilities	(830)	-	-	(830)
Provision for Charges & Liabilities	(63)	-	-	(63)
Total net assets	1,171	6,500	45,626	53,297

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Statement of funds

	1 April 2013	Income	Expenditure	Group Revaluation	Transfers	31 March 2014
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General fund	560	8,005	(7,467)	-	-	1,098
Designated fund	4,921	900	(643)	1,512	(190)	6,500
Total unrestricted funds	5,481	8,905	(8,110)	1,512	(190)	7,598
Restricted funds						
Land and Buildings	35,918	-	(919)	-	-	34,999
National Firearms Centre	1,352	-	(43)	-	-	1,309
Sponsorship and Donations	3,735	211	(314)	-	-	3,632
Heritage Assets	1,616	-	-	-	190	1,806
Donated Assets	756	-	-	-	-	756
Revaluation Reserve	4,776	-	-	(1,652)	-	3,124
RADT	172	4	(2)	(15)	-	159
Total restricted funds	48,325	215	(1,278)	(1,667)	190	45,785
Total funds	53,806	9,120	(9,388)	(155)	-	53,383

	1 April 2013	Income	Expenditure	Museum Revaluation	Transfers	31 March 2014
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General fund	648	7,118	(6,595)	-	-	1,171
Designated fund	4,921	900	(643)	1,512	(190)	6,500
Total unrestricted funds	5,569	8,018	(7,238)	1,512	(190)	7,671
Restricted funds						
Land and Buildings	35,918	-	(919)	-	-	34,999
National Firearms Centre	1,352	-	(43)	-	-	1,309
Sponsorship and Donations	3,735	211	(314)	-	-	3,632
Heritage Assets	1,616	-	-	-	190	1,806
Donated Assets	756	-	-	-	-	756
Revaluation Reserve	4,776	-	-	(1,652)	-	3,124
Total restricted funds	48,153	211	(1,276)	(1,652)	190	45,626
Total funds	53,722	8,229	(8,514)	(140)	-	53,297

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

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

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

The transfers between reserves reflect where there has been expenditure from one reserve on capital assets that by their nature need form part of a different reserve. £190k was transferred from the designated reserve to restricted reserves to reflect the expenditure of designated Grant-in-Aid on land and building and heritage assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Cash flow information (Group)

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

	2013/14 £000	2012/13 £000
Net outgoing resources	(268)	(533)
Interest receivable	(11)	(11)
Depreciation and amortisation	1,879	1,802
Disposal of fixed assets	40	3
Disposal of investments	44	129
(Increase) / Decrease in stocks	(2)	7
(Increase) / Decrease in debtors	(58)	243
Increase/ (Decrease) in creditors	(1,720)	525
Provision for Liabilities & Charges	(96)	34
Net cash inflow from operating activities	(192)	2,199

b) Analysis of cash flows

	2013/14 £000	2012/13 £000
Returns on investment and servicing of finance		
Interest received	11	11
Net cash inflow for returns on investment and servicing of finance	11	11

Capital expenditure and financial investment		
Intangible fixed assets	-	(5)
Tangible fixed assets	(773)	(828)
Heritage fixed assets	(190)	(266)
Investments	(46)	(136)
Net cash outflow from capital expenditure and financial investment	(1,009)	(1,235)

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

	2013/14 £000	2012/13 £000
(Decrease) / Increase in cash in the period	(1,190)	975
(Decrease) / Increase in net funds in the period	(1,190)	975
Net funds at 1 April	3,027	2,052
Net funds at 31 March	1,837	3,027

d) Analysis of net funds

	1 April 2013	Cash flow in period	31 March 2014
	£000	£000	£000
Cash	3,027	(1,190)	1,837
Net funds	3,027	(1,190)	1,837

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Related party transactions

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

The Royal Armouries no longer regards the Frazier History Museum as a related party as since May 2012 no member of the Royal Armouries board has sat on the board of the Frazier History Museum. There were no financial transactions associated with the Frazier History Museum during the year.

As a result of the Constable of the Tower of London sitting on the Royal Armouries board, 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.

	2013/14 Income £000	2013/14 Costs £000	2013/14 Debtor £000	2013/14 Creditor £000
Historic Royal Palaces				
- Contribution to costs (£247k) and sponsorship.				
Costs relate to Tower entrance fees and our share of operating costs	357	38	98	16

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

24. Financial Instruments

Credit risk

The Royal Armouries has cash deposits of £1,837k (2012/13: £3,027k) 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. 56% 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 84% of income (2012/13: 86%). 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 (2012/13 £11k) was generated from interest earned during 2012/13 so the Royal Armouries has negligible interest rate risk.

