

NATIONAL HERITAGE ACT 1983

Account, of the Board of Trustees of the Armouries prepared pursuant to National Heritage Act 1983, c.47, Sch 1, para 29(7), for the year ended 31 March 2004, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 150 of 2003-2004)

Presented pursuant to National Heritage Act 1983, c.47, para 29(7)

Board of Trustees of the Armouries Account 2003-2004

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Foreword and Annual Report

Introduction

The Board of Trustees of the Armouries is responsible for the National Museum of Arms and Armour and an historic record of HM Tower of London. The main site of the Museum is at Armouries Drive, Leeds LS10 1LT. There are also branches of the Museum in HM Tower of London and Fort Nelson, Fareham, Hampshire. Hampshire County Council owns Fort Nelson and HM Tower of London is operated by Historic Royal Palaces. The Museum uses both sites rent-free.

Legal and administrative details

The Board was established on 1 April 1984 in accordance with the provisions of the National Heritage Act 1983. The Board's functions are financed primarily by annual Grant-in-Aid provided by the Department for Culture, Media and Sport. Trustees are appointed by the Secretary of State for Culture, Media and Sport with the exception of one trustee whom HM The Queen appoints and the Constable of Tower of London who is an ex-officio member of the Board. A list of the Trustees and the committees on which they serve is given at the end of the Foreword. The Museum is an exempt charity under the terms of the Charities Act 1993.

Mission Statement

The Mission of the Museum

"To promote in the UK and world-wide the knowledge and appreciation of arms and armour and of the Tower of London through the collections of the Museum and the expertise of its staff."

This Mission is achieved through the functions conferred on the Board by the National Heritage Act 1983 and the Museums Act 1992.

Royal Armouries achievements 2003-2004

The last financial period has again seen significant performance growth in many areas of the Royal Armouries business. During this year there has been a change in the overall strategy of the organisation, which is encapsulated in the organisation's vision launched by the Board of Trustees at the beginning of the financial year. This latest trading year should be judged against the aspirations of the vision. In support of this, the Royal Armouries gained the most prestigious award in its history when it was awarded the accolade of 'The Best Specialist Museum of the Year, 2004' by the Good Britain Guide. Furthermore, the Royal Armouries 'The Knight is Young' Exhibition was short listed for the Gulbenkian Award.

The Royal Armouries vision states

"Through the creation of innovative partnerships both in the public and private sector and through the engagement of new and existing consumers the Royal Armouries will grow in authority to be appreciated as a major influence in and beyond the museum world".

This vision signifies a shift in the traditional museum performance indicators of developing visitor numbers to the museum sites, and focuses attention on the requirements of developing a higher profile for the museum and its outcomes. This brings the museum into contact with a variety of wider audiences.

The Royal Armouries Museum maintained high total visitor numbers to its galleries during 2003-2004, and almost achieved its annual target despite the continuing development of Clarence Dock and the very warm weather conditions during the summer months. Nevertheless, visitor numbers were very strong during the first and final quarters of the year and the Royal Armouries recorded 394,000 visitors in the year.

Within these figures, substantial performance growth can be illustrated. The Royal Armouries increased the proportion of visitors from the C2, D & E socio-economic groups to 122,000, and visitors under the age of 16 increased to 155,000, a growth of 6.5%. The provision of education hours was raised to 3,418, with a corresponding growth in individuals taking part in educational programmes run by the Royal Armouries now reaching over 77,500.

The aforementioned 'Knight is Young' exhibition enjoyed significant accolade and patronage. It was short listed for the Gulbenkian award, the UK's most prestigious arts award, and welcomed over 820,000 guests while it was on show within the White Tower at the Tower of London. Royal Armouries exhibitions at the Tower were enjoyed by a total of 1.76 million visitors. Furthermore, the growth in the RA loans programme meant that Royal Armouries objects were enjoyed by at least 4 million individual visitors; 99 loans were made to other museums in England, and loans to museums and bodies outside of England, including the loans made to the Lexington Horse Park.

A major initiative in our overall strategy is in the creation of partnerships with like-minded organisations. Here the Royal Armouries has been very productive to the extent that it is not possible to detail all of the partnerships, but we will focus on those that are most significant.

Reading Matters: Reading Matters for Life is a charity which trains adult volunteers to work in secondary schools, helping young people between the ages of 11 and 16 who are struggling with reading. Members of the Royal Armouries staff have volunteered their time and services to support the Reading Matters aims.

The Project: West Yorkshire Youth Arts, working with young people from disadvantaged areas and backgrounds, completed their pilot 'project' at the Museum. After six weeks work, they produced music, text and images based on the idea of 'reputation'. We will be launching a full project in the new financial year.

Creative partnerships: These are not the initiatives of the same name proposed by the Government, but are supportive collaborations between the Royal Armouries and schools in West Yorkshire. To date the Museum has worked with over 200 pupils and students on areas as diverse as drama, history, technology, life and work skills, and materials science. We are currently developing a Business Studies programme with one school, which is a completely new education area for us and for museums in general.

The benefits we receive in return are

- wider social inclusion and audience development;
- opportunities to develop and grow our educational provision in such areas as leisure and tourism, business studies, and health and social care; and
- establishing museums and Royal Armouries in particular, as social enterprises that are vital to the life of the community.

The Royal Armouries is a museum business, and as a consequence, we have adopted cutting edge business practices in order to establish the financial security of the organisation. Royal Armouries grew its income streams, excluding exceptional items, by 9.7%. The major highlights were a 6.3% growth in trading income, a 56% growth in income related to Royal Armouries copyrights and intellectual properties and a 46% growth in income gained through private sector sponsorship and donations.

