



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 2015



Trustees' Report

Trustees

Rupert Gavin (Chairman) (since 5 May 2015)
Charles Mackay CBE (Chairman) (until 4 May 2015)
Sir Alan Reid GCVO (Deputy Chairman)
Sophie Andreae DSG FSA (until 31 December 2014)
Dawn Austwick OBE
Bruce Carnegie-Brown
Liz Cleaver
General the Lord Dannatt GCB CBE MC DL
Val Gooding CBE
Jonathan Marsden CVO FSA
Sir Trevor McDonald OBE
Malcolm Reading FRSA (until 3 April 2014)
M Louise Wilson FRSA
Professor Sir David Cannadine (since 19 May 2015)
Jane Kennedy (since 19 May 2015)

Executive Board

Michael Day CVO (*Chief Executive and Accounting Officer*)
John Barnes
Tania Fitzgerald (maternity leave since 23 January 2015)
Jane McKeown (acting Finance Director since 23 January 2015)
Gina George
Paul Gray
Richard Harrold OBE
Danny Homan (until 30 June 2014)
Dan Wolfe (since 29 October 2014)
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 Culture, Media and Sport to manage the five London 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 (and from April 2015, the Great Pagoda). These palaces are owned by HM The Queen in right of crown.

HRP is also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle in Northern Ireland. The Castle is owned by Government.

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.

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 had regard to the Charity Commission's guidance on public benefit.

1. Give the palaces the care they deserve

We are guardians of six of the nation's most important historic sites. One is a World Heritage Site and another is part of a World Heritage Site, four are Scheduled Ancient Monuments, and five are Grade I listed buildings. 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 have an ambitious Learning and Engagement Strategy that delivers programmes on and off site to hundreds of thousands of learners. We are investing significantly in HRP's digital capability to expand our reach further in the future.

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 continue to give particular attention 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 survey translates into a ten-year conservation plan across all sites.
- We have embarked on the first phase of our project to conserve and restore the exterior and then the interior of the Banqueting House. Scaffolding went up in January 2015, which was then 'dressed' in a wrap featuring the Rubens ceiling.
- At the Tower, following extensive supporting research, the Chapel of St Peter ad Vincula was cleaned, refurbished, redecorated and repaired, with HM The Queen, patrons and supporters attending a service of thanksgiving at the re-opening.
- Also at the Tower, the final section of the Wall Walk was opened to the public after a five year programme of conservation-led repairs and refurbishments.
- At Hampton Court, we have continued with our programme of structural repairs in time to mark the 500th anniversary in 2015 of the year in which Cardinal Wolsey started its construction.
- In our Hampton Court gardens and landscapes, Home Park achieved Site of Special Scientific Interest status, our newly-restored 18th century Kitchen Garden had a royal opening and construction began on the new Magic Garden – a learning garden for children.
- At Kew, we have started the design and development phase of the project to restore the Great Pagoda at Kew to its former glory, working in partnership with Royal Botanic Gardens, Kew.
- The Collections Management team started a project to photograph and catalogue every item in our collections to preserve it in the long term via digital records.
- Total spend of £25.5m in the Statement of Financial Activities (SOFA) represents an increase of 12% from the previous year. The increase is due in the main to new expenditure at Hillsborough Castle, and an increase in conservation projects, particularly at the Tower of London and Banqueting House.

2. Transform the way visitors explore their story

- It was a year of all things Georgian as we celebrated the 300th anniversary of the Georgian Accession in 2014 at Hampton Court, Kensington and Kew Palaces. 'Glorious Georges' featured a year of drama, dance, family festivals and spectacular events at each palace.
- At Hampton Court the season began at Easter, with the arrival of King George I on his magnificent royal barge with his red-coated soldiers. Along with crowds of visitors, 'the King' and his entourage enjoyed spectacular military displays and the dancing 'white horses of Hanover' performing in his honour.
- Over the May bank holiday visitors enjoyed performances of *Echo to the Vaulted Sky*, a contemporary dance piece inspired by court dances of the 18th century.
- At Kensington Palace visitors discovered the glittering court of King George II and Queen Caroline, with a daily programme of live interpretation exploring court life and royal etiquette, while at Kew costumed interpreters brought the sometime troubled lives of King George III, Queen Charlotte and their large family to life.
- In the summer, 'Glorious Georgian Garden Parties' were held at Kensington, Hampton Court and Kew Palaces. Families were invited to immerse themselves in a Georgian world and adopt the etiquette needed to become courtiers.
- We brought the 'Glorious Georges' season to a close at Hampton Court in September with a sell-out programme of Handel's music, culminating in a specially commissioned period firework display accompanied by the *Music for the Royal Fireworks*.
- Our family festivals during the year were planned as distinctive, large-scale, participatory learning experiences for families, to attract new and more diverse visitors. For example, 10,000 visitors enjoyed discovering what life was like in Tudor times at "Tudors at the Tower" over the May bank holiday, rain and shine.

Trustees' Report (continued)

- November saw the opening at Hampton Court of The Cumberland Art Gallery. This new, dedicated space for artworks occupies the former Cumberland Suite, restored and re-presented following two years of meticulous research. Visitors can now enjoy a rotating display of some of the finest paintings from the Royal Collection in a permanent gallery setting.
- We are developing our plans for Hillsborough Castle. Our long term aim is to open it up to the widest possible audience. We plan to invest in improving the interiors and gardens and in establishing a dedicated Clore Learning Centre, new visitor facilities and a new car park. Areas of the castle previously closed to the public will be accessible, ensuring that Hillsborough becomes a leading visitor destination in Northern Ireland and a place for reflection and learning about centuries of history.
- Total spend of £37.7m across the headings of Public Access and Interpretation & Learning represents an increase of 12% over the previous year. The increase relates to investment in additional staffing to support the high visitor numbers, the continuation of the Learning & Engagement strategy, and the addition of Hillsborough Castle to the HRP portfolio.

