

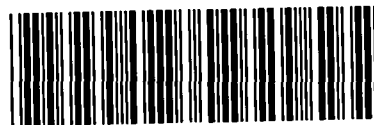


Royal Collection Enterprises Limited
Directors' report and financial statements

31 March 2019

Company number 2778486

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Royal Collection Enterprises Limited

Directors' Report and Financial Statements

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Royal Collection Enterprises Limited

Corporate Information

Company number: 2778486

Registered office: York House
St James's Palace
London
SW1A 1BQ

Directors

Mr Marc Bolland

Mr Rufus Bird

Miss Frances Dunkels

Mr Keith Harrison

Mr Tim Knox

Mrs June Lawlor-Warner (Non-Executive Director)

✓ Mrs Nuala McGourty

Ms Jemima Rellie

Mr Desmond Shawe-Taylor

Advisors

Auditor KPMG LLP
15 Canada Square,
London E14 5GL

Banker Coutts & Co
440 Strand,
London WC2R 0QS

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

Royal Collection Enterprises Limited

Strategic Report

Royal Collection Enterprises Limited (the company) is the wholly owned subsidiary of The Royal Collection Trust, a company limited by guarantee and registered as a charity in England & Wales and Scotland.

Review of the Year

The key performance measures for the company relate to visitor numbers, the level of retail sales and retail profitability.

Visitor numbers

With complimentary tickets and 1-Year Pass holders included, total visitors for the year were 3,178,000 (2018: 2,884,000). This was the highest annual figure achieved to date. Full details of visitors by location were as follows:

	2018-19	2017-18
	000s	000s
Windsor Castle	1,677	1,482
Frogmore House	7	5
Buckingham Palace	572	508
Queen's Gallery, Buckingham Palace	193	189
The Royal Mews	195	192
Clarence House	12	10
Palace of Holyroodhouse	443	431
Queen's Gallery, Palace of Holyroodhouse	79	67
	3,178	2,884

In addition, Learning visitors totalled 94,000 compared with 72,000 in the previous year.

Retail

Retail sales, increased by 18% compared with the previous year. This reflected both the growth in visitor numbers and an increase in the average spend by visitors. Sales were helped by the increased use of temporary shop facilities at Windsor Castle. Online sales also saw noticeable growth, reflecting the popularity of Royal Wedding related merchandise.

Photographic Services

Income for the Picture Library, which amounted to £279,000 for the year, derives predominantly from the supply of photographic material for inclusion in television programmes, printed publications and product licensing. Over 100,000 resources were added to Digital Asset Management System, including over 13,000 photographs of Royal Collection objects.

Photography was undertaken for the Histories of St. James's Palace and Palace of Holyroodhouse publications as well as for the Faberge Catalogue Raisonnee. Images of works by Leonardo da Vinci were heavily licensed throughout the year, including to Royal Mail for 12 different first class stamps.

Royal Collection Enterprises Limited

Strategic Report (Continued)

Publishing

Thirteen new titles were published in print format in 2018/19, including three exhibition catalogues. A new giftbook, A Royal Christmas, was published to coincide with the winter season, while Leonardo da Vinci: A Closer Look accompanied the 500-year anniversary of Leonardo's death. Further publications, intended to appeal to visitors and the general audience, included a new popular history of Windsor Castle, and new souvenir guidebooks. Two further Parts of the catalogue raisonné series The Paper Museum of Cassiano dal Pozzo were also published in the past year.

Financial Review

Management fee income for the year was £35.1 million, an increase of 12% on the previous year. The fees are based on costs incurred, and within that figure £6.8m related to facilities management charges, which increased by 14% as a result of the growth in visitor numbers at Windsor Castle. Together with the increase in Retail sales noted above, this resulted in an increase in overall turnover of 14%.

The gross profit margin improved slightly on prior year, while administrative expenses increased by 5% to £2.5 million. The main factor behind this increase was an increase in the cost of services provided by the Royal Household. Taking all of the above into account, profit on ordinary activities before taxation was £8.7 million, an increase of £1.6 million (23%) on prior year.

In view of the current trading outlook and the financial position of the company, the directors have concluded that the use of the going-concern basis in preparing these financial statements is appropriate. A net current liability of £216,000 (2017/18, net current liability - £247,000) as at the balance sheet date reflects the seasonal nature of trading activity and is within normal parameters. While the company continues to manage the risks outlined below, there are no material uncertainties related to events or conditions that may cast doubt on the ability of the company to continue as a going concern.