In support of this revenue growth our costs remained flat, as labour budgets were controlled to show no increase, despite a fair pay award to staff members. Operational costs were also constrained to the extent that the Royal Armouries was able to increase its cash surpluses for the fourth consecutive year. This means that in real terms, the Royal Armouries was able to invest approximately £410,000 in capital works and projects, such as those identified above, that directly benefit the community.

In looking forward the Royal Armouries needs to put in place a new structure that will benefit the organisation by building on the solid expansive performance of the last few years.

- The recruitment of a new senior team of individuals consisting of a Museum Director, a Commercial Director and an Administrative Director. This team will support the Board, the Chief Executive and the Museum generally by providing a higher level of innovation, creativity and management competence aimed at generating more and wider progressive growth.

The appointment of this team will enable the museum to focus on the following initiatives

- the continued growth of visitor numbers to a wider scope of audience;
- the redesign of some of our galleries in line with the approach shown in the 'Knight is Young' exhibition;

- the opening of Royal Armouries USA, which will comprise the development of 20,000 square foot of exhibition space in a brand new bespoke US based gallery within the Frazier Historic Arms Museum, Louisville, Kentucky and commercial activities aimed at exploiting the platform created within the museum;
- the development of a world-class exhibition to be shown in the summer of 2005 entitled 'Shogun' depicting the life and legacy of Tokugawa Ieyasu. This will comprise of a number of objects never seen outside of Japan and a collection never before united under one roof;
- the continued support of schools, charity groups and volunteers in the community. In this year we will attempt to increase the number of our 'Creative Partnerships' from 3 to 10 and will provide assistance to the Reading Matters Charity to widen the scope of their operation from their West Yorkshire base in order to benefit more children who are falling behind in their reading skills; and
- the alignment of all our trading activities into one commercial division aimed at developing our retailing and marketing businesses and successfully launching our entertainment product into the heritage market.

Finally, the organisation must begin the process of planning and commissioning a skilled and innovative campaign of fundraising aimed at financing many of the capital projects that are fundamental to the continued prosperity of the Royal Armouries.

2003-2004 acquisitions

Collection purchases

- Bronze 3 pounder gun. Danish, 1759.
- Bronze 6 pounder gun. Danish, 1783.
- Whitney-Plymouth percussion naval rifle, made at Whitneyville. American, dated 1864.
- Percussion fusil Type 42, presented by Louis Eugene Napoleon, Prince Imperial. French, about 1870.
- Remington M40 Sniping rifle with A.R.T scope. American, mid-20th century.
- Bolt-action hunting rifle by John Rigby and Co for Bill Judd. English, London, made 1925.
- Sporting rifle by A Gerding. German, about 1850. From the Duke of Brunswick's collection.
- Group of six fragments of medieval armour from Rhodes.
- Harquebusier's pot embossed with suns. English, about 1630.
- Tartar helmet with applied silver decoration. Mongolian/Russian, 15th-16th century.
- Pair of shoulder guards (*ō-sode*), purple laced, with the *mon* of the Watanabe family. Japan, Muromachi period, 15th century.
- Springfield M1903-A1 sniping Rifle with Unertl scope. American, early 20th century.
- Comb morion for the Trabanten guard of the Prince Electors of Saxony. German, Nuremberg, late 16th century.
- Silver hilted schiavona sword and scabbard, possibly for an officer of the 'Schiavoni'. Italian, Venice, late 18th century.
- Wheellock carbine stocked by Meister Dertierkopfranke. Austrian, mid-17th century.
- Flintlock sporting gun made by Ivan Permjakov. Russian, St Petersburg, about 1770.
- Gilt iron Russian shield probably by Turkish craftsmen working in Moscow, about 1560.

Employment policy and staffing

The Museum has a commitment to create a working environment in which individuals are valued for their contribution, skills and experiences they bring to the organisation.

Employee training needs continue to be identified through the performance management system and the requirements of the strategic plan.

Employee relations

The Board is an equal opportunity employer and has agreed statements of policy in accordance with the terms of the Health and Safety at Work Act 1974. Senior management communicate with employees through the machinery of the organisation's Whitley Council and Safety Committees, as well as departmental meetings, informal meetings, focus groups and office notices.

Disabled policy

The Board as a non-departmental public body follows policy guidance issued by the Cabinet Office on employment of disabled persons. The Museum has reviewed the requirements of the Disability Discrimination Act and is taking all practical steps to comply with its provisions; this includes adapting all equipment to the specific needs of the disabled individual.

Corporate governance

The Board of Trustees of the Armouries meets at least six times a year. It has the following sub-committees: Audit and Finance, Remuneration, Development and Design. Sub-committees meet when it is considered necessary. The Audit and Finance Committee convenes at least six times a year to review the management accounts, year-end accounts, the Corporate Plan and internal audit plan. Membership of the various sub-committees is shown on page 7.

Financial review of 2003-2004

Overview of financial position

The financial statements have been prepared in accordance with the Statement of Recommended Practice 2000 (SORP 2000). 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 on page 16. The Income and Expenditure Accounts, prepared prior to 1996-1997, included only the element of this income that related to revenue transactions. The effect of this revised treatment is to include the capital projects income ahead of its matching depreciation provisions. It results in a higher figure for net incoming resources in the Statement of Financial Activities than would have been the case with the former Income and Expenditure Account. This surplus will be required to finance future years' depreciation provisions. Accordingly, the written down value of fixed assets has been earmarked separately within the balance sheet statement of income funds. The written down value of the Leeds Museum project has been classified as a restricted fund and the written down value of other fixed assets has been classified as a designated fund. A statement of funds is provided as note 17 to the accounts.