3. Have wider impact in the world

- We are making major investment into the development of learning & engagement, new creative programming across our sites, expanding our domestic market, and how all our work will be enabled digitally in the future. These strategic initiatives are coordinated through a philosophy that we call *Audiences First*, which has as its overarching objective the expansion of HRP's charitable reach and impact, significantly beyond the 4m visitors who we welcome to our sites each year.
- In May 2014 we announced a remarkable collaboration: Historic Royal Palaces would join with artist and concept creator Paul Cummins, installation designer Tom Piper and six service charities to create a unique installation commemorating the centenary of the start of the First World War. The moat would be filled with 888,246 hand-made ceramic poppies, each one representing a British or Colonial fatality during the war. Somehow, through the combined efforts of the artist, designer, charitable partners, three factories, hundreds of HRP staff and regiments of volunteers, we created a unique display that captured the imagination of millions around the world. *Blood Swept Lands and Seas of Red* placed the Tower at the centre of First World War commemoration in this country.
- The award-winning installation resulted in widespread editorial coverage in the press, TV, radio and online.
- We also produced a series of online films about the installation; the first film 'making the Poppies' attracted more than 325,000 views on YouTube and our drone footage of the Poppies was used by numerous media outlets.
- Social media content for Tower Poppies was some of the most popular ever posted by HRP, with 40 million impressions on Facebook and three million impressions for #TowerPoppies content from our Twitter account. The hashtag #TowerPoppies was used over 100,000 times.
- Before the close of the installation, all Poppies had been sold, enabling all the direct costs of the installation to be recovered and raising around £9m to be shared between the six service charities.
- We wanted to use the poppies installation as an inspiration for learning activities and as a location to prompt personal reflection. This was the ambition for the Learning & Engagement team's 'Why Remember' schools campaign and fundraising day on 11 November. We created online resources and multi-media content to reach as many learners as possible and engage them in meaningful discussion. For schools this included links to an online mosaic, allowing learners to upload their work, creating a piece of crowd-sourced commemorative art. In addition, there were classroom resources, videos and online case studies so schools could share their work.
- Away from the Poppies, our adult 'Uncover' programme highlights included 'Meet the Expert' talks and debates. At the other end of the spectrum, 'Tiny Explorers', a new messy and wet playgroup for under-5s, got off to a great start at Kensington Palace. We successfully completed the pilot phase of the digital 'missions' for school groups and families at Hampton Court Palace and will now feed that learning into a brand new digital mission for the Tower in 2015.

Trustees' Report (continued)

- We have also been working on 'Secrets of the Stores', a new digital media project linked to the 500th anniversary of Hampton Court. A web-based virtual store will contain objects selected from our collections covering 500 years of the Palace's history as described in filmed interviews by members of staff.
- We've had a busy year showcasing the palaces in front of the camera. Chief Curator Lucy Worsley presented a three-part series on BBC Four, *The First Georgians: The German Kings Who Made Britain* and a documentary for BBC Four, *Tales from the Royal Wardrobe*.
- HRP embarked on its first formal partnership with the BBC with a three-part BBC Four series, *Majesty and Mortar*, presented by historian Dan Cruickshank.
- *Britain's Tudor Treasure: A Night at Hampton Court*, presented by Lucy Worsley and David Starkey, was broadcast on BBC Two. The programme recreated the christening procession of Edward VI at Hampton Court Palace, involving staff and volunteers.
- We also hosted an entire episode of BBC One's *The One Show* at Hampton Court to coincide with the Palace's 500th anniversary and an episode of *Antiques Roadshow* in the grounds of Hillsborough during HM The Queen's stay.

4. Build one organisation united behind our Cause

- Our biannual staff survey was carried out in September 2013. The headline results showed 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 noted around the impact of high levels of activity and change. Staff generated an action plan to address these which has now been implemented. The next survey takes place in Autumn 2015.
- We were delighted to achieve Silver status Investors in People this year.
- We have applied for Independent Research Organisation status.
- We have been working to produce our first set of published policies and procedures to guide collection activities for the 60,000 plus objects in our care. By the end of the year we had trained over 65 staff on searching, reporting, location and movement control and data standards for object and conservation information.
- We now have 12 apprentices and 13 paid interns, with plans to expand this in 2015/16.
- We could not achieve what we do without our regular volunteers, who cite HRP as a 'great place to volunteer'. In addition, this year 31,467 volunteers helped to create and dismantle the Poppy installation, including 336 members of staff.
- Excluding the Poppies, we benefitted from an increase of 7% in the number of volunteer hours contributing to our work, which reached a total of 36,427 hours in the year (2014:34,010) and we now have 316 volunteers (2014: 324).

5. Generate the money to make it all possible

- The success of all our work was evidenced by another new record of 4.25 million visitors across all our palaces, an increase of 6% over the previous year's record figure. Over 134,000 people visited in the week ending 24th August, the highest non-Easter week we have ever recorded.
- 36% of our visitors (1.5 million) came through travel trade operators, agencies or groups and sales through the travel trade reached another record at over £18m, 10% higher than 2013/14.
- Whilst the Poppy installation was free to view, we believe it did increase the number of visitors entering the Tower in October and November.
- Retail sales also out-performed last year's record, and grew by 3% to achieve turnover of £13m, driven particularly by on site sales at the Tower of London. We had some notable achievements in licensing. Our partner Briers won two industry awards at the Glee tradeshow with their collection of gardening products inspired by our palaces, while our third Hobbs collection won an award at the Association for Cultural Enterprises annual conference.
- Functions & Events sales of £5.9m were up 8% on last year.

Trustees' Report (continued)

- This past year saw our second major fundraising campaign, 'The Next Chapter in our Story', achieve some notable results and reach the halfway mark of its fundraising target of £30m.
- As ever, membership remained central to our fundraising in 2014/15. We now have over 80,000 members (2014:73,000) and exceeded £2m revenue (2014: £1.8m). Members were given a unique insight into our work through events and private views, all designed to show what a difference membership continues to make.
- We have a lot of money to raise for Hillsborough Castle and much work ahead of us with the project scheduled for completion by 2019. We are delighted that there have already been two generous pledges made.
- A number of other major gifts, sponsorships and pledges were received during the course of the year, in particular for the Magic Garden Project and Cumberland Art Gallery at Hampton Court.
- Our Corporate Partnerships programme continued to attract considerable support, including Catlin Group Ltd and Santander UK sponsoring the programme of events and activity surrounding the Poppies project.
- The donors and sponsors to the appeal to restore and re-present the Chapel of St Peter ad Vincula, successfully accomplished under the leadership of The Constable, General the Lord Dannatt, were invited to join the service of thanksgiving and celebration in the presence of HM The Queen.
- Our development programme in the USA continued to gain momentum with lecture tours and visits by Lucy Worsley and dress curator Deirdre Murphy.

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 2014/15 increased by 6% to 4.25m, a new record in our history. We saw the highest numbers ever at The Tower of London and also at the Banqueting House, which opened to the public more frequently and saw an increase of 14% in visitor numbers.

Admissions income for 2014/15 was £56.2m – 61% of total income and an increase of 8% from 2013/14.

The increase in income has been assisted by another strong year for the retail and functions & events businesses, income from catering & other concessions, and sponsorship, all of which contributed to a 12% 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 £8.7m, including restricted funds of £6.1m. In the second year of our major five-year fundraising campaign, 'The Next Chapter in our Story', we are half way to achieving our target of raising £30m by 2018.

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 2015.

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

Restricted funds (£4.4m)

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 (£13.5m)

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 (£24.4m)**

Funds have been designated out of general funds to protect long-term commitments to major projects. £6.1m has been designated to complete projects in 2015/16 that were underway in 2014/15. £2.4m is designated towards the cost of conserving the Banqueting House, work that is due to complete by 2018. £5.1m has been designated to support our plans to develop Hillsborough Castle over the next three years. £1.5m is set aside for the second year of our work to implement our Digital strategy. £3.5m is designated for development work at the Tower of London, and the entry arrangements in particular. At Hampton Court, funds have been set aside for the completion of our "Magic" Garden designed for children and families (£1.4m designated, scheduled to open in 2016).

