



Historic Royal Palaces is the independent charity that looks after the Tower of London, Hampton Court Palace, the Banqueting House, Kensington Palace and Kew Palace. We help everyone explore the story of how monarchs and people have shaped society, in some of the greatest palaces ever built.

We receive no funding from the Government or the Crown, so we depend on the support of our visitors, members, donors, volunteers and sponsors.

# FINANCIAL STATEMENTS

## AS AT 31 MARCH 2009

# Trustees' Report

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## *Trustees*

Charles Mackay (*Chairman*)  
Sir Alan Reid KCVO (*Deputy Chairman*)  
Sophie Andrae (since 1 January 2009)  
Dawn Austwick OBE  
Bridget Cherry OBE FSA (until 31 December 2008)  
Sue Farr  
John Hamer  
Sir Trevor McDonald OBE  
Sir Adrian Montague CBE  
Malcolm Reading  
Sir Hugh Roberts KCVO FSA  
General Sir Roger Wheeler GCB CBE

## *Executive Board*

Michael Day (*Chief Executive, Secretary to the Trustees and Accounting Officer*)  
John Barnes  
Annabelle Boyes (until 31 July 2008)  
Major General Keith Cima CB  
Gina George (since 1 December 2008)  
Rod Giddins  
Danny Homan  
Graham Josephs  
Sally O'Neill (until 6 February 2009)  
Jane McKeown (from 7 February 2009 until 22 June 2009)  
Tania Fitzgerald (since 22 June 2009)

## *Registered Office*

Hampton Court Palace  
Surrey KT8 9AU

## *Auditors of Historic Royal Palaces and the Group*

The Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
London SW1W 9SS

## *Auditors of Historic Royal Palaces Enterprises Ltd*

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

## *Bankers*

Barclays Bank plc  
1 Churchill Place  
Canary Wharf  
London E14 5HP

## *Solicitors*

Farrer & Co  
66 Lincoln's Inn Fields  
London WC2A 3LH

## *Historic Royal Palaces: Registered Charity number 1068852*

Historic Royal Palaces Enterprises Ltd: Company limited by share capital, registered number 3418583

## Trustees' Report (continued)

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Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status and is contracted by the Secretary of State for the Department for Culture, Media and Sport (DCMS) to manage the palaces on his behalf. It is responsible for the care, conservation and presentation to the public of the unoccupied royal palaces: HM Tower of London, Hampton Court Palace, Kensington Palace State Apartments, the Banqueting House at Whitehall and Kew Palace with Queen Charlotte's Cottage.

HRP is governed by a Board of Trustees, all of whom are non-executive.

The Chief Executive is accountable to the Board of Trustees.

The palaces are owned by The Queen on behalf of the nation.

HRP is a Public Corporation and receives no public funding - all costs are met by self-generated income.

Further information and a copy of the Annual Review and Accounts can be obtained from [www.hrp.org.uk](http://www.hrp.org.uk).

### Objectives and activities

The objectives of HRP, as set out in its Royal Charter, are, for the benefit of the nation:

- to manage, conserve, renovate, repair, maintain and improve the palaces to a high standard consistent with their status as buildings of royal, historic and architectural importance;
- to help everyone to learn about the Palaces, the skills required for their conservation and the wider story of how monarchs and people together have shaped society by providing public access, by exhibition, by events and education programmes, by the preparation of records, by research and by publication and by such other means as are appropriate.

### Our Cause

To help everyone explore the story of how monarchs and people have shaped society, in some of the greatest palaces ever built.

**Our work is guided by four principles:**

#### **Guardianship**

We exist for tomorrow, not just for yesterday. Our job is to give these palaces a future as valuable as their past. We know how precious they and their contents are, and we aim to conserve them to the standard they deserve: the best.

#### **Discovery**

We explain the bigger picture, and then encourage people to make their own discoveries, in particular, to find links with their own lives and with the world today.

#### **Showmanship**

We do everything with panache. Palaces have always been places of spectacle, beauty, majesty and pageantry, and we are proud to continue that tradition.

#### **Independence**

We have a unique task, and our own point of view. We challenge ourselves to find new ways to do our work. We are an independent charity, not funded by the Government or the Crown, and we are keen to welcome everyone who can support our Cause.

# Trustees' Report (continued)

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## Five major strategic aims to face the challenges of the future

In setting Historic Royal Palaces' aims and planning our activities, the Trustees have given due consideration to the Charity Commission's general guidance on public benefit and also to its supplementary public benefit guidance on fee charging and advancing education.

### 1. Give the palaces the care they deserve

We are guardians of five of the nation's most important historic sites. Two are World Heritage Sites, four are Scheduled Ancient Monuments, and one is a Grade I listed building. Our responsibility covers the fabric of the buildings, estates and landscapes, interiors, contents, and the stories and traditions associated with these famous sites. We are also responsible for developing the specialist skills of our staff. The idea of 'Guardianship' for us means to *care for, look after and keep secure*, and also to *nurture, develop and reach potential*. Conserving in the state we have inherited them is not enough; we aim to hand them on to future generations in a better state. The scale of the future challenge is set out in the *State of the Estate* and the *State of the Interiors* reports, and the Gardens Conservation Management Plans. The top ten conservation projects in each of these areas are built into our forward plans

### 2. Transform the way visitors explore their story

The central idea of *visitors exploring their story* derives from our Cause. HRP believes history, beauty and art have the power to inspire, and that everyone wants to understand more of the world they live in. People make their own meaning and we can support this by helping our visitors make connections to our stories. In the total experience that people have, from planning a visit to the memories they take away, our aim is to inspire learning for everyone. Delighting our customers is also critical to our future financial prosperity; we depend on this income stream for the majority of our revenue. We are engaged in an extensive programme of change and development - in the way we present the palaces, help people explore stories, provide services and engage people's senses. An important current initiative is to improve the experience we provide for families.

### 3. Have wider impact in the world

Our Cause defines an ambition to 'help *everyone* explore the story of how monarchs and people have shaped society...' Our priority is to use the investment we have made in our Cause and Identity across all our communication and public-facing activities to broaden our reach, build awareness, support and influence for HRP as widely as possible. We are giving particular attention to outreach and community involvement activities, to exploiting the full potential of our website [www.hrp.org.uk](http://www.hrp.org.uk), and to contributing to the national celebrations for The Queen's Diamond Jubilee and the Olympics in 2012.

### 4. Build one organisation united behind our Cause

We continue to drive culture change and performance improvement in line with our Cause and performance framework: Putting the customer first; Knowing our stuff; Doing it well, and Working together. We are giving particular attention at the moment to supporting and developing the work of all our front-line staff.

### 5. Generate the money to make it all possible

Financial sustainability for HRP depends on the success of key income streams to fund our Charter and Cause objectives. This is supported by a reserves policy that aims to keep free reserves at a modest level so as to allow the maximum resource spend for our key charitable objectives. Our main income streams are from visitors, retail, catering, functions and events and fundraising. As a self-supporting charity, we charge admission fees to visitors to our palaces and for our education service. These are reviewed annually and benchmarked against similar attractions to ensure they remain affordable to the general public. We have concessionary prices for children, family groups, those over 60 and full time students, in addition to offers such as the Tesco voucher scheme to widen our appeal to as many audiences as possible. HRP membership provides a significant discount for regular visitors. We provide special free programmes for local communities around our palaces and free content through our website and other media channels for people who do not visit the palaces in person.

# Trustees' Report (continued)

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## Achievements and Performance

### 1. Give the palaces the care they deserve

- We have continued our programme of major conservation projects in buildings, estates and landscapes, interiors and contents
- Throughout the work to prepare for the 500<sup>th</sup> anniversary of Henry VIII's accession and to re-present the Tudor route at Hampton Court, conservators ensured that the highest possible preventive conservation standards were maintained
- Excavations were carried out during August at Hampton Court by a team from Oxford Archaeology prior to the re-surfacing of Base Court. Evidence of the Tudor and Wren paving schemes, and a possible pre-Tudor surface were unearthed. In the final trench a structure thought to pre-date Base Court itself was found
- The recently restored Tudor brickwork of the secluded Chapel Court frames a new Tudor Courtyard garden. Based on historic images of Henry's Privy Gardens at Hampton Court and Whitehall Palace (glimpsed in the painting *The Family of Henry VIII*) the garden has Tudor-style green and white chevron posts and rails, beds of English roses, herbs and flowers, and eight carved and painted King's Beasts
- For the first time in over 50 years the full set of Henry's VIII's ten 'Abraham' tapestries are now on display. After a decade's conservation, *The Meeting of Abraham and Melchizadek* is back in the Great Hall at Hampton Court. Following the completion of a three-year PhD research project in collaboration with the University of Manchester, visitors can view the *Oath and Departure of Eliezer* tapestry digitally enhanced to its original colours
- In May, following lengthy conservation, Queen Charlotte's State Bed went back on display at Hampton Court for the first time in over 15 years, with accompanying "Ask the Conservator" tours
- Not all of the news at Hampton Court was positive. After many years of trying to find a sensitive and appropriate solution for the derelict site around Hampton Court station, a large, high density development was given planning permission by Elmbridge Borough Council in a split vote in December despite our vigorous objections. If the scheme goes ahead as planned it will change the riverside setting of the Tudor palace forever
- At the Tower of London, conservation of the White Tower, funded entirely by external sponsors, made good progress with the east face now completed. The second year of work concentrates on the north face
- Also at the Tower, on behalf of the Department for Culture, Media and Sport, we are addressing long-standing problems with the Royal Regiment of Fusiliers' building
- A key feature of the Sunken Gardens at Kensington Palace - the Cradle Walk arbour - has been restored to mark the 100<sup>th</sup> anniversary of the establishment of this famous garden. It is the first stage in the planned large-scale re-presentation of the gardens
- Total spend of £16.3m in the SOFA represents an increase of 22% over the previous year