The accounting treatment of the Leeds Museum Project was changed in 1999-2000 to reflect the transfer of operational responsibilities from RAI and to meet the requirements of Financial Reporting Standard 5 'Substance of Transactions'. In the period prior to the transfer on 31 July 1999, the cost of the project was accounted for on the basis of the costs borne by the Royal Armouries. The costs were depreciated on a straight-line basis over a 15-year period. With the transfer of responsibilities the project has been accounted for, from 1 August 1999, on the basis of full replacement cost. The estimated replacement cost is being depreciated over a 53-year period for the building and a 23-year period for plant and machinery.

Statement of Financial Activities

Total incoming resources for the period amounted to £7,599,000 (2002-2003: £7,885,000). Total resources expended amounted to £8,690,000 (2002-2003: £8,603,000) resulting in a deficit on the Statement of Financial Activities for the year of £1,091,000 (2002-2003: £718,000). £1,602,000 (2002-2003: £1,544,000) was attributable to depreciation provisions, and financed from the capital project income credited to designated and restricted funds in previous years.

Total incoming resources included government grants of £6,286,000 (2002-2003: £6,157,000). Sponsorships and donations amounted to £101,000 (2002-2003: £69,000) and contributions to costs of £100,000 (2002-2003: £100,000) were received from Historic Royal Palaces. Income from trading activities amounted to £804,000 (2002-2003: £756,000). Total resources expended included salaries and related employee costs of £4,028,000 (2002-2003: £4,290,000). Depreciation provisions amounted to £1,602,000 (2002-2003: £1,544,000). Fund balances at 31 March 2004 amounted to £47,837,000 (2002-2003: £50,580,000).

Balance sheet

Of the fund balances at 31 March 2004

- restricted funds, subject to specific restriction by the providers of the funds, amounted to £45,708,000 (2002-2003: £48,524,000);
- designated funds, set aside to finance tangible fixed assets other than the Leeds Museum, amounted to £1,929,000 (2002-2003: £1,964,000); and
- the surplus on general unrestricted funds available for use in furtherance of the general objectives of the Museum, amounted to £200,000 (2002-2003: £92,000).

By virtue of the National Heritage Act 1983, the Museum 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 Museum's ownership. Information on tangible fixed assets, not forming part of the Museum's collection or the Leeds project, is provided in note 9 to the accounts.

Under the terms of its government grant, the Museum is required to break-even, taking one year with another. It does not commit 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 Museum is critically dependent on continued government grant. The funds of the museum are adequate to support its future requirements only in the technical sense that commitments are not made beyond the resources available.

Reserves policy

The Trustees have reviewed the level of readily available reserves (those that are not restricted or tied up as fixed assets) appropriate to the scale, complexity and risk profile of the organisation.

In 2003-2004 Grant-in-Aid accounted for around 82.7% of all income. The remainder of operational costs must be financed by self-generated income (such as trading, sponsorship, donations), which is volatile, and a degree of general reserves is reasonable.

The Trustees are satisfied that the current level of general and designated funds together with the Grant-in-Aid is adequate for the running of the museum.

Payment of creditors

The Museum continues to review the efficiency of its operations and aims to comply with best practice wherever possible. The Royal Armouries adheres to the Government-wide standard on the payment of creditors, by aiming to settle all bills within 30 days or in accordance with the suppliers' terms of business. In 2003-2004, the Royal Armouries paid approximately 90% (2002-2003: 91%) of supplier invoices within the target of 30 days.

Royal Armouries Development Trust

The Royal Armouries Development Trust is a charity connected to the Museum. It was established on 10 May 1990 to pursue such charitable purposes as the Trustees, with the consent of the Board of Trustees, think fitting. The Development Trust supports the development of the Royal Armouries at all its three sites. Income during 2003-2004 was £5,340 (2002-2003: £3,992). Expenditure amounted to £501 (2002-2003: £549) resulting in a surplus for the year of £4,839 (2002-2003: surplus £3,443). Overall net assets at 31 March 2004 were £197,020 (2002-2003: £192,181). The accounts of the Royal Armouries Development Trust have been consolidated with the accounts of the Board of Trustees of the Royal Armouries.

Board membership

Members of the Board of Trustees are appointed by the Secretary of State under the provisions of the National Heritage Act 1983. The following persons were members of the Board of Trustees of the Armouries in 2003-2004 and served on the committees shown

Ann Green FCMI FRSA (Chairman from 1 April 2003)	Development Audit and Finance Remuneration
Lt Col Sir Blair Stewart-Wilson KCVO	
Professor John Childs BA PhD FRHistS	Development
Francis Carnwath CBE	Audit and Finance
General Sir Roger Wheeler GCB CBE	
Kriss Akabussi MBE (until July 2003)	Development
Bob Morton FCA	Audit and Finance Remuneration
Chris Oakley CBE	

External auditors

Under schedule 1, paragraph 29(7) of the National Heritage Act 1983 the Comptroller and Auditor General is required to examine, certify and report on the statement of accounts and lay copies of it, together with his report, before each House of Parliament.