- **Pension plan (£6.9m 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 small 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 was 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 also increased 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 2015 is £6.9 million (March 2014: £1.9 million). Details of the retirement benefit scheme are disclosed in Note 8 to the accounts.

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

Equal opportunities policies

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

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.

Trustees' Report (continued)

Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2014/15 68% of supplier invoices were paid within 30 days of date of invoice (70% in 2013/14) and 78% within 40 days (80% in 2013/14). 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 21.

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:

- Ongoing draught proofing historic windows as well as a new heating system in the State Apartments at Hampton Court which is expected to yield a 30% improvement in energy efficiency against the old systems;
- Electricity sub-metering at the Tower and, across the palaces, continual improvements in electricity shut down procedures at nights and weekends and increased use of low energy lighting and conversion to LED lighting;
- 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. At Hampton Court, the Tower and Banqueting House, Thames water have installed automated meter reading equipment on all the meters which will allow the teams to monitor rises in consumption.

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 five years (85% at Hampton Court, 83% at the Tower of London, 82% at Banqueting House, and 62% at Kensington Palace in 2014/15), and no waste sent to landfill in 2014/15. This was achieved with the backdrop of the millions of non-paying visitors who came to view the Poppies installation at the Tower of London.

The following initiatives have contributed to this achievement:

- In the New Armouries outlet at the Tower of London, in cooperation with our catering concession, we have successfully demonstrated composting as a means of removing food waste from our waste streams. More work will be undertaken in the future 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 continue to recycle 95% of their green waste, which is shredded and never taken off site;
- No hazardous waste was disposed of by the team during the period of reporting. This has been partly brought about by an overall reduction in the use of harmful pesticides and a greater reliance on the use of organic products and regular feeding to ensure plants are healthy and can better resist pest and disease attacks.

We are committed to the sustainable management of habitats of wildlife conservation importance and this year were delighted that Natural England designated Home Park as a Site of Special Scientific Interest.

Trustees' Report (continued)

Under the banner of our long term sustainability commitment, we continue to make improvements to:

- the water metering at all palaces;
- the upgrade of our building management system at the Tower of London;
- the new chiller unit in the Waterloo Block at the Tower of London;
- waste management brought about by TSS our new cleaning contractor since April 2015, including introduction of central waste hubs into office areas, waste division at source and segregation between general waste and dry/mixed waste;
- 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 2014/15 consisted of four Trustees. General the Lord Dannatt (Chairman), Liz Cleaver, Jonathan Marsden, and Louise Wilson all served on the Committee throughout the year.

Policy statement

The remit of the Remuneration Committee is governed by the legal framework of HRP as set out in the Royal Charter. In establishing the level of remuneration for each Director, the Remuneration Committee considers the guidelines laid down by the Combined Code and HM Treasury and has a remuneration policy similar to comparable and competing organisations. This policy aims to ensure that remuneration packages are in line with 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 2014, all Directors received a 2.5% 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. 3 Directors also received a small additional uplift to their salaries as a result of taking on additional responsibilities and to bring them in line with external and internal market practice.

In addition, the Directors received a performance-related bonus for the 2013/14 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 2014/15 period have been accrued and will be paid in accordance with the agreed scheme.

During the year the Committee commissioned an independent reward consultant to conduct a benchmarking review of Directors' salaries. This review confirmed that the Directors' salaries were competitive and in line with general market practice. The Committee also reviewed the Directors' Bonus Scheme and agreed that current arrangements should continue. The Committee also reviewed and approved the Directors' Succession plans. These were subsequently discussed and approved by the main 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.

Rupert Gavin
Chairman of the Board of Trustees
22nd June 2015

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:

1. 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 Andrae (until 31 December 2014), Val Gooding (from 4 April 2014) and Malcolm Reading (until 3 April 2014). Anupam Ganguli is a co-opted member of the committee.
2. 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 three Trustees: Sir Alan Reid (Chair), Charles Mackay and Bruce Carnegie-Brown and three members of the Executive Board: Michael Day, Tania Fitzgerald (until 23 January 2015) and Jane McKeown (from 23 January 2015). William Fall has agreed to serve as a co-opted member of the committee in 2015/16.
3. 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 M Louise Wilson.

Governance Statement (continued)

4. 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 2015 these were respectively; Charles Mackay (Chair of Committee), Sir Alan Reid, General the Lord Dannatt, Dawn Austwick and Val Gooding.

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

During the year, The Chairman Search Committee was formed for the sole purpose of supporting the process to appoint a new Chairman to replace Charles Mackay when he stepped down at the end of his term of office on 4th May 2015. The Search Committee was chaired by Sir Alan Reid (Deputy Chairman). General the Lord Dannatt, Dawn Austwick and M Louise Wilson also served on this Committee. HM The Queen, on the advice of the Secretary of State for Culture, Media and Sport appointed Rupert Gavin in January 2015 as the Chairman with effect from 5th May 2015.

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 is chaired by Bruce Carnegie-Brown. Sir Trevor McDonald and M Louise Wilson 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 2014/15, 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 85% (2014: 93%), Audit & Risk Committee 82% (2014:100%), Investment Committee 83% (2014: 100%), Remuneration Committee 83% (2014:100%) and Nominations Committee 60% (2014:100%).

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

	Board	Audit & Risk Committee	Investment Committee	Remuneration Committee	Nominations Committee
Charles Mackay	7/7		1/2		1/1
Sir Alan Reid	4/7		2/2		0/1
Sophie Andreae (until 31 December 2014)	4/5	2/3			
Dawn Austwick	7/7	4/4			0/1
Bruce Carnegie-Brown	6/7		2/2		
Liz Cleaver	5/7			2/3	
General the Lord Dannatt	6/7			2/3	1/1
Val Gooding	6/7	3/4			1/1
Jonathan Marsden	6/7			3/3	
Sir Trevor MacDonald	7/7				
Malcolm Reading (until 3 April 2014)	0/0	0/0			
M Louise Wilson	6/7			3/3	

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. Following the full Review carried out in 2013 based on a detailed questionnaire, the 2014 Review was carried out as an update discussion. The Chairman concluded that effectiveness remained at a high level. Four recommendations for further improvement were made and discussed at the Board meeting in July 2014. Three recommendations have been implemented and the fourth recommendation was deferred for consideration by the new Chairman.

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 2014/15 the limit for approval of projects and contracts was increased to £750,000 excluding VAT (from £500,000), although projects that may be perceived as novel or contentious below this limit will still be brought to Trustees attention.

The most significant decision taken by the Board during 2014/15 was the agreement to take on management responsibility for the Great Pagoda at Kew (from 1 April 2015) from the Royal Botanic Gardens.