Plans for Future Periods

The company's plans are informed by the strategic priorities of its holding company, The Royal Collection Trust. In March 2019, The Royal Collection Trust approved a new Five Year Plan covering the period 2019-24. The Plan identifies a number of priorities for the period, grouped under the following themes:

- Caring for the Collection
- Enhancing Visitor Experience
- Broadening Access
- Improving the way we work
- Financial sustainability

Royal Collection Enterprises Limited

Strategic Report (Continued)

The company will focus on various activities in support of these priorities over the next few years. These include the introduction of a new ticketing system and new visitor routes, the opening of two new Learning Centres at Windsor and Holyroodhouse and a new café at Windsor and the development of a new Audience Development Strategy. The relocation of the Retail warehouse to new, larger premises and an increase in Retail floor space as opportunities allow will also both be pursued.

Risk Management

The principal risks facing the company are:

- A significant reduction in visitor numbers;
- Failure to engage with the public or develop new audiences; and
- Decline in commercial appeal of retail merchandise.

In addition, the company manages generic risks relating to data protection, fraud, failure of IT systems and the operational risks associated with managing large numbers of visitors.

Visitor numbers may fluctuate for a variety of reasons, e.g. the state of the UK and world economy, the potential effects of Brexit, tourism trends, foreign currency exchange rates, and the perceived threat of terrorism in the UK. The company seeks to mitigate the effect of such fluctuations through the development of its other income streams, particularly retail.

The programme of exhibitions at The Queen's Galleries and at the Summer Opening of Buckingham Palace is carefully developed and reviewed to ensure that it is sufficiently varied and appealing, and has the potential to attract new audiences. Investment in presentation and interpretation for visitors and the expansion of learning and events programmes contribute to high levels of visitor enjoyment, which in turn encourage repeat visits.

The continuous introduction of new ranges of merchandise for the company's shops has contributed to the development of income streams that are less dependent on major Royal events or on visitors to the Official Residences e.g. by increasing sales online and via wholesale accounts.

The risk management process is addressed jointly with the holding company, The Royal Collection Trust. The Management Board of Royal Collection Trust in conjunction with senior management in the Royal Household is responsible for the management of the risk process. Departmental Heads and senior managers are responsible for identifying, assessing and managing risk in their areas of responsibility and all staff are encouraged to identify operational risks in the performance of their duties. Risk management is designed to manage performance and control risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives.

Royal Collection Enterprises Limited

Strategic Report (Continued)

The Management Board assesses risks and opportunities as part of the review of annual budgets and in the preparation of longer term operating plans. Specialist risk managers in the Royal Household include the Head of Information Assurance, the Director of Property Section, the Head of Risk and Compliance, the Director of Security Liaison and the Director of IT and Telecoms. These specialists provide advice on the management of the risks falling within their areas of responsibility.

The Audit and Risk Assurance Committee is a sub-committee of the Board of Trustees of The Royal Collection Trust. It is responsible for assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks and is supported in this role by the internal audit function. The Chairman of the Committee reports to the Board of Trustees at each meeting of the Trustees on the Committee's activities and responsibilities.

The Committee meets three times annually and reviews the risk register twice a year. This follows a detailed review and discussion by the Management Board. The internal audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit and Risk Assurance Committee that is aligned to the risk register and the company's objectives. Evaluation of the company's exposure to risk includes consideration of governance, operational and information systems, the integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, regulations and contracts. The findings of reviews are reported to the Committee.

The Committee monitors management's progress with the implementation of agreed internal audit recommendations. Assurance on specialist areas such as data protection, property maintenance, health and safety and security is provided by suitably qualified senior managers in the Royal Household and where appropriate, external professionals. New activities and changes to existing processes are routinely reviewed to ensure that controls are in place. Ongoing budgetary control is monitored by the production of regular and timely financial management reports.

In October 2018, the Committee reviewed its terms of reference, and the amended terms were subsequently approved by the Trustee Board. As a result of this review, the name of the Committee was changed to Audit and Risk Assurance Committee to better reflect the Committee's focus on risk management.

Royal Collection Enterprises Limited

Directors' Report

Principal activities

The principal activities of the company are the management of public access to the official residences of The Queen and the official residence of The Prince of Wales and the sale of merchandise in shops at each location. Taxable profits are donated in full under deed of covenant to the holding company, The Royal Collection Trust, a company limited by guarantee and registered as a charity. Royal Collection Enterprises Limited and The Royal Collection Trust are collectively referred to by the group name Royal Collection Trust. The company thus generates income for The Royal Collection Trust for the presentation, maintenance and conservation of the Royal Collection.

