



Historic Royal Palaces is the charity that looks after:

Tower of London
Hampton Court Palace
Banqueting House
Kensington Palace
Kew Palace
Hillsborough Castle

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

We raise all our own funds and depend on the support of our visitors, members, donors, sponsors and volunteers.

FINANCIAL STATEMENTS

AS AT 31 MARCH 2014



Trustees' Report

Trustees

Charles Mackay CBE (Chairman)
Sir Alan Reid GCVO (Deputy Chairman)
Sophie Andreae DSG FSA
Dawn Austwick OBE
Ian Barlow DL (until 31 December 2013)
Bruce Carnegie-Brown (since 1 January 2014)
Liz Cleaver
General the Lord Dannatt GCB CBE MC DL
Val Gooding CBE (since 1 August 2013)
Jonathan Marsden CVO FSA
Sir Trevor McDonald OBE
Malcolm Reading FRSA (until 3 April 2014)
Sir Adrian Montague CBE (until 30 June 2013)
Louise Wilson FRSA (since 12 June 2013)

Executive Board

Michael Day (*Chief Executive and Accounting Officer*)
John Barnes
Tania Fitzgerald
Gina George
Paul Gray
Colonel Richard Harrold OBE
Danny Homan
Graham Josephs

Registered Office

Hampton Court Palace
Surrey KT8 9AU

Auditors of the Group

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

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)

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 the Royal Kitchens & Queen Charlotte's Cottage. In March 2014, HRP signed a contract with the Northern Ireland Office to take on Hillsborough Castle, HM The Queen's official residence in Northern Ireland.

The palaces are owned by HM The Queen on behalf of the nation. HRP is a Public Corporation but receives no public funding - all costs are met by self-generated income. HRP is governed by a Board of Trustees, all of whom are non-executive and the Chief Executive is accountable to the Board of Trustees.

Further information and a copy of the Annual Review and Summary Accounts can be obtained from 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 a financially independent charity and welcome everyone who can support our Cause.

Trustees' Report (continued)

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 (prior to taking on responsibility for Hillsborough Castle, effective from 1 April 2014). One is a World Heritage Site and another is part of a World Heritage Site, four are Scheduled Ancient Monuments, and one is a Grade I listed building. Our responsibility covers the fabric of the buildings, interiors and contents, estates and landscapes, 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.

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 broaden our reach, build awareness, support and influence for HRP as widely as possible in all our communication and public-facing activities. We run extensive direct education programmes at all our sites.

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 increasing the ethnic diversity of our workforce, promoting further efficiency, managing poor performance & attendance and improving leadership capability.

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 charitable objectives, and to designate any annual surpluses for projects. Our main income streams are from visitors, retail, catering, functions & 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 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 who wish to support our work in that way. 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)

Achievements and Performance

1. Give the palaces the care they deserve

- We have continued our programme of major conservation projects in buildings, interiors & contents, estates and landscapes
- Our entire built estate was re-surveyed between 2012 and 2013, and results show that 96 per cent of the estate is in a 'good' or 'fair' condition. The recommendations from the survey, which will now be extended to Hillsborough Castle, are being translated into a ten-year conservation plan across all sites
- A focus of our work this year has been the conservation and presentation of the interiors of our palaces for the celebration in 2014 of the tercentenary of the Hanoverian accession
- At Kensington, we've been working to return the King's State Apartments to their 1720s appearance with new silk wall-hangings and oak floorboards. We have also carried out cleaning and conservation of the William Kent ceilings
- The panelling on the King's staircase has been refreshed, and the Tijou balustrade restored to its original 1720s colour following specialist paint research
- At Hampton Court, we've seen completion of some long-term major projects, including the last decade of research, conservation and re-presentation of the Terracotta Roundels, and a further phase of structural repairs to Base Court
- In a once-in-a-lifetime project, we have introduced a working drawbridge to the Tower of London. After extensive research, the bridge has been designed to replicate the bridge of 1915 which it replaces, while satisfying the modern traffic needs of the Tower with new foundations and a steel frame at its core
- Also at the Tower, we carried out the fourth and final phase of the North Inner Curtain Wall conservation project, so the wall walk will be ready to open to visitors in July 2014
- Internally, repair work has been done on the Bowyer Tower, with new lighting and heating installed, leaving the space ready for the forthcoming Fortress exhibition
- The second phase of work on the Royal Kitchens at Kew drew to a close in 2013, with the completion of the newly-fitted out office accommodation, workrooms and staff facilities on the second floor. Casement windows were replaced with sash windows to complete the faithful conservation and re-presentation of the building's facades
- A wide range of work has been carried out to care for our gardens and landscapes. At Hampton Court we have restored one section of the former Royal Kitchen Garden in the Tiltyard, and two historic glasshouses in the Stud Nursery
- Within Home Park work has started on improving the roads, and final surveys were undertaken in preparation for Site of Special Scientific Interest status
- We added to our collections this year through a number of important acquisitions. An 18th-century gentleman's embroidered waistcoat will form part of the display at Kensington Palace, as will our newly purchased pair of Queen Victoria's silk stockings. A rare menu book produced for George II by one of his favourite chefs was acquired at auction in February
- Throughout the year we've celebrated 100 years of conservation, with our conservators launching a blog and giving a series of public talks, culminating in a sell-out lecture at the Banqueting House on the survival of Rubens' ceiling painting
- Early in the year, we were proud to become founding members of the National Science Heritage Forum, with an HRP conservation scientist acting as one of its Trustees
- We also acquired a new facility for storage of Collections, in Thames Ditton. In due course this will bring together and safeguard all the important items in our care
- Total spend of £22.8m in the Statement of Financial Activities (SOFA) represents an increase of 32% from the previous year. The increase is due in part to the investment in Programme Sponsors for each palace, to lead the extensive programmes of work, and reflects an increased investment in conservation work, at Hampton Court and the Tower of London in particular.

2. Transform the way visitors explore their story

- The record-breaking 4 million visitors to our places this year enjoyed four new exhibitions across HRP
- At the Tower of London, in partnership with the Royal Mint Museum, we opened *Coins and Kings*, exploring the 500-year history of the Royal Mint at the Tower

Trustees' Report (continued)

- In collaboration with the Royal Armouries, we opened the re-presented *Line of Kings* in the White Tower, featuring English Monarchs from William the Conqueror to George II, on horseback. This is believed to be the oldest continuous running visitor attraction in the world
- *Fashion Rules: Dress from the collections of HM The Queen, Princess Margaret, and Diana, Princess of Wales* opened at Kensington in July with a digital dimension. Visitors could enjoy putting the 'rules' into practice themselves through an iPad app by creating fashion illustrations inspired by the dresses and sharing them through social media
- At Hampton Court six immaculately conserved state beds went on display together for the first time in our summer exhibition, *Secrets of the Royal Bedchamber*. Visitors could lie back on huge mattresses watching spectacular images projected onto the ceiling of the Queen's Guard Chamber
- This theme was extended to a family sleepover at Hampton Court, and at Kensington overnighters celebrated Queen Victoria's birthday. These were HRP's first forays into the annual Museums at Night event
- We also celebrated the ninth season of sell-out ghost tours at Hampton Court
- Visitors to the Banqueting House during the summer were able to immerse themselves in an historical theatrical experience 'Tempe Restored', which explored how Inigo Jones created his famous masques for the King. Visitors could try on costumes, learn a dance, and witness the director and his cast in action as costumed interpreters 'rehearsed'
- Later on in the year, families were invited to take part in a festive 'Game of Crowns' event, with games and activities as part of our Christmas at Kensington celebrations. Visitors were invited to decorate a paper crown before watching performance by the King's Mummers, and singing carols by candlelight
- On Valentine's Day in 2014, we opened the newly-restored 18th-century Chocolate Kitchen, just off Fountain Court at Hampton Court. The kitchen is remarkably well-preserved with many original fittings including a stove, equipment and furniture, and visitors can experience how Thomas Tosier, personal chocolatier to George I, produced his luxurious chocolate drinks
- Our new Head of Creative Programming & Interpretation presented a fresh approach to engaging with our audiences through this work
- Total spend of £33.6m across the headings of Public Access and Interpretation & Learning represents an increase of 12% over the previous year. This increase relates to investment in additional staff to support the high visitor numbers, in the Learning & Engagement strategy, and in projects and exhibitions for 2014/15 and beyond.