Board approvals

The Board of Trustees of the Armouries approved these accounts on

Ann Green
Chairman

PC Evans
Accounting Officer

7 July 2004

Principal address

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Annex A to Foreword and Annual Report

Performance against the targets in 2003-2004 Funding Agreement

	Target 2003-2004	Outturn 2003-2004	Variance
Total number of visitors	410,000	394,000	(16,000)
Number of children visitors	145,000	155,000	10,000
Number of venues in England to which objects from the Collection are loaned	90	99	9
Number of C2DE visitors in order to achieve an 8% increase by 2005-2006 on the 2002-2003 baseline	18,040	122,000	103,960
Number of website unique visits*	700,000	140,000	(560,000)
Number of children in organised educational programmes both on-site and outreach	60,000	79,000	19,000

* Delay in development of the Royal Armouries new Website and a change to the methodology of calculation of web hits, from 'page impressions' to 'visits', has led to a substantial adverse variance to target. Future targets will need to be revised to take into account this new methodology.

Statement of the Trustees' and the Chief Executive's responsibilities

Under paragraph 29 of schedule 1 to the National Heritage Act 1983, the Board of Trustees of the Armouries is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury. The accounts are prepared to show a true and fair view of the Board's financial activities during the year and its financial position at the end of the year.

In preparing the accounts, the Trustees are required 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 that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Chief Executive as the Accounting Officer for the Board. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for which he is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.

Ann Green
Chairman

PC Evans
Accounting Officer

7 July 2004

Statement on Internal Control - The Royal Armouries, 2003-2004

As Chair of the Board of Trustees and Accounting Officer, we have responsibility for maintaining a sound system of internal control that supports the achievement of the Royal Armouries' policies, aims and objectives, whilst safeguarding the funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in *Government Accounting* and ensures compliance with the requirements of the Royal Armouries' Management Statement and Financial Memorandum.

The Trustees, as a non-executive Board, are collectively responsible for the 'general management and control' of the Museum including risk management. The Board has delegated the responsibility for monitoring risk to its Audit Committee, which advises the Accounting Officer and the Board on the adequacy of audit arrangements, risk management and internal control.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the Museum's policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ending March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

We also have responsibility for reviewing the effectiveness of the system of internal control. The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. Key controls in the system include

- an annual business planning process;
- a three year Funding Agreement with Department for Culture, Media and Sport (DCMS), with performance against key targets reviewed annually with DCMS;
- a detailed budgeting process with an annual budget approved by the Accounting Officer and the Board of Trustees;
- devolved departmental budgets and budget monitoring systems;
- regular reviews by the Head of Finance and budget holders;
- regular reviews by the Board of Trustees of monthly and annual financial reports which indicate performance against forecast;
- monthly meetings of the Executive team to review performance;
- Risk Management Committee meetings and workshops during the year to review the strategic risk and the adequacy and effectiveness of controls to manage these risks;
- periodic reports to the Chairman of the Audit Committee and to the Board of Trustees;
- an annual assurance statement from Senior managers acknowledging their responsibilities for ensuring that effective systems and controls operate within their departments; and
- Internal Auditors who operate to standards defined in the Government Internal Audit Manual. They submit regular reports to the Accounting Officer and Audit Committee that include an annual opinion on the adequacy and effectiveness of the Museum's system of internal control, together with any recommendations for improvement.

We have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. On the basis of this review, it is our opinion that an adequate system of internal control operated throughout the year and up to the approval of the accounts.

PC Evans
Accounting Officer

Ann Green
Chairman of the Board of Trustees

7 July 2004

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Board of Trustees of the Armouries

I certify that I have audited the financial statements on pages 15 to 29 under the National Heritage Act 1983. These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 19 to 20.

Respective responsibilities of the Board of Trustees, the Master of the Armouries and the Auditor

As described on page 10, the Board of Trustees and the Master of the Armouries, as Accounting Officer, are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions funded via Parliament. The Board of Trustees and the Master are also responsible for the preparation of the Annual Report and Foreword. My responsibilities, as independent auditor, are established by statute, and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Heritage Act 1983 and directions made by the Secretary of State for Culture, Media and Sport thereunder, and whether in all material respects the expenditure, income and resources funded via Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the other contents of the Foreword and Annual Report are not consistent with the financial statements, if the Armouries has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 11 to 12 reflects the Armouries' compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Armouries' corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and the Master in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Armouries' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources funded via Parliament, have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Board of Trustees of the Armouries as at 31 March 2004 and of the incoming resources, application of resources and cash flows for the year then ended and have been properly prepared in accordance with the National Heritage Act 1983 and the directions made by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources funded via Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

20 July 2004

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The maintenance and integrity of the Royal Armouries' website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Summary Income and Expenditure Account for the year ended 31 March 2004

	2003-2004 £000	2002-2003 £000
Total income of continuing operations	7,599	7,885
Operating expenditure	(8,690)	(8,603)
Total deficit for the year	<u>(1,091)</u>	<u>(718)</u>
Capital projects income	(207)	(237)
Capital acquisition income	(200)	(183)
Depreciation	1,602	1,544
Operating surplus on revenue	<u>104</u>	<u>406</u>

The capital projects income represents the element of Grant-In-Aid utilised for capital purposes. The sum of £207,000 (2002-2003: £237,000) has been designated by the Trustees for the purposes of capital projects.

The capital acquisition income represents the element of Grant-In-Aid utilised for acquisition purposes. The sum of £200,000 (2002-2003: £183,000) has been designated by the Trustees for the purposes of collection purchases.

