



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.

Registration No. 3418583

HISTORIC ROYAL PALACES ENTERPRISES LTD

Directors' Report and Financial Statements

For the year ended 31 March 2017

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COMPANIES HOUSE



REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr M Day CVO
Mrs G George
Mr P Gray
Mrs S Hall (from 04/07/2016)
Colonel R Harrold
Mrs J McKeown (until 03/07/2016)
Mr D Wolfe

SECRETARY

Mrs S Hall (from 04/07/2016)
Mrs J McKeown (until 03/07/2016)

REGISTERED OFFICE

Hampton Court Palace
Surrey
KT8 9AU

BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

AUDITORS

The Comptroller and Auditor General
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

SOLICITORS

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

STRATEGIC REPORT

Business Review

Overall turnover increased by 13.9%.

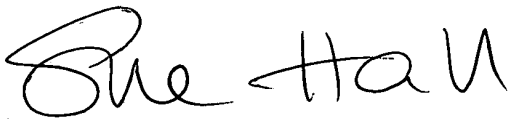
We attracted 4.42 million visits to all our palaces in 2016/17, an increase of 7% over the previous year's figure on a like-for-like basis.

Retail sales were at a record level, increasing by 10.4% to achieve turnover of £13.7m. The Tower of London saw sales increase by £849,000 (10%) on the prior year. Kensington Palace also saw an increase in sales, up by £419,000 (27%), however there were decreases in sales at Hampton Court Palace, down £59,000 (4%). Licensing income increased on the prior year.

An increase in the number of functions in year at both Hampton Court Palace and Kensington Palace, combined with the re-opening of Banqueting House for part of the year saw total events income increase by 21.5% to £6.1m.

Risks for the delivery of the 2017/18 annual operating plan include the ever-present terrorism risk and political instability in certain parts of the world. Financial contingency plans are in place to mitigate the impact of these risks.

On behalf of the Board:
Historic Royal Palaces Enterprises Ltd
Hampton Court Palace
Surrey
KT8 9AU



S Hall
Director

Dated: 7th June 2017

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of the company are retailing, functions, sponsorship and other events at Historic Royal Palaces.

RESULTS AND DIVIDENDS

The company made a profit before taxation and gift aid of £5,598,707. Gift aid of £5,591,661 was paid to Historic Royal Palaces.

The Directors do not recommend the payment of a dividend.

DIRECTORS

The following were in office during the year under review:

Mr M Day CVO
Mrs G George
Mr P Gray
Ms S Hall (from 04/07/2016)
Colonel R Harrold
Mrs J McKeown (until 03/07/2016)
Mr D Wolfe

POST BALANCE SHEET EVENTS

There were no post balance sheet events of any significance.

PAYMENT TO CREDITORS

It is Historic Royal Palaces Enterprises Ltd's policy to settle all debts with its creditors within 30 days unless otherwise specified in the contract.

GOING CONCERN

The directors have considered the factors that may influence the company within the next 12 months and believe it remains appropriate to prepare the accounts on a going concern basis. The factors considered are:

- Visitor numbers for 2017/18
- Forward bookings for 2017/18 functions and events
- That the company has historically generated a profit

AUDITORS

The Comptroller and Auditor General, having expressed his willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006 unless the company receives notice under section 488 (1) of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have chosen to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

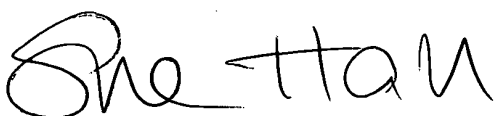
The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

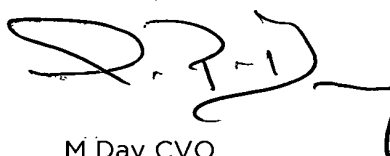
- there is no relevant audit information of which the company's auditors are unaware and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board:
Historic Royal Palaces Enterprises Ltd
Hampton Court Palace
Surrey
KT8 9AU



S Hall
Director



M Day CVO
Director

Dated: 7th June 2017

Independent auditor's report to the shareholders of Historic Royal Palaces Enterprises Ltd

I have audited the financial statements of Historic Royal Palaces Enterprises Ltd for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

Respective responsibilities of the directors and the auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors 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 in accordance with applicable law and 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2017 and of the profit for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

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

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.