3. Have wider impact in the world

- In March 2014, we signed a contract with the Northern Ireland Office to take on the management of Hillsborough Castle, HM The Queen's official residence in Northern Ireland. This is the first time in HRP's history that we have taken on a whole new site, and is our first venture outside London
- The start of the year saw the annual 'Tudor Pull' when the Queen's Row Barge *Gloriana* led a flotilla of traditional watermen's cutters from Hampton Court to the Tower of London. The oarsmen, belonging to the Livery Companies of the City of London, delivered a ceremonial token to the Governor of the Tower for safekeeping
- The restructured Learning & Engagement team started to implement our three-year strategy to transform the scale and impact of Learning at HRP. The strategy is shaped around three major programmes; 'Explorer' – the learning offer for children and young people 0-19 years, based on character-led adventures that combine our stories with digital technology to offer learning 'missions', on site, off site and online; 'Uncover' – which will expand adult learning across the palaces and organise major events; and a multi-channel production team to consolidate our publishing, design and digital skills
- Our book *At the King's Table*, co-published with Merrell in October, was featured in the Telegraph's 'Top Ten Books for Christmas' list
- Other publications in the year included the curator-written *A Really Useful Guide to the Georgians*, and the beautifully illustrated *Royal Bedtime Stories*, ten classic fairytales, re-told with stories from our palaces woven in
- Our new online Image Library will allow staff and customers access to thousands of unique images, and the digitisation project will ensure new images continue to be added. A cold store for the most vulnerable photographs has been created, to prolong their life expectancy

Trustees' Report (continued)

- Our new Digital Strategy was approved by Trustees in the year. This will lead to a significant five-year investment in transforming our digital capability, to support all aspects of our work from conservation, research and curatorship, through our public engagement and visitor-facing activities, and to help us reach millions more people beyond the physical walls of our sites
- HRP's curators, conservators and PR team worked together to see the palaces and collections featured in a number of TV documentaries, including the BBC2 series *Fit to Rule: How Royal Illness Changed History*, conceived and presented by Lucy Worsley, a BBC4 programme devoted to the exhibition *Secrets of the Royal Bedchamber*, and a three-part BBC4 series on *The First Georgians* to coincide with our Glorious Georges season in 2014
- A further partnership with the BBC, *Majesty and Mortar* presented by Dan Cruikshank, traced the evolution of all five palaces and featured a number of curatorial and conservation projects
- In addition to these documentaries, the palaces also featured in a number of other television projects including *Dr Who* and *The Apprentice*, expanding our reach to wider mainstream audiences. Live social media activity throughout these programmes helped us capitalise on the profile opportunities
- We continued to expand our social media presence through the year. We launched on new platforms Google+, Tumblr and Instagram, while our existing Twitter and Facebook channels reached more people than ever with new content including live Twitter tours and YouTube films
- We carried out a refresh of the HRP website, to improve the user experience and showcase the best the palaces have to offer, and have developed a new Domestic Market Strategy which aims significantly to increase domestic visitors across all the palaces
- The strategy is based on newly-created HRP Culture Segments which are based on detailed research to help us better understand the behavioural motivations of all our visitors, and group them into priority segments
- Our sales team were delighted to receive the 2013 UK Inbound Award for Best Individual Attraction for the Tower of London, voted for by members of the inbound travel industry
- We rounded off the year with an inaugural stakeholder reception at the Banqueting House in February 2014 to celebrate HRP's work. Key partners, donors and stakeholders heard about our progress and future plans from our Chief Executive, Michael Day, more about the Banqueting House from Lucy Worsley and in a speech on the importance of heritage, warm praise for us and our work from Maria Miller, the former Secretary of State for Culture, Media and Sport.

4. Build one organisation united behind our Cause

- Our biannual staff survey was carried out in September 2013. The headline results show that staff continue to believe that Historic Royal Palaces is a great place to work, with very high engagement levels, exceptional sense of charitable purpose and high confidence in the Executive Board
- Opportunities for improvement were highlighted around the impact of high levels of activity and change, and these are being addressed through a staff-generated action plan, which includes ways to improve staff enablement and to manage pressure, while continuing to develop the leadership skills of our managers
- Investment in formal learning and development has increased on the previous year. In addition to our regular training, targeted training activity has helped to progress some key HR priorities and deliver important organisational change
- Our first round of curatorial interns, who started in 2010, have all gone on to jobs in the heritage field, including one who has stayed on at HRP
- As part of our ambition to achieve Independent Research Organisation status for HRP by 2020, we appointed a new Head of Research in October, established a system of writing time to allow curators to produce work for peer-reviewed publications and have trained staff in the use of Endnote, automatic referencing software for the 10,000 items in the curators' library
- In September, Chief Curator Lucy Worsley was presented with an honorary doctorate from the Open University for her 'exceptional contribution to education and culture'
- Terry Gough, Head of Gardens and Estates was also presented with an honorary doctorate, from the University of Essex, in recognition of his services to the landscape and garden design industry, and also for sharing his knowledge and expertise with staff and students of Writtle College for the past ten years

Trustees' Report (continued)

- We benefitted from an increase of 9% in the number of volunteer hours contributing to our work, which reached a total of 34,010 hours in the year (2013:31,155) and we now have 324 volunteers (2012: 302)
- A new Visitor Survey Volunteer role based at the Tower of London and at Hampton Court Palace has enabled us to gather valuable data from visitors as they leave these palaces. Volunteers carried out 1,756 surveys last year (443 at Hampton Court and 1,313 at the Tower)

5. Generate the money to make it all possible

- We attracted 4.0 million visitors to our palaces in 2013/14, which was an increase of 15% on 2012/13, and another record for HRP
- The agreement with Royal Botanic Gardens Kew to open Kew Palace and the Royal Kitchens at no additional charge to Gardens visitors led to a fivefold increase in visitor numbers, which reached 150,000 for the year
- The Banqueting House welcomed over 50,000 visitors for the first time, marking the success of the guaranteed opening hours implemented last year
- Over a third of our visitors (1.4 million) came through travel trade operators, agencies or groups and sales through the travel trade reached another record at over £16m, 28% higher than 2012/13
- Retail sales also out-performed last year's record, and grew by 8% to achieve turnover of £12.6m. The newly refurbished Beefeater and Ravens Shops at the Tower contributed to this growth, and increased licencing and e-commerce income were achieved following the launch of the new strategy for offsite business
- Functions & Events sales of £5.5m were down 9% on last year, which had been significantly boosted by the Olympics. Within this, the Tower had a record year with sales exceeding £2m for the first time. A new strategy for developing this business was signed off by Trustees in the year
- It was a good year for feature filming at the palaces, an increasingly valuable revenue stream. Palaces featured included; the Tower in scenes for *Muppets Most Wanted* and Hampton Court in *A Little Chaos* starring Kate Winslet and directed by Alan Rickman
- HRP's second major fund-raising campaign, which launched in April 2013, had a successful first year attracting £3.4m of grants and donations, including Estee Lauder Companies sponsorship of the *Fashion Rules* exhibition at Kensington Palace, and a number of significant donations for exhibitions and major projects in future years. The campaign, "The Next Chapter in our Story" set an ambition to raise £30m by 2018 and including pledges in the year of donations for future years that cannot yet be accounted for, the total raised in the first year of the campaign reached £8m
- Our Corporate Partnerships programmes continued to attract and retain considerable support, with notable additions during the year from KPMG, Swiss Re and Berkeley Law
- The Constable the Lord Dannatt led the campaign to restore the Chapel of St Peter ad Vincula with the launch of The 1535 Society, presided over by the Archbishop of Westminster and the Bishop of London
- Our development programme in the USA continued to gain momentum with visits by Yeoman Warder Bob Loughlin, Dr Lee Prosser and Dr Susanne Groom
- The number of HRP members reached almost 73,000 at the year-end, an increase of 13% from last year. Membership activity contributed £1.8m of income to our work (2013: £1.5m)

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

Trustees' Report (continued)

Financial Review

The number of visitors that spent a day out at one of our palaces in 2013/14 increased by 15% to 4.0 million, the highest number in our history. We saw growth in visits to all palaces across the year, but the most significant change was at Kew Palace where Royal Botanic Gardens visitors could enter the palace for no additional charge for the first time. This resulted in a fivefold increase in visitor numbers at Kew to 150,000.

Admissions income for 2013/14 was £51.9m – 65% of total income and an increase of 15% from 2012/13.

The increase to income has been added to by another strong year for the retail and functions & events businesses, income from catering & other concessions, and sponsorship, all of which contributed to a 4% increase in generated funds.

Fundraising has also had another successful year; attracting generous donations for our major projects. Income from grants and donations in the year reached £3.4m.

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

The strong financial performance in the year has meant that we are able to designate more funds towards the cost of projects within our ambitious strategy for the next three years and beyond.

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 thus enable HRP to make long-term commitments to projects. 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.

Following this detailed review the target level for free reserves remains at £5 million and this has been maintained at March 2014.

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

Restricted funds (£2.1m)

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** (£5m) are that part of the unrestricted fund that are not held as fixed assets or designated for other purposes:

- **Fixed asset fund** (£13.3m)

A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event this is required. 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.

Trustees' Report (continued)

- **Designated funds (£19.7m)**

Funds have been designated out of general funds to protect long-term commitments to major projects. £5.0m has been designated to complete projects in 2014/15 that were underway in 2013/14. £1.7m is designated towards the re-presentation of the Baroque Palace at Hampton Court, a series of projects to be completed over the coming 3-5 years. Also at Hampton Court, funds have been set aside for the development of a garden designed for children and families (£1.7m designated). £1.6m is designated towards the cost of conserving the Banqueting House, work that is due to commence in 2014/15 and be completed by 2018, £1.6m for development work at the Tower of London, and the entry arrangements in particular, £1.6m for the first year of our work to implement our new Digital strategy, and £1.7m has been designated to support our plans to develop Hillsborough Castle. Other smaller designations include funds for the continued roll-out of wi fi across the palaces, and for the ongoing development of Learning and Engagement.

- **Pension plan (£1.9m deficit)**

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. The scheme was last valued for funding purposes as at 1 April 2012. This valuation recorded a slight increase in the deficit, from £5.6m at 1 October 2009 to £5.9m at 1 April 2012. A revised plan to recover the historic deficit has been agreed, with an increase in annual payments to £372,000, rising by 3% a year to 2018. The ongoing employer contribution to the scheme for future-service has also increased, from 26% to 27.5%. Both of these changes were implemented from April 2013. 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, calculated for accounting purposes, at March 2014 is £1.9million (March 2013: £1.4 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. In addition, we have published a Diversity Strategy and Action Plan and are making progress in increasing the diversity of our workforce.

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 a cascade briefing; *News from the Executive Board*, the intranet, notice boards, team briefings and a staff newsletter, *Our Story*.

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. No more than 50% is invested in any one institution, except for deposits with the Bank of England
4. Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 3 years.

