

**BOARD OF TRUSTEES OF THE ROYAL ARMOURIES**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019**

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

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

### **INTRODUCTION**

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

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

### **OBJECTIVES AND ACTIVITIES**

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

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

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

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Royal Armouries was established in its present form by the National Heritage Act (1983) and is a Non-Departmental Public Body (NDPB) sponsored by the Department for Digital, Culture, Media and Sport (DCMS) but operating at 'arm's length' from it. A new four-year *Management Agreement* with the DCMS was signed in December 2016, and receipt of Grant-in-Aid is dependent upon the Royal Armouries' compliance with the agreement. The Royal Armouries is an exempt charity under the Charities Act 1993.

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

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

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

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

- Finance and Capital Development Committee
- Audit Committee
- Remuneration Committee

## **Board of Trustees of the Royal Armouries**

The following persons were members of the Board of Trustees of the Royal Armouries in 2018/19 and served on the sub-committees shown:

	<b>Date of appointment</b>	<b>Expiry of appointment</b>
<b>Chair</b>		
General the Lord Dannatt GCB CBE MC DL	09.07.15	01.11.18
Hemant Patel	02.11.18	01.11.19
John Procter	02.11.19	01.11.23
<b>Members</b>		
Hemant Patel (and above)	12.07.10	01.11.19
Major General Sir Sebastian Roberts KCVO OBE	05.02.11	04.02.20
Professor Anne Curry	03.03.14	02.03.20
Dr Andrew Burnett CBE	03.03.14	02.03.21
Mrs Christine Mayer CBE	03.03.14	20.02.19 (resigned)
Ms Deborah Mills	03.03.14	02.04.18
Mr Jason Kingsley OBE	03.03.14	02.04.18
General the Lord Houghton GCB CBE	01.08.16	31.07.21
Paul Kirkman	28.09.18	27.09.22
Jonathan Sands	28.09.18	27.09.22
Neil Grant	01.10.18	30.09.22
Paul Mancey	18.11.19	18.11.23
Monica Turner	18.11.19	18.11.23
Andrew Latchmore	18.11.19	18.11.23

### **Trustee Sub-Committees**

<b>Sub Committee</b>	<b>Chair</b>	<b>Members</b>
<i>Audit</i>	Hemant Patel (to 13.12.18) Andrew Burnett (from 14.12.18)	Deborah Mills (to 02.04.18) Neil Grant (from 01.10.18) Christine Mayer (to 20.02.19) Andrew Broome (co-opted external member) Brian Boullier (co-opted external member)
<i>Finance and Capital Development</i>	Hemant Patel (to 13.12.18) Neil Grant (from 14.12.18)	Deborah Mills (to 02.04.18) Richard Dannatt (to 01.11.18) Hemant Patel (from 14.12.18) Paul Kirkman (from 14.12.18) Christine Mayer (to 20.02.19)
<i>Remuneration</i>	Richard Dannatt (to 01.11.18) Hemant Patel (from 02.11.18)	Deborah Mills (to 02.04.18) Hemant Patel (to 01.11.18) Neil Grant (from 14.12.18) Andrew Burnett (from 14.12.18) Paul Kirkman (from 14.12.18) Christine Mayer (to 20.02.19)

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

The process for appointing new trustees is in accordance with the procedures defined by the DCMS under which descriptions of the roles required would be advertised, interviews conducted and recommendations made for appointment by the Secretary of State for Digital, Culture, Media and Sport. During the year Paul Kirkman, Jonathan Sands and Neil Grant were appointed as Trustees by DCMS. Hemant Patel was appointed as Interim Chair following the end of Lord Dannatt's term and pending the recruitment of a permanent Chair. Subsequent to the year end John Procter was appointed as Chair from 2 November 2019 for a period of four years.

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

### **Executive Board**

Dr Edward Impey – Director General & Master

Rod Taylor – Chief Operating Officer

Malcolm Duncan – Finance Director

Emma Carver – Masterplan Director

Siona Mackelworth – Interim Public Engagement Director

Frank Riley – Director of National Firearms Centre

Laura Bell – Director of Collections (interim prior to 30 April 2018)

### **Staff Communications**

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

### **Sickness Absence**

The average number of days lost per head due to sickness absence during the year was 6.4 (2017/18: 7.1). Excluding those members of staff who were on long term sickness over 4 weeks, the average number of days was 4.3 (2017/18: 3.8).

### **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.

### **Fundraising Practices**

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

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

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

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



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

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

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

### Trade Union Facility Time

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

#### i) Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	5
Full-time equivalent employee number	2.9

#### ii) Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	5
51-99%	-
100%	-

#### iii) Percentage of paybill spent on facility time

Total Cost of facility time	£476
Total Paybill	£5,926,000
% of total paybill spent on facility time	0.008%

#### iv) Paid trade union activities

Time spent on trade union activities as a % of total paid facility time hours	0.5%
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## 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 2018/19.

## Equal Opportunities

It is the Royal Armouries' policy that all individuals shall have equal opportunity for employment and advancement in the Royal Armouries on the basis of their ability, qualifications and relative merits. There is no discrimination based on gender, marital status, sexual orientation, race, religion or physical disability. The Royal Armouries is committed to ensuring that the policy is effective and a diversity review is planned which will analyse and consider scope for interventions to improve diversity performance across the organisation. The primary outcome of the review will be a new Diversity strategy and action plan.

At 31 March 2019 the Royal Armouries, Royal Armouries (International) Limited and Royal Armouries Trading & Enterprises Ltd had 190 full, part-time and casual contract employees in total split as follows:

	Male	Female	Total
<b>Executive</b>	4	3	7
<b>Staff</b>	87	96	183
<b>Total</b>	<u>91</u>	<u>99</u>	<u>190</u>

158 of the staff were on permanent contracts with the remaining 32 on fixed term or casual contracts.

## Sustainability Report

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

## Relationship between Charity and Other Parties

Details of bodies consolidated into these accounts are contained in Note 1.1 to the financial statements. Details of related party transactions are contained in Note 17 to the financial statements.

The Royal Armouries is a Non-Departmental Public Body whose parent body is the DCMS. The DCMS, and other entities for which DCMS is regarded as the parent company, are regarded as a related parties.

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

The *Arms and Armour Heritage Trust* (AAHT), formed in June 2011, has the ability to award grants to support the achievement of the Royal Armouries' charitable objectives as well as grants to other charities supporting the efficiency of the Armed Services. The AAHT is a completely self-regulating and independent trust. The Trust Deed ensures that no serving Royal Armouries Board of Trustees member can be a trustee. The Accounting Officer and Finance Director will attend meetings but have no voting powers.

As a result of its independence, the accounts of the AAHT are not consolidated into the Royal Armouries' financial statements. A Commercial Licence Agreement has also been agreed detailing the charges to be made by the Royal Armouries for administrative support and venue hire provided.

The Royal Armouries did not award any grants to the AAHT during the year. The AAHT awarded a £200k grant to the Royal Armouries in 2016/17 to be paid equally over four years to support a number of important initiatives including publishing, research, public engagement and the NFC.

In 2009 a decision was taken by the Royal Armouries Board of Trustees to set up a trading company to run commercial activities previously undertaken by the charity. Royal Armouries Trading & Enterprises Ltd (RATE), incorporated on 14 September 2010, is a wholly-owned subsidiary of the charity and hence its 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's activities are overseen by a board of directors, chaired by a Trustee and comprising a mixture of Trustees, Executive Board members and independent members. Day to day operational responsibility is delegated to the Chief Operating Officer.

In July 2018, ownership of Royal Armouries (International) Limited, the company that operates the catering and corporate event business at the Leeds museum site, was gifted to the Royal Armouries by DCMS. As a wholly-owned subsidiary of the charity its accounts are consolidated into the Royal Armouries financial statements with effect from August 2018. The company's activities are overseen by a board of directors, currently chaired by the Accounting Officer with day to day operational responsibility delegated to the Chief Operating Officer. Further details of the transactions are given in Note 6 on page 69

The Tower of London houses part of the Royal Armouries' collection of arms and armour, and the Royal Armouries is also the institutional Keeper of Tower History. The Tower of London itself, however, is in the care of Historic Royal Palaces. The relationship between the Royal Armouries and Historic Royal Places is defined in a Memorandum of Understanding. General the Lord Houghton, who holds the post of Constable of the Tower of London, is an *ex-officio* Trustee and is also a Trustee of Historic Royal Palaces.

## PERFORMANCE INDICATORS

The Royal Armouries entered into a new four year Management Agreement with DCMS in December 2016. This agreement confirms the 12 performance indicators for the Royal Armouries. The actual performance achieved against each of the indicators for 2017/18 and 2018/19 is set out in the table below. Explanations of key movements are given in the Achievements and Performance section on pages 12 to 27 and the Financial Review on pages 29 to 32.

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

<b>Performance Indicator</b>	<b>2018/19 Out-turn</b>	<b>2017/18 Out-turn</b>
Total number of visits	2,294,347	2,112,635
Number of unique users visiting the website	907,219	506,992
Number of children aged 16 and under visiting the Royal Armouries	525,390	469,326 (restated)
Number of overseas visitors	1,477,534	1,413,170
Number of visitors under 18, in formal education, attending the Royal Armouries in facilitated and self-directed visits *	20,550	16,342
Number of visitors under 18 participating in on-site organised activities *	14,632	9,207
Percentage of visitors who would recommend a visit	95%	92%
Admissions income *	£96,051	£72,725
Trading income- Net Profit *	£1,116,791	£36,650
Fundraising income (excluding lottery funding)	£909,622	£445,205
Ratio of fund raising to Grant-in-Aid	9.6%	5.7%
Number of UK loan venues	98	98

## ACHIEVEMENTS AND PERFORMANCE

The Royal Armouries' Corporate Plan for 2014-19 set out the Purpose and Vision of the organisation as:

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

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

Alongside these, the Corporate Plan was organised as follows under ten AIMS summarising the Royal Armouries' main aspirations and areas of activity:

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

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

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

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

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

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

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

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

## **AIM 1 Conserve and manage the collection**

### **Conservation**

The conservation and management of the collection, guided by our annual Conservation Plan, is one of the Royal Armouries fundamental day-to-day activities and strategic priorities. This year, particular attention has been paid to reviewing activity and facilities at Fort Nelson, conserving the Waterloo Battery at the Tower, improving environmental monitoring at the Tower of London and Leeds and launching an investigation into a condition affecting some collection items known as 'concentric ring corrosion'.

Measures to protect the collection from pests have been improved through the use of the proprietary insecticide Exosect, and the installation of a walk-in freezer in Leeds, a facility made available to other museums in the region. Other facilities have been introduced or improved, including the refurbishment of the conservation photography studio.

Following discussions with the Institute of Conservation, the Royal Armouries was also successful in securing funding from the Clothworkers' Foundation to recruit an arms and armour conservation intern, recognising the general skills gap in this area.

### **Collections Policies and Procedures**

From April 2018 to March 2019 the Collections Department received and responded to 1,085 individual enquiries about the collection, its history, the institution and the subject. Bibliographies relating to these subjects have been drafted following a review of how this demand can be managed, and these will be published alongside the attendant policy on the website to support self-led research and the use of the Royal Armouries Library.

### **Collections Management System**

From April 2018 to March 2019 the programme to add to and improve catalogue entries on EMu, our Collections Management System, led to the completion of 912 new Full Entries. A significant amount of work has also been undertaken in auditing and cataloguing the Royal Armouries' holdings of historical ammunition, including improvements to the storage facilities of these items. Huddersfield University student placements have also been assisting with cataloguing the firearms collection, and gaining valuable experience of museum work in the process.

An improved process for photographing the collection has resulted in the uploading of 1,259 images to EMu, considerably enhancing the usefulness and appeal of our online public database.

### **Archives**

Following its success in attaining Archive Services Accreditation, the Royal Armouries has implemented a plan to tackle some of the backlog issues identified in the process, including the creation of a cold store for our film. The Archives team continues to support student development and has involved students in a number of projects, including the Conan Doyle touring exhibition.

## **AIM 2 Enhance the collection**

### **Acquisitions**

The Royal Armouries continues to expand its collection through the acquisition of items by purchase and through accepting gifts, a process governed by our Collections Development Policy and its criteria. A selection of the 49 items accessioned in the period 2018/19 are described below:



**Portrait of the Emperor Charles V by Sir Peter Paul Rubens, after Titian, 1603.** The Holy Roman Emperor Charles V (ruled 1519-1556) was painted on numerous occasions by the great Venetian artist Tiziano Vecello (1490-1576), better known in England as Titian. In 1529 he produced a portrait of the Emperor holding a drawn sword and wearing a gilded armour by Kolman Helmschmid, his Augsburg armourer, which survives in the Real Armeria in Madrid, although the picture does not. A number of copies were made for use as diplomatic gifts by the Emperor and his descendants, including this one, painted in the studio of Peter Paul Rubens (1577-1640), first mentioned in Rubens's posthumous inventory. Owned among others by the Princes of Orange, rulers of the Netherlands, and the Dukes of Chandos, from the early 19<sup>th</sup> century until 2016 it belonged to the Skeffingtons, Viscounts Mountgarret, from whom it was acquired by the Royal Armouries via the Acceptance in Lieu scheme. As a picture from the school of a celebrated artist, depicting one of the greatest figures of the 16<sup>th</sup> century, and illustrating the contemporary importance of armour in underlining a sitter's status, this is a very significant addition to the collection.