### 2. Transform the way visitors explore their story

- The year has been dominated by all things Henry as we built up to launch in April 2009. In all, 38 separate projects have been completed at Hampton Court as part of 'Henry VIII: heads and hearts' - from the representation of Henry's apartments to the creation of the Tudor garden, a special exhibition on Henry's Women, the restoration of Base Court and a suite of new publications. A successful collaboration with the Royal Armouries at the Tower has resulted in 'Henry VIII: Dressed to Kill'. The collection of Henry's personal armours, set against the backdrop of the White Tower, brings alive Henry the man, warrior and king
- In July, the 'Fortress' experience opened at the Tower with a costumed Interpretation event that saw visitors forcing their way into the castle. They joined the ranks of rebel barons and enjoyed opportunities to swing the battering ram, shoot the catapult and the gigantic crossbow
- The 'Last debutantes: 1958. Season of change' exhibition opened at Kensington Palace in June - marking the 50<sup>th</sup> anniversary of the last presentation at court, set against a rapidly changing British society. A group of the former debs donated dresses and artefacts and visitors tried acquiring some essential deportment and dancing skills

## Trustees' Report (continued)

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- Plans for the £12m project to open up and transform Kensington Palace continued to take shape. We have appointed the consultant design team, and architects John Simpson & Partners have been working closely with us to re-order the space inside the palace to help visitors explore four key stories from the palace's history. We have set aside £5.6m to date of our own target of £6m. The remaining £6m is being raised from external sources; £1m has already been pledged and the Heritage Lottery Fund approved our Round 1 application for a grant of £1m
- As part of our work to improve accessibility, we now offer regular British Sign Language tours at our three main sites, together with a programme of escorted room describer tours for the blind and partially sighted. An Access panel was formed at Kensington Palace to help the project team to develop maximum accessibility when the palace is re-presented in 2012
- In July our five year strategy for education was approved by Trustees; objectives include extending the breadth and depth of our offer to schools and other groups, developing further our adult and family learning programmes and reaching out to new audiences across all five palaces. Considerable progress has been made in these areas, with education visits up year on year, and many successful events held throughout the year
- Over 90% of places were sold at the summer school at Hampton Court. Record audiences came for the 'Big Draw' weekend in October, with over 900 adults and children collaborating on Mantegna-inspired work with our first Artist in Residence
- At Kensington Palace, a series of themed interactive learning days in spring 2009 attracted many families
- Both *Whitehall Palace* and *The White Tower* were published this year. There were four new Henry publications, each appealing to a different sector of our audience, including a Tudor online diary and celebrity magazine-style exhibition catalogue
- Total spend across the headings of Public Access and Interpretation and Learning in the Statement of Financial Activities (SOFA) of £23.9m represents an increase of 8% over the previous year

### 3. Have wider impact in the world

- In September staff presented three papers at the International Council of Museums' Committee for Conservation conference in New Delhi. In November, we hosted the launch event of an important Demos report commissioned by the Textile Conservation Centre
- We have a strong relationship with the varied organisations that are our Community Partners, and that strength was affirmed when our Community Forum first met in November, under Sir Trevor McDonald's chairmanship
- The UK's first multi-borough citizenship ceremony for 40 new British citizens was held at Banqueting House
- A Tower of London Family Fun Day saw families from a wide variety of backgrounds enjoying special activities, many of whom had never visited the Tower before
- 'Working for Life', a Tower-based, externally-funded scheme to provide employment opportunities for unemployed young people in the London Borough of Tower Hamlets enabled training, mentoring, work placements and apprenticeships to happen
- In March, in partnership with the Institute of Conservation, we invited recent graduates to apply for our new Textile Conservation Internships that will start in September 2009, funded by the Clothworkers' Foundation
- The Debutantes exhibition provided inspiration for July's "Rock around the Palace" event as part of the Mayor of London's 'Big Dance' pan-London dance events – and much fun was had during a day of free rock and roll and ballroom dancing lessons on the lawns of Kensington
- It was a good year of media exposure: our curators appeared on BBC's the One Show, we contributed to the History Channel, the BBC's 'Young Victoria' Timewatch and many other productions. Our collaboration with the Channel 4 Time Team led to a revealing dig at Hampton Court

## Trustees' Report (continued)

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- Our website blossomed during 2008; an average of 160,000 visitors per month (up 45% year on year) were able to enjoy new functionality and content. The website is encouraging more browsers to visit the palaces: 42% of visitors to Hampton Court in the summer quoted our website as providing the main incentive to visit. Online admissions revenue is now c5% of all admissions revenue, double the percentage in 07/08
- In December we launched our YouTube channel taking the palaces, our stories, our people and our work to new audiences and our page on Facebook went live in spring 2009

### 4. Build one organisation united behind our Cause

- This was the year when our ambition to be 'one team, one HRP' resonated throughout the organisation, with preparations for the Henry exhibitions affecting every department
- As part of the Henry projects at both the Tower and Hampton Court we have been developing and supporting our front line staff to do an even better job. In particular, State Apartment Warders at Hampton Court were offered a team leader programme, customer service and storytelling workshops, and were able to participate more fully in event planning
- In July we were delighted to learn that we had retained our Investors in People status
- Volunteers have been involved in a variety of activities and events, from helping to liaise with visitors during the Time Team dig in Spring 2009, and assisting crews during the filming of the BBC's *Little Dorrit* at Hampton Court, through to interacting with visitors in the new 'Tapestries Revealed' project

### 5. Generate the money to make it all possible

- Visitor numbers ended the year at 2.901 million, beating the target for the year
- Retail and catering similarly exceeded their budgeted contribution
- Against the background of recession, functions and events had a strong year, narrowly missing target, but improving on last year's results
- We had the most successful year for fundraising since 2002/03
- Membership now exceeds 26,000
- As surplus funds are held as cash deposits we were adversely affected by the year's fall in interest rates, particularly as we moved deposits from the commercial money markets to the Bank of England to preserve capital while the financial sector is unstable

Our performance is measured by the Secretary of State by submission of the annual Strategic Plan and by this report.

# Trustees' Report (continued)

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## Financial Review

2.9m visitors spent a day out at one of our palaces in 2008/09, generating admission revenue of £34m – over 60% of our revenue. There was an associated benefit for our shops and cafes, both of which make a significant contribution to income.

Despite the climate of economic uncertainty, our functions and events business has increased income earned this year by 8%. Fundraising has had an especially successful year, attracting generous donations for our major projects.

All of this activity was achieved within budgeted expenditure and we have maintained our free reserves target of £5m.

## Funds and reserves

The Trustees recognise the need to establish a level of general reserves that enables financial stability, is adequate to meet the requirements of working capital and acts as a cushion against fluctuations in income levels. Reserves enable HRP to make long-term commitments to projects and also to protect our work against short-term financial fluctuations. The Reserves Policy has been reviewed in the year in the light of HRP's updated three-year strategic plan. In determining a realistic level of reserves, several key factors are considered including the level of risk associated with the main income and expenditure streams, the adequacy of the controls in place to mitigate those risks and other contingencies available to call on in emergencies. This is balanced by the general legal duty that Trustees are under to apply income funds on the objects of the charity within a reasonable period of receiving them. Designated funds have been created to protect long-term commitments to major projects, including £5.6m towards the development planned from 2009 to 2012 at Kensington Palace, of which £0.5m was spent during the year.

Following this detailed review the target level for free reserves remains at £5 million and this has been maintained at March 2009.

The charity has various funds available to finance its activities. These are as follows:

### Restricted funds

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the charity.

### Unrestricted funds

These are funds that are expendable at the discretion of the Trustees in furtherance of the charity's objects. **Free reserves** are that part of the unrestricted fund that are not held as fixed assets or designated for other purposes:

- **Fixed asset fund**

A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event of a cash requirement. The part of the general fund represented by fixed assets is therefore excluded from free reserves, as generally a charity could not dispose of all or the majority of these assets and continue its operations as a going concern.

- **Designated funds**

Funds have been designated out of general funds to protect long-term commitments to major projects. The single largest fund at March 2009 is £5.1m towards the Kensington Palace development project.

## Trustees' Report (continued)

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### • Pension plan

This liability does not result in any immediate requirement to pay this amount to the pension scheme, and ongoing cash contributions into the scheme are met through budgeted income. Following the March 2007 triennial actuarial valuation the Trustees approved an increase in employers' contributions into the scheme to meet its ongoing liabilities. In addition, an adjustment was approved to the remaining seven year plan to fund the deficit by fixed payments of £328,000 per annum. Both of these changes were implemented from April 2008. As a result of the economic downturn during 2008/09 the Trustees were requested to approve an additional one-off payment of £345,600, which was made in March 2009. HRP's strategic planning process allows for the pension payments to the scheme to be made from planned income each year, and therefore there is no requirement to ring fence an amount equal to the full deficit from other reserves to cover this liability. The FRS17 liability at March 2009 is £3.2million (March 2008: £2.9 million).

Details of the retirement benefit scheme are disclosed in Note 8 to the accounts.

Details of the movements on total funds are disclosed in Note 5 to the accounts.

### Equal opportunities policies

HRP is committed to a policy of equality of opportunity in all areas of employment, including recruitment, training, performance management and promotion. To encourage diversity in the workplace, formal policies on equal opportunities, disability and harassment have been developed and communicated to all staff. General training on these policy areas is provided to staff and specific training is provided in areas such as recruitment and performance appraisals. Equality policies and practices are regularly monitored and action plans developed, if appropriate, to deal with any specific issues; for example a specific Diversity Strategy was published in September 2008.

### Consultation with, and provision of information to, employees

The Trustees and Directors encourage widespread consultation and exchange of information at all levels of the organisation using a range of different communication mechanisms. To facilitate information flows and discussion between the organisation and Trade Union representatives, Partnership Meetings are regularly held both centrally and at each palace. In addition, staff are kept up-to-date on the organisation's progress through notice boards, team briefings and a staff newsletter, *Palaces Pulse*.

### Investment policy

HRP's investment policy is as follows -

1. Capital preservation is the priority
2. Surplus funds are invested on the money market in the UK
3. Except for deposits with the Bank of England, no more than 50% is invested in any one institution.

In May 2009 Trustees agreed that surplus funds would be invested in a common deposit fund, established under the Charities Act. This pooled fund invests in a range of institutions.