Trustees' Report (continued)

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 2013/14 70% of supplier invoices were paid within 30 days of date of invoice (67% in 2012/13) and 80% within 40 days (77% in 2012/13). This payment performance has not been adjusted for invoices which have been delayed for payment due to a query with the supplier.

Related parties

Details of material dealings with any related parties are set out in Note 20.

Environmental Sustainability

Conservation is at the heart of HRP's mission, so managing the estate with as little environmental impact as possible is important to us.

Energy reduction in historic buildings is challenging. Our organisation's ambition translates into increasing activities for visitors and expanding spaces available to the public and staff, which in turn make energy reduction more difficult. Nevertheless we continue to implement and explore a number of initiatives to manage our consumption of electricity, gas and water more efficiently. This includes:

- continual improvements in electricity shut down procedures at nights and weekends
- increased use of low energy lighting and conversion to LED lighting
- draught proofing historic windows at Hampton Court
- roof space insulation installed at the three largest palaces and lagging on pipes
- grey water is used to irrigate the lawns in the moat at the Tower of London and flush some of the public toilets. At Hampton Court rain and river water is used for the majority of irrigation.

We continue to focus on waste management and increased re-use and recycling. This has resulted in most palaces reaching greater than 80% waste recycling for the last four years (85% at Hampton Court, 84% at Banqueting House, 82% at the Tower of London and 66% at Kensington Palace in 2013/14), and no waste sent to landfill in 2013/14.

The following initiatives have contributed to this achievement:

- a trial at the Tower of London, in cooperation with our catering concession, successfully demonstrated composting as a means of removing food waste from our waste streams. More work will be undertaken in 2014/15 to roll out the programme across our palaces
- installation of well sign-posted recycling points in staff and public areas, including at large-scale events
- specific cardboard collection from the retail shops and compacting at the retail warehouse for recycling
- the Gardens and Estates department recycle 95% of their green waste, which is shredded and never taken off site.

We are committed to the sustainable management of habitats of wildlife conservation importance and are being considered by Natural England for designation as a Site of Special Scientific Interest. The decision is expected in June 2014.

A small working group has been set up, chaired by the Palaces Group Director, to develop a long term sustainability strategy. Following a detailed carbon footprint audit report for Hampton Court and the Tower of London by an external consultant, we have agreed an action plan for 2014/15 which includes:

- improving the water metering at Hampton Court and the Tower of London
- upgrading the building management system at the Tower of London
- improvements to the air-handling unit in the Waterloo Block at the Tower of London
- extending the food waste composting scheme to all palaces with food concessions

Trustees' Report (continued)

- improving on-site recycling facilities for visitors
- integrating sustainability principles into the Tower of London Master Plan to inform the overall HRP sustainability strategy.

Report of the Remuneration Committee

Membership

The membership of the Remuneration Committee during 2013/14 consisted of four Trustees. General the Lord Dannatt (Chairman), Liz Cleaver and Jonathan Marsden all served on the Committee throughout the year. Louise Wilson was appointed to the Committee on 3 October 2013. She replaced Sue Farr who completed her term of office as Trustee and member of the Remuneration Committee on 31 March 2013.

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 the 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 Charity 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 2013, all Directors received a 2.25% increase to their basic salaries. This level of increase was in line with the median settlements in the external market and with the settlement awarded to other HRP staff.

In addition, the Directors received a performance-related bonus for the 2012/13 period. These bonuses were awarded consistently with the Directors' performance-related bonus scheme and reflected a very good year for HRP and its Directors. 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 2013/14 period have been accrued and will be paid in accordance with the agreed scheme.

During the year the Committee reviewed the Directors' overall reward arrangements. The Committee concluded that the Director's reward philosophy, policy and practice remained 'fit for purpose' and that no changes were necessary at this time. The Committee also carried out its annual review of Directors' Succession Plans. These were subsequently discussed and approved by the Trustee Board.

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 CBE
Chairman of the Board of Trustees
16th June 2014

Hampton Court Palace
Surrey
KT8 9AU

Governance Statement

The Governance framework

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

The Chairman is appointed by HM The Queen on the advice of the Secretary of State. Four Trustees are appointed by HM The Queen, of whom three are ex officio appointments: The Director of Royal Collection Trust; The Keeper of the Privy Purse; and The Lord Chamberlain. The Lord Chamberlain may choose not to take up his appointment, in which case HM The Queen may appoint someone to take his place, as currently. The remaining seven are appointed by the Secretary of State, two of whom are ex-officio; the Constable of the Tower of London and the Chairman of the Campaign Board.

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 recruited through advertisement, by using existing contacts, by further research and 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 on their responsibilities as a Trustee of both a charity and a public body, and about the organisation.

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 the Board or its committees. Such matters include approval of strategic plans, annual budgets and major projects, remuneration of the Directors and variation to governing documents.

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.

There are four sub-committees of the Board. The Audit & Risk Committee formally 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: Dawn Austwick (Chair), Sophie Andreae and Malcolm Reading. Anupam Ganguli is a co-opted member of the committee. In June, it was proposed that the Audit Committee should extend its role to formally take on formal responsibility for providing risk assurance to the Board of Trustees. This proposal was approved by the Board in November, along with the proposal to rename the committee; the Audit & Risk Committee. Revised Terms of Reference for its work were also approved. It is intended that this Committee will meet four times a year from 2014/15 to accommodate its wider remit.

Oversight of investment activities is provided by the Investment Committee, whose remit includes reviewing the balance of risk/return, and the impact of external factors. During the year the committee comprised four Trustees: Sir Adrian Montague (Chair, until 30 June 2013), Sir Alan Reid (Chair from 1 July 2013), Charles Mackay, Ian Barlow (until 31 December 2013), Bruce Carnegie-Brown (from 1 January 2014) and two members of the Executive Board: Michael Day and Tania Fitzgerald. There is a vacancy on this committee and it is intended that this will be filled through the appointment of a co-opted member with investment expertise. An appointee is currently being sought.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the Remuneration Committee which usually meets three times a year. The committee was chaired by General the Lord Dannatt. Other Trustees who served on the committee were Liz Cleaver, Jonathan Marsden, and Louise Wilson, who was appointed to the committee in October 2013.

Governance Statement (continued)

The Nominations Committee reviews Trustee succession and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Trustee Board. Membership of the committee comprises the Chairman, the Deputy Chairman, the Chair of Remuneration Committee and up to two other Trustees. For the year ended 31 March 2014 these were respectively; Charles Mackay (Chair of Committee), Sir Alan Reid, General the Lord Dannatt, Dawn Austwick and Val Gooding (from 1 October 2013).

The terms of reference for each committee are agreed by the Board.

The work of the Board is further supported by one outside Committee, the Campaign Board, which brings special expertise on fundraising to HRP. This Board was chaired by Ian Barlow until 31 December 2013, and Bruce Carnegie-Brown from 1 January 2014. Sir Trevor McDonald and Louise Wilson (from 3 October 2013) also serve on it. Other Campaign Board members are external people with expertise in this area.

Further Trustee input to HRP's work comes through advisory groups where Trustees bring their expertise and work with members of the Executive Team to advise on particular areas such as major projects. During 2013/14, our work was supported by an Interpretation Committee which advised on the governance of interpretation.

Attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of the annual Board Effectiveness Review meetings. Attendance at Trustee Board meetings over the year was 93% (2013: 86%). There was 100% attendance at all sub-committee meetings in the year compared with in 2013; Audit Committee 89%, Investment Committee 92%, Remuneration Committee 92% and Nominations Committee 100%.

The attendance record of individual Trustees is summarised in the table below:

	Board	Audit Committee	Investment Committee	Remuneration Committee	Nominations Committee
Charles Mackay	7/7		2/2		1/1
Sir Alan Reid	7/7		2/2		1/1
Sophie Andreae	6/7	3/3			
Dawn Austwick	6/7	3/3			1/1
Ian Barlow (until 31 December 2013)	5/5		2/2		
Bruce Carnegie-Brown (since 1 January 2014)	2/2				
Liz Cleaver	7/7			3/3	
General the Lord Dannatt	7/7			3/3	1/1
Val Gooding (since 1 August 2013)	3/4				
Jonathan Marsden	7/7			3/3	
Sir Trevor MacDonald	6/7				
Sir Adrian Montague (until 30 June 2013)	1/2				
Malcolm Reading	7/7	3/3			
M Louise Wilson (since 12 June 2013)	5/6			1/1	

HRP has a Chief Executive and an Executive Board of seven Directors. The Executive Board's role is to develop and deliver the Cause and Strategy.

Governance Statement (continued)

The Board's performance

The effectiveness of the Trustee Board and its Committees is formally reviewed each year. Every third year Trustees complete a detailed questionnaire and in the intervening two years the Chairman holds an update discussion with each Trustee.

The meetings between the Chairman and each Trustee also cover the performance of those individual Trustees and feedback on the Chairman's own performance is sought.

The final part of the effectiveness review process is a short report summarising the views of the Executive Board on the way the Trustee Board functions and its working relationship with the Executive.

Each year the Chairman produces a report covering all aspects of Board effectiveness, based on the process outlined above, updating the position on actions agreed the previous year and identifying actions to take forward in the current year. This report and its findings are discussed annually and actions agreed at a Board meeting. Last year's review was informed by the completion of a detailed questionnaire and the Chairman concluded that effectiveness remained at a high level. Five recommendations for further improvement were made. This was discussed at the Board meeting in October 2013, and all recommendations have now been actioned.

Highlights of board committee reports

The Trustee Board meets seven times a year. Each Board meeting agenda follows the same core structure which is; strategic development, projects & expenditure, monitoring performance, and organisation & governance. Of the seven meetings, five are used to focus on each of the five strategic aims (see page 3). Of the two remaining meetings, one is to review and approve the updated three-year Strategic Plan and Annual Operating Plan & Budget, and the final meeting is for Trustees to approve the Annual Review and Annual Report & Accounts.