Peter Morland (Senior Statutory Auditor)

[3 July] 2017

for and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover	3	22,292,607	19,566,863
Cost of sales		(4,848,268)	(4,342,944)
GROSS PROFIT		17,444,339	15,223,919
Administrative expenses		(11,846,908)	(11,369,106)
OPERATING PROFIT	4	5,597,431	3,854,813
Interest receivable		1,276	1,896
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,598,707	3,856,709
Taxation for the financial year	6	(7,046)	(7,516)
TOTAL PROFIT FOR THE FINANCIAL YEAR		5,591,661	3,849,193

All activities arise from continuing operations.

There are no gains or losses other than the result for the year and consequently no Statement of Total Recognised Gains and Losses has been prepared.

The notes on pages 10 to 16 form an integral part of these financial statements.

BALANCE SHEET
As at 31 March 2017

	Notes	2017 £	2016 £
CURRENT ASSETS			
Stocks	7	1,793,347	1,951,297
Debtors	8	647,580	402,611
Cash at bank and in hand		1,164,286	960,084
		<u>3,605,213</u>	<u>3,313,992</u>
CREDITORS: amounts falling due within one year	9	(3,605,211)	(3,306,790)
		<u>2</u>	<u>7,202</u>
NET CURRENT ASSETS			
CREDITORS: amounts falling due after more than one year	10	-	(7,200)
		<u>2</u>	<u>2</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account		-	-
		<u>2</u>	<u>2</u>
EQUITY SHAREHOLDER'S FUNDS			
		<u>2</u>	<u>2</u>

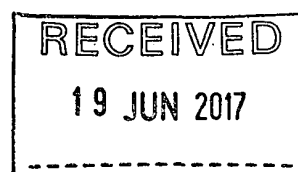
These financial statements were approved by the Board of Directors on 7th June 2017.

Signed on behalf of the Board of Directors
Company Registration No. 3418583

S. Hall

S Hall
Director

The notes on pages 10 to 16 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital	Profit and loss account
	£	£
As at 1 April 2015	2	-
Total profit for the financial year	-	3,849,193
Amount distributed under Gift Aid	-	(3,849,193)
As at 31 March 2016	2	-
	=====	=====
As at 1 April 2016	2	-
Total profit for the financial year	-	5,591,661
Amount distributed under Gift Aid	-	(5,591,661)
As at 31 March 2017	2	-
	=====	=====

The notes on pages 10 to 16 form an integral part of these financial statements

NOTES TO THE ACCOUNTS

Year ended 31 March 2017

1. GENERAL INFORMATION

Historic Royal Palaces Enterprises Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Hampton Court Palace, Surrey, KT8 9AU.

2. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year, are described below:

(a) Basis of preparation

The financial statements have been prepared on a going-concern basis under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS102).

(b) Turnover and revenue recognition

Turnover represents amounts receivable for goods and services provided in the normal course of business net of trade discounts and value added tax. Turnover is deferred where income is received in advance of performance of services and accrued where entitlement has occurred before the income has been received.

(c) Stock and Cost of Sales

Stock is stated at the lower of cost and net realisable value. Provision is made for slow moving items where appropriate. Cost of sales represents the direct costs involved in the sale of retail products. It is determined on a weighted average cost basis and includes all costs of purchase such as associated transportation charges.

(d) Administrative expenses

Administrative expenses include a management charge from the parent entity. This represents apportioned costs for staff and services provided to Historic Royal Palaces Enterprises Ltd (HRPE).

(e) Leases

HRPE has no finance leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

(f) Financial instruments

HRPE 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.

(g) Cash flow statement

Under the provisions of FRS102, no cash flow statement has been prepared because the company qualifies for an exemption as it is a wholly owned subsidiary company.

(h) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

(i) Gift Aid

HRPE distributes its profits by gift aid to Historic Royal Palaces to leave reserves at or close to nil.