### Suppliers' payment policy

HRP observes the principles of the CBI Better Payment Practice code. The code requires bills to be paid in accordance with contractual obligations, or where no such conditions exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the later. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms. Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2008/09 57% of supplier invoices were paid within 30 days of date of invoice (55% in 2007/08) and 70% within 40 days (71% in 2007/08).

## Trustees' Report (continued)

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This payment performance has not been adjusted for invoices which have been delayed for payment due to a query with the supplier.

### Structure, governance and management

Details of the Trustees are given on page 1. The Board consists of a Chairman and ten Trustees, chosen for their skills and experience. All are non-executive and unpaid.

The Chairman is appointed by The Queen on the advice of the Secretary of State. Four Trustees are appointed by The Queen, of whom three are ex officio appointments: The Director of the Royal Collection; The Keeper of the Privy Purse; and The Lord Chamberlain. The Lord Chamberlain may choose to relinquish his appointment, in which case The Queen may also appoint someone to take his place, as currently. The remaining six are appointed by the Secretary of State, one of whom must be the Constable of the Tower of London.

The appointments are part-time and last initially for three years. Under the Royal Charter, with the exception of ex officio appointments, Trustees may be appointed for a further two periods of up to three years, subject to review at the end of each period. Third appointments are only made exceptionally.

Trustees are usually recruited through advertisement, by using existing contacts, by further research and, exceptionally, through executive search. New Trustees are supported through an induction process tailored to their needs and experience. This includes meetings, visits and a substantial amount of written material both on their responsibilities as a Trustee of both a charity and a public body and about the organisation.

As in previous years, a review of Board effectiveness has been conducted.

### Organisational structure

The Chief Executive is granted a general delegation to act on behalf of the Trustees, except for matters reserved by the Trustees for decision by themselves and their committees. Such matters include approval of strategic plans, annual budgets and major projects, remuneration matters of the Directors and variation to governing documents.

## Report of the Remuneration Committee

### Membership

The membership of the Remuneration Committee comprises four Trustees: Sir Roger Wheeler (Chairman), Sue Farr, John Hamer and Sir Hugh Roberts. All four Trustees served on the Committee throughout the year.

### Policy statement

The remit of the Remuneration Committee is governed by the legal framework of HRP as set out in the Royal Charter. In establishing the level of remuneration for each Director, the Remuneration Committee considers the guidelines laid down by the Combined Code and HM Treasury and has a remuneration policy similar to comparable and competing organisations. This policy aims to ensure that remuneration packages are in line with general market practice and consistent with recruiting and retaining Directors of the highest calibre. Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Trust to apply their specialist skills or knowledge. Details are set out in Note 6 to the accounts.

### Review of activity during the year

At the Annual Salary Review in August 2008 Directors received a 2.75% increase to their basic salaries, together with a 1% lump sum payment which was not consolidated into basic salary. This level of increase was in line with the external market and with the settlement awarded to other HRP staff.

## Trustees' Report (continued)

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In addition, the Directors received a performance-related bonus for the 2007/8 period. These bonuses were in line with the Directors' performance-related bonus scheme that was introduced in August 2001. Actual bonus payments were calculated on the basis of the overall performance of the organisation and Directors' individual performance against agreed objectives.

Performance-related bonuses for the 2008/9 period have been calculated in accordance with the agreed scheme and maximum bonuses would normally be payable. However on the recommendation of the Executive Board, actual bonus payments will be reduced by a quarter, in response to the uncertain environment in which HRP is currently operating. These have been accrued accordingly.

The Committee approved the salaries of two new Directors, recruited to replace the Retail Director and Finance Director who left HRP during the year. These salaries were in line with HRP's existing salary structure and policy.

The Committee reviewed and approved succession plans for the Chief Executive and Directors.

Details of the emoluments of the Chief Executive are set out in Note 7 to the accounts, together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

Charles Mackay  
*Chairman of the Board of Trustees*  
22 June 2009

Hampton Court Palace  
Surrey  
KT8 9AU

# Statement on Internal Control

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## Scope of responsibility

The Trustees and Chief Executive (as Accounting Officer) are jointly responsible for maintaining a sound system of internal control that:

- supports the achievement of HRP's Cause and strategy, whilst;
- safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in *Managing Public Money*; and
- ensuring compliance with HRP's Management Statement and Financial Memorandum.

The respective allocation of responsibilities between the Trustees and Accounting Officer are detailed in the Trustees' Report.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve HRP's Cause and strategy; 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 and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in HRP for the year ended 31 March 2009 and up to the date of approval of the Annual Review and Accounts, and accords with Treasury guidance.

## Capacity to handle risk

Strategic leadership of the risk management process comes from the Executive Board, and the Trustees and Accounting Officer oversee the process.

The Chief Executive Officer (CEO) reports annually to the Board of Trustees on the effectiveness of the internal control system established to ensure that the aims, objectives and key performance targets of HRP are achieved in the most economic and effective manner.

The Executive Board:

- assesses risks and opportunities annually as part of the Annual Operating Plan process (looking forward);
- provides assurance to the CEO/Accounting Officer about the effectiveness of risk management in their annual letters of representation (looking back);
- as the Risk Committee, develops HRP's risk management policy and is responsible for communicating it to staff; maintains the risk register, monitors change in the corporate risk profile and reports significant changes to the Trustees (ongoing).

Directors, managers and staff are responsible for identifying, assessing and managing the corporate operational risks in their areas.

Specialist risk managers exist within HRP: the Fire, Health & Safety Adviser and the Security Adviser. These specialists are available to provide advice on the management of the risks that fall within their remit, and provide annual reports of assurance to Trustees and the Executive Board.

The Audit Committee is a sub-committee of the Board of Trustees. It reports annually to the Board on the adequacy of HRP's arrangements for risk management and internal control. During the year the following Trustees served on the committee: Sir Alan Reid (Chairman), Sophie Andreae (since 1 January 2009), Dawn Austwick, Bridget Cherry (until 31 December 2008), and Malcolm Reading.

In September, Trustees agreed to establish an Investment Committee, whose remit includes providing oversight of investment activities, reviewing the balance of risk/return and the impact of external factors. During the year the committee comprised three Trustees (Sir Adrian Montague (Chairman), Charles Mackay and Sir Alan Reid), the Chairman of the Campaign Board (Ian Barlow) and two members of the Executive Board (Michael Day, Sally O'Neill (until 6 February 2009) and Jane McKeown (since 7 February 2009)).

## Statement on Internal Control (continued)

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Internal Audit is responsible for the ongoing examination of and the reporting on the adequacy and effectiveness of HRP's risk management process. The Head of Internal Audit provides an annual report to the CEO/Accounting Officer and the Audit Committee on the adequacy and effectiveness of the risk management process, internal control and corporate governance in the year.

External Audit takes account of the risk management process when evaluating the strength of internal controls.

### The risk and control framework

HRP's management of risk is embedded in policymaking, planning and delivery in the following ways:

- a continuing risk assessment programme is in place. This includes regular reviews and updates of the risk register by management. The Audit Committee regularly reviews the changing risk register;
- the Audit Committee meets at least three times a year and reviews and advises on internal control issues raised by internal and external audit;
- the Internal Audit Department takes a risk-based approach to audits and operates in compliance with Government Internal Audit standards (except where this is impractical for this small department);
- progress in implementing internal audit recommendations is monitored by the Executive Board and the Audit Committee;
- the organisation has a project assessment and approval process which requires risk assessments to be done on all major projects;
- regular reviews are made of health and safety, environmental and security risks, and the implementation of related policies and procedures;
- new activities and changes to existing processes are routinely reviewed to ensure that adequate controls are in place;
- the IT systems and network are managed in compliance with BS7799 information security standard (except where this is impractical for this small department);
- All staff are made aware of the Data Protection Act when they join the organisation. In addition, staff receive specific training on areas relevant to their roles and are regularly reminded of the need for vigilance in the handling of all forms of data, particularly personal and financial information.

Some of the improvements and initiatives that have been made during the year include:

- HRP's Strategic Plan has been updated for the three years to March 2012. This also involved identifying key strategic risks and opportunities;
- The strategic plan also includes a ten year vision for the organisation, setting out its broad ambitions in each of the five main strategic aims;
- A detailed security risk analysis has been carried out by HRP's Security Adviser. In addition, every palace/department received a detailed inspection by him and no major problems were found;
- Counter-terrorist security measures were kept under continual review during the year and enhanced where necessary;
- The project at the Tower of London to provide vehicle defence measures to counter a vehicle bomb exploding, either inside the Tower or in the crowded areas surrounding it, is due to be completed in 2009;
- All three major palaces had improvements in their CCTV and two had their security control rooms upgraded, work on the third being in progress;
- A new post of security manager has been created at the Tower of London;
- Relevant staff attended a seminar on the requirements of the Payment Card Industry Data Security Standard;
- Trustees approved a revised Health, Safety and Environmental policy statement in June;
- A bespoke training programme for all managers and supervisors on managing safely was introduced;

## Statement on Internal Control (continued)

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- New fire risk assessments were prepared for two palaces, one is currently in progress and two were amended;
- An asbestos risk management programme was completed.

### Review of Effectiveness

The Trustees and Accounting Officer have responsibility for reviewing the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Board 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. The Trustees and Accounting Officer have carried out this review of the effectiveness of the system of internal control through the mechanisms set out in the previous section. A plan to address any weaknesses and ensure continuous improvement of the system is in place.

### Significant internal control issues

No significant internal control issues have arisen during the year 2008/09.

Charles Mackay  
Chairman of the Board of Trustees  
22 June 2009

Michael Day  
Chief Executive and Accounting Officer

# Statement of Responsibility

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## Statement of Trustees' responsibilities

Law applicable to incorporated charities in England and Wales requires the Trustees of HRP to prepare (or have prepared) financial statements for each financial year that give a true and fair view of the state of affairs of the Trust and the Group and of their financial activities during the year. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures being disclosed and explained in the financial statements;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Trust and the Group will continue in operation.