Governance Statement (continued)

Investment in projects approved in the year included: the creation of a new “Magic” Garden for families at Hampton Court; the next phase of conservation of brickwork in Base Court at Hampton Court; the conservation of the roof of the Georgian House and the roof of the Real Tennis Court at Hampton Court; the conservation of the exterior of the Banqueting House; the conservation of the Queen’s House and Bell Tower at the Tower of London and replacement steps to the White Tower at the Tower of London.

Trustees also approved new policies covering collections management, a revised Memorandum of Understanding with the Royal Armouries and a new Research Strategy framework in advance of our application for Independent Research Organisation status.

Trustees considered progress through strategic updates on Development and on the first full year of our “Audiences First” work, comprising : the Learning & Engagement Strategy to transform the scale and impact of learning and engagement at HRP, and our capacity to deliver it; the Domestic Market Strategy that aims to increase the number of domestic visitors by 50% across all palaces by 2020; the Digital Strategy that will transform the way we engage with our audiences and the new approach to Creative Programming and Interpretation. They also received updates on plans for Hillsborough Castle and on the long term master plan for the Tower of London.

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 four times in the year to March 2015 and, in addition to its normal business, considered a report reviewing HRP’s risk management process, agreed a revised Audit and Risk Department structure and a pilot to outsource some internal audits to external providers.

The Investment Committee met in July and November 2014. The committee reviewed HRP’s investments at each meeting. The committee also provided advice to the Pension Scheme Trustees on scheme investment strategy.

HRP’s second major fundraising campaign has the objective of raising £30m of income over five years, ending March 2018. The Campaign Board supported the achievement of half of this total by the end of 14/15.

Corporate governance

The five London 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 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 and from 1 April 2014 HRP was also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle in Northern Ireland. The Castle is owned by Government.

In June 2015 the Royal Charter was changed to permit the Keeper of the Privy Purse to choose not to serve beyond nine years, in which case the Deputy Keeper of the Privy Purse is appointed by HM The Queen to take his place.

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 between the Chairman and the Chief Executive. 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 2015 and up to the date of approval of the Annual Review and Accounts, and accords with Treasury guidance.

Audit & Risk is responsible for the ongoing examination of and the reporting on the adequacy and effectiveness of HRP's risk management process. The Head of Audit & Risk provides an annual report to the Chief Executive Officer (CEO)/Accounting Officer and the Audit & Risk Committee on the adequacy and effectiveness of the risk management process, internal control and corporate governance in the year. Her opinion for the year to March 2015 was that HRP has a satisfactory framework of governance, risk management and control 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:

- Internal Audit 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 & Risk 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 & Risk 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, supported by Information Asset Owners;
- 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 Payment Card Industry Data Security Standard Self Assessment Questionnaire 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 - Control Objectives for Information & Related Technology)
- 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. In line with best practice, the Committee publishes an annual report on its work for the Board of Trustees.

At 31 March 2015, HRP had one 'red' status risk on the risk register:

- 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:

- Hillsborough - failure to achieve the year-five 'future operating model' (as set out in a paper considered by Trustees in July 2013) - until detailed plans for the development have been approved;
- Information systems - failure of key systems that inhibit our ability to operate - as we are still exposed to prolonged recovery times for some key systems.

Two new 'amber' risks have been added:

- Failure to deliver successfully key projects - as some projects in progress, or planned, have particular complexity, large budgets and/or uncertain planning approvals;
- Not making Learning live at the heart of our cause and be relevant to broad and diverse audiences - until we are confident we have addressed changes in the National Curriculum (Autumn 2014).

One risk judged to have been 'amber' at March 2014 is now judged to have returned to green:

- HRP's conservation reputation damaged - our collections management policy has been approved and is being implemented

Risks for the delivery of the 2015/16 annual operating plan include a weakening of the Euro against sterling 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.

Governance Statement (continued)

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 2018. 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;
- The five-yearly external quality review of HRP's internal audit service was carried out during 2013/14 and five of the actions resulting from this have been implemented in 14/15 with four to complete in 15/16;
- The guidance on risk management has been updated and expanded and induction training on risk management is to be provided for any new directors;
- The Executive Board and the Audit & Risk Committee have increased the number of formal reviews of the risk register from three to four per year;
- The internal audit department and specialist advisers on fire, health and safety and security have been brought together at the end of the year as one audit and risk department;
- Internal audits carried out by external providers have brought some different experience to the organisation;
- A new approach to the auditing of projects and programmes of work was agreed by the Audit & Risk Committee;
- The IT department reviewed and amended the appropriateness of email and web filtering security;
- The IT department reviewed and improved server room security;
- There have been no incidents of data loss in the year;
- The fire and emergency planning adviser was able to conclude at the year end that HRP achieves a good standard of compliance with fire safety legislation and the protection of historic buildings and collections from fire;
- Emergency planning was expanded to include Hillsborough Castle;
- New technology to protect the Rubens ceiling from fire at the Banqueting House was approved;
- The adviser was able to conclude that the management of health and safety and environmental legislation in HRP remains satisfactory;
- The Security Adviser concluded that the general standard of security at HRP is good. Risk management mechanisms are in place to identify shortcomings and implement improvements to identified risks and threats.

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.

Significant internal control issues

No significant internal control issues have arisen during the course of 2014/15.

Rupert Gavin
Chairman of the Board of Trustees
22nd June 2015

Michael Day CVO
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.

Rupert Gavin
Chairman of the Board of Trustees
22nd June 2015

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 CVO
Chief Executive and Accounting Officer
22nd June 2015

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 2015. 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 2015 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.

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

29th June 2015

Consolidated Statement of Financial Activities

for the year ended 31 March 2015

	Note	Unrestricted funds £000	Restricted funds £000	Total 2015 £000	Total 2014 £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income					
Grants and donations		2,566	6,107	8,673	3,414
Activities for generating funds					
Retail income		12,968	-	12,968	12,634
Functions and events		5,896	-	5,896	5,449
Licences and rents		4,942	-	4,942	3,186
Sponsorship		583	-	583	488
		24,389	-	24,389	21,757
Investment income		433	-	433	419
Incoming resources from charitable activities:					
Admissions		56,190	-	56,190	51,857
Concessions		2,551	-	2,551	2,341
Total incoming resources		86,129	6,107	92,236	79,788
RESOURCES EXPENDED					
Costs of generating funds:					
Fundraising		1,288	-	1,288	1,219
Retail activities		10,282	2	10,284	9,834
Other commercial activities		3,390	-	3,390	3,478
Investment management costs		23	-	23	
		14,983	2	14,985	14,531
Charitable activities:					
<i>Give the palaces the care they deserve</i>		23,695	1,777	25,472	22,765
<i>Transform the way visitors explore their story:</i>					
Public access		22,203	1,841	24,044	22,557
Interpretation and learning		13,380	248	13,628	11,031
<i>Have a wider impact in the world</i>		6,272	-	6,272	5,464
Governance costs	4	515	-	515	472
		66,065	3,866	69,931	62,289
Pension finance (income)/costs	8	(387)	-	(387)	(373)
Total resources expended	3	80,661	3,868	84,529	76,447
Net incoming/(outgoing) resources before transfers		5,468	2,239	7,707	3,341
Actuarial (loss) on pension plan	8	(5,724)	-	(5,724)	(1,153)
Net movement in funds		(256)	2,239	1,983	2,188
Fund balances brought forward at 1 April	5	36,200	2,113	38,313	36,125
Fund balances carried forward at 31 March	5	35,944	4,352	40,296	38,313

The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 25 to 46 form an integral part of these accounts.