Income is raised from fees for the management of public access and shop sales at the official residences of The Queen and the official residence of The Prince of Wales, and at The Queen's Galleries at Buckingham Palace and the Palace of Holyroodhouse. In addition, income is raised through off-site retail activities (including online sales, the distribution of books and licensing of publications), catering at the Palace of Holyroodhouse and the Buckingham Palace Summer Opening, and fees for reproducing images of items in the Royal Collection.

The Royal Collection Trust has responsibility for admitting visitors to the official residences. Royal Collection Enterprises Limited acts as an agent of The Royal Collection Trust in managing the admission of visitors to these residences.

Directors' Interests

None of the directors who held office at 31 March 2019 had any disclosable interest in the shares of the company. According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the year.

Liability insurance

During the year the company purchased liability insurance for its officers.

Employment policies

The Royal Household's employment policies and practices underpin the Household's aims to create an engaged and adaptable workforce drawn from a wide cross section of society and an outstanding workplace, where there is pride in work, a sense of teamwork, trust and collaboration, and a focus on progressive change and continuous improvement. The Royal Household benchmarks and seeks validation for its employment policies and practices. Gender Pay Reporting was implemented in 2018, details are published on the rct.uk website. In recognition of its commitment to employee health and wellbeing, the Royal Household has

Royal Collection Enterprises Limited

Directors' Report (continued)

achieved the Investors in People Health and Wellbeing Best Practice Award and will be re-accredited in 2019.

Every effort is made to give employment to disabled applicants, and to re-train or re-deploy any employee who developed a disability while in the Royal Household's employ. All staff receive an annual appraisal to assess performance and to identify career development opportunities and training requirements. Regular meetings are held with staff to keep employees informed of the activities and objectives of Royal Collection Trust and to discuss other matters of interest or concern.

Disclosure and Concern at Work policies clarify the protection offered to 'whistle-blowers' under the Public Interest Disclosures Act, and an Employee Assistance Programme provides an additional, third-party route for staff to seek advice on these matters. Policies and procedures, including those relating to procurement, are kept under review to identify, prevent and mitigate any risks of modern slavery or human trafficking.

The company is supportive of employees who undertake volunteering and charitable activities, recognising the benefit both to the individual involved and for forging links with the wider community. Employees can take up to five days paid volunteering leave a year for this purpose. The company is fully committed to proactively supporting the Safeguarding of its employees, workers, visitors, and contractors, and has a clear Safeguarding policy and set of procedures.

Political Contributions

The company neither made any political donations nor incurred any political expenditure during the year (2018: £Nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.


Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Royal Collection Enterprises Limited

Directors' Report (continued)

By order of the Board

A handwritten signature in black ink, appearing to read 'Bolland', with a long, sweeping underline that extends to the left and then curves back under the signature.

Marc Bolland
Chairman
York House
St James's Palace
London SW1A 1BQ

26 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Royal Collection Enterprises Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION ENTERPRISES LIMITED

Opinion

We have audited the financial statements of Royal Collection Enterprises Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and Loss Account & Other Comprehensive Income, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Royal Collection Enterprises Limited

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

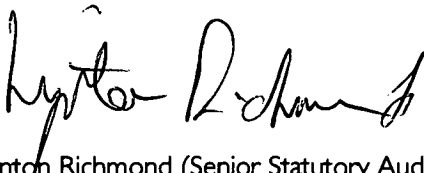
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Royal Collection Enterprises Limited

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

9th July 2019

Royal Collection Enterprises Limited

Profit and Loss Account

for the year ended 31 March 2019

	Note	2019 £'000	2018* £'000
Turnover	1,2	57,608	50,453
Direct costs, including cost of sales	2	(46,065)	(40,870)
Gross profit	2	11,543	9,583
Administrative expenses		(2,487)	(2,362)
Donations payable	3	(817)	(632)
Other operating income	7	412	464
Operating profit		8,651	7,053
Interest receivable and other similar income	8	18	16
Profit for the financial year		8,669	7,069

* Restated due to change in requirement of FRS 102 regarding the presentation of tax expense in relation to the committed gift aid payment that is due to the parent. As such a tax charge has not been recognised in the 2019 accounts and the 2018 comparatives have been restated to be consistent with the revised treatment.

There are no recognised gains or losses other than those included above.

The profit on ordinary activities before and after taxation is measured under the historical cost convention.

The notes on pages 16 to 27 form part of these financial statements.