The Trustees are required to follow the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, and are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities regulations and relevant Generally Accepted Accounting Practice. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Charles Mackay  
Chairman of the Board of Trustees  
22 June 2009

## Accounting Officer's responsibilities

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive as the Accounting Officer for the Trust. His 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 *Managing Public Money* published by HM Treasury. He is also required to follow the Accounts Direction issued by the Secretary of State for Culture, Media and Sport.

The Accounting Officer confirms that so far as he is aware, there is no relevant audit information of which HRP's auditors are unaware and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HRP's auditors are aware of that information.

Michael Day  
Chief Executive and Accounting Officer  
22 June 2009

# Independent Auditor's Report to the Trustees of Historic Royal Palaces

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I have audited the consolidated financial statements of Historic Royal Palaces for the year ended 31 March 2009. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Board of Trustees, Chief Executive and Auditor

The Board of Trustees and the Chief Executive, as Accounting Officer, are responsible for preparing the Trustees' report and the financial statements and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Trustees' and the Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Charities Act 1993 and directions given by the Secretary of State for Culture, Media & Sport, with the approval of the Treasury. I report to you whether, in my opinion, the information given in the Trustees Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Historic Royal Palaces 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 Internal control reflects Historic Royal Palaces' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Historic Royal Palaces' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Historic Royal Palaces' and the group's 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 fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended 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.

# Independent Auditor's Report to the Trustees of Historic Royal Palaces (continued)

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## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions given by the Secretary of State for Culture, Media & Sport, with the approval of the Treasury, of the state of Historic Royal Palaces' and the group's affairs as at 31 March 2009 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and directions given by the Secretary of State for Culture, Media & Sport, with the approval of the Treasury; and
- information given within the Trustees' Report is consistent with the financial statements.

## Opinion on Regularity

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

Amyas Morse  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS  
Date: 6 July 2009

# Consolidated Statement of Financial Activities

## for the year ended 31 March 2009

|   | Note     | Unrestricted<br>funds<br>£000 | Restricted<br>funds<br>£000 | Total<br>2009<br>£000 | Total<br>2008<br>£000 |
|---|----------|-------------------------------|-----------------------------|-----------------------|-----------------------|
| <b>INCOMING RESOURCES</b>                                 |          |                               |                             |                       |                       |
| <b>Incoming resources from generated funds:</b>           |          |                               |                             |                       |                       |
| Voluntary income  |          |                               |                             |                       |                       |
| Grants and donations                                      |          | 110                           | 4,205                       | 4,315                 | 529                   |
| Activities for generating funds                           |          |                               |                             |                       |                       |
| Retail income   |          | 8,730                         | -                           | 8,730                 | 8,643                 |
| Functions and events                                      |          | 4,806                         | -                           | 4,806                 | 4,454                 |
| Licences and rents  |          | 2,252                         | -                           | 2,252                 | 2,178                 |
| Sponsorship   |          | 374                           | -                           | 374                   | 400                   |
|   |          | <b>16,162</b>                 | <b>-</b>                    | <b>16,162</b>         | <b>15,675</b>         |
| Investment income   |          | 904                           | -                           | 904                   | 1,070                 |
| <b>Incoming resources from charitable activities:</b>     |          |                               |                             |                       |                       |
| Admissions  |          | 34,437                        | -                           | 34,437                | 34,010                |
| Concessions   |          | 1,292                         | -                           | 1,292                 | 1,310                 |
| <b>Total incoming resources</b>                           |          | <b>52,905</b>                 | <b>4,205</b>                | <b>57,110</b>         | <b>52,594</b>         |
| <b>RESOURCES EXPENDED</b>                                 |          |                               |                             |                       |                       |
| <b>Costs of generating funds:</b>                         |          |                               |                             |                       |                       |
| Fundraising   |          | 577                           | 160                         | 737                   | 609                   |
| Retail activities   |          | 7,555                         | -                           | 7,555                 | 7,384                 |
| Other commercial activities                               |          | 2,265                         | -                           | 2,265                 | 1,989                 |
|   |          | <b>10,397</b>                 | <b>160</b>                  | <b>10,557</b>         | <b>9,982</b>          |
| <b>Charitable activities:</b>                             |          |                               |                             |                       |                       |
| <i>Give the palaces the care they deserve</i>             |          |                               |                             |                       |                       |
| <i>Transform the way visitors explore their story:</i>    |          | 15,286                        | 1,053                       | 16,339                | 13,447                |
| Public access   |          | 15,957                        | 61                          | 16,018                | 15,156                |
| Interpretation and learning                               |          | 7,802                         | 38                          | 7,840                 | 6,873                 |
| <i>Have a wider impact in the world</i>                   |          | 3,300                         | -                           | 3,300                 | 3,599                 |
| Governance costs  | 4        | 418                           | -                           | 418                   | 378                   |
|   |          | <b>42,763</b>                 | <b>1,152</b>                | <b>43,915</b>         | <b>39,453</b>         |
| Pension finance costs/(income)                            | 8        | 268                           | -                           | 268                   | (112)                 |
| <b>Total resources expended</b>                           | <b>3</b> | <b>53,428</b>                 | <b>1,312</b>                | <b>54,740</b>         | <b>49,323</b>         |
| <b>Net incoming/(outgoing) resources before transfers</b> |          |                               |                             |                       |                       |
|   |          | <b>(523)</b>                  | <b>2,893</b>                | <b>2,370</b>          | <b>3,271</b>          |
| Actuarial (loss) on pension plan                          | 8        | (1,073)                       | -                           | (1,073)               | (1,260)               |
| <b>Net movement in funds</b>                              |          | <b>(1,596)</b>                | <b>2,893</b>                | <b>1,297</b>          | <b>2,011</b>          |
| Fund balances brought forward at 1 April                  |          | 21,207                        | 462                         | 21,669                | 19,658                |
| <b>Fund balances carried forward at 31 March</b>          |          | <b>19,611</b>                 | <b>3,355</b>                | <b>22,966</b>         | <b>21,669</b>         |

The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 20 to 37 form an integral part of these accounts.

## Consolidated and Trust Balance Sheets as at 31 March 2009

|  |      | Group<br>2009 | Trust<br>2009 | Group<br>2008 | Trust<br>2008 |
|--|------|---------------|---------------|---------------|---------------|
|  | Note | £000          | £000          | £000          | £000          |
| <i>Fixed assets:</i>                                   |      |               |               |               |               |
| Intangible assets                                      | 9    | 100           | 100           | 124           | 124           |
| Tangible assets  | 10   | 7,653         | 7,653         | 8,493         | 8,493         |
| Heritage assets  | 11   | 4,882         | 4,882         | 3,350         | 3,350         |
|  |      | <b>12,635</b> | <b>12,635</b> | <b>11,967</b> | <b>11,967</b> |
| <i>Current assets:</i>                                 |      |               |               |               |               |
| Stocks - goods for resale                              |      | 1,136         | -             | 995           | -             |
| Debtors  | 12   | 1,937         | 1,821         | 2,689         | 2,318         |
| Short-term cash deposits                               |      | -             | -             | 16,634        | 16,634        |
| Cash at bank and in-hand                               |      | 18,627        | 18,410        | 1,395         | 997           |
|  |      | <b>21,700</b> | <b>20,231</b> | <b>21,713</b> | <b>19,949</b> |
| <i>Creditors:</i>                                      |      |               |               |               |               |
| Amounts falling due within<br>one year                 | 13   | 8,007         | 6,538         | 9,072         | 7,308         |
| <b>Net current assets</b>                              |      | <b>13,693</b> | <b>13,693</b> | <b>12,641</b> | <b>12,641</b> |
| <b>Total assets less current<br/>liabilities</b>       |      | <b>26,328</b> | <b>26,328</b> | <b>24,608</b> | <b>24,608</b> |
| <i>Provision for liabilities and<br/>charges</i>       | 14   | 151           | 151           | 58            | 58            |
| <b>Net assets excluding Pension<br/>Plan liability</b> |      | <b>26,177</b> | <b>26,177</b> | <b>24,550</b> | <b>24,550</b> |
| <i>Pension Plan liability</i>                          | 8    | 3,211         | 3,211         | 2,881         | 2,881         |
| <b>Net assets including Pension<br/>Plan liability</b> |      | <b>22,966</b> | <b>22,966</b> | <b>21,669</b> | <b>21,669</b> |
| Unrestricted funds                                     |      | 19,611        | 19,611        | 21,207        | 21,207        |
| Restricted funds                                       |      | 3,355         | 3,355         | 462           | 462           |
| <b>Total funds</b>                                     | 5    | <b>22,966</b> | <b>22,966</b> | <b>21,669</b> | <b>21,669</b> |

These financial statements were approved by the Trustees and the Accounting Officer on 22 June 2009 and were signed on their behalf by:

Charles Mackay  
Chairman of the Board of Trustees

Michael Day  
Chief Executive and  
Accounting Officer

The notes on pages 20 to 37 form an integral part of these accounts.

## Consolidated Cash Flow Statement for the year ended 31 March 2009

|  | 2009          | 2008         |               |
|--|---------------|--------------|---------------|
|  | £000          | £000         |               |
| Cash flow statement  |               |              |               |
| Net cash inflow/(outflow) from operating activities  | 421           | 3,566        |               |
| Returns on investment and servicing of finance:  |               |              |               |
| Interest received  | 904           | 1,070        |               |
| Taxation paid  | (5)           | (5)          |               |
| Investing activities:  |               |              |               |
| Purchase of tangible assets  | (663)         | (650)        |               |
| Purchase of intangible assets  | (27)          | (74)         |               |
| Purchase of heritage assets  | (32)          | -            |               |
| Management of liquid resources:*   |               |              |               |
| Net (purchase) of short-term deposits  | 16,634        | (3,941)      |               |
| <b>(Decrease)/Increase in cash</b>   | <b>17,232</b> | <b>(34)</b>  |               |
|  | 2009          | 2008         |               |
| <i>Reconciliation of net incoming resources to net cash inflow from operating activities</i> | £000          | £000         |               |
| Net incoming/(outgoing) resources from charitable and trading activities                     | 2,370         | 3,271        |               |
| Interest receivable  | (904)         | (1,070)      |               |
| Taxation   | 5             | 5            |               |
| Pension scheme: non-cash movements   | (1,073)       | (1,260)      |               |
| Donated heritage assets  | (1,500)       | -            |               |
| Depreciation   | 1,559         | 1,520        |               |
| (Profit)/Loss on disposal of fixed assets  | (5)           | 167          |               |
| (Increase)/ Decrease in stocks   | (141)         | (9)          |               |
| (Increase)/ Decrease in debtors  | 752           | (100)        |               |
| Increase / (Decrease) in creditors: current liabilities                                      | (1,065)       | 571          |               |
| Increase / (Decrease) in provisions for liabilities and charges                              | 93            | 47           |               |
| Increase / (Decrease) in pension plan liability  | 330           | 424          |               |
| <b>Net cash inflow/(outflow) from operating activities</b>                                   | <b>421</b>    | <b>3,566</b> |               |
| <i>Analysis of net funds</i>   |               |              | Change        |
|  | 2009          | 2008         | in year       |
|  | £000          | £000         | £000          |
| Cash at bank and in hand   | <b>18,627</b> | <b>1,395</b> | <b>17,232</b> |

\* Liquid resources include term deposits of less than a year

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Trust, Historic Royal Palaces (HRP), and its trading subsidiary, Historic Royal Palaces Enterprises Ltd (HRPE), together 'the Group'.