Minutes of Trustees meetings are published on our website once approved by the Board.

At the start of each annual strategic planning process, Trustees hold a separate meeting, attended by the Chief Executive, to discuss strategy and to inform the planning process. This meeting is not formally minuted and therefore the output is not published.

The financial performance of the organisation is reviewed at each Trustee meeting through a summary management information pack that reports key aspects of financial performance but also key non-financial organisational performance indicators, and is supported by commentary explaining variances and highlighting issues requiring attention or action. Updates on major projects are also provided at each meeting.

The work of committees of the Board is reviewed by Trustees either through the minutes or a verbal report by the chair of each committee.

The scheme for delegating authority reserves a number of matters for decision by Trustees. These matters are considered at Board meetings and include approval of expenditure above a certain limit. Variations to budgeted expenditure of more than 10% on any project are also referred to the Board for approval. During 2013/14, some changes to the matters reserved for the Board were agreed. These included; the requirement for Executive Board to seek approval of all significant new strategies; increasing the limit for approval of projects and contracts to £500,000 excluding VAT (from £300,000), although projects that may be perceived as novel or contentious below this limit will still be brought to Trustees attention; and the formalisation of a protocol for making decisions on urgent matters between Board meetings.

The most significant decision taken by the Board during 2013/14 was the agreement to take on management responsibility for Hillsborough Castle (from 1 April 2014) in a contract with the Northern Ireland Office. In addition, Trustees discussed and approved a new approach to putting "Audiences First" comprising three new strategies; a Learning & Engagement Strategy to transform

Governance Statement (continued)

the scale and impact of learning and engagement at HRP, and our capacity to deliver it; a Domestic Market Strategy that aims to increase the number of domestic visitors by 50% across all palaces by 2020; and a Digital Strategy that will transform the way we engage with our audiences. Trustees also approved a new Direction of Travel for Creative Programming and Interpretation.

Investment in projects approved in the year included; work relating to the re-presentation of the Kings State Apartments at Kensington Palace; the conservation and re-presentation of the Middle Drawbridge at the Tower of London as a working drawbridge; the interpretation project “the Glorious Georges” at Hampton Court, Kensington Palaces and Kew Palaces; the restoration of one of the Tiltyard Gardens at Hampton Court as an 18th century kitchen garden; a major installation at the Tower of London to commemorate the First World War; and Art at Hampton Court in the Cumberland Art Gallery. Other infrastructure projects approved included improving the roads in Home Park at Hampton Court, and the replacement of the chiller units that service the Jewel House at the Tower of London.

Trustees considered progress through an annual series of strategic updates on; Human Resources, the work of our Curators; the programmes of conservation of our buildings, collections, gardens and estates; the strategy for pension benefit provision; and Development, including endorsing an ethical fundraising policy. The annual in-depth review of our fifth strategic aim; *Generate the money to make it all possible* included the approval of a new retail off-site strategy and a review of the strategy for developing our Functions & Events business. Specific governance matters dealt with in the year also included a review of succession planning.

Audit & Risk Committee agendas are similarly structured considering matters of risk management, the external audit and internal audit plans and progress. Progress with all major projects is reported at each meeting using red/amber/green indicators to highlight the status of each project. The committee met three times in the year to March 2014 and, in addition to its normal business, undertook two detailed reviews of the management of our collections in response to an internal audit last year and noted the good progress being made. The Committee also considered a report on an external quality review of HRP’s internal audit service.

The Investment Committee met in July and November 2013. The committee reviewed HRP’s investments at each meeting and in November recommended to the Board a £10m investment in a corporate bond portfolio managed by Barclays Wealth; this investment was made in January 2014. The committee also provided advice to the Pension Scheme Trustees on scheme investment strategy.

The Campaign Board supported the successful start of HRP’s second major fundraising campaign in the year, with the objective of raising £30m of income over five years.

Corporate governance

The palaces in HRP’s care are owned by HM The Queen “in right of crown” and the Government is responsible for their management. HRP was established by Royal Charter in 1998 and the Royal Charter Body obtained registration as a charity and entered into a contract with the Secretary of State for the Department for Culture, Media and Sport to manage the palaces on his behalf. HRP was reclassified as a Public Corporation on 1st April 2005. In February 2014 the Privy Council approved a revision to the Royal Charter to permit HRP to take on any other palace or property considered by the Trustees to be of Royal association and historic and/or architectural importance.

HRP’s governance reflects this structure. We are directly accountable to the Charity Commission through the Chairman and Trustees but also accountable to Government through the Chief Executive (as Accounting Officer). The contract with Government includes a management statement and a financial memorandum with which we comply.

HRP is only obliged to comply with relevant aspects of the Corporate Governance Code and we comply with the elements that are relevant to us as a public corporation and a charity. HRP is also subject to the Freedom of Information Act.

Governance Statement (continued)

Quality of the data

The structured approach to board meetings ensures that all aspects of HRP's performance are reviewed regularly and to an appropriate level.

Board agendas are drafted in discussion with the Chief Executive and the Chairman. The Board Secretary also prepares minutes, and matters arising are reviewed at each subsequent meeting.

Risk assessment

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 & 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 2014 and up to the date of approval of the Annual Review and Accounts, and accords with Treasury guidance.

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 Chief Executive Officer (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. His opinion for the year to March 2014 was that HRP has a good framework of risk management, control and governance that is sufficiently well embedded in most areas to guard against serious irregularity, impropriety and waste of the organisation's resources.

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

- The Internal Audit Department takes a risk-based approach to audits and operates in compliance with Public Sector 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;
- A fraud risk profile is updated annually by Directors and reviewed by the Audit Committee;
- New activities and changes to existing processes are routinely reviewed to ensure that adequate controls are in place;
- The Security Adviser provides an annual internal and external security threat analysis which is reported to the Board;
- Regular reviews are made of health and safety and environmental risks, and the implementation of related policies and procedures. An annual report is provided to the Board;
- The Finance Director has been appointed Senior Information Risk Owner, and takes responsibility for the management of information risk;
- HRP has an agreement with the Communication Electronic Security Group that where possible HRP will comply with industry best practices and the spirit of the Security Policy Framework. HRP is a PCI DSS SAQ Level C compliant organisation with appointed Departmental Information Asset Owners that track and record all repositories sensitive data (up to OFFICIAL- SENSITIVE). Internal audit reviews of departmental operations ensure processes are periodically assessed against prevailing best practice (eg COBIT)
- 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.

Governance Statement (continued)

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

The Audit & Risk Committee is responsible for reviewing management's mechanisms for the assessment and management of risk, the planned activity of external and internal audit and the results of their work, the adequacy of management's responses to issues identified by audit activity and the adequacy of assurances relating to corporate governance.

At 31 March 2014, HRP had one 'red' status risk on the risk register which was: *a major unpredictable event that shifts visitor/trading activity significantly or has significant cost implications*. This risk has ongoing 'red' status due to the potential scale of impact and the continuing possibility of an event (e.g. terrorist activity) that would have such impact. The organisation has a Major Incident Plan and an operational/financial contingency plan which covers the response in the event of such an incident.

Two risks were considered to remain 'amber' at the year-end: *HRP's conservation reputation damaged* - while good progress has been made in implementing the recommendations from an audit of collections management, they are not yet fully implemented, and *Information systems; failure of key systems that inhibit our ability to operate* - until work in hand to address single points of failure in the IT infrastructure has been completed (such as a second resilient data link at Hampton Court). A third risk that had been 'amber' at March 2013 is now judged to have returned to green - *Insufficient staff capacity to deliver programmes*. This is on the basis that resource and workload have been carefully matched in our annual operating plan and new resources have been recruited. A new risk; *Hillsborough - failure to achieve the year-five 'future operating model'* (as set out in a paper considered by Trustees in July) has been added to the risk register and has 'amber' status until detailed plans for the development of the castle have been approved.

Risks for the delivery of the 2014/15 annual operating plan include relatively high unemployment and pressure on real incomes in parts of the UK, which may affect income generating areas of HRP's work. The ever-present terrorism risk, and political instability in certain parts of the world also present a risk to the delivery of our plan. Financial contingency plans are in place to mitigate the impact of these risks, should they crystallise, such as the inclusion of a substantial income contingency in the budget for the year.