Royal Collection Enterprises Limited

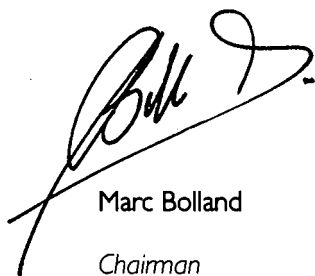
Balance Sheet

at 31 March 2019

		2019		2018	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9	-		63	
Tangible assets	10	<u>679</u>		<u>630</u>	
			679		693
Current assets					
Stock and work in progress	11	4,294		5,042	
Debtors	12	7,457		926	
Cash at bank and in hand		<u>3,739</u>		<u>6,159</u>	
		15,490		12,127	
Creditors: amounts falling due within one year	13	<u>(15,706)</u>		<u>(12,374)</u>	
Net current liabilities			(216)		(247)
Total assets less current liabilities			<u>463</u>		<u>446</u>
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		<u>463</u>		<u>446</u>
Shareholder's funds			<u>463</u>		<u>446</u>

The notes on pages 16 to 27 form part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2019 and were signed on its behalf by:



Marc Bolland
Chairman

Royal Collection Enterprises Limited

Notes

(forming part of the financial statements)

I Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The directors have reviewed cash flow forecasts for twelve months from the date of approval of the accounts, and consider that it is appropriate to prepare these accounts under the going concern basis.

The company is exempt from the requirement of FRS 102 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of The Royal Collection Trust (limited by guarantee) and its cash flows are included within the consolidated cash flow statement of that company.

Under FRS 102, the company is exempt from the requirement to disclose the details of related party transactions with its parent undertaking.

Turnover

Turnover, which excludes Value Added Tax, includes management fees for managing the admission of visitors to the official residences of The Queen and the official residence of The Prince of Wales, income from the publication of books on the Royal Collection and the granting of rights for the use of images from the Royal Collection in books and other media, income from the café operations for visitors to the Official Residences and sales of merchandise. Management fees comprise both direct and indirect costs related to these activities and a contribution to central management and administrative costs.

Other operating income includes sponsorship and ticket sales commission income from third parties.

Fixed assets and depreciation

The buildings comprising Windsor Castle, Buckingham Palace (including The Queen's Gallery and the Royal Mews) and the Palace of Holyroodhouse (including The Queen's Gallery) are owned by The Queen as Sovereign and maintained by the Royal Household Property Section and Historic Environment Scotland and are therefore not capitalised in these financial statements. However, where improvements are made to these buildings by the company, in order to increase revenues, the expenditure is capitalised and depreciation is charged over the estimated useful lives of the assets.

Royal Collection Enterprises Limited

Notes (continued)

I Accounting policies (continued)

Fixed assets and depreciation (continued)

No depreciation or amortisation is charged on assets in the course of construction until the assets have been successfully commissioned and are available for use. Finance costs incurred in connection with the construction of tangible assets are not capitalised and are charged to the profit and loss account as incurred.

Depreciation or amortisation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives which are determined on an individual asset basis as follows:

Property improvements	-	10 to 20 years
Plant and machinery	-	3 to 10 years
Furniture, fittings and equipment	-	2 to 10 years
Software development	-	3 to 10 years

Individual assets costing less than £2,000 are not capitalised.

Publishing

The cost of producing each Royal Collection Trust book is carried forward in work in progress until publication. Where, however, it is envisaged that a book will make a loss, the loss is recognised immediately. Published books are included in stock at the lower of cost and net realisable value. Publishing royalties are recognised when earned.

Stock and work in progress

Stock is stated at the lower of cost and net realisable value. Work in progress relates to the component cost of publishing stock, food and china products. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Royal Collection Enterprises Limited

Notes (continued)

I Accounting policies (continued)

Pensions

The company participates in a pension scheme, The Royal Households Group Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The scheme which provides benefits based on final pensionable salary is part of a group scheme, the contributions to which are determined by a qualified actuary based on the triennial valuations. The scheme is accounted for in accordance with FRS 102 with current service cost recognised in the company's profit or loss. It is the policy of the Trustees of the parent company, The Royal Collection Trust that the Group's share of the assets and liabilities of the scheme are recognised in the financial statements of The Royal Collection Trust.

The company also operates a defined-contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Further details of the pension schemes are provided in note 19.

Taxation

The company fully provides for both current and deferred tax to the extent that it has any liability to tax. However, it is bound by a deed of covenant to gift aid all of its taxable profit to The Royal Collection Trust and consequently has no liability to tax.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Liabilities

Liabilities are recognised when a constructive obligation arises.