**a) Status of charity**

HRP is a registered charity established by Royal Charter.

**b) Basis of preparation**

The financial statements have been prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* published in March 2005, and applicable accounting standards. The financial statements have been prepared under the historic cost convention and meet the requirements of the Companies Act 1985. They have been prepared in accordance with the Accounts Direction, a copy of which can be obtained from the Trust and Company Secretary. No separate statement of financial activities has been presented for the Trust alone as permitted by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

**c) Basis of consolidation**

The Group accounts consolidate HRP and its subsidiary undertaking, HRPE, which has a co-terminous year end. Consolidation has been carried out on a line-by-line basis.

**d) Funds**

Incoming resources and resources expended are allocated to particular funds according to their purpose.

**Unrestricted fund** - the unrestricted fund includes income from admissions, donations and other income received without restriction including retained profits of HRPE. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

**Restricted funds** - restricted funds include those receipts which are subject to specific restrictions imposed by donors, including grants towards specific conservation and improvement projects undertaken at the palaces.

**e) Incoming resources**

All incoming resources are included in the SOFA when the Group is legally entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies apply to categories of income:

- Grants - where related to performance and specific deliverables, are accounted for as the Group earns the right to consideration by its performance. Where income is received in advance of performance its recognition is deferred and included in creditors. Where entitlement occurs before income is received the income is accrued.
- Gifts in kind - where donated to the Group are included as income at market value at the time of receipt.

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 1 Accounting Policies (continued)

### f) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under the principal categories of 'costs of generating funds' and 'charitable activities'. The expenditure classifications comprise direct expenditure, including staff costs, attributable to the activity. Governance costs are the costs associated with the governance arrangements of the Trust which relate to the general running of the Trust as opposed to those costs associated with fundraising or charitable activity. Included within this category are costs associated with the strategic as opposed to the day-to-day management of the Trust's activities.

Support costs, which include functions such as Human Resources, Accounting, Payroll, Procurement and Information Systems are allocated across the categories of costs of generating funds, charitable activities and governance costs. The basis of the cost allocation is explained in note 4 to the accounts.

### g) Intangible fixed assets

From 1 April 2006 intangible fixed assets costing more than £5,000 are capitalised and included at cost. Prior to 1 April 2006 assets costing more than £2,000 were capitalised and included at cost. From 1 April 2003 bought-in software licences are capitalised within intangible assets.

### h) Tangible fixed assets

From 1 April 2006 tangible fixed assets costing more than £5,000 are capitalised and included at cost. Prior to 1 April 2006 assets costing more than £2,000 were capitalised and included at cost. Assets are capitalised at a value net of VAT as, in accordance with SSAP 5, it is not practicable to include. All expenditure on repairing and maintaining the original fabric of the buildings and on non-revenue generating improvements is written off in the year incurred. All improvements to the fabric of the buildings, with the aim of raising or increasing revenue, are capitalised. New buildings constructed by the Trust are depreciated over a period of 20 years. Assets purchased by or gifted to the Trust's predecessors prior to September 1989 have not been capitalised.

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives as follows:

|                         |          |
|-------------------------|----------|
| New buildings           | 20 years |
| Building refurbishments | 10 years |
| Fixtures and fittings   | 10 years |
| Plant and machinery     | 10 years |
| Furniture and equipment | 10 years |
| Exhibitions             | 5 years  |
| Vehicles                | 5 years  |
| Computer software       | 5 years  |
| Computer hardware       | 5 years  |

### i) Heritage Assets

SORP 2005 defined a new category of assets: Heritage Assets. These are defined as assets of historical and artistic importance that are held to advance preservation, conservation and the educational objectives of the Trust. Those items that were purchased by or gifted to the Trust's predecessors prior to September 1989 have not been capitalised, as reliable cost information is not available, as permitted by the SORP. Such assets are not depreciated as their residual value is considered to be higher than the carrying value. Regular impairment reviews of heritage assets are undertaken.

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 1 Accounting Policies (continued)

### j) Investment in subsidiary

In the Trust's accounts, the investment in its subsidiary undertaking, HRPE, is stated at cost.

### k) Stocks

Stock consists of purchased goods for resale. Stock is stated at the lower of cost and net realisable value. Cost of sales is determined on a weighted average cost basis and includes all costs of purchase such as associated transportation charges.

### l) Leases

The Group has no finance leases. Costs relating to operating leases are charged in the Statement of Financial Activities over the life of the lease.

### m) Pensions

The Trust operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of HRP. From October 2002 the scheme was closed to new members. A Group personal pension scheme based on defined contributions was established for new members of staff with effect from this date. The cost to HRP is the contributions paid during the year.

The Trust has implemented the full reporting requirements of FRS17: Retirement Benefits in relation to the defined benefit scheme. The resulting deficit is treated as an unrestricted fund.

### n) Taxation

As a charity, the Trust is exempt from corporation tax under section 505 ICTA 1988. HRPE passes its profits before tax by Gift Aid to the Trust to leave reserves at or close to nil.

Admissions to the palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 65% of VAT incurred by HRP is irrecoverable.

## Notes to the Consolidated Accounts for the year ended 31 March 2009

### 2. Historic Royal Palaces Enterprises Ltd

The Trust has one wholly owned trading subsidiary, Historic Royal Palaces Enterprises (HRPE), with a paid-up share capital of £2. HRPE is incorporated in the UK. The principal activities of the company are retailing and functions and other events held at the palaces managed by the Trust. A summary of its trading results and its net assets is shown below. Audited accounts are filed with the Registrar of Companies.

|  |               |               |
|--|---------------|---------------|
|  | 2009          | 2008          |
| <b>Profit and loss account</b>           | <b>£000</b>   | <b>£000</b>   |
| Turnover                                 | 15,185        | 14,769        |
| Cost of sales                            | (3,471)       | (3,374)       |
| <b>Gross profit</b>                      | <b>11,714</b> | <b>11,395</b> |
| Administrative expenses                  | (8,146)       | (7,675)       |
| Interest receivable                      | 12            | 20            |
| <b>Net profit</b>                        | <b>3,580</b>  | <b>3,740</b>  |
| Amount passed as Gift Aid to HRP         | (3,575)       | (3,737)       |
| Taxation                                 | (5)           | (3)           |
| <b>Retained in subsidiary</b>            | <b>-</b>      | <b>-</b>      |
|  | 2009          | 2008          |
| <b>Balance Sheet as at 31 March 2009</b> | <b>£000</b>   | <b>£000</b>   |
| Stocks - goods for resale                | 1,136         | 996           |
| Debtors                                  | 486           | 924           |
| Cash                                     | 217           | 398           |
| Current liabilities                      | (1,839)       | (2,318)       |
| <b>Net assets</b>                        | <b>-</b>      | <b>-</b>      |
| <b>Share capital and reserves</b>        | <b>-</b>      | <b>-</b>      |

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 3. Total resources expended

|  | Total<br>direct<br>costs<br>£000 | Allocation<br>of support<br>costs<br>£000 | Total<br>2009<br>£000 | Total<br>2008<br>£000 |
|--|----------------------------------|---|-----------------------|-----------------------|
| <b>Costs of generating funds</b>                       |                                  |   |                       |                       |
| <b>Generating the money to make it possible</b>        |                                  |   |                       |                       |
| Fundraising  | 679                              | 58  | 737                   | 609                   |
| Retail activities                                      | 6,813                            | 742                                       | 7,555                 | 7,384                 |
| Other commercial activities                            | 2,089                            | 176                                       | 2,265                 | 1,989                 |
|  | <b>9,581</b>                     | <b>976</b>                                | <b>10,557</b>         | <b>9,982</b>          |
| <b>Charitable expenditure</b>                          |                                  |   |                       |                       |
| <i>Give the palaces the care they deserve</i>          | 15,119                           | 1,220                                     | 16,339                | 13,447                |
| <i>Transform the way visitors explore their story:</i> |                                  |   |                       |                       |
| Public access  | 14,150                           | 1,868                                     | 16,018                | 15,156                |
| Interpretation and learning                            | 7,184                            | 656                                       | 7,840                 | 6,873                 |
| <i>Have a wider impact in the world</i>                |                                  |   |                       |                       |
| Governance costs (see Note 4)                          | 3,101                            | 199                                       | 3,300                 | 3,599                 |
|  | 392                              | 26  | 418                   | 378                   |
|  | <b>39,946</b>                    | <b>3,969</b>                              | <b>43,915</b>         | <b>39,453</b>         |
| Pension finance costs/(income)                         | 268                              |   | 268                   | (112)                 |
| <b>Total</b>   | <b>49,795</b>                    | <b>4,945</b>                              | <b>54,740</b>         | <b>49,323</b>         |
| <b>Resources expended include charges for:</b>         |                                  |   | Total<br>2009<br>£000 | Total<br>2008<br>£000 |
| Auditors' remuneration:                                |                                  |   |                       |                       |
| Audit  | - HRP                            |   | 24                    | 23                    |
|  | - HRPE                           |   | 22                    | 19                    |
| Non-audit  | - HRP                            |   | 7                     | 15                    |
| Hire of equipment:                                     |                                  |   |                       |                       |
| Computers  |                                  |   | 97                    | 88                    |
| Plant and machinery                                    |                                  |   | 116                   | 143                   |
| Other  |                                  |   | 541                   | 501                   |
| Depreciation written off owned fixed assets:           |                                  |   |                       |                       |
| Tangible   |                                  |   | 1,507                 | 1,456                 |
| Intangible   |                                  |   | 51                    | 64                    |
| Corporation tax  |                                  |   | 5                     | 3                     |