**Matchlock Musket, Southern Arabia, c. 1885 - XXVIF.247.** The matchlock, the earliest mechanical ignition system, was invented in the 15<sup>th</sup> century and largely out of use by c. 1600. In some areas, however, its use continued far longer, including in Arabia, where this superbly made and decorated example was made in the 1880s. It boasts a twisted steel barrel with a maker's mark, attribution inscriptions, a working mechanism, pan cover, strap, applied metalwork and sheet metal ornamentation that is typical of South Arabia, and a highly decorated bulbous butt rest. The piece helps fill a gap in our collection, not strong in Arabian material, and is of interest in illustrating the selective way in which technologies have been adopted across the world.

**First World War Arm Defence, America, 1918 – III.4817.** Early in the First World War it became obvious that thousands of lives could be saved by re-introducing body armour, and in the USA the leading protagonist was Bashford Dean, the polymath arms and armour curator at the Metropolitan Museum, New York. Amongst his inventions was this experimental arm defence, based on a type of 16<sup>th</sup> century munition grade vambrace. This is a significant addition to the Royal Armouries growing collection of First World War armour, not least as only 200 of these items were made and very few survive.

**Replica of the sword associated with Henry V in Westminster Abbey - IX.5673.** The sword displayed for centuries at Westminster Abbey over the tomb of Henry V (r. 1413-22) is one of the world's most famous. This screen-prop replica was used by the actor Robert Hardy when playing Henry V in the fifteen-part BBC television drama 'An Age of Kings' (28 April - 17 November 1960), a highly acclaimed series threading together all eight of Shakespeare's history plays. The sword is a prominent and highly recognisable addition to our collection of arms and armour generated by and for popular culture.

**Print, 'The Interior of the Oplotheca in Brook St.', S.Mitan and T Sutherland 1816 - I.1659.** Based on an original by W.M.Craig (d.1827), this print depicts the exhibition of arms and armour assembled by Thomas Gwennap, friend of Samuel Meyrick, at his London house, as it was in 1816. It was open to the public and billed as 'The finest collection of ancient armour in Europe'. Of interest in recording a display at the dawn of scholarly understanding of the subject, it is of particular importance to the Royal Armouries in showing the Indian Horse armour and helmet (XXVIH.18 and XXVIA.16), now in our collection.

## **Loans**

In line with Royal Armouries' strategies and policies, in 2018/19 we enriched our own public offer by borrowing five objects for display in the permanent collection and three for a temporary exhibition, whilst also retaining existing inward loans of 1,276 objects from 135 lenders. Loans of 2,205 objects to 114 other organisations remain in place, furthering the study and appreciation of arms and armour around the UK and abroad, and in 2018/19 a further 22 objects were lent to 10 additional organisations. A selection of the outward loans are described below.

**Nationaal Militair Museum, Netherlands.** The Royal Armouries lent three American M3A1 silent sub-machine guns and accessories to the Dutch National Military Museum for a new display about the Cold War and the role of 'stay-behind units', intended to remain active in home territory overrun by Soviet forces, especially those in the Netherlands. These guns (PR.9014, PR.9015, PR.9018) were lent as examples of the model provided to such units.

**Brighton Museum and Art Gallery, England.** The new Elaine Evans Archaeology Gallery at Brighton Museum covers the archaeology of Brighton and Hove from the Ice Age to the end of the Anglo-Saxon period, with a focus on local life. The Royal Armouries has lent a sword (IX.7891) to illustrate weaponry from the Bronze Age.

**Bendigo Art Gallery, Australia.** In 2019 Bendigo staged an exhibition entitled *Tudors to Windsors: British Royal Portraits* in collaboration with the National Portrait Gallery, London. A strength of the exhibition was the parallel display of objects depicted in the paintings, or which could provide additional context. The Royal Armouries lent an armour possibly worn by Edward VI (II.178), for display alongside two contemporary portraits.

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

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

Following on from the initial review of the Royal Armouries Research Strategy, the Research Steering Group has helped guide the selection, execution, application and dissemination of our research efforts and its products and monitor the impact of thirty five research projects.

This has provided an impressive array of research and research-based products. In addition to publications (below), these include over fifty six seminar contributions and lectures, of which twelve formed the newly-introduced and well-received Winter Lecture Series, delivered at Leeds from October 2018 to March 2019. The series will be offered again in 2019/20. Numerous and popular outputs have also been delivered via social media, and staff have provided expert advice, enabled 'behind the scenes' access and provided advice on the collection to 733 researchers.

Royal Armouries' staff continue to take a leading role in the Home Office and DEFRA consultation on the Offensive Weapons Bill 2018 and Ivory Act 2018 respectively.

#### **Arms & Armour – journal published by the Royal Armouries**

This year saw the appearance of our peer-reviewed journal's fifteenth volume, its content as wide-ranging as ever. The successful relationship with Taylor and Francis has seen an increase in online readership with 5,072 articles being downloaded in the year, a 40% increase on the previous year. The Royal Armouries also provided free access to popular journal articles in 2018 with the launch of its fifteen-year anniversary edition. The Editorial Team and the publisher are working together to position the journal as the primary academic periodical in the field and increase circulation.

## **Publications 2018/19**

In the course of the year staff published twenty one peer-reviewed articles, four monographs, numerous book reviews and contributions to special interest periodicals. In addition, the museum published the proceedings of the Royal Armouries' 2016 conference *1066 in Perspective* edited by Professor David Bates, and an addition to our 'introductory' series by Dr Tobias Capwell, Details of these and a selection of staff publications are given below.

**Bates, D.**, (ed.), *1066 in Perspective*, Leeds: Royal Armouries

**Bennett, N.**, 2018, *Chinese Arms and Armour*, Leeds: Royal Armouries

**Capwell, T.**, 2018, *Arms and Armour of the Medieval Joust*, Leeds: Royal Armouries

**Downen, K.**, 2019, *Arms and Armour of the English Civil Wars*, Leeds: Royal Armouries

**Ferguson, J., and Traynor, L.**, 2018, 'Curating Violence: Display and Representation - An Interview with Jonathan Ferguson and Lisa Traynor', in Bielby, C., and Murer, J.S., (eds.), *Perpetrating Selves: Doing Violence, Performing Identity*, London, 271-289

**Ferguson, J.**, 2018, 'An important early self-rotating revolver c.1680 possibly by John Daffe', *The Antique Arms Fair at Olympia 2018*, 33-45

**Forgeng, J. L.**, (ed.), 2018, *The Medieval Art of Swordmanship: Royal Armouries MS 1.33*, Leeds: Royal Armouries

**Impey, E.**, 2018. 'William the Conqueror and the capture of London in 1066', in Bates (ed), 2018, 35-47

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

**Mercer, M.**, 2018, 'Prince Henry Stuart, the Deeds of Alexander the Great and the Importance of Decorated Royal Armour', *Journal of the Arms and Armour Society* 23, 1-22

**Murray-Flutter, M.**, 2018, 'The Developing of the Classic British Shotgun', *The Field*, 331, 67-70

**Richardson, T.**, and **Woosnam-Savage, R.C.**, 2018, 'The armour and weapons of the Anglo-Saxons and Normans', in Bates, D., (ed), 48-78

**Traynor, L.**, 2018, *Archduke Franz Ferdinand and the Era of Assassination*, Leeds: Royal Armouries

**Woosnam-Savage, R.C.**, 2018 "It's just a flesh wound"; The Place and method of Trauma's Depiction in the Interpretation and Display of European Weapons', in Crowley, T., and Mills, A., (eds.), 00000, 191-207

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

### **Fort Nelson**

The display of 14-18 *Now Poppies: Wave* by artist Paul Cummins and designer Tom Piper at Fort Nelson between April and June 2018 attracted 162,000 visitors – almost half visiting the Fort for the first time - increased profile through significant media coverage, and provided opportunities for education activities. The event was managed with the aid of 153 volunteers who gave a total of 6,512 hours to ensure its smooth running and offer a warm welcome to our visitors.

The project also helped to build stronger relationships with Hampshire County Council and Portsmouth Water through their support in the planning and delivery phases, particularly relating to the car park and other physical enhancements to the site. The sculpture also brought economic benefits to the area with a gross spend of £2,360,507 by visitors.

### **Developing an Interpretation Framework**

A new interpretation framework was developed for managing and delivering exhibitions which will be rolled out in 2019/20. The framework sets out a series of standards for the presentation of its collection to the public, relating to access, display requirements and the development of content. The application of the framework will ensure the museum builds engaging content that is focused on the needs and interests of its audiences.

### **Digital**

This year the refresh of the Royal Armouries website has been completed along with continued development of the museum's YouTube channel. Both innovations resulted in a marked increase in website user numbers to over 800,000 and a better overall experience for them all, as well as ensuring compliance around access and data protection. The YouTube channel was reorganised to optimise visibility in Internet searches, and the language and content to improve its attractiveness to potential users. These changes resulted in an immediate improvement – from June to July 2018 the museum's channel saw an increase of 332% in individual views, and an increase of 471% in subscribers.

In addition to the online work, Round One funding from the National Lottery Heritage Fund (NLHF) was secured to prepare for the roll-out of the Digital Engagement Strategy. This will allow the museum to research and prototype content approaches and investigate how existing and potential audiences behave online. The goal for this first round of funding is to develop and define an appropriate approach for digital engagement in the future.

The findings will support an application to the NLHF for Round Two funding to deliver new online content with the aim of diversifying audiences and increasing engagement with the collection, supported by the appropriate software infrastructure over a two-year period.

### **Small-scale display developments and display maintenance**

There has been a focus on some incremental changes to the galleries and smaller-scale incoming displays. Among these have been a refresh of the World War One gallery, a temporary exhibition of and on Victoria Crosses, and a display by the Parliamentary Archives in Leeds.

The development of content and interpretation has begun on a number of major exhibitions and re-displays including the Field of Cloth of Gold, planned for April 2020 and a redisplay of World War II material planned for May 2020.

### **Developing the *Master's Plan***

Work continued this year on the development of the Royal Armouries' long-term masterplan (aka the *Master's Plan*), intended to secure the sustainability of the organisation, to enhance its standing and professional reputation amongst national museums, and to transform its public offer. Currently envisaged as a ten to fifteen-year programme, this will involve both physical changes – the reconfiguration of buildings and the redisplay of the collection – and cultural change to enable the Royal Armouries to implement the *Master's Plan* and manage the organisation thereafter. All three sites and our digital presence are in scope.

### **The redevelopment of the museum in Leeds (Project Meyrick)**

Integral to the realisation of the museum's new vision (AIM 9, below) and the most urgent and important project identified in the *Master's Plan* is the redevelopment of the flagship museum in Leeds, named Project Meyrick after William Rush Meyrick (1783-1848), a pioneer in the study and display of arms and armour. Work began on the Strategic Brief informed by feasibility undertaken on various elements of the project such as the development potential of the estate and the capacity of the building to accept change. Concurrently the development of the first part of the Green Book 5 Case Model, the Strategic Outline Case, was approved by the DCMS Finance Committee in January 2019. The project has now moved to the next phase of feasibility, the Outline Business Case, which will explore the short-listed options in more detail. The most ambitious of these would transform the estate into a cultural hub of some stature, bringing to final fruition the aim to regenerate the Leeds Dock which accompanied the museum opening in 1996.

With the expected arrival of HS2b in 2033 and the imminent development of neighbouring sites to the east and west, the city is not only enjoying strong economic prospects and enviable growth, but is undergoing a cultural renaissance triggered by preparation for the abortive Capital of Culture 2023 bid. The Royal Armouries project is intended to match and support the city's renewed ambitions in this field.

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

The formal and non-formal learning programmes, both facilitated and self-directed, achieved their targets by engaging a total of 27,750 participants at Leeds and Fort Nelson, and above the target of 27,400. Leeds accounted for 21,248 of the participants of whom 14,408 were under eighteen. Opportunities for education groups formed part of the programme for 14-18 *Now Poppies: Wave* at Fort Nelson which attracted 3,000 school children and included a session aimed at continuing professional development for teachers. At Leeds *Little Legends* and *Toddler Tuesdays* programmes were piloted which attracted 481 under-fives and the early years *Storytime* at the Fort continued for a second year which attracted 117 under-fives. A new evaluation approach in Leeds saw over 95% of teachers rate the education service as outstanding.

The second year of the Informal Learning Action Plan was implemented across both sites, delivering over 3,600 events and activities across the sites. In Leeds a full programme of daily events was provided, which converted just under 60% of visitors, on target and representing a significant increase on last year. This was largely thanks to a focus on the popular combat demonstrations and performances, partly as a result of running the combat internship, named after John Waller (1940-2018), a renowned fight director on the Royal Armouries staff for many years and instrumental in developing its public programme and live combat demonstration in particular.