Consolidated and Charity Balance Sheets as at 31 March 2015

	Note	Group 2015 £000	Charity 2015 £000	Group 2014 £000	Charity 2014 £000
<i>Fixed assets:</i>					
Intangible assets	9	42	42	63	63
Tangible assets	10	9,724	9,724	9,757	9,757
Heritage assets	11	5,796	5,796	5,528	5,528
Investments	12	9,664	9,664	9,676	9,676
		25,226	25,226	25,024	25,024
<i>Current assets:</i>					
Stocks - goods for resale		1,751	-	1,756	-
Debtors	13	7,300	8,159	5,413	6,438
Short-term cash deposits		15,000	15,000	8,000	8,000
Cash at bank and in-hand		11,908	11,374	14,883	13,854
		35,959	34,533	30,052	28,292
<i>Creditors: Amounts falling due within one year</i>	14	13,889	12,487	14,258	12,517
Net current assets		22,070	22,046	15,794	15,775
Total assets less current liabilities		47,296	47,272	40,818	40,799
<i>Creditors: Amounts falling due after more than one year</i>	15	24	-	24	5
<i>Provision for liabilities and charges</i>	16	38	38	574	574
Net assets excluding Pension Plan liability		47,234	47,234	40,220	40,220
<i>Pension Plan liability</i>	8	6,938	6,938	1,907	1,907
Net assets including Pension Plan liability		40,296	40,296	38,313	38,313
Unrestricted funds		35,944	35,944	36,200	36,200
Restricted funds		4,352	4,352	2,113	2,113
Total funds	5	40,296	40,296	38,313	38,313

These financial statements were approved by the Trustees and the Accounting Officer on 22nd June 2015 and were signed on their behalf by:

Rupert Gavin
Chairman of the Board of Trustees

Michael Day CVO
Chief Executive and
Accounting Officer

The notes on pages 25 to 46 form an integral part of these accounts.

Consolidated Cash Flow Statement for the year ended 31 March 2015

	2015 £000	2014 £000
Cash flow statement		
Net cash inflow from operating activities (note A below)	5,067	7,912
Returns on investment and servicing of finance:		
Interest received	433	419
Taxation paid	(4)	(4)
Investing activities:		
Purchase of tangible assets	(1,273)	(2,369)
Purchase of intangible assets	-	(17)
Purchase of heritage assets	(214)	(44)
Purchase of investments	(200)	(9,721)
Redemption of investments	200	-
Proceeds from sale of fixed assets	16	9
Management of liquid resources:*		
Net (purchase)/sale of short-term deposits	(7,000)	13,026
Increase/(Decrease) in cash	(2,975)	9,211

Note A : Reconciliation of net incoming resources to net cash inflow from operating activities

	2015 £000	2014 £000
Net incoming /(outgoing) resources from charitable and trading activities	7,707	3,341
Interest receivable	(433)	(419)
Taxation	4	4
Pension scheme: non-cash movements**	(693)	(660)
Donated heritage assets	(73)	(11)
Depreciation	1,312	1,388
Loss on disposal of fixed assets	18	7
Decrease in fixed asset investments	12	45
(Increase)/Decrease in stocks	5	(413)
(Increase) in debtors	(1,887)	(365)
Increase/(Decrease) in creditors: current liabilities	(369)	4,711
Increase in long term creditors	-	24
Increase/(Decrease) in provisions for liabilities and charges	(536)	260
Net cash inflow from operating activities	5,067	7,912

Analysis of net funds

	2015 £000	2014 £000	Change in year £000
Cash at bank and in hand	11,908	14,883	(2,975)

* 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 2015

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 United Kingdom accounting standards and the Charities Act 2011. The financial statements have been prepared on a going-concern basis under the historical 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 2015

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 2015

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.

Paul Cummins Ceramics Blood Swept Lands and Seas of Red Community Interest Company (CIC) was incorporated on 25 July 2014, with shares limited by guarantee owned by Paul Cummins Ceramics Limited and Historic Royal Palaces. Its purpose is to sell the ceramic poppies made for the installation in the moat at the Tower of London and to gift the net profits to its six stated beneficiaries: Combat Stress, The Confederation of Service Charities (COBSEO), Haig Housing Trust (Coming Home), Help for Heroes, The Royal British Legion and The Soldiers, Sailors, Airmen and Families Association (SSAFA). The CIC is stated in HRP's accounts in line with FRS9 as an investment with no value, being asset-locked for the sole benefit of these six organisations.

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. Income from operating leases is recognised 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. 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 2015

1. Accounting Policies (continued)

o) Pensions (continued)

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 October 2002. 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.

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 67% 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.

	2015	2014
	£000	£000
Profit and loss account		
Turnover (activities for generating funds)	20,894	20,019
Cost of sales (costs of generating funds)	(4,515)	(4,478)
Gross profit	16,379	15,541
Administrative expenses	(11,380)	(10,950)
Interest receivable	3	2
Net profit	5,002	4,593
Amount passed as Gift Aid to HRP	(4,998)	(4,589)
Taxation	(4)	(4)
Retained in subsidiary	-	-
	2015	2014
	£000	£000
Balance Sheet as at 31 March 2015		
Stocks - goods for resale	1,751	1,756
Debtors	468	1,432
Cash	534	1,029
Current liabilities	(2,729)	(4,198)
Creditors due after more than 1 year	(24)	(19)
Net assets	-	-
Share capital and reserves	-	-

Notes to the Consolidated Accounts for the year ended 31 March 2015

3. Total resources expended

	Total direct costs £000	Allocation of support costs £000	Total 2015 £000	Total 2014 £000
Costs of generating funds				
<i>Generating the money to make it possible:</i>				
Fundraising	1,156	132	1,288	1,219
Retail activities	9,000	1,284	10,284	9,834
Other commercial activities	3,038	352	3,390	3,478
	13,194	1,768	14,962	14,531
Charitable expenditure				
<i>Give the palaces the care they deserve</i>	23,213	2,259	25,472	22,765
<i>Transform the way visitors explore their story:</i>				
Public access	20,533	3,511	24,044	22,557
Interpretation and learning	12,203	1,425	13,628	11,031
<i>Have a wider impact in the world</i>	5,786	486	6,272	5,464
Governance costs (see Note 4)	476	39	515	472
	62,211	7,720	69,931	62,289
Pension finance (income)/costs	(387)	-	(387)	(373)
Investment management costs	23	-	23	-
Total	75,041	9,488	84,529	76,447