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 4. Support and governance costs

Costs for developing an organisation 'Living the Cause', broken down by activity:

|  | Human<br>Resources<br>£000 | Information<br>Systems<br>£000 | Finance<br>Department<br>£000 | Employee<br>Services<br>£000 | Manage-<br>ment<br>Costs<br>£000 | Total<br>2009<br>£000 | Total<br>2008<br>£000 |
|--|----------------------------|--------------------------------|-------------------------------|------------------------------|----------------------------------|-----------------------|-----------------------|
| <b>Costs of generating funds</b>                       |                            |                                |                               |                              |                                  |                       |                       |
| Fundraising  | 10                         | 19                             | 18                            | 5                            | 6                                | 58                    | 51                    |
| Retail activities                                      | 135                        | 244                            | 220                           | 68                           | 75                               | 742                   | 700                   |
| Other commercial activities                            | 30                         | 53                             | 61                            | 15                           | 17                               | 176                   | 159                   |
| <b>Charitable expenditure</b>                          |                            |                                |                               |                              |                                  |                       |                       |
| <i>Give the palaces the care they deserve</i>          | 194                        | 348                            | 474                           | 97                           | 107                              | 1,220                 | 1,087                 |
| <i>Transform the way visitors explore their story:</i> |                            |                                |                               |                              |                                  |                       |                       |
| Public access  | 415                        | 745                            | 270                           | 208                          | 230                              | 1,868                 | 1,755                 |
| Interpretation and learning                            | 125                        | 224                            | 175                           | 63                           | 69                               | 656                   | 570                   |
| <i>Have a wider impact in the world</i>                | 25                         | 44                             | 104                           | 12                           | 14                               | 199                   | 216                   |
| Governance costs                                       | 6                          | 10                             | 4                             | 3                            | 3                                | 26                    | 23                    |
| <b>Total</b>   | <b>940</b>                 | <b>1,687</b>                   | <b>1,326</b>                  | <b>471</b>                   | <b>521</b>                       | <b>4,945</b>          | <b>4,561</b>          |

The bases of apportionment in the above table are:

|                     |                               |
|---------------------|-------------------------------|
| Human Resources     | staff headcount (see Note 7)  |
| Information Systems | staff headcount (see Note 7)  |
| Finance Department  | expenditure excluding payroll |
| Employee Services   | staff headcount (see Note 7)  |
| Management Costs    | staff headcount (see Note 7)  |

### Governance costs

Governance costs include internal and external audit fees, Trustees' meeting expenses and management costs relating to the Trustees.

|                             | Total<br>2009<br>£000 | Total<br>2008<br>£000 |
|-----------------------------|-----------------------|-----------------------|
| Internal and external audit | 198                   | 183                   |
| Trustee costs               | 13                    | 6                     |
| Trustee recruitment         | -                     | -                     |
| Production of annual report | 9                     | 8                     |
| Management costs            | 172                   | 158                   |
| Support costs               | 26                    | 23                    |
|                             | <b>418</b>            | <b>378</b>            |

## Notes to the Consolidated Accounts for the year ended 31 March 2009

### 5. Total funds

|  | Funds as<br>at 1 April<br>2008 | Incoming<br>resources | Resources<br>expended | Revaluations   | Transfers<br>between<br>funds | Funds as<br>at 31<br>March<br>2009 |
|--|--------------------------------|-----------------------|-----------------------|----------------|-------------------------------|------------------------------------|
|  | £000                           | £000                  | £000                  | £000           | £000                          | £000                               |
| <b>Unrestricted funds</b>                                      |                                |                       |                       |                |                               |                                    |
| <b>General (Free)<br/>reserves</b>                             | 5,000                          | 50,373                | (51,639)              | -              | 1,266                         | 5,000                              |
| Designated funds   | 7,343                          | -                     | -                     | -              | (434)                         | 6,909                              |
| Fixed assets   | 11,745                         | -                     | -                     | -              | (832)                         | 10,913                             |
| Pension plan   | (2,881)                        | 2,532                 | (1,789)               | (1,073)        | -                             | (3,211)                            |
| <b>Total</b>   | <b>21,207</b>                  | <b>52,905</b>         | <b>(53,428)</b>       | <b>(1,073)</b> | <b>-</b>                      | <b>19,611</b>                      |
| <b>Restricted funds</b>  |                                |                       |                       |                |                               |                                    |
| White Tower<br>restoration, HM<br>Tower of London              | 107                            | 631                   | (508)                 | -              | -                             | 230                                |
| Royal Fusiliers<br>Building restoration,<br>HM Tower of London | -                              | 441                   | (441)                 | -              | -                             | -                                  |
| Kensington Palace<br>Development                               | -                              | 287                   | -                     | -              | -                             | 287                                |
| Kew Kitchens   | -                              | 1,000                 | -                     | -              | -                             | 1,000                              |
| Donated assets   | 222                            | 1,500                 | -                     | -              | -                             | 1,722                              |
| Other  | 133                            | 346                   | (363)                 | -              | -                             | 116                                |
| <b>Total</b>   | <b>462</b>                     | <b>4,205</b>          | <b>(1,312)</b>        | <b>-</b>       | <b>-</b>                      | <b>3,355</b>                       |
| <b>Total funds</b>   | <b>21,669</b>                  | <b>57,110</b>         | <b>(54,740)</b>       | <b>(1,073)</b> | <b>-</b>                      | <b>22,966</b>                      |

#### Designated funds

Funds have been designated out of general reserves to protect expenditure on long-term commitments to major projects. The single largest fund at 31 March 2009 is £5.1m towards the major development project at Kensington Palace.

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 6. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Trust or its subsidiary. Reimbursement of travel and subsistence expenses incurred by the Trustees whilst carrying out their responsibilities for the Trust totalled £280 (2008: £77) for the year ending 31 March 2009. Expenses were reimbursed for three Trustees (2008: two). HRP does not provide liability insurance for Trustees.

## 7. Staff numbers and costs

The average number of full-time equivalent staff (including senior management) employed during the year was as follows:

|  | 2009<br>Total no. of staff | 2008<br>Total no. of staff |
|--|----------------------------|----------------------------|
| Fundraising  | 7                          | 7                          |
| Retail activities                                      | 91                         | 83                         |
| Other commercial activities                            | 20                         | 18                         |
| <i>Give the palaces the care they deserve</i>          | 130                        | 124                        |
| <i>Transform the way visitors explore their story:</i> |                            |                            |
| Public access  | 280                        | 274                        |
| Interpretation and learning                            | 84                         | 74                         |
| <i>Have a wider impact in the world</i>                | 17                         | 15                         |
| Governance   | 4                          | 4                          |
| Support costs  | 56                         | 55                         |
| <b>Total</b>   | <b>689</b>                 | <b>654</b>                 |

The aggregate payroll costs of these staff were as follows:

|                       | 2009<br>£000  | 2008<br>£000  |
|-----------------------|---------------|---------------|
| Wages and salaries    | 19,080        | 17,687        |
| Loss of office        | 55            | 12            |
| Social security costs | 1,690         | 1,561         |
| Pension costs         | 2,484         | 2,274         |
| <b>Total</b>          | <b>23,309</b> | <b>21,534</b> |
| Agency staff          | 332           | 564           |
| <b>Total</b>          | <b>23,641</b> | <b>22,098</b> |

The number of employees, excluding the Chief Executive, whose remunerations (excluding pension contributions) were:

|                      | 2009<br>No. of staff | 2008<br>No. of staff |
|----------------------|----------------------|----------------------|
| £60,001 to £70,000   | 15                   | 5                    |
| £70,001 to £80,000   | -                    | -                    |
| £80,001 to £90,000   | -                    | 1                    |
| £90,001 to £100,000  | -                    | 2                    |
| £100,001 to £110,000 | 3                    | -                    |
| £110,001 to £120,000 | 2                    | 4                    |
| £120,001 to £130,000 | 1                    | -                    |

There were twenty one staff during the year earning in excess of £60,000 (2008: twelve), thirteen were in a defined benefit scheme (2008: seven) and eight were in a defined contribution scheme (2008: five) where the employer contributions were £48,550 (2008: £27,677).

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 7. Staff numbers and costs (continued)

The aggregate emoluments of the Chief Executive were as follows:

|             | Age | Remuneration | Pension Contributions made to Group Personal Pension Plan |
|-------------|-----|--------------|---|
| Michael Day | 56  | 145,381      | £10,674   |

The emoluments of the Chief Executive in 2007/8 totalled £140,216 (excluding pension benefits).

## 8. Retirement benefits

The Trust operates a defined benefit scheme in the UK. The scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method can be expected to increase over time, as the average age of the membership increases. A full actuarial valuation was carried out at 1 April 2007 and updated to 31 March 2009 by a qualified actuary, independent of the scheme's sponsoring employer.

Following the 2007 actuarial valuation the employer agreed a contribution rate of 27% (including 1.5% payable by members). The employer also pays a 2.0% contribution representing the cost of the Scheme's general administration and the insurance cost of death in service benefits. The employer, with approval from the Trustees, has agreed to pay £23,700 per month to fund the past service deficit. This is anticipated to continue until April 2015. These contributions were calculated by the Scheme Actuary on the basis set out in the Scheme's Statement of Funding Principles and Recovery Plan. A special contribution of £345,600 was paid in March 2009. Employees can also make additional voluntary contributions. These are not brought into account in the scheme's statements.