## **AIM 6 Audience Development and Access**

Special events at the Royal Armouries Museum in Leeds included *Medieval War and Peace* (encompassing the *Easter Tournament*), and the 'Legends' season (featuring the *Buffalo Bill Old West Horse Show*). The major ticketed events sold out, footfall was strong and average conversion exceeded 100%, significantly higher than last year. At Fort Nelson special events in the second half of the year converted 65% of visitors, significantly up on target, and included successful new immersive approaches including *When The Guns Fell Silent* to mark Remembrance Day on 11 November and *1878: The War That Never Was* during February.

The live interpretation team has continued to run British Sign Language interpretation on a monthly basis in Leeds, which has been well received by audiences, and more recently has introduced new activity packs for visitors with autism. Disability representation amongst visitors at the Fort has remained strong but less so at Leeds. Access-related initiatives are beginning to have an impact with a small but noticeable increase in the number of disabled visitors identified through market research.

The 14-18 Now *Poppies: Wave* sculpture attracted new and older audiences to Fort Nelson, particularly those who were not regular culture activity attendees.

### **Market research**

Regular commissioned market research at both Leeds and the Fort, as well as shared research insights from HRP continued to help inform audience development planning delivery across the public interpretation spectrum of activities. This included live interpretation, exhibit display, the digital engagement strategy scoping, visitor welcome and management and marketing and communications.



## **Publishing**

It has been another successful year for the publishing team, which manages the production of the museum's book-form material and supports the editorial team responsible for the journal, *Arms and Armour*. This includes the Introduction to Arms and Armour series (two volumes in 2018/19) and the 'Talking Points' series (one). In addition to these and other titles listed above (AIM 3), new guidebooks to Fort Nelson and Leeds were published and work started on a guide to the Royal Armouries material at the Tower of London. Highlights have included the *Medieval Art of Swordsmanship*, an annotated facsimile of the oldest known manuscript manual of its type, held at the Royal Armouries (affectionately known by its catalogue number, I.33), which has sold well internationally. Publishing distribution was extended during the year to include North America through the University of Chicago Press. With this additional channel, 4,696 books were distributed externally across the UK/EU and North America in addition to the 7,500+ books that were sold at Leeds and Fort Nelson.

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

### **Brand**

The recently adopted brand repositioning has been extended to meet the requirements of commercial services and a full set of branding guidelines has been published. The positioning is being applied in our events marketing, video production and social media channels. The full rollout of the repositioning will support Royal Armouries activities over the next five years with the introduction of the new Corporate Plan.

### **Culture Consortium Leeds**

We have continued to work closely with our cultural partners to develop an effective forum for promoting and influencing the contribution that we collectively make to the life of the city.

Royal Armouries has been the chair for a second year, during which the Consortium appointed a consultant to produce a joint economic impact assessment, enjoyed an active guest speaker programme facilitating conversations between the culture, business, public and digital sectors and has developed a strategy for future work identifying four work streams which we are actively pursuing. The Consortium now has eighteen member institutions.

## **Communications and marketing**

An updated museum-wide marketing and communication plan with an increased focus on refreshing and extending digital reach was rolled out and enabled improved measurement of return on investment. The recently adopted brand repositioning, which informs the tone of voice and look and feel of communications, was developed into a published set of brand guidelines. These are being followed in our interactions with new commercial partners, and in and on our events marketing outputs, video production and social media channels. The full rollout will support Royal Armouries activities over the next five years with the introduction of the new Corporate Plan.

Advertising value equivalency for press and media activity grew from £4.1 million to £4.4 million and audiences across social media channels grew by 35% over the course of the year. Press, media and social media channels have responded positively to a wide range of Royal Armouries activities, from the international coverage achieved for '100 Days to Peace' and 14-18 Now's *Poppies: Wave* at Fort Nelson, the launch of new publications and national coverage of key events, including the Easter Tournament and conservation activities.

Filming took place on a range of documentaries and entertainment programmes broadcast on BBC One, Channel 5 and Channel 4, from *Bargain Hunt* and *Inside the Tower of London* to *Britain's Greatest Ships*.

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

### **Royal Armouries Trading Enterprises (RATE)**

April 2018 saw the launch of RATE's new five-year Commercial Strategy. This sets out ambitions targets for development and growth including through customer 'acquisition', achieving continued growth in sales of existing products and services, and a better understanding of potential markets. RATE saw strong growth in a number of areas (strongly supported by Fort Nelson's 14-18 Now *Poppies: Wave* event) including retail, the monetisation of intellectual property, and from specialist training and development services.

Visitor-related income exceeded target at year end - a big achievement, given the difficult and unpredictable patterns of footfall across the year. An automated on-line picture library licensing operation was launched in March.

Looking ahead, early planning and scoping work began on a number of important digital infrastructure projects. These will complement the current and live ICT Strategy and CRM implementation programmes, as well as the closely related Digital Engagement Strategy programmes led by the Public Engagement Department. The new projects will bring much-needed improvements to capability, renew existing approaches to EPOS (electronic point of sale) and on-line retail via a new retail website, and a new space and resources booking and allocation system to support event programming.

### **Catering and events business, Leeds**

Following the purchase of Royal Armouries (International) Limited (RAI) in January 2018 by DCMS, ownership of the company was transferred to the Trustees of the Royal Armouries in July 2018 as intended. This was the final stage of a four-year process to make the case to DCMS and HM Treasury to acquire the company, with the support of local stakeholders including Leeds City Council and Allied London.

Following the acquisition of RAI work commenced to consolidate its trading activity into RATE and to make RAI dormant. As part of this process a contract to manage the day to day operation of the catering and event operation was awarded by RATE in November 2018 to RA Venues, part of the global Compass Group, with extensive expertise in the sector and a clear enthusiasm to collaborate for mutual benefit. Under the contract RATE receives a share of the turnover as commission. This new contract will provide a significant new income stream for the organisation. It is intended that the partnership with the Compass Group will enable the business to develop and grow, further boosting income.

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

### **Corporate Plan 2019-24**

The Corporate Plan 2014-19 set out ten AIMS, according to which this and previous reports have been ordered. During 2018/19, the Royal Armouries developed a new Corporate Plan for the period 2019-24, arranged this time under three AIMS, primarily focusing on enhancing the museum's public offer, its professional standing and recognition, and its sustainability, in all senses, as an organisation.

In the process, and in tandem the brand repositioning work described (AIM 7), the organisation's purpose and vision have been re-expressed as follows:

**Purpose:** To use and develop our expertise to preserve, study, present and interpret the national collection of arms and armour, ensuring its continued and positive contribution to public life in perpetuity

**Vision:** As history's expert witness, we shall inspire people to discover and understand how many of the most compelling narratives of human endeavour and experience have been, and continue to be, shaped by arms and armour.

The new Corporate Plan, agreed by Trustees in March 2019, is available on the Royal Armouries' website at <https://royalarmouries.org/wp-content/uploads/2019/04/Royal-Armouries-Corporate-Plan-2019-2024.pdf>

### **'One Armouries'**

Organisational unity and cohesion is essential to the successful management and development of the Royal Armouries, and a partnership in 2018/19 with specialist Human Resource experts, HR 180 has paved the way for the project entitled 'One Armouries', to be launched in 2019/20. Related to this, a review was carried out of remuneration at the Royal Armouries as compared to that offered by equivalent organisations, managed by the Quintessential Consulting Group Ltd, and work began on how to address both internal and comparative pay disparities.

A modernising IT strategy was developed for Royal Armouries and approved for implementation by Trustees in 2017 but implementation was displaced by the development of the new commercial business model. The IT work re-started in late 2018 to define the correct configuration of new systems and information management approaches, and ultimately create much improved, flexible, resilient and efficient access to IT and information.

### **Board of Trustees**

General the Lord Dannatt, a Trustee of the Royal Armouries since 2009 and Chair since 2015, retired in November 2018. Hemant Patel, Trustee Lead Non-Executive, served as Acting Chair until November 2019 when his term finished. John Procter was appointed the new Chair in November 2019.

Mark Urban had resigned in March 2018 and Jason Kingsley and Deborah Mills finished their terms in April 2018. Neil Grant, Paul Kirkman and Jonathan Sands were appointed in their stead. The recruitment of three further Trustees, to fill longstanding vacancies and that created by Christine Mayer's resignation in 2019, was undertaken during the summer and Paul Mancey, Monica Turner, Andrew Latchmore were appointed in November 2019.

## **AIM 10 Efficiency and standards**

In parallel with developing the IT Strategy, progress has been made in developing a Customer Relationship Management system (CRM). This essential tool will allow the museum to maintain active and intelligent communications programmes with the widest array of contacts, whether commercial, clients, visitors or other important prospects and partners. The work to develop, procure and correctly configure these systems is intensive and extensive, involving a large body of senior staff from across the museum, but once completed, will enable the museum to make full and best use of all the relationships it has or wishes to cultivate.

Not unrelated, a large body of staff from across the museum worked hard to ensure that volumes of data and personal records were correctly audited, processed and managed, to ensure full compliance with General Data Protection Regulation, implemented in May 2018. This has required changes in way we work and an accompanying programme of training to ensure both current and future compliance.

### **PLAN FOR FUTURE PERIODS**

Beyond the current year, particular emphasis will be placed on fulfilling the AIMS and Objectives of the Royal Armouries Corporate Plan 2019-24 (<https://royalarmouries.org/wp-content/uploads/2019/04/Royal-Armouries-Corporate-Plan-2019-2024.pdf>), finalising the *Master's Plan*, securing its funding, and embarking on the redevelopment of the museum in Leeds (Project Meyrick).

### **REFERENCE AND ADMINISTRATION DETAILS**

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

## **Royal Armouries Addresses**

Principal Address:  
Royal Armouries  
Armouries Drive  
Leeds  
LS10 1LT

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

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

Royal Armouries  
HM Tower of London  
London  
EC3N 4AB

## **List of Royal Armouries Advisers**

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

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

### **Internal Auditors**

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

### **Bankers**

NatWest plc  
Bishopsgate Business Centre  
London  
EC2P 2AP

### **Solicitors**

Burges Salmon LLP  
One Glass Wharf  
Bristol  
BS2 0ZX

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

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

### **Investment Advisers to RADT**

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

The fees paid for audit services are disclosed in Note 5.

## FINANCIAL REVIEW

### Overview of Financial Position

The financial statements have been prepared in accordance with the Charities Statement of Recommended Practice (Charities SORP (FRS102)), Accounting and Reporting for Charities and by reference to the Government Financial Reporting manual. In accordance with the SORP, the total amount of grant and other income received for capital projects is included in the Statement of Financial Activities (SOFA) on page 56.

Overall visitor levels to the Royal Armouries across all three sites during 2018/19 were 8.6% higher than last year with the success of the 14-18 Now *Poppies: Wave* display at Fort Nelson and continual growth at the Tower of London offsetting a reduction in Leeds.

In 2018/19 the Royal Armouries recorded £999k net income before transfers for general unrestricted funds. In addition, a restricted funds deficit of £1k has been recorded by the Royal Armouries Development Trust. More information on this can be found at Note 26 on page 84.

Incoming resources for the period amounted to £17,466k comprising of Grant-in-Aid of £9,461k, Donations and Legacies of £2,979k, Charitable Activity income of £209k, Other Trading income of £4,807k and Investment income of £10k.

The value of Donations and Legacies in 2018/19 is higher than 2017/18 as it reflects both the gifting of shares in Royal Armouries (International) Limited (£1,967k) and the donation of the Ruben's painting accepted in lieu by HM Government and allocated to the Royal Armouries (£566k). Other Trading Income is also significantly higher than prior year due in part to the trading boost seen at Fort Nelson during the 14-18 Now *Poppies: Wave* display and in part due to the inclusion of RAI. The trading Royal Armouries share of gate income from Historic Royal Palaces has contributed £287k towards the Tower of London operating costs.

Resources expended in the period in furtherance of the Royal Armouries charitable objectives as set out on page 2, amounted to £16,270k and with investment losses of £3k results in net income of £1,193k (before transfers and revaluations). £4,890k was attributable to depreciation, impairment and amortisation provisions; these were financed from the capital project income credited to designated and restricted funds in previous years.

Total resources expended included salaries and related employee costs of £6,340k, this being £989k higher than 2017/18 primarily due to the inclusion of Royal Armouries (International) Limited staff for 6 months between its acquisition in late July and staff being transferred to the Compass Group under TUPE regulations. Salary and related employee expenditure accounted for 39.0% of operational cost with depreciation, amortisation and impairment at £4,890k accounting for 30.0%.

The performance of the group's trading subsidiary, Royal Armouries Trading & Enterprises Ltd, showed a significant increase in profit with a profit of £787k being recorded against a profit of £37k in 2017/18. The increase was due in part to commission from catering and event activities in Leeds being received for 4 months of the year following the letting of the catering and event contract to the Compass Group. The 14-18 Now *Poppies: Wave* display also saw a boost in trading income at Fort Nelson and other areas of the business continue to grow. The profit has been gift aided to the Royal Armouries.

The results for Royal Armouries (International) Limited are included in the Royal Armouries group accounts for the first time following the gifting of the entire share capital of the company to RA by DCMS in July 2018. The accounts reflect turnover of £2,284k for the period from August 18 to March 19 and a profit of £330k.