Resources expended include charges for:	Total 2015 £000	Total 2014 £000
Auditors' remuneration:		
Audit		
- HRP	40	34
- HRPE	18	18

The auditors did not provide any non-audit services

Hire of:		
Computers	25	37
Plant and machinery	176	180
Other	371	362

Depreciation written off owned fixed assets:		
Tangible	1,292	1,365
Intangible	21	23

Corporation tax	4	4
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Notes to the Consolidated Accounts for the year ended 31 March 2015

4. Support and governance costs

	Human Resources £000	Information Systems £000	Finance Department £000	Employee Services £000	Manage- ment Costs £000	Total 2015 £000	Total 2014 £000
Costs of generating funds							
Fundraising	16	62	39	3	12	132	118
Retail activities	159	623	358	25	119	1,284	1,134
Other commercial activities	42	165	107	7	31	352	315
Charitable expenditure							
<i>Give the palaces the care they deserve</i>	232	907	910	36	174	2,259	1,957
<i>Transform the way visitors explore their story:</i>							
Public access	517	2,024	502	81	387	3,511	3,077
Interpretation and learning	182	715	363	28	137	1,425	1,078
<i>Have a wider impact in the world</i>	41	160	248	6	31	486	403
Governance costs	4	18	13	1	3	39	36
Total	1,193	4,674	2,540	187	894	9,488	8,118

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 2015 £000	Total 2014 £000
Internal and external audit	168	232
Trustee expenses and costs	17	7
Trustee and chairman recruitment costs	71	8
Production of annual report	4	6
Management costs	216	183
Support costs	39	36
	515	472

Notes to the Consolidated Accounts for the year ended 31 March 2015

5. Total funds

	Funds as at 1 April 2014	Incoming resources	Resources expended	Revaluations	Transfers between funds	Funds as at 31 March 2015
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General (Free) reserves	5,000	83,512	(78,737)	-	(4,775)	5,000
Designated funds	19,748	-	-	-	4,634	24,382
Fixed assets	13,359	-	-	-	141	13,500
Pension plan	(1,907)	2,617	(1,924)	(5,724)	-	(6,938)
Total	36,200	86,129	(80,661)	(5,724)	-	35,944
Restricted funds						
Donated assets	1,989	73	-	-	-	2,062
Hillsborough Castle	-	4,250	(1,993)	-	-	2,257
Middle Drawbridge project at the Tower of London	45	-	(45)	-	-	-
Baroque Palace project at Hampton Court Palace	-	81	(81)	-	-	-
Home Park Meadows project at Hampton Court Palace	18	-	(16)	-	-	2
Kensington Palace Development	-	301	(301)	-	-	-
Magic Garden project at Hampton Court Palace	-	770	(770)	-	-	-
Other garden projects at Hampton Court Palace	32	10	(30)	-	-	12
Chapel of St Peter ad Vincula at the Tower of London	-	530	(530)	-	-	-
Other projects	29	92	(102)	-	-	19
Total	2,113	6,107	(3,868)	-	-	4,352
Total funds	38,313	92,236	(84,529)	(5,724)	-	40,296

Designated funds

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

- £6.1m to complete projects in 2015/16 that were underway in 2014/15
- £5.1m to support our plans to develop Hillsborough Castle over the next three years
- £3.5m towards the development of the Tower of London entry project
- £2.4m towards the cost of conserving the Banqueting House, over the period to 2018
- £1.5m for the second year of our work to implement our new Digital strategy
- £1.4m for the development of a garden designed for children and families at Hampton Court, scheduled to open in 2016.

Notes to the Consolidated Accounts for the year ended 31 March 2015

5. Total funds (continued)

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. £12.8m of last year's designation was spent and new designations of £17.3m created.

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2015 are represented by:

	Unrestricted funds £000	Restricted funds £000	2015 £000	2014 £000
Intangible assets	42	-	42	63
Tangible assets	9,724	-	9,724	9,757
Heritage assets	3,734	2,062	5,796	5,528
Investments	9,664	-	9,664	9,676
Net current assets	19,780	2,290	22,070	15,794
Creditors > one year	(24)	-	(24)	(24)
Provisions	(38)	-	(38)	(574)
Pension plan liability	(6,938)	-	(6,938)	(1,907)
Total net assets	35,944	4,352	40,296	38,313

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 £3,996 (2014: £989) for the year ending 31 March 2015. Expenses were reimbursed for 10 Trustees (2014: 6). 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:

	2015 FTE	2014 FTE
Fundraising	11	10
Retail activities	109	100
Other commercial activities	29	25
<i>Give the palaces the care they deserve</i>	162	147
<i>Transform the way visitors explore their story:</i>		
Public access	354	335
Interpretation and learning	124	101
<i>Have a wider impact in the world</i>	26	24
Governance	3	4
Support costs	73	66
Total	891	812

Notes to the Consolidated Accounts for the year ended 31 March 2015

7. Staff numbers and costs (continued)

The aggregate payroll costs of these staff were as follows:

	2015 £000	2014 £000
Wages and salaries	28,391	25,163
Loss of office	73	143
Ex gratia payments	93	23
Social security costs	2,700	2,372
Pension costs	3,396	3,231
Total	34,653	30,932
Agency staff	336	290
Total	34,989	31,222

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

	2015 No. of staff	2014 No. of staff
£60,001 to £70,000	22	23
£70,001 to £80,000	9	5
£100,001 to £110,000	-	-
£110,001 to £120,000	2	3
£120,001 to £130,000	1	2
£130,001 to £140,000	3	2

Excluding the Chief Executive, there were 37 staff during the year earning in excess of £60,000 (2014: 35), 14 were in a defined benefit scheme (2014: 15) and 23 were in a defined contribution scheme (2014: 20) where the employer contributions were £138,631 (2014: £109,430).

The aggregate emoluments of the Chief Executive were as follows:

	Age	Remuneration	Pension Contributions made to Group Pension Plan	Personal
Michael Day CVO	62	£160,979	£11,912	

The emoluments of the Chief Executive in 2013/14 totalled £157,398 (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 2015 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 £31,930 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 2015

8. Retirement benefits (continued)

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

	31/03/2015	31/03/2014	31/03/2013
	£'000	£'000	£'000
Fair value of scheme assets	70,697	60,839	56,433
Present value of scheme liabilities	77,635	62,746	57,847
(Deficit) in scheme	(6,938)	(1,907)	(1,414)
Unrecognised surplus	-	-	-
(Liability) to be recognised	(6,938)	(1,907)	(1,414)

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

	Period Ending 31/03/2015	Period Ending 31/03/2014
	£'000	£'000
Scheme liabilities at start of period	62,746	57,847
Current service cost	1,924	1,945
Interest cost	2,831	2,676
Contributions by scheme participants	89	95
Actuarial losses	11,686	1,509
Benefits paid and death in service insurance premiums	(1,641)	(1,326)
Scheme liabilities at end of period	77,635	62,746

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

	Period Ending 31/03/2015	Period Ending 31/03/2014
	£'000	£'000
Fair value of scheme assets at start of period	60,839	56,433
Expected return on scheme assets	3,218	3,049
Actuarial gains	5,962	356
Contributions by the Employer	2,230	2,232
Contributions by scheme participants	89	95
Benefits paid and death in service insurance premiums	(1,641)	(1,326)
Fair value of scheme assets at end of year	70,697	60,839

The actual return on the scheme assets over the period ending 31 March 2015 was £9,180,000.