Some of the improvements to the management of risk during the year include:

- HRP's Strategic Plan has been updated for the three years to March 2017. This also involved identifying key strategic risks and opportunities for each department;
- The *Statement of Intent*, setting out demanding organisational ambitions for 2020, was updated;
- Audit & Risk Committee (ARC) agreed at its meeting in June 2013 that it would publish an annual report on its work for the Board of Trustees, commencing with the 2013/14 financial year. This would conform with best practice for audit committees and guide the committee in the annual review of its performance;

Governance Statement (continued)

- The five-yearly external quality review of HRP's internal audit service was carried out during the year and concluded that a reasonable standard of compliance with the International Internal Auditing Principles was being achieved. An action plan to achieve an appropriate level of compliance has been drawn up and was signed off by the ARC in March 2014;
- New Key Performance Indicators (KPIs) for Internal Audit were agreed in November 2013 by the ARC. These are consistent with the KPIs for internal audit agreed by HM Treasury and will enable HRP to benchmark the performance of its internal audit service against others in Government;
- ARC commissioned the Head of Internal Audit to review HRP's risk management framework. While the review concluded that the current framework was appropriate for HRP, it was agreed that the guidance on risk management should be updated and expanded, and that induction training on risk management would be provided for any new directors;
- The Head of Internal Audit worked closely with the Human Resources Team to develop an improved Whistleblowing Policy. The policy was reviewed by the ARC and the NAO in November 2013 and changes made based on their comments. The updated policy was published to all staff in February 2014 and training in its use will take place during 2014/15;
- A further training session on Fraud Awareness was carried out in August 2013, for all Functions & Events staff;
- A full review of compliance with the Data Protection Act was carried out and a few cases where personal information had not been registered or was being held for longer than necessary were identified. The errors have now been rectified and all hard and soft copy personal information held by HRP is now registered and is being protected as required;
- There have been no incidents of data loss in the year;
- The Security Adviser conducted a formal annual security inspection of all palaces and departments. These showed that all elements have an appropriate response to security threats and are in compliance with HRP security instructions;
- There have been a number of improvements to physical security across the palaces, the most important of which was the complete replacement of the security control room at Kensington Palace;
- An advisory visit from the Security Service's Centre for the Protection of National Infrastructure took place in March 2014 and this concluded that security was of a good standard and appropriate measures to meet new requirements were in hand;
- The Fire, Health & Safety Adviser was able to conclude at the year end that the overall management of the Health, Safety & Environmental (HS&E) risks to which HRP is exposed is satisfactory, and that we have reached satisfactory levels of compliance with relevant legislation;
- During the year new software was provided to Heads of Department which will hold all documentation required to demonstrate compliance against HS&E legal and HRP policy requirements. Once this database is fully populated compliance can be judged to be 'good'. Progress in achieving this was made during the year;
- A number of improvements to the management of HS&E at HRP were implemented. These included; a review by an independent consultant of the HRP HS&E management system against OHSAS18001 to form the basis of a revised HS&E strategy; an independent fire safety audit was carried out and action plan developed; a revised Major Incident Plan was issued and a pocket-sized 'aide memoire' produced for management; the HRP asbestos management plan was reviewed and a number of procedural changes implemented; and three 'Health & well-being days' were run for staff;
- A small working group has been set up, chaired by the Palaces Group Director, to develop a long-term sustainability strategy.

Review of Effectiveness

The Trustees and Accounting Officer have responsibility for reviewing the effectiveness of the system of internal control. The review 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 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.

Governance Statement (continued)

Significant internal control issues

No significant internal control issues have arisen during the course of 2013/14.

Charles Mackay CBE
Chairman of the Board of Trustees
16th June 2014

Michael Day
Chief Executive and Accounting Officer

Statement of Responsibility

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 Charity 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 Charity 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 Charity 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 CBE
Chairman of the Board of Trustees
16th June 2014

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 Charity. 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
16th June 2014

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

I have audited the financial statements of Historic Royal Palaces for the year ended 31 March 2014. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Historic Royal Palaces' and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Historic Royal Palaces; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' Report, Governance Statement and Statement of Responsibility to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of Historic Royal Palaces' affairs as at 31 March 2014 and of the group's and Historic Royal Palaces' incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and Secretary of State directions issued with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the information given within the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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

23RD June 2014

Consolidated Statement of Financial Activities

for the year ended 31 March 2014

	Note	Unrestricted funds £000	Restricted funds £000	Total 2014 £000	Total 2013 £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income					
Grants and donations		2,374	1,040	3,414	3,711
Activities for generating funds					
Retail income		12,634	-	12,634	11,701
Functions and events		5,449	-	5,449	6,020
Licences and rents		3,186	-	3,186	2,853
Sponsorship		488	-	488	388
		21,757	-	21,757	20,962
Investment income		419	-	419	503
Incoming resources from charitable activities:					
Admissions		51,857	-	51,857	45,079
Concessions		2,341	-	2,341	2,101
Total incoming resources		78,748	1,040	79,788	72,356
RESOURCES EXPENDED					
Costs of generating funds:					
Fundraising		1,218	1	1,219	1,099
Retail activities		9,822	12	9,834	9,059
Other commercial activities		3,475	3	3,478	3,043
		14,515	16	14,531	13,201
Charitable activities:					
<i>Give the palaces the care they deserve</i>		20,811	1,954	22,765	17,238
<i>Transform the way visitors explore their story:</i>					
Public access		21,891	666	22,557	19,988
Interpretation and learning		10,799	232	11,031	9,922
<i>Have a wider impact in the world</i>		5,461	3	5,464	5,127
Governance costs	4	472	-	472	489
		59,434	2,855	62,289	52,764
Pension finance (income)/costs	8	(373)	-	(373)	(487)
Total resources expended	3	73,576	2,871	76,447	65,478
Net incoming/(outgoing) resources before transfers					
Actuarial (loss) on pension plan	8	(1,153)	-	(1,153)	(613)
Net movement in funds		4,019	(1,831)	2,188	6,265
Fund balances brought forward at 1 April	5	32,181	3,944	36,125	29,860
Fund balances carried forward at 31 March	5	36,200	2,113	38,313	36,125

The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 26 to 47 form an integral part of these accounts.

Consolidated and Charity Balance Sheets as at 31 March 2014

	Note	Group 2014 £000	Charity 2014 £000	Group 2013 £000	Charity 2013 £000
<i>Fixed assets:</i>					
Intangible assets	9	63	63	69	69
Tangible assets	10	9,757	9,757	8,769	8,769
Heritage assets	11	5,528	5,528	5,473	5,473
Investments	12	9,676	9,676	-	-
		25,024	25,024	14,311	14,311
<i>Current assets:</i>					
Stocks - goods for resale		1,756	-	1,343	-
Debtors	13	5,413	6,438	5,048	6,725
Short-term cash deposits		8,000	8,000	21,026	21,026
Cash at bank and in-hand		14,883	13,854	5,672	4,042
		30,052	28,292	33,089	31,793
<i>Creditors: Amounts falling due within one year</i>	14	14,258	12,517	9,547	8,251
Net current assets		15,794	15,775	23,542	23,542
Total assets less current liabilities		40,818	40,799	37,853	37,853
<i>Creditors: Amounts falling due after more than one year</i>	15	24	5	-	-
<i>Provision for liabilities and charges</i>	16	574	574	314	314
Net assets excluding Pension Plan liability		40,220	40,220	37,539	37,539
<i>Pension Plan liability</i>	8	1,907	1,907	1,414	1,414
Net assets including Pension Plan liability		38,313	38,313	36,125	36,125
Unrestricted funds		36,200	36,200	32,181	32,181
Restricted funds		2,113	2,113	3,944	3,944
Total funds	5	38,313	38,313	36,125	36,125

These financial statements were approved by the Trustees and the Accounting Officer on 16th June 2014 and were signed on their behalf by:

Charles Mackay CBE
Chairman of the Board of Trustees

Michael Day
Chief Executive and
Accounting Officer

The notes on pages 26 to 47 form an integral part of these accounts.

Consolidated Cash Flow Statement for the year ended 31 March 2014

	2014 £000	2013 £000
Cash flow statement		
Net cash inflow from operating activities (note A below)	7,912	2,882
Returns on investment and servicing of finance:		
Interest received	419	503
Taxation paid	(4)	(1)
Investing activities:		
Purchase of tangible assets	(2,369)	(1,775)
Purchase of intangible assets	(17)	(50)
Purchase of heritage assets	(44)	(191)
Purchase of investments	(9,721)	-
Proceeds from sale of fixed assets	9	-
Management of liquid resources:*		
Net (purchase)/sale of short-term deposits	13,026	(3,026)
Increase/(Decrease) in cash	9,211	(1,658)

<i>Note A : Reconciliation of net incoming resources to net cash inflow from operating activities</i>	2014 £000	2013 £000
Net incoming /(outgoing) resources from charitable and trading activities	3,341	6,878
Interest receivable	(419)	(503)
Taxation	4	4
Pension scheme: non-cash movements**	(660)	(1,066)
Donated heritage assets	(11)	(110)
Depreciation	1,388	1,388
Bond amortisation	45	-
Loss on disposal of fixed assets	7	61
(Increase)/Decrease in stocks	(413)	189
(Increase) in debtors	(365)	(550)
Increase/(Decrease) in creditors: current liabilities	4,711	(3,613)
Increase in long term creditors	24	-
Increase in provisions for liabilities and charges	260	204
Net cash inflow from operating activities	7,912	2,882

<i>Analysis of net funds</i>	2014 £000	2013 £000	Change in year £000
Cash at bank and in hand	14,883	5,672	9,211

* Liquid resources include term deposits of up to a year

** Non cash movements for pensions have been consolidated

Notes to the Consolidated Accounts for the year ended 31 March 2014

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 Charity, 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, applicable accounting standards and the Charities Act 2011. The financial statements have been prepared under the historic cost convention. They have been prepared in accordance with the Accounts Direction, a copy of which can be obtained from the Charity and Company Secretary. No separate statement of financial activities has been presented for the Charity alone as permitted by 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 2014

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 Charity which relate to the general running of the Charity 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 Charity'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

Bought-in software licences costing more than £5,000 are capitalised and included at cost within intangible assets. Depreciation is provided to write off their cost by equal instalments over their 5 year useful economic lives.

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 Charity are depreciated over a period of 20 years. Assets purchased by or gifted to the Charity'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 an additional 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 Charity. Those heritage assets acquired since September 1989 are reported in the balance sheet at cost or, in the case of donated assets, at an approximate valuation estimated by HRP's curators to be an appropriate market value at the time of acquisition. Such assets are not depreciated as they are deemed to have indeterminate lives and a high residual value. Regular impairment reviews of heritage assets are undertaken.

Notes to the Consolidated Accounts for the year ended 31 March 2014

1 Accounting Policies (continued)

i) Heritage Assets (continued)

Those items that were purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised. These comprise the majority of the collection but Trustees do not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the diverse nature of the assets held, the volume, and the lack of comparable market values.