### Present values of scheme liabilities, fair value of assets and surplus (deficit)

|  | 31/03/2009     | 31/03/2008     | 31/03/2007     |
|--|----------------|----------------|----------------|
|  | £'000          | £'000          | £'000          |
| Fair value of scheme assets            | 28,365         | 32,183         | 30,522         |
| Present value of scheme liabilities    | 31,576         | 35,064         | 32,979         |
| Surplus (deficit) in scheme            | (3,211)        | (2,881)        | (2,457)        |
| Unrecognised surplus                   | -              | -              | -              |
| Asset (liability) to be recognised     | (3,211)        | (2,881)        | (2,457)        |
| Deferred tax                           | -              | -              | -              |
| Net asset (liability) to be recognised | <b>(3,211)</b> | <b>(2,881)</b> | <b>(2,457)</b> |

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 8. Retirement benefits (continued)

Reconciliation of opening and closing balances of the present value of the scheme liabilities.

|   | Period Ending<br>31/03/2009<br>£'000 | Period Ending<br>31/03/2008<br>£'000 |
|---|--------------------------------------|--------------------------------------|
| Scheme liabilities at start of period                 | 35,064                               | 32,979                               |
| Current service cost                                  | 1,789                                | 1,740                                |
| Interest cost   | 2,178                                | 1,783                                |
| Contributions by scheme participants                  | 118                                  | 165                                  |
| Actuarial losses (gains)                              | (6,934)                              | (1,011)                              |
| Benefits paid and death in service insurance premiums | (639)                                | (592)                                |
| Scheme liabilities at end of period                   | <b>31,576</b>                        | <b>35,064</b>                        |

Reconciliation of opening and closing balances of the fair value of scheme assets

|   | Period Ending<br>31/03/2009<br>£'000 | Period Ending<br>31/03/2008<br>£'000 |
|---|--------------------------------------|--------------------------------------|
| Fair value of scheme assets at start of period        | 32,183                               | 30,522                               |
| Expected return on scheme assets                      | 1,910                                | 1,895                                |
| Actuarial gains (losses)                              | (8,007)                              | (2,271)                              |
| Contributions by the Employer                         | 2,800                                | 2,464                                |
| Contributions by scheme participants                  | 118                                  | 165                                  |
| Benefits paid and death in service insurance premiums | (639)                                | (592)                                |
| Fair value of scheme assets at end of year            | <b>28,365</b>                        | <b>32,183</b>                        |

The actual return on the scheme assets over the period ending 31 March 2009 was (£6,097,000).

Total expense recognised in Statement of Financial Activities (SOFA)

|                                  | Period Ending<br>31/03/2009<br>£'000 | Period Ending<br>31/03/2008<br>£'000 |
|----------------------------------|--------------------------------------|--------------------------------------|
| Current service cost             | 1,789                                | 1,740                                |
| Interest cost                    | 2,178                                | 1,783                                |
| Expected return on scheme assets | (1,910)                              | (1,895)                              |
| Total expense recognised in SOFA | <b>2,057</b>                         | <b>1,628</b>                         |

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 8. Retirement benefits (continued)

### Analysis of amounts recognised in fund movements

|   | Period Ending<br>31/03/2009<br>£'000 | Period Ending<br>31/03/2008<br>£'000 |
|---|--------------------------------------|--------------------------------------|
| Difference between expected and actual return on scheme assets:   |                                      |                                      |
| Amount: gain (loss)   | (8,007)                              | (2,271)                              |
| Experience gains and losses arising on the scheme liabilities:  |                                      |                                      |
| Amount: gain (loss)   | (535)                                | (884)                                |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: |                                      |                                      |
| Amount: gain (loss)   | 7,469                                | 1,895                                |
| <b>Total amount recognised in fund movements</b>  |                                      |                                      |
| Amount: gain (loss)   | <b>(1,073)</b>                       | <b>(1,260)</b>                       |

The cumulative amount of actuarial gains and losses recognised in fund movements since adoption of FRS17 is (£4,103,000).

### Assets

|                             | 31/03/2009<br>£'000 | 31/03/2008<br>£'000 | 31/03/2007<br>£'000 |
|-----------------------------|---------------------|---------------------|---------------------|
| Equity                      | 19,829              | 21,943              | 21,481              |
| Bonds                       | 8,099               | 9,981               | 8,881               |
| Other (property, cash, etc) | 437                 | 259                 | 160                 |

None of the fair values of the asset shown above include any of the Employer's own financial instruments or any property occupied by, or other assets used by, the Employer.

### Assumptions

|  | 31/03/2009<br>% per annum | 31/03/2008<br>% per annum | 31/03/2007<br>% per annum |
|--|---------------------------|---------------------------|---------------------------|
| Inflation  | 3.00%                     | 3.70%                     | 3.10%                     |
| Salary increases   | 3.50%                     | 5.00%                     | 4.40%                     |
| Rate of discount   | 6.30%                     | 6.10%                     | 5.30%                     |
| Allowance for pension in payment increases of RPI or 5% p.a. if less     | 2.90%                     | 3.60%                     | 3.10%                     |
| Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less | 3.00%                     | 3.70%                     | 3.10%                     |
| Allowance for commutation of pension for cash at retirement              | None                      | None                      | None                      |

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 8. Retirement benefits (continued)

The mortality assumptions adopted at 31 March 2009 imply the following life expectancies:

|                           | 2009 | 2029 |
|---------------------------|------|------|
| Male retiring at age 60   | 26.8 | 28.0 |
| Female retiring at age 60 | 29.8 | 30.8 |

### Expected long-term rates of return

The long-term expected return on bonds and cash is determined by reference to UK long dated government bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The expected long-term rates of return applicable for each period are as follows

|                             | Period commencing<br>01/04/2008<br>% per annum | Period commencing<br>01/04/2007<br>% per annum |
|-----------------------------|--|--|
| Equity                      | 6.40%  | 6.60%  |
| Bonds                       | 4.40%  | 4.60%  |
| Other (property, cash, etc) | 4.40%  | 4.60%  |
| Overall for scheme          | 5.76%  | 6.01%  |

### Amounts for the current and previous four years

|   | 2009    | 2008    | 2007    | 2006    | 2005    |
|---|---------|---------|---------|---------|---------|
|   | £'000   | £'000   | £'000   | £'000   | £'000   |
| Fair value of scheme assets                 | 28,365  | 32,183  | 30,522  | 26,919  | 19,116  |
| Present value of scheme liabilities         | 31,576  | 35,064  | 32,979  | 29,944  | 23,757  |
| Surplus (deficit) in scheme                 | (3,211) | (2,881) | (2,457) | (3,025) | (4,641) |
| Experience adjustment on scheme assets      | (8,007) | (2,271) | 31      | 4,007   | 984     |
| Experience adjustment on scheme liabilities | (535)   | (884)   | (553)   | 119     | 806     |

The best estimate of contributions to be paid by the Employer to the scheme for the period beginning after 31 March 2009 is £2,529,000.

## Notes to the Consolidated Accounts for the year ended 31 March 2009

### 9. Intangible fixed assets

|   | Software<br>licences<br>£000 |
|---|------------------------------|
| <b>Cost</b>                               |                              |
| Balance as at 1 April 2008                | 271                          |
| Additions                                 | 27                           |
| Disposals                                 | -                            |
| <b>Balance as at 31 March 2009</b>        | <b>298</b>                   |
| <b>Accumulated depreciation</b>           |                              |
| Balance as at 1 April 2008                | 147                          |
| Charge for the year                       | 51                           |
| Disposals                                 | -                            |
| <b>Balance as at 31 March 2009</b>        | <b>198</b>                   |
| <b>Net book value as at 31 March 2009</b> | <b>100</b>                   |
| As at 1 April 2008                        | 124                          |

The net book value as at 31 March 2009 represents intangible fixed assets used for

|  | £000       |
|--|------------|
| <b>Costs of generating funds</b>                       |            |
| Fundraising  | 13         |
| Retail activities                                      | 8          |
| Other commercial activities                            | 1          |
| <b>Charitable expenditure</b>                          |            |
| <i>Give the palaces the care they deserve</i>          | 2          |
| <i>Transform the way visitors explore their story:</i> |            |
| Public access  | 29         |
| Interpretation and learning                            | 37         |
| <i>Have a wider impact in the world</i>                | 9          |
| Governance costs                                       | 1          |
|  | <b>100</b> |

## Notes to the Consolidated Accounts for the year ended 31 March 2009

### 10. Tangible fixed assets

|  | Buildings & refurbishments | Fixtures & fittings | Furniture, equipment & exhibitions | Computers | Plant, machinery & vehicles | Assets in course of construction | Total  |
|--|----------------------------|---------------------|------------------------------------|-----------|-----------------------------|----------------------------------|--------|
|  | £000                       | £000                | £000                               | £000      | £000                        | £000                             | £000   |
| <b>Cost</b>  |                            |                     |                                    |           |                             |                                  |        |
| <b>Balance as at 1 April 2008</b>  | 9,653                      | 3,989               | 2,801                              | 602       | 3,709                       | 162                              | 20,916 |
| Additions  | -                          | 48                  | 182                                | 53        | 57                          | 323                              | 663    |
| Disposals  | -                          | (17)                | (215)                              | (74)      | (29)                        | -                                | (335)  |
| Transfers within tangible assets   | -                          | -                   | -                                  | 33        | 95                          | (128)                            | -      |
| <b>Balance as at 31 March 2009</b>   | 9,653                      | 4,020               | 2,768                              | 614       | 3,832                       | 357                              | 21,244 |
| <b>Accumulated depreciation</b>  |                            |                     |                                    |           |                             |                                  |        |
| <b>Balance as at 1 April 2008</b>  | 4,994                      | 2,810               | 1,973                              | 385       | 2,261                       | -                                | 12,423 |
| Charge for the year  | 766                        | 185                 | 212                                | 71        | 273                         | -                                | 1,507  |
| Disposals  | -                          | (12)                | (203)                              | (87)      | (37)                        | -                                | (339)  |
| <b>Balance as at 31 March 2009</b>   | 5,760                      | 2,983               | 1,982                              | 369       | 2,497                       | -                                | 13,591 |
| <b>Net book value as at 31 March 2009</b>                                      | 3,893                      | 1,037               | 786                                | 245       | 1,335                       | 357                              | 7,653  |
| As at 1 April 2008   | 4,659                      | 1,179               | 828                                | 217       | 1,448                       | 162                              | 8,493  |
| <b>The net book value as at 31 March 2009 represents fixed assets used for</b> |                            |                     |                                    |           |                             |                                  |        |
| Fundraising  | -                          | -                   | 7                                  | 33        | -                           | 15                               | 55     |
| Retail activities  | 605                        | 479                 | 27                                 | 21        | 208                         | 16                               | 1,356  |
| Other commercial activities  | 106                        | 18                  | 18                                 | 2         | -                           | -                                | 144    |
| <b>Charitable expenditure:</b>   |                            |                     |                                    |           |                             |                                  |        |
| <i>Give the palaces the care they deserve</i>                                  | -                          | 135                 | 38                                 | 60        | 287                         | 78                               | 598    |
| <i>Transform the way visitors explore their story:</i>                         |                            |                     |                                    |           |                             |                                  |        |
| Public access  | 1,950                      | 63                  | 250                                | 36        | 808                         | 3                                | 3,110  |
| Interpretation and learning  | 1,232                      | 342                 | 440                                | 70        | 21                          | 233                              | 2,338  |
| <i>Have a wider impact in the world</i>  | -                          | -                   | 6                                  | 22        | 11                          | 12                               | 51     |
| Governance costs   | -                          | -                   | -                                  | 1         | -                           | -                                | 1      |
|  | 3,893                      | 1,037               | 786                                | 245       | 1,335                       | 357                              | 7,653  |