Depreciation comprises restricted funds of £1,169,000 (2002-2003: £1,126,000) in respect of the Leeds Museum Project, and a sum, classified as designated funds, of £433,000 (2002-2003: £418,000) in respect of other fixed assets.

The notes on pages 19 to 29 form an integral part of these accounts.

Consolidated Statement of Financial Activities for the year ended 31 March 2004

	Notes	Unrestricted funds General	Designated	Restricted funds	Total funds 2003-2004 £000	Total funds 2002-2003 £000
		£000	£000	£000		
Incoming resources						
Activities in the furtherance of the charity's objectives						
Grant-in-Aid	2	5,879	407		6,286	6,157
Admissions income		156			156	143
Educational income		43			43	31
Contributions to costs	3			100	100	100
Activities for generating funds						
Trading income	13	804			804	756
Conservation		4			4	20
Other income		85			85	252
Sponsorship and donations		33		68	101	69
Donated assets						346
Investment income						
Interest receivable		15		5	20	11
Total incoming resources		<u>7,019</u>	<u>407</u>	<u>173</u>	<u>7,599</u>	<u>7,885</u>
Resources expended						
Costs in the furtherance of the charity's objectives						
Collection purchases	4	(48)			(48)	(27)
Collection management	4	(1,356)	(158)	(291)	(1,805)	(1,912)
Customer services	4	(3,192)	(204)	(859)	(4,255)	(4,030)
		<u>(4,596)</u>	<u>(362)</u>	<u>(1,150)</u>	<u>(6,108)</u>	<u>(5,969)</u>
Cost of generating funds						
Marketing and Publicity	4	(706)	(2)		(708)	(599)
Trading costs	4	(614)			(614)	(617)
Management and administration of the charity	4	(995)	(78)	(186)	(1,259)	(1,418)
		<u>(2,315)</u>	<u>(80)</u>	<u>(186)</u>	<u>(2,581)</u>	<u>(2,634)</u>
Total resources expended		<u>(6,911)</u>	<u>(442)</u>	<u>(1,336)</u>	<u>(8,689)</u>	<u>(8,603)</u>
Net incoming/(outgoing) resources before notional costs and revaluations						
		108	(35)	(1,163)	(1,090)	(718)
Revaluation of Leeds Museum Project	8			(1,653)	(1,653)	1,151
Net incoming/(outgoing) resources before notional costs		<u>108</u>	<u>(35)</u>	<u>(2,816)</u>	<u>(2,743)</u>	<u>433</u>
Notional cost of capital	6	(5)	(56)	(1,525)	(1,586)	(2,777)
Net incoming/(outgoing) resources after notional costs and revaluations		<u>103</u>	<u>(91)</u>	<u>(4,341)</u>	<u>(4,329)</u>	<u>(2,344)</u>
Reversal of notional costs		5	56	1,525	1,586	2,777
Net incoming/(outgoing) resources; surplus/(deficit)	7	<u>108</u>	<u>(35)</u>	<u>(2,816)</u>	<u>(2,743)</u>	<u>433</u>
Fund balances at 1 April		<u>92</u>	<u>1,964</u>	<u>48,524</u>	<u>50,580</u>	<u>50,147</u>
Fund balances at 31 March		<u>200</u>	<u>1,929</u>	<u>45,708</u>	<u>47,837</u>	<u>50,580</u>

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/(outgoing) resources as disclosed in the Statement of Financial Activities.

The notes on pages 19 to 29 form an integral part of these accounts.

Consolidated Balance Sheet as at 31 March 2004

	Notes	Royal Armouries £000	2003-2004 Trust £000	Total £000	Royal Armouries £000	2002-2003 Trust £000	Total £000
Fixed assets							
Leeds Museum Project	8	45,511		45,511	48,332		48,332
Other tangible assets	9	1,929		1,929	1,964		1,964
		47,440		47,440	50,296		50,296
Current assets							
Stocks	10	141		141	130		130
Debtors	11	347		347	232		232
Cash at bank and in hand		156	198	354	115	221	336
		644	198	842	477	221	698
Creditors							
Amounts falling due within one year	12	(444)	(1)	(445)	(385)	(29)	(414)
Net current assets		200	197	397	92	192	284
Total assets less current liabilities		47,640	197	47,837	50,388	192	50,580
Represented by							
Unrestricted funds							
General funds	17	200		200	92		92
Designated funds	17	1,929		1,929	1,964		1,964
Restricted funds							
Leeds Museum Project	17	45,511		45,511	48,332		48,332
RADT Funds	17		197	197		192	192
		47,640	197	47,837	50,388	192	50,580

The notes on pages 19 to 29 form an integral part of these accounts.

Ann Green
Chairman

PC Evans
Accounting Officer

7 July 2004

Cash Flow Statement for the year ended 31 March 2004

	Notes	2003-2004 £000	2002-2003 £000
Net cash inflow from operating activities	18	405	490
Returns on investment and servicing of finance	18	20	11
Capital expenditure and financial investment	18	(407)	(420)
Increase in cash		<u>18</u>	<u>81</u>

The notes on pages 19 to 29 form an integral part of these accounts.

Notes to the Financial Statements

1 Accounting policies

1.1 Basis of accounting

These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets. The accounts comply with the SORP 2000, applicable accounting standards, and the requirements of the Companies Act 1985. The accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, a copy of which can be obtained from the Museum.

1.2 Fundamental accounting concept

The future financial viability of the museum is critically dependent upon continued government grant. The funds of the museum are adequate to support its future requirements only in the technical sense that commitments are not made beyond the resources available.