Notes to the Consolidated Accounts for the year ended 31 March 2015

8. Retirement benefits (continued)

Total expense recognised in Statement of Financial Activities (SOFA)

	Period Ending 31/03/2015 £'000	Period Ending 31/03/2014 £'000
Current service cost	1,924	1,945
Interest cost	2,831	2,676
Expected return on scheme assets	(3,218)	(3,049)
Total expense recognised in SOFA	1,537	1,572

Analysis of amounts recognised in fund movements

	Period Ending 31/03/2015 £'000	Period Ending 31/03/2014 £'000
Difference between expected and actual return on scheme assets:		
Amount: gain	5,962	356
Experience gains and losses arising on the scheme liabilities:		
Amount: gain	64	189
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount: (loss)	(11,750)	(1,698)
Total amount recognised in fund movements		
Amount: (loss)	(5,724)	(1,153)

The cumulative amount of actuarial gains and losses recognised in fund movements since adoption of FRS17 is (£12,463,000) (a loss).

Assets

	31/03/2015 £'000	31/03/2014 £'000	31/03/2013 £'000
Equity	29,393	25,229	32,581
Corporate Bonds	16,424	13,579	8,192
Gilts	15,930	13,829	8,361
Other	8,950	8,202	7,299
Total assets	70,697	60,839	56,433

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 2015

8. Retirement benefits (continued)

Assumptions

	31/03/2015	31/03/2014	31/03/2013
	% per annum	% per annum	% per annum
Rate of discount	3.40%	4.50%	4.60%
Inflation (RPI)	3.30%	3.60%	3.50%
Inflation (CPI)	2.30%	2.60%	2.75%
Salary increases	2.75%	3.05%	2.95%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.30%	2.60%	2.75%
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.30%	2.50%	2.50%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.20%	3.50%	3.40%
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	3.30%	3.60%	3.50%
Allowance for commutation of pension for cash at retirement	None	None	None

The mortality assumptions adopted at 31 March 2015 imply the following life expectancies:

	2015	2035
Male retiring at age 60 in	27.0	29.0
Female retiring at age 60 in	29.4	31.4

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 01/04/2015 % per annum	Period commencing 01/04/2014 % per annum
Equity	7.40%	6.80%
Corporate Bonds	4.30%	4.50%
Gilts	3.40%	2.80%
Other	3.40%	2.80%
Overall for scheme	5.26%	5.36%

Notes to the Consolidated Accounts for the year ended 31 March 2015

8. Retirement benefits (continued)

Amounts for the current and previous four years

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	70,697	60,839	56,433	49,183	45,535
Present value of scheme liabilities	77,635	62,746	57,847	51,050	46,549
Surplus /(deficit) in scheme	(6,938)	(1,907)	(1,414)	(1,867)	(1,014)
Experience adjustment on scheme assets	5,962	356	2,480	(721)	594
Experience adjustment on scheme liabilities	64	189	163	(358)	563

The best estimate of contributions to be paid by the Employer to the scheme for the period commencing 1 April 2015 is £2,019,000.

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 £1,367,046 (2014: £1,030,860), 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 auto-enrolment requirements. The cost for the year was £17,024 (2014: £6,372), with no outstanding contributions at the balance sheet date.

Notes to the Consolidated Accounts for the year ended 31 March 2015

9. Intangible fixed assets (Group & Charity)

	Software licences £000
Cost	
Balance as at 1 April 2014	143
Additions	-
Balance as at 31 March 2015	143
Accumulated depreciation	
Balance as at 1 April 2014	80
Charge for the year	21
Balance as at 31 March 2015	101
Net book value as at 31 March 2015	42
As at 31 March 2014	63

The net book value as at 31 March 2015 represents intangible fixed assets used for

	£000
Costs of generating funds	
Retail activities	5
Other commercial activities	1
Fundraising	1
Charitable expenditure	
<i>Give the palaces the care they deserve</i>	10
<i>Transform the way visitors explore their story:</i>	
Public access	19
Interpretation and learning	5
<i>Have a wider impact in the world</i>	1
	42

Notes to the Consolidated Accounts for the year ended 31 March 2015

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 2014	12,242	4,295	3,666	911	4,809	1,638	27,561
Additions	-	129	367	52	418	308	1,274
Disposals	-	(23)	(64)	(57)	(196)	-	(340)
Transfers within tangible assets	1,600	-	-	-	80	(1,680)	-
Balance as at 31 March 2015	13,842	4,401	3,969	906	5,111	266	28,495
Accumulated depreciation							
Balance as at 1 April 2014	8,114	2,769	2,661	655	3,605	-	17,804
Charge for the year	348	246	337	100	261	-	1,292
Disposals	-	(23)	(63)	(58)	(181)	-	(325)
Balance as at 31 March 2015	8,462	2,992	2,935	697	3,685	-	18,771
Net book value as at 31 March 2015	5,380	1,409	1,034	209	1,426	266	9,724
As at 31 March 2014	4,128	1,526	1,005	256	1,204	1,638	9,757
The net book value as at 31 March 2015 represents fixed assets used for							
Fundraising	-	-	-	2	-	-	2
Retail activities	114	544	-	30	22	-	710
Other commercial activities	-	27	9	6	24	-	66
Charitable expenditure:							
<i>Give the palaces the care they deserve</i>	1,769	93	17	33	748	212	2,872
<i>Transform the way visitors explore their story:</i>							
Public access	2,660	386	469	110	594	-	4,219
Interpretation and learning	837	359	531	22	38	54	1,841
<i>Have a wider impact in the world</i>	-	-	8	5	-	-	13
Governance costs	-	-	-	1	-	-	1
	5,380	1,409	1,034	209	1,426	266	9,724

Notes to the Consolidated Accounts for the year ended 31 March 2015

11. Heritage assets (Group & Charity)

	Total 2015 £000	No.	Total 2014 £000	No.	Total 2013 £000	No.	Total 2012 £000	Total 2011 £000
Cost and net book value								
Balance as at 1 April	5,528	457	5,473	453	5,172	448	4,975	4,932
Additions, at cost	214	4	44	3	143	3	57	43
Transfers from assets in the course of construction	-		-		48	1	-	-
Disposals	(19)	(2)	-		-		-	-
Donated works, at deemed value	73	6	11	1	110	1	140	-
Balance as at 31 March	5,796	465	5,528	457	5,473	453	5,172	4,975

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	5,796	5,528	5,473	5,172	4,975
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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.
- 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

In addition, HRP owns unaccessioned assets as follows:

- 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 "at home" at our palaces and stored form part of the Royal Collection, owned by HM The Queen and administered by 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).
- The artwork collection and other items on display at Hillsborough Castle

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 2015

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.