3. TURNOVER

The origin of all sales is the UK and almost all are made to UK destinations:

	2017 £	2016 £
Retail	13,710,420	12,417,560
Functions and events	6,111,731	5,029,073
Licences	1,720,825	1,457,303
Other	749,631	662,927
	-----	-----
	22,292,607	19,566,863
	=====	=====

4. OPERATING PROFIT

	2017 £	2016 £
--	-----------	-----------

Operating profit is stated after charging:

Operating lease charges (2016 restated, note 12)	161,574	159,616
Stock recognised as an expense	4,799,812	4,229,298
Impairment of stock (included in cost of sales)	139,205	113,646
Auditors' remuneration - for audit services	18,000	18,000
The auditors did not provide any non-audit services		

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No directors received any fees or other emoluments from the company during the period.

Staff are employed by Historic Royal Palaces, who provide a service to Historic Royal Palaces Enterprises Ltd (HRPE Ltd). These services are recharged to HRPE Ltd under a service charge agreement.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:	2017 £	2016 £
UK Corporation tax	7,046	7,516

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for the current period

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 20%. The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax but after Gift Aid distribution	7,046 =====	7,516 =====
Tax at 20% thereon:	1,409	1,503
Effects of:		
Expenses not deductible for tax purposes	5,877	6,306
Timing differences in the treatment of capital items	(240) -----	(293) -----
Tax charge	7,046 =====	7,516 =====

7. STOCKS

	2017 £	2016 £
Goods for resale	1,793,347 =====	1,951,297 =====

8. DEBTORS

	2017 £	2016 £
Trade debtors	507,972	197,021
Prepayments and accrued income	139,608	103,888
VAT debtor	-	101,702
	647,580 =====	402,611 =====

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	375,026	368,351
Amounts owed to parent undertaking	1,373,527	1,198,530
Corporation tax	7,046	7,516
Other creditors	35,077	34,189
Accruals	664,271	653,657
VAT creditor	220,179	-
Deferred income	930,085	1,044,547
	3,605,211 =====	3,306,790 =====

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Deferred income	- =====	7,200 =====

11. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Authorised		
100 redeemable ordinary shares of £1 each	100	100
	===	===
Called up, allotted and fully paid		
2 redeemable ordinary shares of £1 each	2	2
	===	===

The redeemable ordinary shares are redeemable at any time at an unspecified price at the instigation of the company. It is not the intention of the company to instigate redemption in the foreseeable future.

12. FINANCIAL COMMITMENTS UNDER OPERATING LEASES

HRPE had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £	2016 £ (restated)
Operating Lease payments due:		
Not later than one year	162,614	159,616
Later than one year and not later than five years	640,306	627,970
Later than five years	479,514	623,200
	-----	-----
Total payable	1,282,434	1,410,786
	=====	=====

2016 has been restated to include property service charges payable under non-cancellable operating leases

13. OPERATING LEASE INCOME

HRPE had the following future minimum lease income under non-cancellable operating leases for each of the following periods:

	2017 £	2016 £ (restated)
Operating Lease payments due:		
Not later than one year	101,788	101,788
Later than one year and not later than five years	354,652	389,652
Later than five years	241,405	308,193
	-----	-----
Total receivable	697,845	799,633
	=====	=====

2016 has been restated to include property leases on four trading units at HM Tower of London.

14. CONTINGENT LIABILITIES

Either Historic Royal Palaces or the Secretary of State for Culture, Media and Sport may give one year's notice of termination of the contract for provision of services held by Historic Royal Palaces if the Charity fails to meet its obligations. Upon termination, a calculated net asset value would revert to the Secretary of State, being the lower of the value of the net assets transferred to the company of £1,353,787 on 01 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.

15. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Historic Royal Palaces (HRP), an entity with publicly available consolidated accounts, it has taken advantage of the exemption in FRS 102 and has not disclosed transactions with the parent undertaking.

This note lists material transactions with other entities in which either Trustees or senior employees of Historic Royal Palaces or their close family members hold positions of authority. It also details all transactions with Trustees (with the exception of remuneration of Trustees).

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

Historic Royal Palaces is contracted by the Secretary of State for Culture, Media and Sport to manage the palaces on her behalf.