Further information about HRP's total collection of heritage assets is set out in Note 11.

j) Investments

HRP has purchased fixed income investments which have fixed and determinable coupons. These are retained with the intention and ability to be held until the maturity dates. The investments are measured at fair value upon purchase and then subsequently measured at amortised cost using the effective interest method. The carrying value is reduced if there is any impairment.

k) Investment in subsidiary

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

Historic Royal Palaces Inc is a US-based private non-operating foundation. This is not consolidated into the Group accounts as it is not controlled by the Charity.

l) 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.

m) Financial instruments

HRP carries financial instruments in the form of cash, debtors and creditors at fair value, other than where a provision for specific doubtful debts has been made. Since almost all of these are expected to be realised within one year, there is no material difference between fair value, amortised cost and historical cost. Fixed income investments are measured at amortised cost.

n) 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.

o) Pensions

The Charity 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 established staff and staff on contracts exceeding 1 year with effect from this date. An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013. The cost to HRP of both defined contribution schemes is the contributions paid during the year.

The Charity 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.

Notes to the Consolidated Accounts for the year ended 31 March 2014

1. Accounting Policies (continued)

p) Taxation

As a charity, the Charity is exempt from corporation tax under section 505 ICTA 1988. HRPE passes its profits before tax by Gift Aid to the Charity 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 68% of VAT incurred by HRP is irrecoverable.

2. Historic Royal Palaces Enterprises Ltd

The Charity has one wholly owned trading subsidiary, Historic Royal Palaces Enterprises Limited (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 Charity. A summary of its trading results and its net assets is shown below. Audited accounts are filed with the Registrar of Companies.

	2014	2013
	£000	£000
Profit and loss account		
Turnover (activities for generating funds)	20,019	19,593
Cost of sales (costs of generating funds)	(4,478)	(4,212)
Gross profit	15,541	15,381
Administrative expenses	(10,950)	(10,138)
Interest receivable	2	1
Net profit	4,593	5,244
Amount passed as Gift Aid to HRP	(4,589)	(5,240)
Taxation	(4)	(4)
Retained in subsidiary	-	-
	2014	2013
	£000	£000
Balance Sheet as at 31 March 2014		
Stocks - goods for resale	1,756	1,343
Debtors	1,432	896
Cash	1,029	1,630
Current liabilities	(4,198)	(3,869)
Creditors due after more than 1 year	(19)	-
Net assets	-	-
Share capital and reserves	-	-

Notes to the Consolidated Accounts for the year ended 31 March 2014

3. Total resources expended

	Total direct costs £000	Allocation of support costs £000	Total 2014 £000	Total 2013 £000
Costs of generating funds				
<i>Generating the money to make it possible:</i>				
Fundraising	1,101	118	1,219	1,099
Retail activities	8,700	1,134	9,834	9,059
Other commercial activities	3,163	315	3,478	3,043
	12,964	1,567	14,531	13,201
Charitable expenditure				
<i>Give the palaces the care they deserve</i>	20,808	1,957	22,765	17,238
<i>Transform the way visitors explore their story:</i>				
Public access	19,480	3,077	22,557	19,988
Interpretation and learning	9,953	1,078	11,031	9,922
<i>Have a wider impact in the world</i>	5,061	403	5,464	5,127
Governance costs (see Note 4)	436	36	472	489
	55,738	6,551	62,289	52,764
Pension finance (income)/costs	(373)	-	(373)	(487)
Total	68,329	8,118	76,447	65,478

Resources expended include charges for:	Total 2014 £000	Total 2013 £000
Auditors' remuneration:		
Audit	34	26
- HRP		
- HRPE	18	18

The auditors did not provide any non-audit services

Hire of:		
Computers	37	92
Plant and machinery	180	138
Other	362	338

Depreciation written off owned fixed assets:		
Tangible	1,365	1,370
Intangible	23	18

Corporation tax	4	4
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Notes to the Consolidated Accounts for the year ended 31 March 2014

4. Support and governance costs

	Human Resources £000	Information Systems £000	Finance Department £000	Employee Services £000	Manage- ment Costs £000	Total 2014 £000	Total 2013 £000
Costs of generating funds							
Fundraising	15	48	40	2	13	118	98
Retail activities	147	477	363	18	129	1,134	939
Other commercial activities	37	118	124	4	32	315	258
Charitable expenditure							
<i>Give the palaces the care they deserve</i>	215	699	827	26	190	1,957	1,476
<i>Transform the way visitors explore their story:</i>							
Public access	490	1,591	505	59	432	3,077	2,458
Interpretation and learning	149	482	298	18	131	1,078	869
<i>Have a wider impact in the world</i>	35	114	219	4	31	403	357
Governance costs	5	18	7	1	5	36	33
Total	1,093	3,547	2,383	132	963	8,118	6,488

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 2014 £000	Total 2013 £000
Internal and external audit	232	211
Trustee costs	15	55
Production of annual report	6	4
Management costs	183	186
Support costs	36	33
	472	489

Notes to the Consolidated Accounts for the year ended 31 March 2014

5. Total funds

	Funds as at 1 April 2013	Incoming resources	Resources expended	Revaluations	Transfers between funds	Funds as at 31 March 2014
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General (Free) reserves	5,000	76,143	(71,631)	-	(4,512)	5,000
Designated funds	16,262	-	-	-	3,486	19,748
Fixed assets	12,333	-	-	-	1,026	13,359
Pension plan	(1,414)	2,605	(1,945)	(1,153)	-	(1,907)
Total	32,181	78,748	(73,576)	(1,153)	-	36,200
Restricted funds						
Donated assets	1,978	11	-	-	-	1,989
Fortress project at the Tower of London	1,068	-	(1,068)	-	-	-
Middle Drawbridge project at the Tower of London	575	-	(530)	-	-	45
Baroque Palace project at Hampton Court Palace	150	341	(491)	-	-	-
Home Park Meadows project at Hampton Court Palace	29	-	(11)	-	-	18
Kensington Palace Development	-	332	(332)	-	-	-
Magic Garden project at Hampton Court Palace	-	252	(252)	-	-	-
Other garden projects at Hampton Court Palace	8	50	(26)	-	-	32
Chapel of St Peter ad Vincula at the Tower of London	-	41	(41)	-	-	-
Other projects	136	13	(120)	-	-	29
Total	3,944	1,040	(2,871)	-	-	2,113
Total funds	36,125	79,788	(76,447)	(1,153)	-	38,313

Designated funds

Funds have been designated out of general reserves to protect expenditure on long-term commitments to major projects, including:

- £5m to complete projects in 2014/15 that were underway in 2013/14
- £1.7m towards the re-presentation of the Baroque Palace at Hampton Court, a series of projects to be completed over the coming 3-5 years
- £1.7m for the development of a garden designed for children and families at Hampton Court
- £1.7m to support our plans to develop Hillsborough Castle
- £1.6m towards the cost of conserving the Banqueting House, over the period to 2018

Notes to the Consolidated Accounts for the year ended 31 March 2014

5. Total funds (continued)

Designated funds (continued)

-£1.6m for the first year of our work to implement our new Digital strategy
-£1.6m for projects at the Tower of London, and the entry arrangements in particular

Transfers between funds

As set out in our Reserves policy on page 8, 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. Any excess above this and the target free reserves of £5m is designated at Trustees' discretion. £10.7m of last year's designation was spent and new designations of £14.1m created.

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2014 are represented by:

	Unrestricted funds £000	Restricted funds £000	2014 £000	2013 £000
Intangible assets	63	-	63	69
Tangible assets	9,757	-	9,757	8,769
Heritage assets	3,539	1,989	5,528	5,473
Investments	9,676	-	9,676	-
Net current assets	15,670	124	15,794	23,542
Creditors > one year	(24)	-	(24)	-
Provisions	(574)	-	(574)	(314)
Pension plan liability	(1,907)	-	(1,907)	(1,414)
Total net assets	36,200	2,113	38,313	36,125

6. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by the Trustees whilst carrying out their responsibilities for the Charity totalled £989 (2013: £228) for the year ending 31 March 2014. Expenses were reimbursed for 6 Trustees (2013: 2). HRP provides liability insurance for Trustees.

7. Staff numbers and costs (Group & Charity)

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

	2014 FTE	2013 FTE
Fundraising	10	9
Retail activities	100	93
Other commercial activities	25	23
<i>Give the palaces the care they deserve</i>	147	138
<i>Transform the way visitors explore their story:</i>		
Public access	335	320
Interpretation and learning	101	96
<i>Have a wider impact in the world</i>	24	23
Governance	4	4
Support costs	66	64
Total	812	770

Notes to the Consolidated Accounts for the year ended 31 March 2014

7. Staff numbers and costs (continued)

The aggregate payroll costs of these staff were as follows:

	2014 £000	2013 £000
Wages and salaries	25,163	23,528
Loss of office	143	5
Ex gratia payments	23	30
Social security costs	2,372	2,161
Pension costs	3,231	2,796
Total	30,932	28,520
Agency staff	290	419
Total	31,222	28,939

The number of employees, excluding the Chief Executive, whose remuneration (excluding pension contributions) was:

	2014 No. of staff	2013 No. of staff
£60,001 to £70,000	23	23
£70,001 to £80,000	5	2
£100,001 to £110,000	-	2
£110,001 to £120,000	3	1
£120,001 to £130,000	2	4
£130,001 to £140,000	2	-

Excluding the Chief Executive, there were 35 staff during the year earning in excess of £60,000 (2013: 32), 15 were in a defined benefit scheme (2013: 14) and 20 were in a defined contribution scheme (2013: 18) where the employer contributions were £109,430 (2013: £111,929).