The de-accession of four replica sculptures and plinths after Rusconi, 1994 took place in the year, following a request by Royal Collection Trust to transfer ownership of the replicas to the Royal Collection to take the place of the originals at Windsor Castle. The originals are now on display "at home" at Kensington Palace.

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 2015 £000	Charity 2015 £000
Balance as at 1 April	9,676	9,676
Reclassification of accrued interest from accrued income	250	250
Effective interest earned	222	222
Interest coupons received	(484)	(484)
Bonds purchased	200	200
Bonds redeemed	(200)	(200)
Balance as at 31 March	9,664	9,664

These consist of short dated, investment grade, sterling, fixed income securities. Investments are accounted for using the effective interest method as they are intended to be held to maturity.

Notes to the Consolidated Accounts for the year ended 31 March 2015

13. Debtors

	Group 2015 £000	Charity 2015 £000	Group 2014 £000	Charity 2014 £000
Trade debtors	1,581	1,319	2,425	1,153
Amounts due from subsidiary	-	1,327	-	2,457
Other debtors	227	115	117	115
Prepayments and accrued income	5,492	5,398	2,871	2,713
	7,300	8,159	5,413	6,438

Within debtors, £nil of accrued income is due after more than one year (2014: £nil).

14. Creditors: amounts falling due within one year

	Group 2015 £000	Charity 2015 £000	Group 2014 £000	Charity 2014 £000
Trade creditors	1,871	1,647	2,074	1,704
Taxation and social security	798	795	747	721
Other creditors	315	314	215	214
Accruals	8,806	8,231	9,465	8,641
Deferred income	2,099	1,500	1,757	1,237
	13,889	12,487	14,258	12,517

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

	Group 2015 £000	Charity 2015 £000	Group 2014 £000	Charity 2014 £000
Deferred income	24	-	24	5

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

	Claims £000	Total £000
Balance as at 1 April 2014	574	574
Amounts used in year	(574)	(574)
New provisions in year	38	38
Balance as at 31 March 2015	38	38

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 2015

17. Financial commitments under operating leases

	Group 2015 £000	Charity 2015 £000	Group 2014 £000	Charity 2014 £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	364	284	378	262
Others:				
Within one year	37	36	59	57
Between two to five years	15	11	19	15
Total payable within one year	416	331	456	334

18. Operating lease income

	Group 2015 £000	Charity 2015 £000	Group 2014 £000	Charity 2014 £000
Operating lease rentals receivable	56	56	-	-

Part of the collections property purchased in May 2014 is let on an operating lease. The gross value of the property is £1,600,000 and at 31 March 2015 accumulated depreciation charges totalled £44,000.

19. Capital commitments

	Group 2015 £000	Charity 2015 £000	Group 2014 £000	Charity 2014 £000
Contracted capital commitments as at 31 March 2015, for which no provision has been made in the accounts:				
Contracted	11,402	11,384	5,870	5,870
Authorised	17,930	17,808	21,034	21,034
	29,332	29,192	26,904	26,904

Commitments include £2,138,778 (2014: £1,048,712) relating to projects that are being funded by donations from third parties.

20. Contingent liabilities

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

Notes to the Consolidated Accounts for the year ended 31 March 2015

20. Contingent liabilities (continued)

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.

21. 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 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 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	2015 £000	2014 £000	Detail of transaction
Catlin Holdings	Bruce Carnegie-Brown (Trustee of HRP) is Senior Independent Director of the Catlin Group	45 (nil)	-	Corporate sponsorship
Close Brothers	Bruce Carnegie-Brown (Trustee of HRP) is Senior Independent Director of Close Brothers	7 (nil)	-	Charge made by HRPE for an event held at the Tower of London
Historic Royal Palaces Inc (HRP Inc)	Michael Day (Chief Executive of HRP) is President of HRP Inc and Dan Wolfe (Director of HRP) is a Director of HRP Inc (neither role is remunerated)	231 (nil)	296 (nil)	Grant received by HRP from HRP Inc
Institute of Conservation (ICON)	The Head of HRP Conservation and Collection Care (CCC) was a Trustee of ICON until March 2014	-	23 (nil)	Payments made by HRP for ICON-administered interns working in CCC section.
Northern Ireland Office	Contracts HRP to manage Hillsborough Castle	4,250 (nil)	-	Grants received by HRP for Hillsborough Castle development project

Notes to the Consolidated Accounts for the year ended 31 March 2015

21. Related party transactions (continued)

Related party	Connected party	2015 £000	2014 £000	Detail of transaction
Paul Cummins Ceramics Blood Swept Lands and Seas of Red Community Interest Company (CIC)	Michael Day (Chief Executive of HRP) is a Director (not remunerated) of the CIC	1,360 (nil)	-	Recovery of HRP costs incurred on the poppy installation at the Tower of London
Royal Armouries (RA)	General the Lord Dannatt (Trustee of HRP) is a Trustee of RA	237 (36)	382 (97)	Payments made by HRP for goods and services provided at HM Tower of London
		14 (1)	12 (1)	Recovery of costs from RA for maintenance, goods and services provided by HRP and HRPE at HM Tower of London
Royal Botanic Gardens (RBGK)	Val Gooding (Trustee of HRP) is a Trustee of RBGK	10 (nil)	-	Charges made by HRP to RBGK for electricity supply
		175 (nil)	175 (nil)	Annual income contribution from RBGK towards the operational costs of Kew Palace, Queen Charlotte's Cottage and the Royal Kitchens
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.	65 (16)	209 (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.	34 (10)	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	40 (6)	44 (nil)	Payments made by HRP for rent and services provided by RH at Kensington Palace
Santander	Bruce Carnegie- Brown (Trustee of HRP) is Non- Executive Director of Santander	42 (nil)	-	Corporate Sponsorship
The Chapel Council of St Peter ad Vincula	Richard Harrold (Director of HRP) is a member of the Chapel Council	530 (530)	41 (41)	Grant received by HRP for conservation of the Chapel Royal of St Peter ad Vincula at HM Tower of London

Notes to the Consolidated Accounts for the year ended 31 March 2015

21. Related party transactions (continued)

Related party	Connected party	2015 £000	2014 £000	Detail of transaction
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	10 (nil)	11 (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.

22. 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 £1.6m trade debtors (2014: £2.4m). 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.

23. Post balance sheet events

Historic Royal Palaces agreed to take on management responsibility for the Great Pagoda at Kew from 1 April 2015 from the Royal Botanic Gardens.

The financial statements were approved by the Accounting Officer and Trustees on 22nd June 2015 and authorised for issue on 29th June 2015.