Charitable donations of £75,000 were made during the year from the proceeds of the 100 Days to Peace, The Armed Man: A Mass for Peace concert held in September (2017/18: £0) and no grants were awarded (2017/18: £0).

## **Balance Sheet**

Of the fund balances at 31 March 2019:

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £51,819k (2017/18: £52,393k), the majority of which comprise the value of buildings;
- designated funds, set aside to finance tangible fixed assets other than those classed as restricted, amounted to £14,742k (2017/18: £14,745k); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Royal Armouries amounted to £3,289k (2017/18: £2,293k).

By virtue of the National Heritage Act 1983, the Royal Armouries was vested with the property and objects, which formed part of the collection of arms and armour, or were associated with the maintenance or administration of the collection. The value of the collection was not identified in the records passing into the Royal Armouries ownership and the Trustees have determined that the cost of obtaining valuations for the pre-2001 collection is not commensurate to the benefits provided by doing so. In accordance with the Financial



Reporting Manual, additions to the collection since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition. Such items are not depreciated or revalued as a matter of routine. Acquisitions and donations to the value of £693k were capitalised in 2018/19.

The group balance sheet at 31 March 2019 also reflects the assets and liabilities of RAI following the gifting of the shares by DCMS. The assets and liabilities were recognised at net asset fair value of £1,967k at the point of acquisition. Further details of the net assets are given in Note 6 on page 69

Debtors increased by £314k to £1,147k due primarily to the RAI trade debtor and accrued income balances. Creditors have increased by £1,782k to £13,479k primarily due to the £1,200k loan from DCMS that was part of the overall funding for the RAI acquisition.

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

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

### **Reserves Policy**

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

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

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

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

After considering these factors, the Trustees consider that a minimum General Reserve balance of £1million should be maintained, representing around nine months of operational expenditure not covered by the current level of Grant-in-Aid plus a 5% contingency for a Grant-in-Aid reduction.

Although the Royal Armouries total reserves at 31 March 2019 are shown as £69.85 million on the balance sheet, other than the £3,289k of General Reserves, all of the reserves are tied up in restricted funds, fixed assets and the Royal Armouries Development Trust Fund, none of which can be used for other purposes.

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

#### **Payment of Creditors**

The Royal Armouries continues to review the efficiency of its operations and aims to comply with best practice wherever possible. The Royal Armouries aims to settle all bills within 30 days or in accordance with the supplier's terms of business. In 2018/19, the Royal Armouries paid approximately 67% (2017/18: 75%) of supplier invoices within the target of 30 days.

John Procter  
Chair

Date 29 January 2020

Edward Impey  
Accounting Officer

Date 29 January 2020

## **REMUNERATION REPORT**

### **Remuneration Committee**

The membership of the Remuneration Committee is:

Richard Dannatt (Chair) (to 01.11.18)

Hemant Patel (Chair from 02.11.18)

Christine Mayer (to 20.02.19)

Deborah Mills (to 02.04.18)

Neil Grant (from 14.12.18)

Andrew Burnett (from 14.12.18)

Paul Kirkman (from 14.12.18)

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

The Remuneration Committee reviews and approves the salaries of the Accounting Officer and Directors with reference to any guidance from the Government. At a meeting in March 2019 it was agreed that a 2.5% cost of living increase should be awarded to all Directors effective from 1 April 2018 in line with the award made to the majority of staff.

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

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

### **Civil Service Pensions**

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

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

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha), premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### **Cash Equivalent Transfer Value**

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

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

## Real Increase in CETV

This is the element of the increase in accrued pension funded by the employer. It excludes increases due to inflation and contributions paid by the employee. It is worked out using common market valuation factors for the start and end of the period.

The following disclosures have been audited.

	Salary (Annual Equivalent) £'000		Pension Benefit to nearest £1,000 *		Total Remuneration £'000	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
E Impey	120-125 (120-125)	115-120 (115-120)	36,000	22,000	155-160	135-140
R Taylor	75-80 (75-80)	15-20 (75-80)	31,000	7,000	105-110	25-30
E Carver	65-70 (65-70)	65-70 (65-70)	27,000	25,000	90-95	90-95
M Duncan	65-70 (65-70)	65-70 (65-70)	27,000	26,000	90-95	90-95
F Riley	55-60 (55-60)	50-55 (50-55)	22,000	20,000	80-85	70-75
S Mackelworth	65-70 (65-70)	30-35 (65-70)	27,000	14,000	90-95	45-50
L Bell	65-70 (65-70)	20-25 (50-55)	26,000	9,000	90-95	30-35

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

Salary is gross salary and allowances only as no overtime is paid to Directors. No bonuses were paid to directors during 2018/19 (2017/18: 0) and there were no benefits in kind in either 2018/19 or 2017/18. 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 2018/19 was £120-125k (2017/18: £115-120k). This was 6.0 times (2017/18: 6.1) the median remuneration of the workforce, which was £20,283 (2017/18: £19,143).

In 2018/19 (and 2017/18) no employee received remuneration in excess of the highest paid director. Remuneration ranged from £15,269 to £120,244 (2017/18: £14,625 to £117,311). Remuneration includes salary and allowances but does not include employer pension contributions.

	Accrued pension at pension age as at 31/03/19 (related lump sum) £'000	Real increase in pension (related lump sum) at pension age £'000	CETV at 31 March 2019 £'000	CETV at 31 March 2018 £'000	Real Increase in CETV £'000	Employer contribution to partnership pension account £'000
E Impey	30-35 (0-5)	0-2.5 (0-2.5)	657	554	35	-
R Taylor	5-10 (0-5)	0-2.5 (0-2.5)	123	89#	17	-
E Carver	5-10 (0-5)	0-2.5 (0-2.5)	108	78	15	-
M Duncan	5-10 (0-5)	0-2.5 (0-2.5)	113	82	14	-
F Riley	5-10 (0-5)	0-2.5 (0-2.5)	154	119	19	-
S Mackelworth	5-10 (0-5)	0-2.5 (0-2.5)	76	50	16	-
L Bell	5-10 (0-5)	0-2.5 (0-2.5)	54	35	7	-

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

John Procter  
Chair

Date 29 January 2020

Edward Impey  
Accounting Officer

Date 29 January 2020

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

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

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

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

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

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



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

John Procter  
Chair

Date 29 January 2020

Edward Impey  
Accounting Officer

Date 29 January 2020

## **ROYAL ARMOURIES GOVERNANCE STATEMENT**

### **Purpose**

This statement covers the Royal Armouries governance arrangements for the year ended 31 March 2019 and up to the date on which the financial statements were approved by the Board of Trustees. The Accounting Officer has responsibility for ensuring that the organisation maintains a sound system of internal control that supports the achievement of the Royal Armouries policies, aims and objectives, whilst safeguarding public funds and museum assets. The purpose of the Governance Statement is to show how these responsibilities have been met 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 Digital, Culture, Media and Sport.

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

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

### **Control Environment**

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

It is recognised that there needs to be a continual process of control review and improvements. This remains a key focus of the Audit Committee and the Executive Board, although there are currently no major areas of concern.

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

The Royal Armouries has in place policies and procedures to manage conflicts of interest. At each Board of Trustees and Committee meeting all attendees are asked to declare any conflict of interest and the details are recorded in the formal minutes. A Register of Interests for Trustees and Directors is maintained and updated bi-annually. It is a requirement that potential conflicts of interest are disclosed in advance and where appropriate the individual concerned would take no direct part in the decision making process. Likewise, it is a requirement that potential conflicts of interest in the procurement and recruitment processes are disclosed and that the individuals should not participate in the decision making process.

### **The Board of Trustees**

The Board met four times in 2018/19, twice at Leeds, once at the Royal Armouries site at the Tower of London, and once at Fort Nelson. The Board considers the information presented to it and where appropriate will request amendments to formats or such additional information as may be required to improve the understanding of the operations and activities of the organisation.

At 29 January 2020, the Board comprised the Chair and ten Trustees and full details are included on page 4 of this report.

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

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

- Reports from the Board sub-committees on progress of key issues including audit control points, financial planning, risk and health and safety;
- Operational updates;
- Chair and Trustee recruitment
- 100 Days to Peace concert
- EU Exit
- Acquisition of Royal Armouries (International) Limited and the procurement and award of the catering and event operating contract
- Masterplanning;
- The new 2019-2024 Corporate Plan and 2019/20 Annual Operating Plan;

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 meetings.

Table of attendance at meetings during 2018/19.

	Board	Audit	Finance & Capital Development	Remuneration
Richard Dannatt	2/2	-	1/2	-
Hemant Patel	4/4	3/3	4/4	1/1
Sebastian Roberts	3/4	-	-	-
Anne Curry	3/4	-	-	-
Andrew Burnett	4/4	2/2	-	1/1
Christine Mayer	1/3	1/3	1/3	-
Deborah Mills	-	-	-	-
Jason Kingsley	-	-	-	-
Nicholas Houghton	3/4	-	-	-
Paul Kirkman	2/2	-	1/1	1/1
Jonathan Sands	2/2	-	-	-
Neil Grant	2/2	2/2	2/2	1/1
Andrew Broome*	-	3/4	-	-
Brian Boullier*	-	3/4	-	-

\*Andrew Broome and Brian Boullier are independent co-opted members of the Audit Committee and as such only attend that committee.

### **Committees of the Board**

The Board has established a number of Committees to provide support and monitoring on matters of risk, control and governance. These Committees are Remuneration, Finance & Capital Development and Audit.

#### *Remuneration Committee*

The Remuneration Committee reviews the salaries of the Accounting Officer and Directors. The Committee met in March 2019 and concluded that it was appropriate to award the same 2.5% cost of living increase effective from 1 April 2018 that had been awarded to the majority of staff.

### *Finance and Capital Development Committee*

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

### *Audit Committee*

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

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

When Hemant Patel was appointed interim Chair in November 2018 he was also Chair of Audit Committee. It was recognised that this caused a conflict of interest which was addressed by the appointment of Andrew Burnett as Chair of Audit Committee at the next committee meeting in December 18. The Trustees do not consider that the duplication of roles for the short period of time had an adverse impact on the overall governance of the organisation.

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

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

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

- Accounting principles, policies and procedures adopted in the financial statements and the accounting issues dealt with in the accounts;
- The external audit planning document, the detailed findings following audit and recommendations therein;
- Areas covered by internal audit during 2018/19 which included Collections Management and Security, risk Management, Strategic Planning and Cash Handling;
- Implementation of recommendations from current and prior year audits;
- Policies due for renewal;
- The Cabinet Office Counter Fraud Standard;
- Health and Safety issues;
- Management resource levels;
- The Strategic Risk Register.

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

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

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

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

RATE saw a significant increase in profitability in 2018/19 from £37k to £787k, reflecting the turnover share of the catering and event business received thanks to the new contract with the Compass Group, a boost in retail income at Fort Nelson during the 14-18 Now *Poppies*: Wave display and new specialised training contracts secured. Projections for profitability from continuing activities in 2019/20 are in excess of £1.7m reflecting a full year of turnover share of the catering and event business at Leeds.

## **Royal Armouries (International) Limited**

Royal Armouries (International) Limited (RAI) became a wholly owned subsidiary of the Royal Armouries in July 2018 following the gifting of the entire share capital by DCMS.

The company's day to day activities are overseen by a board of directors with one of the directors nominated as Managing Director and given the delegated authority to manage the day to day operations of the company. Strategic oversight was provided by a DCMS chaired programme board consisting of members from DCMS, HM Treasury, Royal Armouries and an independent. The programme board was responsible for agreeing that the activities of RAI should be transferred and combined with RATE so that all of the Royal Armouries commercial activity was undertaken by one subsidiary company, that the delivery of the event and catering activity should be outsourced and ultimately that RAI should be dissolved.

Between July 2018 and January 2019, the board comprised of two directors nominated by DCMS and two members of the Royal Armouries Executive Board. One of the DCMS nominated directors acted as Managing Director during this time. Following the award of the outsource contract to the Compass group in November 2018, the event and catering activity was initially delivered under a letter of intent, before a final contract was signed in January 2019. At this time the DCMS nominated directors resigned. The board is currently chaired by the Accounting Officer of the Royal Armouries with the Chief Operating Officer of the Royal Armouries designated as Managing Director. Work to dissolve the company is ongoing.

### **Executive Board**

The team supporting the Accounting Officer comprises:

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

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

## **System of Internal Control**

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

A corporate Risk Register is maintained centrally along with registers held and maintained by each Department. All of the registers are formatted according to the same template, using common classifications. The corporate register and key changes to departmental registers are reviewed and discussed at regular risk management meetings attended by the Executive Board and other members of staff as appropriate. The corporate Risk Register is also reviewed by the Audit Committee.

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

- Financial Resilience.  
The uncertainty around the outcome of the anticipated spending review, economic uncertainty around the EU exit issue and external cost pressures mean that it has been necessary to prepare a range of financial forecasts.
- Chair and Trustee recruitment.  
A significant number of Trustees vacancies arose during the year, including that of the Chair, due to the end of terms or resignation. The successful recruitment of appropriate new Trustees and a Chair is central to the effective future governance and oversight of the organisation.