Foreign currency risk

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

Fair value

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Financial Instruments (continued)

Financial assets and liabilities by category

	Group			
	Available for sale Financial Assets 2013/14 £000	Loans and Receivables 2013/14 £000	Other Financial Liabilities at amortised cost 2013/14 £000	Total 2013/14 £000
Fixed asset investments	126	-	-	126
Cash	-	1,837	-	1,837
Trade and other debtors	-	314	-	314
Trade and other payables	-	-	(72)	(72)
	<u>126</u>	<u>2,151</u>	<u>(72)</u>	<u>2,205</u>
	Group			
	Available for sale Financial Assets 2012/13 £000	Loans and Receivables 2012/13 £000	Other Financial liabilities as amortised cost 2012/13 (Restated) £000	Total 2012/13 (Restated) £000
Fixed asset investments	139	-	-	139
Cash	-	3,027	-	3,027
Trade and other debtors	-	288	-	288
Trade and other payables	-	-	(1,018)	(1,018)
	<u>139</u>	<u>3,315</u>	<u>(1,018)</u>	<u>2,436</u>
		Museum		
		Loans and Receivables 2013/14 £000	Other Financial Liabilities at amortised cost 2013/14 £000	Total 2013/14 £000
Cash		1,665	-	1,665
Trade and other debtors		375	-	375
Trade and other payables		-	(32)	(32)
		<u>2,040</u>	<u>(32)</u>	<u>2,008</u>
		Museum		
		Loans and Receivables 2012/13 £000	Other Financial Liabilities at amortised cost 2012/13 (Restated) £000	Total 2012/13 (Restated) £000
Cash		2,813	-	2,813
Trade and other debtors		357	-	357
Trade and other payables		-	(995)	(995)
		<u>3,170</u>	<u>(995)</u>	<u>2,175</u>

The comparatives for Trade and other payables for both Group and Museum have been restated in order to be on a comparable basis with the Trade and other debtor balances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Royal Armouries Development Trust

Registered Charity Number 803617

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

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

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

	2013/14 £000	2012/13 £000
Income and Expenditure Account		
Income	-	-
Administrative costs	(2)	(4)
Grant to Royal Armouries	-	-
Grant to the Arms and Armour Heritage Trust	-	-
Interest receivable	4	4
(Loss) / gain on investments	(15)	4
Surplus/(Deficit)	(13)	4
Balance Sheet		
Investments	126	139
Current assets	55	55
Creditors	(22)	(22)
Net Assets	159	172
Unrestricted reserves	141	154
Restricted reserves	18	18
Total Funds	159	172

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

26. Royal Armouries Trading & Enterprises Limited

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

	2013/14 £000	2012/13 £000
Profit and Loss Account		
Turnover	898	936
Cost of sales	(383)	(531)
Gross profit	515	405
Administrative expenses	(500)	(493)
Operating profit / (loss)	15	(88)
Gift Aid payable to the Royal Armouries	-	-
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	15	(88)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Royal Armouries Trading & Enterprises Limited (continued)

Segmental Analysis (2013/14)

	Leeds £000	Fort Nelson £000	Tower £000	Total £000
Turnover	569	258	71	898
Cost of sales	(248)	(113)	(22)	(383)
Gross profit	321	145	49	515
Administrative expenses	(266)	(221)	(13)	(500)
Operating Profit / (Loss)	55	(76)	36	15
Gift Aid payable to the Royal Armouries	-	-	-	-
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	55	(76)	36	15

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

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

	2013/14 £000	2012/13 £000
Balance Sheet		
Fixed Assets	16	-
Current assets	243	235
Creditors	(182)	(173)
Net Assets	77	62
Share Capital	150	150
Profit and Loss	(73)	(88)
Shareholder Funds	77	62

Creditors include £95k due to the parent charity for outstanding management charges.

27. Financial commitments (Group and Museum)

As at 31 March 2014 the Royal Armouries had annual commitments under non-cancellable operating leases as follows:

	Land £000	Other £000	2013/14 £000	2012/13 £000
Operating lease which expires within one year	-	-	-	7
Two to five years	-	5	5	5
More than five years	371	-	371	371
	371	5	376	383

28. Post Balance Sheet Events

There are no post balance sheet events.

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

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