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 11. Heritage assets

|                                    | Total<br>£000 |
|------------------------------------|---------------|
| <b>Cost and net book value</b>     |               |
| Balance as at 1 April 2008         | <b>3,350</b>  |
| Additions                          | 32            |
| Donated works                      | 1,500         |
| Disposals                          | -             |
| <b>Balance as at 31 March 2009</b> | <b>4,882</b>  |

The net book value as at 31 March 2009 represents heritage assets used for:

### Charitable expenditure

*Transform the way visitors explore their story:*

|                             |       |
|-----------------------------|-------|
| Interpretation and learning | 4,882 |
|-----------------------------|-------|

## 12. Debtors

|                                | Group<br>2009<br>£000 | Trust<br>2009<br>£000 | Group<br>2008<br>£000 | Trust<br>2008<br>£000 |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Trade debtors                  | 813                   | 545                   | 1,458                 | 776                   |
| Amounts due from subsidiary    | -                     | 371                   | -                     | 553                   |
| Other debtors                  | 220                   | 176                   | 143                   | 134                   |
| Prepayments and accrued income | 904                   | 729                   | 1,088                 | 855                   |
|                                | <b>1,937</b>          | <b>1,821</b>          | <b>2,689</b>          | <b>2,318</b>          |

Within debtors nil is due after more than one year (2008: nil).

## 13. Creditors: amounts falling due within one year

|                              | Group<br>2009<br>£000 | Trust<br>2009<br>£000 | Group<br>2008<br>£000 | Trust<br>2008<br>£000 |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Trade creditors              | 430                   | 377                   | 1,301                 | 1,134                 |
| Taxation and social security | 541                   | 536                   | 740                   | 502                   |
| Other creditors              | 254                   | 43                    | 282                   | 187                   |
| Accruals                     | 4,546                 | 4,141                 | 4,606                 | 4,270                 |
| Deferred income              | 2,236                 | 1,441                 | 2,143                 | 1,215                 |
|                              | <b>8,007</b>          | <b>6,538</b>          | <b>9,072</b>          | <b>7,308</b>          |

Within creditors nil is due after more than one year (2008 nil).

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 14. Provision for liabilities and charges

|                                    | Claims     | Total      |
|------------------------------------|------------|------------|
|                                    | £000       | £000       |
| Balance as at 1 April 2008         | 58         | 58         |
| Amounts charged in year            | (56)       | (56)       |
| New provisions in year             | 149        | 149        |
| <b>Balance as at 31 March 2009</b> | <b>151</b> | <b>151</b> |

Claim provisions include amounts that will probably be due following public liability claims.

## 15 Financial commitments under operating leases

|  | Group<br>2009<br>£000 | Trust<br>2009<br>£000 | Group<br>2008<br>£000 | Trust<br>2008<br>£000 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating lease payments payable<br>within one year of the balance sheet<br>date were in respect of leases expiring: |                       |                       |                       |                       |
| Land and buildings:  |                       |                       |                       |                       |
| More than five years   | 214                   | 169                   | 209                   | 169                   |
| Others:  |                       |                       |                       |                       |
| Within one year  | 205                   | 196                   | 23                    | 23                    |
| Between two to five years  | 304                   | 220                   | 428                   | 342                   |
| <b>Total payable within one year</b>   | <b>723</b>            | <b>585</b>            | <b>660</b>            | <b>534</b>            |

## 16. Capital commitments

|   | Group<br>2009<br>£000 | Trust<br>2009<br>£000 | Group<br>2008<br>£000 | Trust<br>2008<br>£000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Contracted capital commitments as at<br>31 March 2009, for which no provision<br>has been made in the accounts: |                       |                       |                       |                       |
| Contracted  | 4,270                 | 4,270                 | 1,770                 | 1,770                 |
| Authorised  | 5,919                 | 5,919                 | 5,147                 | 5,147                 |
|   | <b>10,189</b>         | <b>10,189</b>         | <b>6,917</b>          | <b>6,917</b>          |

Commitments include £1,453,700 (2008: £1,780,000) relating to projects that are being funded by donations from third parties.

## 17 Contingent liabilities

Either HRP or the Secretary of State for Culture, Media and Sport may give one year's notice of termination of the contract to manage the palaces. Upon termination, a calculated net asset value would revert to the Secretary of State, being the lower of the value of the net assets transfer of £7.795 million on 1 April 1998 (indexed for inflation and as revised for material changes in accounting policy) or the value of the equivalent assets held at the date of termination of the contract.

# Notes to the Consolidated Accounts for the year ended 31 March 2009

## 18. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details material transactions with members of the Royal Family and all transactions with Trustees (with the exception of remuneration of Trustees which is covered in Note 6).

The palaces and much of their contents are held by The Queen in right of Crown. These contents are the responsibility of the Royal Collection Trust.

Historic Royal Palaces (HRP) is contracted by the Secretary of State for the Department for Culture, Media and Sport (DCMS) to manage the palaces on his behalf. The DCMS is responsible for the upkeep of the Royal Fusiliers Building within the Tower of London. During 2007/08 the DCMS agreed funding for HRP to repair and conserve this building on their behalf. The project will complete in 2009/10.

*The figures in brackets represent the amounts due at the balance sheet date.*

| Related party                 | Connected party   | 2009<br>£000 | 2008<br>£000 | Detail of transaction   |
|-------------------------------|---|--------------|--------------|---|
| Charles Mackay                | Charles Mackay<br>(Chairman of HRP)                                     | 1<br>(nil)   |              | - Charges made by HRP for secretarial services at Kensington Palace                                 |
| HRP Inc                       | Michael Day<br>(President/CEO) and<br>Danny Homan<br>(Director)         | 149<br>(nil) |              | - Grant received by HRP from HRP Inc  |
|                               |   | 2<br>(nil)   | 2<br>(2)     | Loan to HRP Inc by HRPE   |
| ITV Network                   | Sir Trevor McDonald<br>(Trustee of HRP) is a<br>broadcaster for ITV     | 8<br>(nil)   |              | - Charges made by HRPE for an event at Kensington Palace  |
| Michael Page<br>International | Sir Adrian<br>Montague(Trustee of<br>HRP) is Chairman of<br>MPI         | 10<br>(nil)  | 69<br>(nil)  | Payment made by HRP for recruitment and temporary staff   |
| Royal Armouries<br>(RA)       | General Sir Roger<br>Wheeler (Trustee of<br>HRP) is a Trustee of<br>RA. | 408<br>(nil) | 280<br>(nil) | Payment by HRP for goods and services provided at HM Tower of London.                               |
|                               |   | 31<br>(1)    | 32<br>(27)   | Recovery of costs from RA for maintenance, goods and services provided by HRP at HM Tower of London |
|                               |   | 8<br>(nil)   | 15<br>(nil)  | Purchases by HRPE of goods for resale.  |

## Notes to the Consolidated Accounts for the year ended 31 March 2009

### 18. Related party transactions (continued)

| Related party  | Connected party  | 2009<br>£000 | 2008<br>£000 | Detail of transaction  |
|--|--|--------------|--------------|--|
| Royal Collection Trust (RCT) and Royal Collection Enterprises Limited (RCEL) which is a wholly owned subsidiary of RCT | Sir Alan Reid (Trustee of HRP) is a Trustee of RCT and the Chairman of RCEL. | -            | 12 (nil)     | Charges made by HRPE & HRP to RCT for cleaning and conservation of tapestries and historic garments.                                     |
|  | Sir Hugh Roberts (Trustee of HRP) is a Director of RCEL.                     | 6 (nil)      | 7 (nil)      | Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale. |
|  |  | 16 (16)      | 16 (16)      | Recovery by RCT from HRP of a proportion of the costs of maintaining Royal Collection items displayed in the palaces.                    |
| Duke of Edinburgh's Awards International Foundation  | HRH Earl of Wessex   | -            | 9 (nil)      | Charges made by HRPE for an event at Hampton Court Palace.   |
|  | HRH Earl of Wessex & HRH Duke of Edinburgh                                   | -            | 6 (nil)      | Charges made by HRPE for an event at Kensington Palace   |
| King Edward VII's Hospital Sister Agnes  | Sir Alan Reid (Trustee of HRP) is Governor and Treasurer                     | -            | 6 (nil)      | Charges made by HRPE for an event at Kensington Palace   |

Copies of the Trustees' register of interests and their biographical details are available from the Trust and Company Secretary, Apartment 39, Hampton Court Palace, Surrey KT8 9AU.