## **Key Governance Issue**

During the audit of the financial statements conducted by the National Audit Office, it was identified that a severance payment was not appropriately approved in accordance with HM Treasury's Managing Public Money.



During the year a senior manager appointment was made under normal contractual terms. During their probation period, following a number of work performance concerns, it was decided to terminate their employment. Agreement was reached with the individual that their employment would be terminated with immediate effect but that they would remain available to support on any handover, crisis management or other necessary intervention, should need arise, during a further one month period. In return the individual was paid one month's salary in lieu of notice. The employee's contractual terms provided for one week's salary in lieu of notice and as such the majority of the agreed one month's payment was a non-contractual payment (£3,447).

Under the requirements of Managing Public Money, any payment made to an employee on termination of their employment, in excess of contractual terms is classed as a special severance payment and requires approval from HM Treasury. Approval was not sought in advance of the agreement being made and because the agreement was not adequately documented, DCMS concluded that it should not be considered for retrospective approval. As such it was an irregular payment.

The requirements of Managing Public Money and the type of transactions requiring additional external approval have been reiterated to all relevant staff and additional authorisation steps have been introduced to ensure that approval is sought for all novel or contentious transactions. We are confident that these steps will ensure there is no recurrence of the issue.

### **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. Collectively, they have responsibility for the development and maintenance of the internal control framework, and also take into account comments by the external auditors made 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 and a review of the Management Accounts.

Internal Audit for 2018/19 was provided under contract by Mazars LLP, who undertook two levels of audit, that is to say, strategic audits through which the design of controls were tested and compliance audits, whereby adherence to previously tested processes and controls are checked and confirmed.

The audit areas and outcomes were:

	<b>OPINION</b>
<b>Strategic Audit</b>	
• Collections Management and Security	Adequate
• Risk Management	Adequate
• Strategic Planning	Substantial
<b>Compliance Audit</b>	
• Cash Handling and Management	Partially Compliant

The partially compliant opinion indicated that the audit testing identified instances where processes and controls were not followed or applied in the case of a small number of the samples tested. The instances were highlighted to management along with recommended actions which management agreed to adopt in order to reduce the likelihood of future non-compliance. Mazars also provided assurance to the Audit Committee on the implementation of internal audit recommendations including outstanding points from prior years.

In their Annual Report Mazars concluded that “on the basis of our audit work, our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, however none were considered fundamental. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.”

Overall, the view of the Board of Trustees and Accounting Officer is that governance, risk management and internal control have been sufficient to allow the Royal Armouries to continue its usual operations. The level of inherent risk has remained at a level that is considered to be appropriate by the Audit Committee and the Board of Trustees.

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

Changes in recent years, including the board effectiveness review undertaken in the current year, mean that the Royal Armouries generally complies with the intentions of the 'Corporate Governance in Central Government Departments: Code of Good Practice 2017', in so far as it is relevant to an NDPB.

## **Whistleblowing Policy**

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

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

## **Data and Information Security Management**

The Royal Armouries has an information management strategy with which all staff must comply. The Royal Armouries Archives & Records Manager acts as the Departmental Records Officer, Freedom of Information Officer and Data Controller. The Royal Armouries Finance Director has been designated as the Senior Information Risk Owner and Freedom of Information champion.

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

There were no protected personal data related incidents reportable to the Information Commissioner's Office in 2018/19.

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.

John Procter  
Chair

Date 29 January 2020

Edward Impey  
Accounting Officer

Date 29 January 2020

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

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Board of Trustees of the Royal Armouries for the year ended 31 March 2019 under the National Heritage Act 1983. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Board of Trustees of the Royal Armouries' affairs as at 31 March 2019 and of its net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Heritage Act 1983 and Secretary of State directions issued thereunder.

### **Opinion on regularity**

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

### **Basis of opinions**

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

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

### **Conclusions relating to going concern**

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Board of Trustees of the Royal Armouries' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### **Responsibilities of the Board of Trustees and Accounting Officer**

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Board of Trustees of the Royal Armouries' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

### **Other Information**

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

### **Opinion on other matters**

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Heritage Act 1983;
- in the light of the knowledge and understanding of the group and the Museum and its environment obtained in the course of the audit, I have not identified any material misstatements in the Trustees' and Accounting Officer's Annual Report; and
- the information given in the Trustees' and Accounting Officer's Annual Report which I provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

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

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

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

Date 12 February 2020

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 2019

	Notes	Unrestricted funds		Restricted funds	Total funds
		General	Designated		2018/19
		£000	£000	£000	£000
<b>Income and endowments from</b>					
Grant-in-Aid	2	6,482	2,979	-	9,461
Donations and legacies	3	55	-	2,924	2,979
Charitable activities	3	209	-	-	209
Other trading activities	3	4,807	-	-	4,807
Investments		5	-	5	10
<b>Total Income and endowments</b>		<b>11,558</b>	<b>2,979</b>	<b>2,929</b>	<b>17,466</b>
<b>Expenditure on</b>					
Raising Funds	4	(3,669)	(122)	(276)	(4,067)
Charitable activities	4	(6,890)	(3,818)	(1,495)	(12,203)
<b>Total Expenditure</b>		<b>(10,559)</b>	<b>(3,940)</b>	<b>(1,771)</b>	<b>(16,270)</b>
<b>Net (losses) on investments</b>	12	-	-	<b>(3)</b>	<b>(3)</b>
<b>Net income / (expenditure)</b>		<b>999</b>	<b>(961)</b>	<b>1,155</b>	<b>1,193</b>
<b>Transfers between funds</b>		<b>(3)</b>	<b>(81)</b>	<b>84</b>	-
<b>Other recognised gains / (losses)</b>					
Gains on revaluation of fixed assets	8	-	1,039	(1,813)	(774)
<b>Net movement in funds</b>		<b>996</b>	<b>(3)</b>	<b>(574)</b>	<b>419</b>
<b>Reconciliation of funds:</b>					
Total Funds brought forward		<b>2,293</b>	<b>14,745</b>	<b>52,393</b>	<b>69,431</b>
<b>Total Funds carried forward</b>		<b>3,289</b>	<b>14,742</b>	<b>51,819</b>	<b>69,850</b>

All activities are on an ongoing basis.

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

The notes on pages 60 to 86 form an integral part of these accounts.

THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Unrestricted funds		Restricted funds	Total funds
		General Restated	Designated Restated		Restated 2017/18
		£000	£000	£000	£000
<b>Income and endowments from</b>					
Grant-in-Aid	2	6,609	1,179	-	7,788
Donations and legacies	3	41	-	446	487
Charitable activities	3	209	-	-	209
Other trading activities	3	1,519	-	-	1,519
Investments		2	-	5	7
<b>Total Income and endowments</b>		<b>8,380</b>	<b>1,179</b>	<b>451</b>	<b>10,010</b>
<b>Expenditure on</b>					
Raising Funds	4	(1,377)	(37)	(104)	(1,518)
Charitable activities	4	(6,720)	(1,165)	(1,503)	(9,388)
<b>Total Expenditure</b>		<b>(8,097)</b>	<b>(1,202)</b>	<b>(1,607)</b>	<b>(10,906)</b>
<b>Net (losses) on investments</b>	12	-	-	<b>(4)</b>	<b>(4)</b>
<b>Net (expenditure)</b>		<b>283</b>	<b>(23)</b>	<b>(1,160)</b>	<b>(900)</b>
<b>Transfers between funds</b>		<b>1</b>	<b>(16)</b>	<b>15</b>	<b>-</b>
<b>Other recognised gains / (losses)</b>					
Gains on revaluation of fixed assets		-	1,293	4,103	5,396
<b>Net movement in funds</b>		<b>284</b>	<b>1,254</b>	<b>2,958</b>	<b>4,496</b>
<b>Reconciliation of funds:</b>					
Total Funds brought forward (Restated)		<b>2,009</b>	<b>13,491</b>	<b>49,435</b>	<b>64,935</b>
<b>Total Funds carried forward (Restated)</b>		<b>2,293</b>	<b>14,745</b>	<b>52,393</b>	<b>69,431</b>

All activities are on an ongoing basis.

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

The notes on pages 60 to 86 form an integral part of these accounts.

## THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

### CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019

	Notes	2018/19		Restated 2017/18	
		Group	Museum	Group	Museum
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Intangible Assets	7	26	26	21	21
Tangible Assets	8	73,079	68,800	73,835	73,825
Heritage Assets	9	4,025	4,025	3,332	3,332
Investments	12	152	-	150	-
Investments in Subsidiary	13	-	2,117	-	150
		<u>77,282</u>	<u>74,968</u>	<u>77,338</u>	<u>77,328</u>
<b>Current Assets</b>					
Stocks	14	171	65	135	38
Debtors	15	1,147	4,089	833	878
Cash at Bank and in Hand		4,738	3,126	2,825	2,617
		<u>6,056</u>	<u>7,280</u>	<u>3,793</u>	<u>3,533</u>
<b>Creditors</b>					
Amounts falling due within one year	16	(2,368)	(1,790)	(1,882)	(1,803)
		<u>3,688</u>	<u>5,490</u>	<u>1,911</u>	<u>1,730</u>
<b>Net Current Assets</b>					
		<u>3,688</u>	<u>5,490</u>	<u>1,911</u>	<u>1,730</u>
<b>Total Assets less Current Liabilities</b>					
		<u>80,970</u>	<u>80,458</u>	<u>79,249</u>	<u>79,058</u>
Creditors: Amounts falling due after more than one year	16	(11,111)	(11,111)	(9,815)	(9,815)
Provision for Liabilities and Charges		(9)	(9)	(3)	(3)
		<u>69,850</u>	<u>69,338</u>	<u>69,431</u>	<u>69,240</u>
<b>Net Assets</b>					
		<u>69,850</u>	<u>69,338</u>	<u>69,431</u>	<u>69,240</u>
<b>The funds of the charity</b>					
<b>Income Funds</b>					
Restricted Reserves	22	51,819	51,642	52,393	52,215
Unrestricted Reserves					
Designated funds	22	14,742	14,742	14,745	14,745
General	22	3,289	2,954	2,293	2,280
		<u>69,850</u>	<u>69,338</u>	<u>69,431</u>	<u>69,240</u>

The notes on pages 60 to 86 form an integral part of these accounts.

The financial statements of pages 56 to 59 were approved by the Board of Trustees and were signed on their behalf by:

John Procter  
Chair

Date 29 January 2020

Edward Impey  
Accounting Officer

Date 29 January 2020

## THE BOARD OF TRUSTEES OF THE ROYAL ARMOURIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2018/19	2017/18 Restated
		£000	£000
<b>Cash Flows from operating activities:</b>			
<b>Net Cash provided by / (used in) operating activities</b>	23	1,645	1,722
<b>Cash Flows from investing activities:</b>			
Dividends and interest from investments		10	7
Purchase of intangible fixed assets	7	(12)	(21)
Purchase of tangible fixed assets		(308)	(962)
Disposal of tangible fixed assets	8	-	82
Purchase of heritage fixed assets	10	(124)	(17)
Proceeds from the sale of investments	12	73	65
Purchase of investments	12	(78)	(90)
<b>Net cash provided by (used in) investing activities</b>		<b>(439)</b>	<b>(936)</b>
<b>Cash Flows from financing activities:</b>			
Cash inflows from new borrowing		1,200	-
Finance lease capital payment		(493)	(493)
<b>Net cash provided by (used in) financing activities</b>		<b>707</b>	<b>(493)</b>
<b>Change in cash and cash equivalents in the period</b>		<b>1,913</b>	<b>293</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>2,825</b>	<b>2,532</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>4,738</b>	<b>2,825</b>

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

The notes on pages 60 to 86 form an integral part of these accounts.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 Accounting policies**

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

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

The consolidated financial statements incorporate those of the Royal Armouries Development Trust, Royal Armouries (International) Limited and Royal Armouries Trading & Enterprises Ltd. Arms and Armour Heritage Trust is not consolidated into the Group Accounts as they are independent of the Royal Armouries. In the Museum accounts the investment in Royal Armouries Trading & Enterprises Ltd is stated at cost and the investment in Royal Armouries (International) Limited is stated at fair value.

All financial statements are made up to 31 March 2019. The consolidation has been carried out on a line by line basis.

#### **1.2 Going Concern**

The Trustees are satisfied, on the evidence available, that Grant-in-Aid the Secretary of State for Digital, Culture, Media and Sport has made available, together with estimated events admission fees and other income over the next 12 months, is adequate to meet known and reasonably foreseeable circumstances likely to arise in that period. The Trustees believe that there are no material uncertainties about the charity's ability to continue and, therefore, the accounts can be prepared on the basis of a going concern.

#### **1.3 Incoming resources**

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

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

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

#### **1.4 Expenditure**

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

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

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

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

#### **1.4 Expenditure (continued)**

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

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

#### **1.5 Fund accounting**

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

Designated funds comprise unrestricted funds which have been set aside at the discretion of the Trustees for specific purposes. The use of the designated funds is set out in the Note 22 to the accounts on page 80.