The Trustees are satisfied, on the evidence available, that Grant-In-Aid the Secretary of State has made available, together with estimated events admission fees and other income in the period to 31 March 2005, is adequate to meet known and reasonably foreseeable circumstances likely to arise in that period. Should unforeseen costs and losses arise, the Royal Armouries aims to absorb these within the resources available to it, but may have to look to the Department for Culture, Media and Sport for further assistance in exceptional circumstances. The Trustees believe, therefore, that the accounts can be prepared on the basis of a going concern.

1.3 Incoming resources

All income is accounted for on a received basis. Grant-In-Aid from the Department for Culture, Media and Sport is allocated to Unrestricted Funds in the year in which it is received.

1.4 Expenditure

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

Costs in furtherance of the charity's objectives and administration costs comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources.

Management and administration costs are those incurred in connection with the management of the charity's assets, organisational administration, and compliance with constitutional requirements. These costs comprise the costs of general management and support services, primarily finance, personnel, administration, and information technology.

Marketing and publicity costs include the salaries and related costs of employees engaged on those activities, together with payments to third parties for advertising, consultancies, and information services.

Wherever possible, costs are allocated directly to the categories to which they relate. Indirect and overhead costs are allocated to categories on a basis which reflects the usage of the services provided, usually direct salaries.

1.5 Collection purchases

In accordance with the Executive NDPB Annual Reports and Accounts Guidance as issued by the Treasury, additions to the collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Such items are not depreciated or revalued as a matter of routine. The 'de-minimis' capitalisation limit for individual collection purchases is £2,500.

All Gifts In Kind are included as fixed assets at market value at the time of receipt except where they are below the de-minimis limit. The market value is determined in-house.

1.6 Fund accounting

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

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

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

1.7 Tangible fixed assets

The total cost of the Leeds Museum was recognised on the Balance Sheet of the Royal Armouries with effect from the handover of financial responsibility for the Museum on 1 August 1999. Previously, only the costs incurred by the Royal Armouries were recognised. The building was valued at depreciated replacement cost at the date of handover, and will be professionally revalued on this basis at least every five years, in line with FRS 15. The revalued building is being depreciated over a 53 year period and plant and machinery over 23 years. A professional valuation was undertaken at the end of March 2004.

Other Tangible fixed assets other than the collection assets (see note 1.5) are stated at cost. The Museum has taken the decision not to revalue these assets with reference to current costs, as it is its opinion that there is no material difference between these two amounts. Depreciation is provided on all tangible assets at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life as follows

Major works	3 to 10 years
Machinery and equipment	3 to 10 years

All fixed assets other than the Leeds Museum Project costs are depreciated from the year following the beginning of their operational life. The 'de-minimis' limit for individual fixed assets is £1,000.

1.8 Stock

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

1.9 Pensions

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

1.10 Operating leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities over the period in which the cost is incurred.

1.11 Notional costs

In accordance with Treasury guidance, notional cost of capital is charged in the Statement of Financial Activities in arriving at the net incoming / (outgoing) resources figure. This is reversed so that no provision is included on the Balance Sheet.

2 Grant-in-Aid

Grant-in-Aid entitlement in 2003-2004 was £6,286,000 (2002-2003: £6,157,000). The entitlement has been credited to income during the year.

The money is available for running costs, capital improvements and collection purposes.

3 Contributions to costs

	2003-2004 £000	2002-2003 £000
Historic Royal Palaces	100	100
	<u>100</u>	<u>100</u>

4 Total resources expended

	Staff costs £000	Other direct costs £000	Deprec- iation £000	2003-2004 £000	2002-2003 £000
Collection purchases		48		48	27
Collection management	975	456	374	1,805	1,912
Customer services	1,866	1,418	970	4,254	4,030
Marketing and publicity	245	461	2	708	599
Trading costs	247	367		614	617
Management and administration of the charity	695	301	265	1,261	1,418
	<u>4,028</u>	<u>3,051</u>	<u>1,611</u>	<u>8,690</u>	<u>8,603</u>

4a Staff costs

	2003-2004 £000	2002-2003 £000
Salaries and wages	3,343	3,438
Agency staff	34	15
National Insurance contributions	226	211
Superannuation	425	386
Exceptional - redundancy costs		240
	<u>4,028</u>	<u>4,290</u>

The average number of employees, analysed by function, was

	2003-2004	2002-2003
Collection management	54	52
Customer services	98	98
Marketing and publicity	9	8
Merchandising	16	15
Management and administration	18	20
	<u>195</u>	<u>193</u>

Chief Operating Officer

The Chief Operating Officer (Paul Evans) received total remuneration of £86,505 (2002-03: £77,578). This is made up as follows

	2003-2004	2002-2003
	£	£
Basic salary	73,000	65,467
Employer's pension contribution	13,505	12,111
Total	<u>86,505</u>	<u>77,578</u>

The Chief Operating Officer was employed during the year under a Civil Service contract. He is 40 years old and his accrued pension at 31 March 2004 is £2,861 (2002-2003: £2,024). He is an ordinary member of the Principal Civil Service Pension Scheme.

Other senior staff

The Charities SORP requires the Royal Armouries to disclose all salaries over £50,000, in bands of £10,000. No member of staff other than the Chief Operating Officer earned more than £50,000 (including taxable benefits in kind but excluding employer's pension costs) and therefore no further disclosure is required.