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

Related party	Connected party	2017 £000	2016 £000	Detail of transaction
The Chartered Management Institute (CMI)	Bruce Carnegie-Brown (Trustee of HRP) is president-elect of the CMI	3 (nil)	-	Charges made by HRPE for an event at The Banqueting House
The Founders Forum	Rupert Gavin (Chairman of HRP) is on the advisory board of the Founders Forum	7 (nil)	-	Charges made by HRPE for an event at Kensington Palace
Help for Heroes	General the Lord Dannatt (Trustee of HRP until 31 July 2016) is President and founder patron of Help for Heroes	4 (nil)	-	Charges made by HRPE for an event at HM Tower of London
Incidental Colman Ltd	Rupert Gavin (Chairman of HRP) is Chairman and owner of Incidental Colman Ltd	1 (nil)	-	Charges made by HRPE for an event at Hampton Court Palace
Jardine Lloyd Thompson Group (JLT)	Bruce Carnegie-Brown (Trustee of HRP) is a non-executive director of JLT	4 (nil)	n/a	Charge made by HRPE for an event at Hampton Court Palace
National Trust	Michael Day (Chief Executive of HRP) is a trustee of National Trust	5 (nil)	n/a	Charges made by HRPE for an event at Hampton Court Palace
Northern Ireland Office (NIO)	Contracts HRP to manage Hillsborough Castle	4 (nil)	15 (nil)	Charges made by HRPE for catering, security and cleaning costs

15. RELATED PARTY TRANSACTIONS (continued)

Related party	Connected party	2017 £000	2016 £000	Detail of transaction
Royal Armouries (RA)	General the Lord Dannatt (Trustee of HRP until 31 July 2016) is a trustee of RA. General Sir Nicholas Houghton (Trustee of HRP since 1 August 2016) is a trustee of RA	2 (1)	1 (nil)	Recovery of costs from RA for maintenance, goods and services provided by HRPE at HM Tower of London
Royal Botanic Gardens (RBGK) and RBG Kew Enterprises Limited (RBGKEL) which is a wholly owned subsidiary of RBGK	Val Gooding (Trustee of HRP until 31 July 2016) is a trustee of RBGK	1 (nil)	-	Charges made by HRPE to RBGKEL for goods for resale
Royal Collection Trust (RCT) and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Jonathan Marsden (Trustee of HRP) is a director of RCT and RCEL.	53 (nil)	140 (4)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
Vodafone Group plc	Val Gooding (Trustee of HRP until 31 July 2016) is a non-executive director of Vodafone Group plc	11 (nil)	-	Charges made by HRPE for an event at HM Tower of London
Wyevale Garden Centres	Rupert Gavin (Chairman of HRP) is a non-executive director of Wyevale Garden Centres	25 (nil)	-	Partnership fee paid by Wyevale to HRPE
MoneySupermarket.com Ltd	Bruce Carnegie-Brown (Trustee of HRP) is chairman of MoneySupermarket.com	-	35 (nil)	Charge made by HRPE for sponsorship of Tudors on Tour event
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy (Trustee of HRP) is a partner in Purcell UK	-	19 (nil)	Charges made by HRPE for an event at Hampton Court Palace

16. PARENT UNDERTAKING

The largest and smallest group of undertakings for which group accounts are drawn up is that headed by Historic Royal Palaces. The ultimate parent undertaking and controlling entity is Historic Royal Palaces, whose principal place of business is Hampton Court Palace, Surrey, KT8 9AU. Copies of group accounts can be obtained from Historic Royal Palaces and from its website www.hrp.org.uk.

17. FINANCIAL INSTRUMENTS

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

Since most income is generated from visitors to the palaces, around half of HRPE's income is received as cash. Surplus funds are regularly transferred to the holding company. HRPE has no borrowings and no finance leases.

HRPE is exposed to a credit risk of £0.5m trade debtors (2016: £0.2m). The risk is not considered significant, since major customers are known to HRPE or are required to pay for services in advance. Provisions against bad debts are minimal.

HRPE is not subject to any significant foreign currency, interest rate or market risk.

18. POST BALANCE SHEET EVENTS

The accounts were approved by the Board on 7th June 2017 and authorised for issue on [3 July] 2017.