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

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

#### **1.6 Intangible fixed assets**

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

#### **1.7 Tangible fixed assets**

In line with HM Treasury guidance and FRS 102 Section 17, the land and buildings are professionally valued every 5 years with the remaining lives adjusted accordingly. See Note 8 for details of the most recent valuations. Other tangible fixed assets other than the collection assets (see Note 1.8) were professionally revalued as at 31 March 2006.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1 Accounting policies (continued)

#### 1.7 Tangible fixed assets (continued)

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

Leasehold land	999 years
Buildings	15 to 76 years
Plant & machinery	10 to 38 years
Fixtures, fittings & equipment	4 to 20 years

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

#### 1.8 Heritage fixed assets

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

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

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

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

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

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

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

#### 1.9 Stock

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



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

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

#### **1.10 Pensions**

Present and past members of Royal Armouries staff are covered by the provisions of the Civil Service pension arrangements, which is an unfunded multi-employer defined benefit scheme with the cost of benefits met by monies voted by Parliament each year. The Royal Armouries, and other bodies covered by the arrangements meet the cost of pension cover provided for staff they employ by payment of charges calculated on an accruing basis. There is a separate statement for the Civil Service pension arrangements as a whole. Present and past members of Royal Armouries Trading & Enterprises Ltd and Royal Armouries (International) Limited are covered by the provisions of a defined contribution scheme administered by the People's Pension. Contributions to all schemes are included as expenses in the Statement of Financial Activities in the period to which they relate.

#### **1.11 Finance and Operating leases**

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

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

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

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

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals applicable to operating leases are charged to the Statement of Financial Activities on a straight line basis, over the lease term.

#### **1.12 Taxation**

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

#### **1.13 Financial Instruments**

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

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Consisting of trade and other debtors there is no intention to trade these loans and receivables and these assets are valued at amortised cost less impairment, where appropriate. Available for sale financial assets are investments that the Royal Armouries does not plan to hold until maturity. Subsequent to initial recognition these assets are recorded at fair value, with any realised and unrealised gains and losses reflected in the Statement of Financial Activities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1 Accounting policies (continued)

#### 1.14 Prior Period Errors

Two prior period errors were identified during the preparation of the 2018/19 Annual Report and Accounts, one relating to the classification of a lease and another relating to the donation of heritage assets.

In 1999 the original 999 year agreement to rent a site in Leeds on which the museum and the original surface car park were built was split into two separate agreements. Previously the agreement covering the original surface car park area has been recognised as an operating lease and the annual peppercorn rental payment recognised as an expense in the year it was paid. On review it is considered that the terms of the agreement mean that it should be recognised as a finance lease. This meant initially recognising the agreement as both an asset and a liability at the net present value of the minimum lease payments as at 1999. The asset value is then subject to revaluation, whilst the lease liability was reduced by the annual rental payments, with a finance charge expensed in year and added to the liability.

This change in accounting for this lease required a net £10.582m asset to be recognised against Brought Forward Reserves at 1 April 2017. In the 2017/18 SoFA a £684k increase to "other recognised gains / (losses)" was recognised.

A full reconciliation of donated heritage assets recorded in the collection management system against those recognised in the annual report and accounts was undertaken during the year by the Registrar. This exercise identified a number of donations between April 2002 and March 2017 with a total value of £368,200 that had not been properly recognised in the accounts.

Correcting this error required a net £368k asset to be recognised in Bought Forward Reserves at 1 April 2017. The 2017/18 SOFA was unaffected by this correction.

In terms of the Consolidated Balance Sheet at 1 April 2017 the following categories were affected by adjusting for the two errors:

	<b>Pre prior period adjustment £'000</b>	<b>Lease Adjustment £'000</b>	<b>Heritage Asset Adjustment £'000</b>	<b>Restated £'000</b>
Tangible Assets	59,084	10,600	-	69,684
Heritage Assets	2,924	-	368	3,292
Creditors: Amounts falling due within one year	(1,472)	(1)	-	(1,473)
Creditors amounts falling due in greater than one year	(9,708)	(17)	-	(9,725)
Restricted funds	49,067	-	368	49,435
Designated funds	2,909	10,582	-	13,491

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1 Accounting policies (continued)

#### 1.14 Prior Period Errors (continued)

In terms of the 2017/18 SoFA the following categories were affected:

	Pre prior period adjustment £'000	Lease Adjustment £'000	Heritage Asset Adjustment £'000	Restated £'000
Gain/ (losses) on revaluation of fixed assets	4,712	684	-	5,396

### 2. Grant-in-Aid

Grant-in-Aid received from DCMS in 2018/19 was £9,461,000 (2017/18: £7,788,000). 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 £2,406k (2017/18: £670k) has been designated by the Trustees for the purposes of capital projects with a further £81k (2017/18: £17k) designated by the Trustees for the purposes of collection asset purchases and £492k (2017/18: £492k) designated by the Trustees to meet the current liability for minimum lease payments of the leasehold land finance leases.

### 3. Analysis of Income and Endowments

	2018/19 £000	2017/18 £000
Donation of shares in Royal Armouries (International) Limited	1,967	-
Other Donations	165	59
Grants	271	367
Heritage asset donations	576	61
<b>Donations and Legacies</b>	<b>2,979</b>	<b>487</b>
Event Income	97	77
Educational Income	49	54
Other Operating Income	63	78
<b>Charitable activities</b>	<b>209</b>	<b>209</b>
Share of HRP gate receipt	287	281
Trading activity	4,520	1,238
<b>Other Trading activities</b>	<b>4,807</b>	<b>1,519</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total Expenditure

	Staff costs	Other direct costs	Impairment, Depreciation & Disposals	Allocated Support Cost	2018/19
	£000	£000	£000	£000	£000
Cost of generating voluntary income	152	251	-	59	462
Fund raising: cost of goods and other costs	1,322	1,623	266	394	3,605
<b>Raising Funds</b>	<b>1,474</b>	<b>1,874</b>	<b>266</b>	<b>453</b>	<b>4,067</b>
Care of the collection	1,264	336	1,188	965	3,753
Education	428	121	336	263	1,148
Visitor Experience	1,166	1,021	3,112	2,003	7,302
<b>Charitable activities</b>	<b>2,858</b>	<b>1,478</b>	<b>4,636</b>	<b>3,231</b>	<b>12,203</b>
<b>Total Expenditure</b>	<b>4,332</b>	<b>3,352</b>	<b>4,902</b>	<b>3,684</b>	<b>16,270</b>

### Support Costs

					Basis of allocation
Directorate	1,016	192	-	(1,208)	Headcount
Administrative support	282	359	-	(641)	Headcount
Shared services	710	1,029	-	(1,739)	Space
Governance Costs	-	96	-	(96)	Headcount
	<b>2,008</b>	<b>1,676</b>	<b>-</b>	<b>(3,684)</b>	
	<b>6,340</b>	<b>5,028</b>	<b>4,902</b>	<b>-</b>	

### 4. Total Expenditure

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

### Support Costs

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total resources expended (continued)

4a Staff Costs	Permanent staff	Contract and agency staff	2018/19 Total	2017/18 Total
	£000	£000	£000	£000
Salaries and wages	4,518	694	5,212	4,006
National Insurance contributions	402	14	416	346
Pension costs	712	26	738	682
Early retirement costs	-	-	-	47
Movement on provisions	-	-	-	(6)
Redundancy costs	-	9	9	243
Holiday pay accrual	(35)	-	(35)	33
	<b>5,597</b>	<b>743</b>	<b>6,340</b>	<b>5,351</b>

Total spend on contingent labour is disclosed under contract and agency staff. As at 31 March 2019 there were no off-payroll engagements for more than £245 per day (2017/18 - £245 per day) that had lasted longer than six months (2017/18: 0).

There was 1 redundancy during the year (2017/18: 8).

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
<£10,000	1	-	-	-	1	-
£10,000 - £25,000	-	-	-	2	-	2
£25,000 - £50,000	-	-	-	6	-	6
£50,000-£100,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>1</b>	<b>8</b>
<b>Total resource cost (£0,000)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>233</b>	<b>9</b>	<b>233</b>

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	
	2018/19	2017/18
Cost of generating voluntary funds	5	5
Fundraising: cost of goods sold and other costs	86	19
Care of the collection	47	50
Education	12	12
Visitor Experience	74	68
	<b>224</b>	<b>154</b>

### Director General & Master of the Armouries

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Total resources expended (continued)

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

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

	2018/19	2017/18
£60,001 - £70,000	4	2
£70,001 - £80,000	1	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-

#### Pension Scheme

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

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

For 2018/19, employers' contributions of £710k were payable to the civil service (2017/18: £669k) at one of four rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018/19 to be paid when the member retires and not benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9k (2017/18: £10k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and from 1 October range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.3k, 0.5% of pensionable pay were payable to the Civil Service pension arrangements to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

As at the balance sheet date there were three current employees contributing to a **partnership** pension and there were contributions of £0.4k (2017/18: £1k) due to the **partnership** pension providers at the balance sheet date and no prepaid contributions at that date.

Royal Armouries Trading & Enterprises Ltd and Royal Armouries (International) Limited both operate a defined contribution pension scheme with the People's Pension for its employees. The assets of the scheme are held independently from those of the company in a separately administered fund.

For Royal Armouries Trading & Enterprises Ltd employee contributions are paid at rates between 2% and 5% of pensionable pay and employer contributions at rates between 4% and 7%. For 2018/19 Employers' contributions of £7k (2017/18 £3k) were payable to the People's Pension and at the balance sheet date contributions amounting to £1k (2017/18 £1k) were payable.

For Royal Armouries (International) Limited employee contributions are paid at rates between 3% and 5% of pensionable pay and employer contributions at rates between 2% and 5%. For 2018/19 from the date of acquisition Employers' contributions of £12k were payable to the People's Pension and at the balance sheet date contributions amounting to £0.1k were payable.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4b. Trustees

No member of the Board of Trustees of the Royal Armouries received any emoluments during the year. Eight Royal Armouries Trustees, one co-opted member of the Audit Committee and two Directors of Royal Armouries Development Trust incurred expenses for their travel and subsistence costs during the year, with £1,823 reimbursed and £6,859 paid directly to third parties (2017/18: Eight Royal Armouries Trustees, one co-opted member of the Audit Committee and one Director of Royal Armouries Development Trust incurred expenses for their travel and subsistence costs during the year, with £2,433 reimbursed and £7,912 paid directly to third parties).

### 5. Net Income / (Expenditure)

	2018/19	2017/18
	£000	Restated £000
Net income / (expenditure) is stated after charging:		
Operating lease rentals	13	13
Finance lease charge	589	583
External auditor for audit work	79	49
External auditor for non-audit work	3	2
Internal Auditor	17	16
Legal services	34	32
Travel and subsistence costs	139	117
Loss on disposal of fixed assets	12	-

All auditors' remuneration was in respect of audit work with the exception of £2,600 that was paid to Grant Thornton for accounts preparation and tax compliance work in relation to Royal Armouries Trading & Enterprises Ltd. The National Audit Office charged £65k (2017/18: £37.5k) on behalf of the Comptroller and Auditor General for the audit of the Royal Armouries. Grant Thornton charged £12k for the audit of Royal Armouries Trading & Enterprises Ltd (2017/18: £10.5k) and £1,500 (2017/18: £1,440) was charged by Volans, Leach and Schofield for the audit of the Royal Armouries Development Trust.

Expenditure of £57,800 was incurred on 'advisory consultancy' including tax planning and accounting advice in respect of the acquisition of Royal Armouries (International) Limited and the subsequent group restructuring during the year (2017/18: nil).

### 6. Acquisitions

On 24 July 2018 the Royal Armouries was gifted 100% of the ordinary and preference share capital of Royal Armouries International Limited from the DCMS

The table below sets out the book and fair values of the assets acquired and liabilities assumed:

	Book value	Adjustment	Fair value
	£'000	£'000	£'000
Leasehold land and buildings	8,375	(4,025)	4,350
Fixtures, fittings and plant	2,470	(2,262)	208
Stock	51	-	51
Trade debtors	26	-	26
Other debtors	237	-	237
Cash	1,068	-	1,068
Trade creditors	(214)	-	(214)
Other creditors	(767)	-	(767)
Corporation tax	(200)	-	(200)
Provisions	(84)	84	-
Deferred tax	(579)	579	-
Loans	(2,792)	-	(2,792)
<b>Net assets</b>	<b>7,591</b>	<b>(5,624)</b>	<b>1,967</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Acquisitions (continued)

The fair value adjustments reflect a combination of recognising some assets at market value rather than historic cost, eliminating asset values that had been duplicated in separate entities and an assessment of provisions.

In accordance with the SORP and FRS 102 PBE34.78 as the acquisition was a gift, the excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in the Statement of Financial Activities.

The results of Royal Armouries International Limited for the period from acquisition to the year end are included in the consolidated SOFA and are summarised in Note 28 on page 85. The fair value adjustments were made as a consolidation adjustment and resulted in a net increase in group profit of £240k as shown in Note 25 on page 83.