Pension scheme

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

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Royal Armouries is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2003-2004, contributions of £388,000 (2002-2003: £384,000) were paid to the Paymaster General, the contribution rates varying from 12% to 18.5% according to salary bandings. All staff who transferred from Royal Armouries (International) plc, (RAI) were given the opportunity in May 2001 to join the PCSPS. The Royal Armouries also provides a defined contribution scheme for a number of staff who transferred from RAI with effect from 1 August 1999. Contributions amounted to £2,000 in 2003-2004 (2002-2003: £2,000).

4b Trustees

Ann Green, a member of the Board of Trustees of the Royal Armouries, received emoluments during the year of £2,910 (2002-2003: £9,435). The emoluments were received in accordance with S22(1) of the National Heritage Act 1983. Nine Trustees were reimbursed for their travel and subsistence expenses during the year, which amounted to £15,257 (2002-2003: £26,058).

5 Collection objects

	2003-2004 £000	2002-2003 £000
Purchases in period 1 April 1984 to 31 March 2003	6,577	6,366
Purchases in the year to 31 March 2004	248	211
Total acquisitions since 1 April 1984	6,825	6,577
Disposals in previous years to 31 March 2003	4	4
Disposals in the year to 31 March 2004	0	0
Total disposals since 1 April 1984	4	4
Net value of collections objects at cost since 1 April 1984	6,821	6,573

The Board of Trustees of the Armouries was established on 1 April 1984. As such, collection piece objects prior to this date are not valued. Of the £248,000 spent on acquisitions during the year £200,000 was capitalised and recognised in the balance sheet and £48,000 was charged to the Income and Expenditure account.

In addition to the above, a number of objects were received by way of gift or bequest. The value of these is not material.

Disposals have arisen exclusively from compensation or insurance reimbursement of the value of collection objects either lost or stolen whilst on loan.

As per Treasury requirements collection purchases were only valued from 1 April 2001.

6 Notional costs

Notional cost of capital is calculated as 3.5% of the average capital employed in the year less the value of donated assets.

7 Net incoming/(outgoing) resources

	2003-2004 £000	2002-2003 £000
Net incoming resources is stated after charging		
External auditor	20	21
Internal auditor	20	20
Loss on disposal of fixed assets	9	0
Legal services	45	111
Travelling and subsistence costs	111	120

8 Leeds Museum

In December 1993 the Board of Trustees of the Royal Armouries entered into agreements with the Department for Culture, Media and Sport (then the Department of National Heritage), Leeds City Council, and Leeds Development Corporation, to provide public sector funding for the new Royal Armouries Museum. This opened on 30 March 1996. Until July 1999, it was operated by Royal Armouries (International) Plc (RAI) when the Royal Armouries, in consultation with the Department for Culture, Media and Sport, reached a formal agreement with RAI for the handover of the operation of the Leeds Museum to the Royal Armouries. Financial responsibility for the operation of the museum was transferred to the Royal Armouries with effect from 1 August 1999. RAI now have a concession to operate an exclusive catering and corporate entertainment operation at the Leeds Museum.

The revalued building is being depreciated over a 53-year period, plant and machinery over 23-year period and the fixtures and fittings over 10 years

	Building	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000	£000
Gross book value 1 April 2003	52,437		2,516	54,953
Revaluation	(8,687)			(8,687)
Transfer	(3,700)	3,700		0
Gross book value 31 March 2004	40,050	3,700	2,516	46,266
Accumulated depreciation 1 April 2003	6,118		503	6,621
Depreciation for year	917		252	1,169
Revaluation of building	(7,035)			(7,035)
Accumulated depreciation 31 March 2004	0	0	755	755
Net book value 31 March 2004	40,050	3,700	1,761	45,511
Net book value 31 March 2003	46,319	0	2,013	48,332

The Leeds Museum is subject to periodic full revaluation, which, in accordance with FRS15, takes place at least every five years. The original valuation was undertaken at 31 March 2000, with interim valuations in 2001-2002 and 2002-2003. A full valuation was then carried out as at 31 March 2004. This was carried out on the basis of depreciated replacement cost, by Rushton International Ltd, asset valuers.

The valuation as at 31 March 2004 was £43,750,000 (split between building and plant and machinery). The movement in the revaluation reserve can be attributed to a number of reasons. The most recent valuation has been conducted in accordance with the latest guidelines and has led to updated classifications of major components of the Project and revised useful economic lives. Plant and machinery components of the museum, with substantially different useful economic lives, had not previously been separately identified for depreciation purposes. Both these have led to underdepreciation in prior years. This year's depreciation charge has been based on the revalued amount. Had the Leeds Museum not been subject to revaluation, it would have been shown at a depreciated historic cost at the balance sheet date of £43,255,000.

9 Tangible fixed assets

	Collection purchases	Donated items	Machinery and equipment	Major works	Total
	£000	£000	£000	£000	£000
Gross book value at 1 April 2003	394	346	1,378	1,126	3,244
Acquired during the year	200		207		407
Disposed during the year			(212)	(314)	(526)
Gross book value at 31 March 2004	<u>594</u>	<u>346</u>	<u>1,373</u>	<u>812</u>	<u>3,125</u>
Accumulated depreciation at 1 April 2003			549	731	1280
Depreciation for year			320	113	433
Depreciation on disposals			(203)	(314)	(517)
Accumulated depreciation at 31 March 2004	<u>0</u>	<u>0</u>	<u>666</u>	<u>530</u>	<u>1,196</u>
Net book value at 31 March 2004	594	346	707	282	1,929

Net book value at 31 March 2003	394	346	829	395	1964
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The net book value of Tangible fixed assets at the Museum are represented by

Charitable activities	594	346	540	245	1725
Other activities			167	37	204
Total	594	346	707	282	1,929

Fixed assets are accounted for using the modified historical cost accounting convention, although revaluation would only be disclosed if its effect was material. No change has been made to the cost of fixed assets as the adjustments were not considered material.