The aggregate emoluments of the Chief Executive were as follows:

	Age	Remuneration	Pension Contributions made to Group Personal Pension Plan
Michael Day	61	£157,398	£11,631

The emoluments of the Chief Executive in 2012/13 totalled £153,903 (excluding pension benefits).

8. Retirement benefits (Group & Charity)

a) Defined Benefit Pension Scheme

The Charity 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 31 March 2012 and updated to 31 March 2014 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The Charity currently pays contributions at the rate of 27.5% of pensionable pay, plus £31,000 per month increasing at 3% pa each 1 April. Member contributions are payable in addition at the rate of 1.5% of pensionable pay. The employer also meets the costs of levies to the Pension Protection Fund, insurance premiums for death in service benefits and management and administration expenses.

Notes to the Consolidated Accounts for the year ended 31 March 2014

8. Retirement benefits (continued)

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

	31/03/2014	31/03/2013	31/03/2012
	£'000	£'000	£'000
Fair value of scheme assets	60,839	56,433	49,183
Present value of scheme liabilities	62,746	57,847	51,050
(Deficit) in scheme	(1,907)	(1,414)	(1,867)
Unrecognised surplus	-	-	-
(Liability) to be recognised	(1,907)	(1,414)	(1,867)

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

	Period Ending 31/03/2014	Period Ending 31/03/2013
	£'000	£'000
Scheme liabilities at start of period	57,847	51,050
Current service cost	1,945	1,943
Interest cost	2,676	2,478
Contributions by scheme participants	95	101
Actuarial losses	1,509	3,093
Benefits paid and death in service insurance premiums	(1,326)	(818)
Scheme liabilities at end of period	62,746	57,847

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

	Period Ending 31/03/2014	Period Ending 31/03/2013
	£'000	£'000
Fair value of scheme assets at start of period	56,433	49,183
Expected return on scheme assets	3,049	2,965
Actuarial gains	356	2,480
Contributions by the Employer	2,232	2,522
Contributions by scheme participants	95	101
Benefits paid and death in service insurance premiums	(1,326)	(818)
Fair value of scheme assets at end of year	60,839	56,433

The actual return on the scheme assets over the period ending 31 March 2014 was £3,405,000.

Notes to the Consolidated Accounts for the year ended 31 March 2014

8. Retirement benefits (continued)

Total expense recognised in Statement of Financial Activities (SOFA)

	Period Ending 31/03/2014 £'000	Period Ending 31/03/2013 £'000
Current service cost	1,945	1,943
Interest cost	2,676	2,478
Expected return on scheme assets	(3,049)	(2,965)
Total expense recognised in SOFA	1,572	1,456

Analysis of amounts recognised in fund movements

	Period Ending 31/03/2014 £'000	Period Ending 31/03/2013 £'000
Difference between expected and actual return on scheme assets:		
Amount: gain	356	2,480
Experience gains and losses arising on the scheme liabilities:		
Amount: gain	189	163
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount: (loss)	(1,698)	(3,256)
Total amount recognised in fund movements		
Amount: (loss)	(1,153)	(613)

The cumulative amount of actuarial gains and losses recognised in fund movements since adoption of FRS17 is (£6,739,000) (a loss).

Assets

	31/03/2014 £'000	31/03/2013 £'000	31/03/2012 £'000
Equity	25,229	32,581	31,424
Corporate Bonds	13,579	8,192	6,874
Gilts	13,829	8,361	10,802
Other	8,202	7,299	83
Total assets	60,839	56,433	49,183

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

Notes to the Consolidated Accounts for the year ended 31 March 2014

8. Retirement benefits (continued)

Assumptions

	31/03/2014	31/03/2013	31/03/2012
	% per annum	% per annum	% per annum
Rate of discount	4.50%	4.60%	4.80%
Inflation (RPI)	3.60%	3.50%	3.25%
Inflation (CPI)	2.60%	2.75%	2.50%
Salary increases	3.05%	2.95%	3.50%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.60%	2.75%	2.50%
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.50%	n/a
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.50%	3.40%	3.15%
Allowance for pension in payment increases of RPI or 3% p.a. if less	3.00%	3.00%	3.00%
Allowance for pension in payment increases of RPI	3.60%	3.50%	3.25%
Allowance for commutation of pension for cash at retirement	None	None	None

The mortality assumptions adopted at 31 March 2014 imply the following life expectancies:

	2014	2034
Male retiring at age 60 in	26.9	28.9
Female retiring at age 60 in	29.3	31.3

Expected long-term rates of return

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

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

	Period commencing 01/04/2013 % per annum	Period commencing 01/04/2012 % per annum
Equity	6.80%	7.10%
Corporate Bonds	4.50%	5.00%
Gilts	2.80%	3.10%
Other	2.80%	3.10%
Overall for scheme	5.36%	5.92%

Notes to the Consolidated Accounts for the year ended 31 March 2014

8. Retirement benefits (continued)

Amounts for the current and previous four years

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	60,839	56,433	49,183	45,535	41,061
Present value of scheme liabilities	62,746	57,847	51,050	46,549	44,450
Surplus /(deficit) in scheme	(1,907)	(1,414)	(1,867)	(1,014)	(3,389)
Experience adjustment on scheme assets	356	2,480	(721)	594	9,154
Experience adjustment on scheme liabilities	189	163	(358)	563	(523)

The best estimate of contributions to be paid by the Employer to the scheme for the period commencing 1 April 2014 is £2,106,000.

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding 1 year with effect from October 2002. The cost for the year was £1,030,860 (2013: £774,606), with no outstanding contributions at the balance sheet date.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension autoenrollment requirements. The cost for the year was £6,372 (2013: £nil), with no outstanding contributions at the balance sheet date.

Notes to the Consolidated Accounts for the year ended 31 March 2014

9. Intangible fixed assets (Group & Charity)

	Software licences £000
Cost	
Balance as at 1 April 2013	202
Additions	17
Disposals	(76)
Balance as at 31 March 2014	143
Accumulated depreciation	
Balance as at 1 April 2013	133
Charge for the year	23
Disposals	(76)
Balance as at 31 March 2014	80
Net book value as at 31 March 2014	63
As at 31 March 2013	69

The net book value as at 31 March 2014 represents intangible fixed assets used for

	£000
Costs of generating funds	
Retail activities	8
Other commercial activities	2
Fundraising	1
Charitable expenditure	
<i>Give the palaces the care they deserve</i>	17
<i>Transform the way visitors explore their story:</i>	
Public access	25
Interpretation and learning	8
<i>Have a wider impact in the world</i>	2
	63

Notes to the Consolidated Accounts for the year ended 31 March 2014

10. Tangible fixed assets (Group & Charity)

	Buildings & refurbishments	Fixtures & fittings	Furniture, equipment & exhibitions	Computers	Plant, machinery & vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
Balance as at 1 April 2013	12,242	4,050	3,588	974	4,724	-	25,578
Additions	-	204	40	58	148	1,919	2,369
Disposals	-	(78)	(80)	(165)	(63)	-	(386)
Transfers within tangible assets	-	119	118	44	-	(281)	-
Balance as at 31 March 2014	12,242	4,295	3,666	911	4,809	1,638	27,561
Accumulated depreciation							
Balance as at 1 April 2013	7,745	2,602	2,397	719	3,346	-	16,809
Charge for the year	369	232	342	100	322	-	1,365
Disposals	-	(65)	(78)	(164)	(63)	-	(370)
Balance as at 31 March 2014	8,114	2,769	2,661	655	3,605	-	17,804
Net book value as at 31 March 2014	4,128	1,526	1,005	256	1,204	1,638	9,757
As at 31 March 2013	4,497	1,448	1,191	255	1,378	-	8,769
The net book value as at 31 March 2014 represents fixed assets used for							
Fundraising	-	-	-	2	-	-	2
Retail activities	131	632	-	34	30	-	827
Other commercial activities	-	31	12	6	29	-	78
Charitable expenditure:							
<i>Give the palaces the care they deserve</i>	243	137	27	60	433	1,622	2,522
<i>Transform the way visitors explore their story:</i>							
Public access	2,845	332	348	127	668	16	4,336
Interpretation and learning	909	394	610	21	44	-	1,978
<i>Have a wider impact in the world</i>	-	-	8	5	-	-	13
Governance costs	-	-	-	1	-	-	1
	4,128	1,526	1,005	256	1,204	1,638	9,757

Notes to the Consolidated Accounts for the year ended 31 March 2014

11. Heritage assets (Group & Charity)

	Total 2014 £000	No.	Total 2013 £000	No.	Total 2012 £000	No.	Total 2011 £000	Total 2010 £000
Cost and net book value								
Balance as at 1 April	5,473	453	5,172	448	4,975	438	4,932	4,882
Additions, at cost	44	3	143	3	57	3	43	44
Transfers from assets in the course of construction	-		48	1	-	-	-	-
Donated works, at deemed value	11	1	110	1	140	7	-	6
Balance as at 31 March	5,528	457	5,473	453	5,172	448	4,975	4,932

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

Charitable expenditure

*Transform the way visitors explore
their story:*

Interpretation and learning	5,528	5,473	5,172	4,975	4,932
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11a) Further information on HRP's collections of heritage assets

The palaces are not owned by HRP, but by HM The Queen on behalf of the nation. Expenditure on their conservation is recognised in the Statement of Financial Activities when it is incurred.

The main categories of accessioned heritage assets, including those shown on the balance sheet, are:

- The Royal Ceremonial Dress Collection (c 3,400 accessioned items), an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c 3,400 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c 22,000 accessioned items), containing both modern and historic drawings and copies.

In addition, HRP owns unaccessioned assets as follows:

- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive. There are around 4,000 boxes / larger objects of this nature;
- c 8,000 architectural drawings.