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

	Website Development £000	Software Licences £000	Total £000
Cost as at 1 April 2018	21	77	98
Additions	10	2	12
Disposals	(-)	(-)	(-)
<b>Cost as at 31 March 2019</b>	<b>31</b>	<b>79</b>	<b>110</b>
Amortisation as at 1 April 2018	-	77	77
Disposals	(-)	(-)	(-)
Amortisation during year	7	-	7
<b>Amortisation as at 31 March 2019</b>	<b>7</b>	<b>77</b>	<b>84</b>
<b>Net Book Value at 31 March 2019</b>	<b>24</b>	<b>2</b>	<b>26</b>
Net Book Value at 31 March 2018	21	-	21



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. Tangible Fixed assets

Cost	Group			Total £000
	Leasehold Land & Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	
As at 1 April 2018 Restated	70,864	5,501	8,237	<b>84,602</b>
On Acquisition of subsidiary	4,350	-	208	<b>4,558</b>
Additions	-	-	355	<b>355</b>
Disposals	-	-	(53)	<b>(53)</b>
Impairment	(2,622)	-	-	<b>(2,622)</b>
Revaluations	(9,454)	1,743	(17)	<b>(7,728)</b>
<b>As at 31 March 2019</b>	<b>63,138</b>	<b>7,244</b>	<b>8,730</b>	<b>79,112</b>

#### Depreciation

As at 1 April 2018	4,804	971	4,992	<b>10,767</b>
Charge for the year	1,400	308	553	<b>2,261</b>
Disposals	-	-	(41)	<b>(41)</b>
Revaluation	(5,814)	(1,129)	(11)	<b>(6,954)</b>
<b>As at 31 March 2019</b>	<b>390</b>	<b>150</b>	<b>5,493</b>	<b>6,033</b>

#### Net Book Value at 31 March 2019

<b>62,748</b>	<b>7,094</b>	<b>3,237</b>	<b>73,079</b>
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#### Net Book Value at 31 March 2018 Restated

66,060	4,530	3,245	73,835
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Cost	Museum			Total £000
	Leasehold Land & Buildings £000	Plant and Machinery £000	Fixtures Fittings and Equipment £000	
As at 1 April 2018 Restated	70,864	5,501	8,211	<b>84,576</b>
Additions	-	-	526	<b>526</b>
Disposals	-	-	(53)	<b>(53)</b>
Impairment	(2,622)	-	-	<b>(2,622)</b>
Revaluations	(9,454)	1,743	(17)	<b>(7,728)</b>
<b>As at 31 March 2019</b>	<b>58,788</b>	<b>7,244</b>	<b>8,667</b>	<b>74,699</b>

#### Depreciation

As at 1 April 2018	4,804	971	4,976	<b>10,751</b>
Charge for the year	1,332	308	503	<b>2,143</b>
Disposals	-	-	(41)	<b>(41)</b>
Revaluation	(5,814)	(1,129)	(11)	<b>(6,954)</b>
<b>As at 31 March 2019</b>	<b>322</b>	<b>150</b>	<b>5,427</b>	<b>5,899</b>

#### Net Book Value at 31 March 2019

<b>58,466</b>	<b>7,094</b>	<b>3,240</b>	<b>68,800</b>
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#### Net Book Value at 31 March 2018 Restated

66,060	4,530	3,235	73,825
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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. Tangible Fixed assets (continued)

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

A full valuation of the Leeds Museum building and the plant and machinery on the basis of depreciated replacement cost was carried out by Gerald Eve as at 31 March 2019. Following this valuation the building will be depreciated over a 53-year period & plant and machinery over a 12-year period.

As part of the fair value acquisition accounting for RAI, a valuation of the New Dock Hall exhibition centre using an income approach was undertaken by Gerald Eve as at 31 July 2018. Following this valuation the building will be depreciated over a 39 year period.

The land and building value includes 2 plots of land that were leased in 1996 under 999 year agreements. The leases are recognised as finance leases. The land was professionally valued by Gerald Eve as at 31 March 2019.

The land and building value also includes the NFC premises that were leased in 2002 under a 150 year peppercorn lease. The lease is recognised as a finance lease. The lease was valued on the basis of depreciated replacement cost by Gerald Eve as at 31 March 2019 with the building being depreciated over a 59-year period & plant and machinery over a 21-year period.

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

The net book value of the building and plant and machinery on a historic cost basis at 31 March 2019 for the Group was £36.8m and £1.7m respectively and for the Museum was £34.7m and £1.7m respectively.

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

	<b>Armour and Weapons £000</b>	<b>Works of Art £000</b>	<b>Archive £000</b>	<b>Total £000</b>
Cost or valuation as at 1 April 2018 Restated	3,209	50	73	<b>3,332</b>
Additions	77	616	-	<b>693</b>
<b>Cost or valuation as at 31 March 2019</b>	<b>3,286</b>	<b>666</b>	<b>73</b>	<b>4,025</b>
Cost	2,005	100	73	<b>2,178</b>
Valuation	1,281	566	-	<b>1,847</b>
<b>Total</b>	<b>3,286</b>	<b>666</b>	<b>73</b>	<b>4,025</b>

There have been no disposals of heritage assets during 2018/19.

The collection comprises 559 pieces of armour or weapons, 7 works of art and 13 sets of archive material that were either acquired or donated since 2001. This represents a very small part of the overall collection which is detailed further in Note 11.

Details of the significant additions and donations are given in the Trustee and Accounting Officer Annual Report on pages 14 - 16.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2018/19 £000	2017/18 £000	Restated 2016/17 £000	Restated 2015/16 £000	2014/15 £000
<u>Purchases</u>					
Armour and weapons	74	17	15	53	135
Works of art	50	-	-	15	-
Archive	-	-	5	8	-
<u>Donations</u>					
Armour and weapons	3	23	11	97	17
Works of art	566	-	-	-	-
Archive	-	-	-	-	-
<b>Total</b>	<b>693</b>	<b>40</b>	<b>31</b>	<b>173</b>	<b>152</b>

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

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

The collection is preserved at three sites across the United Kingdom; the Tower of London, the head office and main museum in Leeds and at the Museum of Artillery at Fort Nelson near Portsmouth. In addition, many objects are loaned to exhibitions and long term displays nationally and internationally.

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

#### Armour and weapons

The core collection was founded on the arsenal of the British army preserved in the Tower of London, augmented by Royal arms and armour brought into the Tower in 1649 and by purchases, gifts and other forms of acquisition since 1831. The core collection comprises almost 7,000 pieces of armour and 40,500 weapons, ranging from the Neolithic period to the present day from across the globe.

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

The NFC contains a collection of nearly 18,000 weapons which were initially formed by the Ministry of Defence Pattern Room in Enfield and latterly the Royal Ordnance Factory in Nottingham. This collection was gifted to the Royal Armouries by the Ministry of Defence in 2005.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

#### Works of art

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

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

#### Archive

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

#### Heritage assets of particular importance

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

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

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

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

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

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

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

#### Preservation and management

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. Investments

	Group	
	2018/19 £000	2017/18 £000
Investments as at 1 April	150	129
Additions	78	90
Disposals	(73)	(65)
Gain/(loss) in value	(3)	(4)
<b>Investments as at 31 March</b>	<b>152</b>	<b>150</b>

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

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

### 13. Investments in subsidiaries

The museum owns 100% of the issued share capital of Royal Armouries Trading & Enterprises Ltd. Royal Armouries Trading & Enterprises Ltd (RATE) has capital consisting of 150,000 £1 shares all of which have been issued at par. The share issue occurred on 29 July 2010 and became fully paid up on 29 March 2011.

The entire share capital of Royal Armouries (International) Limited, a company registered in England and Wales, was gifted to the Board of Trustees of the Royal on 24 July 2018.

### 14. Stocks

	Group	
	2018/19 £000	2017/18 £000
Stocks valued at cost	177	140
Less: provisions for publications and other slow moving stocks	(6)	(5)
	<b>171</b>	<b>135</b>

  

	Museum	
	2018/19 £000	2017/18 £000
Stocks valued at cost	65	38
	<b>65</b>	<b>38</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Debtors

	2018/19		2017/18	
	Group	Museum	Group	Museum
	£000	£000	£000	£000
Trade debtors	622	143	486	430
Other debtors	19	12	7	7
Amounts due from subsidiaries	-	3,588	-	91
VAT recoverable	-	121	117	141
Prepayments and accrued income	512	226	226	211
Provision for bad debts	(6)	(1)	(3)	(2)
	<b>1,147</b>	<b>4,089</b>	833	878

### 16. Creditors

#### Amounts falling due within one year

	2018/19		2017/18	
	Group	Museum	Group	Museum
	£000	£000	Restated £000	Restated £000
Trade creditors	538	373	288	265
Tax and Social Security	241	169	179	177
Other creditors	26	27	8	3
Obligations under finance lease	493	493	493	493
Accruals and deferred income	1,067	725	914	865
DCMS Loan	3	3	-	-
	<b>2,368</b>	<b>1,790</b>	1,882	1,803

#### Amounts falling due after more than one year

	Group & Museum	
	2018/19	2017/18
	£000	Restated £000
Obligations under finance lease	9,911	9,815
DCMS Loan	1,200	-
	<b>11,111</b>	<b>9,815</b>

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

	2018/19	2017/18
	£000	Restated £000
As at 1 April 2018	62	61
On acquisition of RAI	315	-
Amounts released from previous years	(371)	(61)
Income deferred in the current year	468	62
<b>As at 31 March 2019</b>	<b>474</b>	<b>62</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. Creditors (continued)

As at 31 March 2019 the future minimum lease payments were as follows:

	<b>2018/19</b>	2017/18
	<b>Land &amp; Buildings</b>	Land & Buildings Restated
	<b>£000</b>	£000
Not later than one year	<b>493</b>	493
Later than one year and not later than five years	<b>1,970</b>	1,970
Later than five years	<b>670,904</b>	670,437
<b>Total gross payments</b>	<b>673,367</b>	672,900
Less: finance charges	<b>(662,963)</b>	(662,592)
<b>Total Lease Liability</b>	<b>10,404</b>	10,308

The finance lease liability relates to two 999 year agreements entered into in 1996 for the rent of two areas of land in Leeds. The first is the site on which the new museum building was built. The second is land adjacent to the museum building that was initially a surface car park, but has been under leased and subsequently developed with a mixture of commercial and housing properties. Both agreements have fixed rental payments across the 999 year term. Both agreements includes a number of contingent rent conditions relating to the non-museum use of the site. No contingent rent payments have been made.

As detailed in Note 8, the museum leases the NFC premises on a 150 year lease. The lease is on a peppercorn rent basis and as such the lease liability is nil.

### 17. Related party transactions

The Royal Armouries is a Non-Departmental Public Body whose parent department is the Department for Digital, Culture, Media and Sport. During the year the Royal Armouries has had various material transactions with the Department and with other entities for which the Department is regarded as the parent department.

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

	<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>
	<b>Income</b>	<b>Costs</b>	<b>Debtor</b>	<b>Creditor</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Historic Royal Palaces				
- Income relates to a contribution to site expenditure. Costs relate to our share of operating costs	287	18	119	2

There were no material related party transactions with the Trustees, key managerial staff, or other related parties during the year. Key management compensation is disclosed in the remuneration report on pages 33-37.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Financial Commitments (Group and Museum)

As at 31 March 2019 the Royal Armouries had commitments to future minimum lease payments under non-cancellable operating leases as follows:

	Land £000	Other £000	2018/19 £000	2017/18 £000
Not later than one year	4	9	13	13
Later than one year and not later than five years	16	8	24	33
Later than five years	310	-	310	314
	<b>330</b>	<b>17</b>	<b>347</b>	<b>360</b>

The Royal Armouries has entered into non-cancellable contract with Royal Armouries (International) Ltd which is not a lease or other service concession arrangement. The payments to which the Royal Armouries is committed as at 2018-19, analysed by the period during which the commitments expire, are as follows:

	2018/19 £000	2017/18 £000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	13	13
	<b>13</b>	<b>13</b>

Contingent payments during the period amounted to £436k.

As detailed in Note 16 the Royal Armouries is the lessor on an area of land in Leeds by virtue of entering into a 150 year underlease on the land. The underlease has an element of contingent rent. The future minimum lease payments receivable under the non-cancellable operating lease are as follows:

	2018/19 £000	2017/18 £000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	13	13
	<b>13</b>	<b>13</b>

Contingent rent recognised as income during the period amounted to £436k.

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

There were no contingent liabilities as at 31 March 2019 or 31 March 2018.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2018/19 £000	2017/18 £000
Capital expenditure contracted but not provided for in the accounts	-	-
Capital expenditure authorised but not contracted for	<b>638</b>	191

The expenditure authorised but not contracted for relates to the capital budget approved for 2019/20.