10 Stocks

	2003-2004 £000	2002-2003 £000
Stocks valued at cost	157	145
Less: provisions for publications and other slow moving stocks	<u>(16)</u>	<u>(15)</u>
	141	130

The provision for slow moving stocks relates to goods and publications where the net realisable value is considered to be lower than cost.

11 Debtors

	2003-2004 £000	2002-2003 £000
Trade debtors	9	8
Other debtors	128	102
Taxation recoverable	117	54
Prepayments	94	71
Provision for bad debts	(1)	(3)
	347	232

12 Creditors: amounts falling due within one year

	2003-2004 £000	2002-2003 £000
Trade creditors	11	8
Income Tax and social security	0	62
Other creditors	242	175
Accruals	192	169
	445	414

13 Trading activities

	2003-2004 £000	2002-2003 £000
Trading income	804	756
Cost of sales	(340)	(371)
Gross profit	464	385
Other costs	(248)	(125)
Net profit	216	260

Trading profit/(loss) at the Museum's two venues were as follows

	2003-2004 Profit £000	2002-2003 Profit £000
Leeds Shop	199	247
Fort Nelson Shop	10	9
Fort Nelson catering activities	7	4
	216	260

14 Contingent liabilities

There are no material contingent liabilities at 31 March 2004.

15 Capital commitments

There are no material capital commitments at 31 March 2004.

16 Analysis of group net assets between funds

	Unrestricted funds		Restricted funds	Total
	General £000	Designated £000	£000	£000
Represented by				
Leeds Museum Project			45,511	45,511
Tangible fixed assets		1,929		1,929
Current assets	644		198	842
Current liabilities	(444)		(1)	(445)
Total net assets	<u>200</u>	<u>1,929</u>	<u>45,708</u>	<u>47,837</u>

17 Statement of group funds

	1 April 2003 £000	Income £000	Expenditure £000	Revaluation £000	31 March 2004 £000
Unrestricted funds					
General funds	92	7,019	(6,911)		200
Designated funds	1,964	407	(442)		1,929
Total unrestricted funds	<u>2,056</u>	<u>7,426</u>	<u>(7,353)</u>	<u>0</u>	<u>2,129</u>
Restricted funds					
Leeds Museum Project	45,805		(1,169)		44,636
Project Revaluation Reserves	2,527			(1,652)	875
RADT	192	5			197
Sponsorship and donations		68	(68)		0
Contribution to costs		100	(100)		0
Total restricted funds	<u>48,524</u>	<u>173</u>	<u>(1,337)</u>	<u>(1,652)</u>	<u>45,708</u>
Total funds	<u>50,580</u>	<u>7,599</u>	<u>(8,690)</u>	<u>(1,652)</u>	<u>47,837</u>

The use of restricted funds is restricted to specific purposes by conditions imposed by the providers of the funds or the nature of appeal. The Leeds Museum Project, as described in note 8, 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.

Designated funds are funds which the Board of Trustees of the Royal Armouries have designated as being allocated to finance capital expenditure other than that associated with the Leeds Museum Project.

18 Cash flow information*a Reconciliation of changes in resources to net inflow from operating activities*

	2003-2004		2002-2003	
	£000	£000	£000	£000
Net outgoing resources	(1,091)		(718)	
Interest receivable	(20)		(11)	
Depreciation	1,602		1,544	
Loss on fixed asset disposal	9			
Donated assets			(346)	
(Increase)/decrease in stocks	(11)		31	
(Increase)/decrease in debtors	(115)		89	
Increase/(decrease) in creditors	31		(99)	
Net cash inflow from operating activities		<u>405</u>		<u>490</u>

b Analysis of cash flows

	2003-2004		2002-2003	
	£000	£000	£000	£000
<i>Returns on investment and servicing of finance</i>				
Interest received	20		11	
Net cash inflow for returns on investment and servicing of finance		20		11
<i>Capital expenditure and financial investment</i>				
Other tangible fixed assets	(407)		(420)	
Net cash outflow from capital expenditure and financial investment		(407)		(420)

c Reconciliation of net cash flow to movement in net funds

	2003-2004	2002-2003
	£000	£000
Increase in cash in the period	18	81
Increase in net funds in the period	18	81
Net funds at 1 April	336	255
Net funds at 31 March	354	336

d Analysis of net funds

	1 April 2003 £000	Cash flow in period £000	31 March 2004 £000
Cash	336	18	354
Net funds	336	18	354

19 Related party transactions

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

The Royal Armouries also has a significant number of material financial transactions with the following parties; Royal Armouries (International) plc, Historic Royal Palaces, and the Royal Armouries Development Trust.

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

20 Financial instruments

The Royal Armouries has no borrowings and relies primarily on department grants for its cash requirements. It is therefore not exposed to liquidity risks. It also has no material cash deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest risk or currency risk.

21 Financial commitments

As at 31 March 2004 the Royal Armouries had annual commitments under a non-cancellable operating lease for land as follows

	2003-2004	2002-2003
	£000	£000
Lease expiring in 2995	225	225

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