HRP also displays items on short and long term loan. In particular:

- The majority of the important works of art displayed and stored form part of the Royal Collection, owned by HM The Queen and administered by the Royal Collection Trust (c 8,000 items);
- The displays of arms, armour and related material at the Tower of London belong to the Royal Armouries (c 900 items).

Our collections remain on public display whenever possible. Storage is normally limited to items providing a research resource, unsuitable for display for conservation reasons or archaeological finds. We loan historic objects from our collections to public exhibitions and museum/gallery displays.

Notes to the Consolidated Accounts for the year ended 31 March 2014

11. Heritage assets (continued)

The priority for acquisition or long term loan of heritage assets is to enhance and explain the historic buildings of the palaces with relevant objects. Acquisitions are made by purchase or donation, taking six criteria into consideration. Significant acquisitions require Trustee approval. The highest priority is given to items deriving from the existing buildings of the palaces. Additional criteria apply to the Royal Ceremonial Dress Collection.

Exceptionally, the Trustees will approve the disposal of objects for curatorial reasons but not disposal motivated by financial reasons. The principle of retaining disposed items in public ownership is preferred. Any proceeds of sale are applied for the benefit of the collections.

11b) Heritage assets of particular importance

The most significant heritage asset shown on the balance sheet is the van Dyck portrait of Princess Mary, received as a donation from the Museums Libraries and Archives Council in 2008/09 and valued at acquisition at £1.5m.

Of particular significance and not shown on the balance sheet is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

We do not own, but display and provide day-to-day care for the Crown Jewels in the Tower of London.

11c) Management and Conservation

HRP maintains a register of heritage assets, which includes records of ownership, conservation status and location. The conservation and curatorial teams manage the collections, including loan items, in accordance with the policies approved by the Trustees. These teams report to the Director of Conservation and Learning.

The long term conservation requirements of the collections are identified and prioritised by HRP's conservators through a programme of condition audits.

12. Investments

	Group 2014 £000	Charity 2014 £000	Group 2013 £000	Charity 2013 £000
Balance as at 1 April	-	-	-	-
Purchases	9,721	9,721	-	-
Amortisation of bond premium	(45)	(45)	-	-
Balance as at 31 March	9,676	9,676	-	-

These consist of short dated, investment grade, sterling, fixed income securities. Investments are accounted for using the amortised cost method: the premium paid on purchase is amortised over the period to the maturity of each investment. The investment income in the SOFA is shown after deduction of the amortisation charge.

Notes to the Consolidated Accounts for the year ended 31 March 2014

13. Debtors

	Group 2014 £000	Charity 2014 £000	Group 2013 £000	Charity 2013 £000
Trade debtors	2,425	1,153	1,755	1,432
Amounts due from subsidiary	-	2,457	-	2,573
Other debtors	117	115	138	138
Prepayments and accrued income	2,871	2,713	3,155	2,582
	5,413	6,438	5,048	6,725

Within debtors, £nil of accrued income is due after more than one year (2013: £872,000).

14. Creditors: amounts falling due within one year

	Group 2014 £000	Charity 2014 £000	Group 2013 £000	Charity 2013 £000
Trade creditors	2,074	1,704	812	691
Taxation and social security	747	721	720	645
Other creditors	215	214	51	47
Accruals	9,465	8,641	6,246	5,733
Deferred income	1,757	1,237	1,718	1,135
	14,258	12,517	9,547	8,251

15. Creditors: amounts falling due after more than one year

	Group 2014 £000	Charity 2014 £000	Group 2013 £000	Charity 2013 £000
Deferred income	24	5	-	-

16. Provision for liabilities and charges (Group & Charity)

	Claims £000	Total £000
Balance as at 1 April 2013	314	314
Amounts used in year	-	-
New provisions in year	260	260
Balance as at 31 March 2014	574	574

Claim provisions include amounts that will probably be due in the next year following contractual and public liability claims.

Notes to the Consolidated Accounts for the year ended 31 March 2014

17. Financial commitments under operating leases

	Group 2014 £000	Charity 2014 £000	Group 2013 £000	Charity 2013 £000
Operating lease payments payable within one year of the balance sheet date were in respect of leases expiring:				
Land and buildings:				
More than five years	378	262	378	262
Others:				
Within one year	59	57	21	20
Between two to five years	19	15	71	65
Total payable within one year	456	334	470	347

18. Capital commitments

	Group 2014 £000	Charity 2014 £000	Group 2013 £000	Charity 2013 £000
Contracted capital commitments as at 31 March 2014, for which no provision has been made in the accounts:				
Contracted	5,870	5,870	5,845	5,845
Authorised	21,034	21,034	18,325	18,325
	26,904	26,904	24,170	24,170

Commitments include £1,048,712 (2013: £1,793,216) relating to projects that are being funded by donations from third parties.

19. 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.

HRP is in ongoing negotiations over final agreements relating to our capital projects. Any final amounts above or below those amounts provided in the financial statements will be recognised in future financial statements.

Notes to the Consolidated Accounts for the year ended 31 March 2014

20. 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 and donations made by them).

The palaces and much of their contents are held by HM 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 Culture, Media and Sport to manage the palaces on his behalf.

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

Related party	Connected party	2014 £000	2013 £000	Detail of transaction
BBC	HRP's Chief Curator presents television programmes for the BBC	29 (1)	- (nil)	Charges made by HRPE for filming locations and services provided by staff
The Chapel Council of St Peter ad Vincula	Richard Harrold (Director of HRP) is a member of the Chapel Council	41 (41)	- (nil)	Grant received by HRP for conservation of the Chapel Royal of St Peter ad Vincula at HM Tower of London
The Constable's Fund	General The Lord Dannatt (Trustee of HRP) and Richard Harrold (Director of HRP) are Trustees of the Constable's Fund	10 (10)	- (nil)	Charges made by HRP for management of the Appeal for conservation of the Chapel Royal of St Peter ad Vincula at HM Tower of London
Department for Culture, Media and Sport (DCMS)	Contracts HRP to manage the palaces	70 (70)	150 (nil)	Grant received by HRP from the DCMS Wolfson Museums and Galleries Improvement Fund
		20 (nil)	20 (nil)	Charges made by HRP to DCMS for services provided at Hampton Court Palace
		- (nil)	16 (nil)	Charges made by HRPE to DCMS for event held at the Banqueting House
Historic Royal Palaces Inc (HRP Inc)	Michael Day (Chief Executive of HRP) is President of HRP Inc and Danny Homan (Director of HRP) is a Director of HRP Inc	296 (nil)	18 (18)	Grant received by HRP from HRP Inc

Notes to the Consolidated Accounts for the year ended 31 March 2014

20. Related party transactions (continued)

Related party	Connected party	2014 £000	2013 £000	Detail of transaction
Institute of Conservation (ICON)	The Head of HRP Conservation and Collection Care (CCC) was a Trustee of ICON until November 2013	23 (nil)	22 (nil)	Payments made by HRP for ICON-administered interns working in CCC section.
Royal Armouries (RA)	General The Lord Dannatt (Trustee of HRP) is a Trustee of RA.	382 (97)	180 (65)	Payments made by HRP for goods and services provided at HM Tower of London.
		6 (6)	- (nil)	Charges made by HRP for goods and services provided at HM Tower of London.
		12 (1)	20 (nil)	Recovery of costs from RA for maintenance, goods and services provided by HRP and HRPE at HM Tower of London
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.	209 (nil)	147 (nil)	Payments made by HRP and HRPE to RCEL for the right to produce images of Royal Collection items and for the purchase of goods for resale.
	Jonathan Marsden (Trustee of HRP) is a Director of RCT and RCEL.	22 (9)	22 (9)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces.
Royal Household (RH)	Sir Alan Reid (Trustee of HRP) is Keeper of the Privy Purse and Treasurer to HM The Queen	44 (nil)	37 (12)	Payments made by HRP for rent and services provided by RH at Kensington Palace
Unique Venues of London (UVL)	The Head of the Banqueting House is a member of the management board of this not for profit marketing association	11 (nil)	8 (nil)	Payments made by HRPE for its membership of UVL

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

Notes to the Consolidated Accounts for the year ended 31 March 2014

21. Financial instruments

Disclosure is required of the role financial instruments have played during the year in creating or changing the risks HRP faces in undertaking its activities.

Since most income is generated from visitors to the palaces, most of HRP's income is received as cash. Surplus funds are held on short term fixed interest rate deposit with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no borrowings and no finance leases.

HRP is exposed to a credit risk of £2.4m trade debtors (2013: £1.8m). The risk is not considered significant since major customers are known to HRP or are required to pay for services in advance and provisions against bad debts are minimal.

HRP is subject to market risk in that the defined benefit pension fund holds investments. Plans are in place to fund the past service deficit, as detailed in Note 8.

HRP is subject to credit and market risk in its investment portfolio (note 12). These risks are mitigated by investing only in investment grade bonds and by using a professional investment manager.

HRP is not subject to any significant foreign currency risk.

22. Post balance sheet events

From 1 April 2014 HRP is contracted by the Northern Ireland Office (NIO) to manage Hillsborough Castle on behalf of the Secretary of State for Communities and Local Government (SSCLG) for a period of 20 years, renewable by mutual consent. The land is held by the SSCLG as part of the Government's Civil estate. There is no transfer of net assets from the NIO to HRP at commencement date.

Under the contract, HRP is responsible for the Castle's care, conservation and presentation to the public. HRP intends to undertake a 5 year development project to the value of approximately £10 million beginning in April 2014. The NIO will make grants of £5.5 million towards this development during this period.

The financial statements were approved by the Accounting Officer and Trustees on 16th June 2014 and authorised for issue on 23rd June 2014.