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

	Group		Restricted funds £000	Total £000
	Unrestricted funds			
	General £000	Designated £000		
Funds balances as 31 March 2019 are represented by:				
Intangible fixed assets	-	26	-	<b>26</b>
Tangible fixed assets	2,312	23,150	47,617	<b>73,079</b>
Heritage fixed assets	-	-	4,025	<b>4,025</b>
Investments	-	-	152	<b>152</b>
Current assets	2,859	3,170	27	<b>6,056</b>
Current liabilities	(1,873)	(493)	(2)	<b>(2,368)</b>
Non current liabilities	-	(11,111)	-	<b>(11,111)</b>
Provisions for Charges & Liabilities	(9)	-	-	<b>(9)</b>
<b>Total net assets</b>	<b>3,289</b>	<b>14,742</b>	<b>51,819</b>	<b>69,850</b>

	Museum		Restricted funds £000	Total £000
	Unrestricted funds			
	General £000	Designated £000		
Funds balances as 31 March 2019 are represented by:				
Intangible fixed assets	-	26	-	<b>26</b>
Tangible fixed assets	-	23,150	45,650	<b>68,800</b>
Heritage fixed assets	-	-	4,025	<b>4,025</b>
Investments	150	-	1,967	<b>2,117</b>
Current assets	4,110	3,170	-	<b>7,280</b>
Current liabilities	(1,297)	(493)	-	<b>(1,790)</b>
Non current liabilities	-	(11,111)	-	<b>(11,111)</b>
Provision for Charges & Liabilities	(9)	-	-	<b>(9)</b>
<b>Total net assets</b>	<b>2,954</b>	<b>14,742</b>	<b>51,642</b>	<b>69,338</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Statement of funds

	Restated 1 April 2018 £000	Income £000	Expenditure £000	Group Revaluation £000	Transfers £000	31 March 2019 £000
<b>Unrestricted funds</b>						
General fund	2,293	11,558	(10,559)	-	(3)	3,289
Designated fund – assets	5,590	2,487	(622)	2,842	(81)	10,216
Designated fund - land lease	9,155	492	(3,318)	(1,803)	-	4,526
<b>Total unrestricted funds</b>	<b>17,038</b>	<b>14,537</b>	<b>(14,499)</b>	<b>1,039</b>	<b>(84)</b>	<b>18,031</b>
<b>Restricted funds</b>						
Buildings	31,160	-	(1,032)	-	-	30,128
National Firearms Centre	1,126	-	(51)	-	-	1,075
Sponsorship and Donations	3,575	2,305	(678)	-	-	5,202
Heritage Assets	2,052	43	-	-	83	2,178
Donated Assets	1,277	576	(7)	-	1	1,847
Revaluation Reserve	13,025	-	-	(1,813)	-	11,212
RADT	178	5	(3)	(3)	-	177
<b>Total restricted funds</b>	<b>52,393</b>	<b>2,929</b>	<b>(1,771)</b>	<b>(1,816)</b>	<b>84</b>	<b>51,819</b>
<b>Total funds</b>	<b>69,431</b>	<b>17,466</b>	<b>(16,270)</b>	<b>(777)</b>	<b>-</b>	<b>69,850</b>
				<b>Museum</b>		
	Restated 1 April 2018 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	31 March 2019 £000
<b>Unrestricted funds</b>						
General fund	2,280	8,338	(7,661)	-	(3)	2,954
Designated fund - assets	5,590	2,487	(622)	2,842	(81)	10,216
Designated fund - land lease	9,155	492	(3,318)	(1,803)	-	4,526
<b>Total unrestricted funds</b>	<b>17,025</b>	<b>11,317</b>	<b>(11,601)</b>	<b>1,039</b>	<b>(84)</b>	<b>17,696</b>
<b>Restricted funds</b>						
Buildings	31,160	-	(1,032)	-	-	30,128
National Firearms Centre	1,126	-	(51)	-	-	1,075
Sponsorship and Donations	3,575	2,305	(678)	-	-	5,202
Heritage Assets	2,052	43	-	-	83	2,178
Donated Assets	1,277	576	(7)	-	1	1,847
Revaluation Reserve	13,025	-	-	(1,813)	-	11,212
<b>Total restricted funds</b>	<b>52,215</b>	<b>2,924</b>	<b>(1,768)</b>	<b>(1,813)</b>	<b>84</b>	<b>51,642</b>
<b>Total funds</b>	<b>69,240</b>	<b>14,241</b>	<b>(13,369)</b>	<b>(774)</b>	<b>-</b>	<b>69,338</b>

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

The Designated fund is split into two distinct funds. The Designated fund - assets is a fund which the Board of Trustees of the Royal Armouries has designated as being allocated to finance capital expenditure other than that associated with the Land and Buildings. The Designated fund – land lease is a fund which holds the net liability arising from the finance leases of the Leeds site. The Board of Trustees designate incoming resources from Grant-in-Aid to meet the current liability for minimum lease payments.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Statement of funds (continued)

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

The transfers between reserves reflect where there has been expenditure from one reserve on capital assets that by their nature need to form part of a different reserve. £3k was transferred from general reserves to restricted reserves and £81k was transferred from designated reserves to restricted reserves to reflect the expenditure on heritage assets not funded by restricted grants.

### 23. Cash flow information (Group)

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

	2018/19	2017/18
	£000	Restated £000
Net income / (expenditure) for the period	1,193	(900)
Investment Interest received	(10)	(7)
DCMS loan interest	3	-
Depreciation, impairment and amortisation	4,890	2,125
Loss on sale of fixed assets	12	-
Loss on investments	3	4
Donated assets – collection items	(569)	(23)
Donated assets – fixed assets	(4,558)	-
Movement in payables relating to items not passing through the Statement of Financial Activity	(757)	493
(Increase) in stocks	(36)	(39)
(Increase) in debtors	(314)	(425)
Increase in creditors	1,782	499
Increase / (Decrease) in provisions	6	(5)
<b>Net cash provided by operating activities</b>	<b>1,645</b>	<b>1,722</b>

### 24. Financial Instruments

#### Credit risk

The Royal Armouries has cash deposits of £4,738k (2017/18: £2,825k) which are held with National Westminster Bank Plc, part of the UK Government owned RBS and Barclays Plc. Royal Armouries has never suffered any loss in relation to cash held by its bankers. 70% 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 a £1.2m loan from DCMS and relies primarily on DCMS grants for its cash requirements. Grant-in-Aid and the donated RAI shares from DCMS together account for 65% of income (2017/18: 78%). 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, £10k (2017/18: £7k) was generated from interest earned during 2018/19 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24. Financial Instruments (continued)

#### 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.

#### Financial assets and liabilities by category

	Group		
	Measured at fair value 2018/19 £000	Measured at cost 2018/19 £000	Total 2018/19 £000
Fixed asset investments	152	-	152
Cash	-	4,738	4,738
Trade and other debtors	-	641	641
Trade and other payables	-	(564)	(564)
	<b>152</b>	<b>4,815</b>	<b>4,967</b>

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

	Museum	
	Measured at cost 2018/19 £000	Total 2018/19 £000
Cash	3,126	3,126
Trade and other debtors	155	155
Trade and other payables	(400)	(400)
	<b>2,881</b>	<b>2,881</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. Summary of Results of consolidated entries

	RAM	RATE	RADT	RAI	Intercompany & Consolidation adjustments	TOTAL
	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000
<b>Income and endowments from</b>						
Grant-in-Aid	9,461	-	-	-	-	9,461
Donations and legacies	3,774	-	-	-	(795)	2,979
Charitable activities	209	-	-	-	-	209
Other trading activities	792	2,229	-	2,284	(498)	4,807
Investments	5	-	5	-	-	10
<b>Total Income and endowments</b>	<b>14,241</b>	<b>2,229</b>	<b>5</b>	<b>2,284</b>	<b>(1,293)</b>	<b>17,466</b>
<b>Expenditure on</b>						
Raising Funds	(1,166)	(1,442)	(3)	(2,194)	738	(4,067)
Charitable activities	(12,203)	-	-	-	-	(12,203)
<b>Total Expenditure</b>	<b>(13,369)</b>	<b>(1,442)</b>	<b>(3)</b>	<b>(2,194)</b>	<b>738</b>	<b>(16,270)</b>
<b>(Loss) on revaluation of investments</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>
<b>Net (expenditure)/income</b>	<b>872</b>	<b>787</b>	<b>(1)</b>	<b>90</b>	<b>(555)</b>	<b>1,193</b>
<b>Other recognised gains / (losses)</b>						
Gift Aid payable by RATE to RAM	-	(795)	-	-	795	-
Gains on revaluation of fixed assets	(774)	-	-	-	-	(774)
<b>Net movement in funds</b>	<b>98</b>	<b>(8)</b>	<b>(1)</b>	<b>90</b>	<b>240</b>	<b>419</b>

	RAM Restated 2017/18 £000	RATE 2017/18 £000	RADT 2017/18 £000	Intercompany 2017/18 £000	TOTAL Restated 2017/18 £000
<b>Income and endowments from</b>					
Grant-in-Aid	7,788	-	-	-	7,788
Donations and legacies	524	-	-	(37)	487
Charitable activities	209	-	-	-	209
Other trading activities	857	1,219	-	(557)	1,519
Investments	2	-	5	-	7
<b>Total Income and endowments</b>	<b>9,380</b>	<b>1,219</b>	<b>5</b>	<b>(594)</b>	<b>10,010</b>
<b>Expenditure on</b>					
Raising Funds	(890)	(1,182)	(3)	557	(1,518)
Charitable activities	(9,388)	-	-	-	(9,388)
<b>Total Expenditure</b>	<b>(10,278)</b>	<b>(1,182)</b>	<b>(3)</b>	<b>557</b>	<b>(10,906)</b>
<b>(Loss) on revaluation of investments</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
<b>Net (expenditure)/income</b>	<b>(898)</b>	<b>37</b>	<b>(2)</b>	<b>(37)</b>	<b>(900)</b>
<b>Other recognised gains / (losses)</b>					
Gift Aid payable by RATE to RAM	-	(37)	-	37	-
Gains on revaluation of fixed assets	5,396	-	-	-	5,396
<b>Net movement in funds</b>	<b>4,498</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>4,496</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26. Royal Armouries Development Trust

Registered Charity Number 803617

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

As a result of some Trustees sitting on both boards it is deemed there is common control and hence the Accounts are consolidated into the Royal Armouries' financial statements. Royal Armouries Development Trust accounts are independently examined by Volans, Leach and Schofield, Woodhouse Lane, Leeds.

	2018/19 £000	2017/18 £000
<b>Income and Expenditure Account</b>		
Income	-	-
Administrative costs	(3)	(3)
Grant to Royal Armouries	-	-
Grant to the Arms and Armour Heritage Trust	-	-
Interest receivable	5	5
Gain/ (loss) on investments	(3)	(4)
<b>(Deficit)</b>	<b>(1)</b>	<b>(2)</b>
<b>Balance Sheet</b>		
Investments	152	150
Current assets	27	30
Creditors	(2)	(2)
<b>Net Assets</b>	<b>177</b>	<b>178</b>
Unrestricted reserves	159	160
Restricted reserves	18	18
<b>Total Funds</b>	<b>177</b>	<b>178</b>

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

### 27. Royal Armouries Trading & Enterprises Limited

Company number 07374477

The Royal Armouries owns all the issued share capital of 150,000 issued shares of £1 nominal value of Royal Armouries Trading & Enterprises Ltd, a company registered in England and Wales. The company's principal activities are retail, catering, corporate events, sale of images and licensing and specialised training. 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.

	2018/19 £000	2017/18 £000
<b>Profit and Loss Account</b>		
Turnover	2,229	1,219
Cost of sales	(578)	(392)
Gross profit	1,651	827
Administrative expenses	(864)	(790)
<b>Operating profit</b>	<b>787</b>	<b>37</b>
Gift Aid payable to the Royal Armouries	(795)	(37)
<b>LOSS FOR THE FINANCIAL YEAR</b>	<b>(8)</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

Income from the trading company has been consolidated onto the Statement of Financial Activities on the other trading activities income line. Costs have been included in the expenditure on raising funds cost line.

	<b>At 31 March 19 £000</b>	At 31 March 18 £000
<b>Balance Sheet</b>		
Fixed Assets	<b>4</b>	10
Current assets	<b>1,182</b>	346
Creditors	<b>(1,031)</b>	(193)
<b>Net Assets</b>	<b>155</b>	163
Share Capital	<b>150</b>	150
Profit and Loss	<b>5</b>	13
<b>Shareholder Funds</b>	<b>155</b>	163

Creditors include £59k (2017/18: £54k) due to the parent charity for outstanding management charges and £795k (2017/18: £37k) due to the parent charity for a Gift Aid donation.

### 28. Royal Armouries (International) Limited

Company number 02868025

The entire share capital of Royal Armouries (International) Limited, a company registered in England and Wales, was gifted to the Board of Trustees of the Royal on 24 July 2018. The company's principal activities were retail, catering and corporate events.

	<b>For the 8 months to 31 March 19 £000</b>
<b>Profit and Loss Account</b>	
Turnover	<b>2,284</b>
Cost of sales	<b>(251)</b>
Gross profit	<b>2,033</b>
Administrative expenses	<b>(1,943)</b>
<b>Operating profit</b>	<b>90</b>
Gift Aid payable to the Royal Armouries	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>90</b>

Income from the trading company has been consolidated onto the Statement of Financial Activities on the other trading activities income line. Costs have been included in the expenditure on raising funds cost line.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 28. Royal Armouries (International) Limited (continued)

At 31 March 19  
£000

#### Balance Sheet

Fixed Assets	10,322
Current assets	1,714
Creditors	(4,355)

**Net Assets** 7,681

Share Capital	1,054
Profit and Loss	6,627

**Shareholder Funds** 7,681

#### 29. Post Balance Sheet Events

There are no post balance sheet events.

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