Royal Collection Enterprises Limited

Notes (continued)

2 Turnover and gross profit

Turnover and gross profit from each of the company's main activities may be analysed as set out below.

	Management fees £'000	Retail and publishing £'000	Other £'000	Total £'000
2019				
Turnover	35,071	22,133	404	57,608
Direct costs, including cost of sales	(28,149)	(17,409)	(507)	(46,065)
Gross profit/(loss)	<u>6,922</u>	<u>4,724</u>	<u>(103)</u>	<u>11,543</u>
2018				
Turnover	31,219	18,897	337	50,453
Direct costs, including cost of sales	(25,051)	(15,315)	(504)	(40,870)
Gross profit/(loss)	<u>6,168</u>	<u>3,582</u>	<u>(167)</u>	<u>9,583</u>

3 Donations payable

Donations made during the year were as follows:

	2019 £'000	2018 £'000
Privy Purse Charitable Trust	747	632
The Prince's Foundation	50	-
Royal Household Staff Wellbeing Fund	20	-
	<u>817</u>	<u>632</u>

Royal Collection Enterprises Limited

Notes (continued)

4 Profit on ordinary activities before and after taxation

	2019	2018
	£'000	£'000
Profit on ordinary activities before and after taxation is stated after charging:		
Auditor's remuneration		
Audit of these financial statements	14	9
Other services - taxation	-	6
Depreciation, amortisation and other amounts written off owned fixed assets	280	254
Operating lease charges	120	125
	<u> </u>	<u> </u>

5 Directors' Emoluments

	2019	2018
	£'000	£'000
Emoluments including pension contributions	<u>548</u>	<u>527</u>

The key management personnel of the company are the directors of the company.

In addition, some directors who served during the year were employed by the parent company and were remunerated for the services they provided to it. The value ascribed to these services in 2019 was £556,000 (2018: £453,000).

Pay and remuneration for key management personnel is determined on the same basis as that applied in relation to all roles i.e. a system of job evaluation and market intelligence relating to comparable external roles

The Chairman received no emoluments during the year in connection with services to the company. The company met the cost of directors' liability insurance in relation to the Chairman of £233 (2017/18: £222). The emoluments, excluding pension contributions, of the highest paid director were £104,778 (2017/18: £108,229).

Contributions to provide defined pension benefits were made for two directors (2017-18: three). The accrued benefits due to the highest paid director at 31 March 2019 amounted to an annual pension of £32,535 or a reduced pension of £22,919 and a lump sum of £152,796 (2017-18: £30,559 or a reduced pension of £21,662 and a lump sum of £144,409).

Of the nine directors of the company, five received reimbursed expenses totalling £3,946 (2017/18: five - £4,140).

Royal Collection Enterprises Limited

Notes (continued)

6 Staff numbers and costs

The average monthly head count was 845 staff (2018: 784 staff) and the average number of full-time equivalent staff employed by the group or on permanent secondment from the Royal Household, analysed by category, were as follows:

	FTE	
	2019	2018
Windsor Castle	198	188
Buckingham Palace	205	195
Palace of Holyroodhouse	59	56
Central Retail & Warehousing	31	26
Public Relations & Marketing	16	16
Publishing	8	6
Learning	19	17
Photographic Services	7	7
Finance & Administration	17	15
Royal Household staff directly supporting Royal Collection Enterprises	58	57
	<u>618</u>	<u>583</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	15,034	13,746
Redundancy and severance payments	29	156
Social security costs	1,235	1,141
Other pension costs (see note 19)	1,948	1,819
	<u>18,246</u>	<u>16,862</u>

Redundancy and severance payments benefits are recognised as an expense when incurred or provided for when redundancy or severance has been agreed, but will occur following the balance sheet date.

The figures above include directors' emoluments paid by the company (see note 5). They do not include the cost of the emoluments of those directors employed and remunerated by the parent company (also disclosed in note 5).

Royal Collection Enterprises Limited

Notes (continued)

7 Other operating income

	2019	2018
	£'000	£'000
Other income - sponsorship, grants & fees	412	464
	<u>412</u>	<u>464</u>

8 Interest receivable and other similar income

	2019	2018
	£'000	£'000
Bank interest	18	16
	<u>18</u>	<u>16</u>

9 Intangible fixed assets

	Software £'000
Cost	
At 1 April 2019	712
Disposals /write-offs	<u>(19)</u>
At 31 March 2019	<u>693</u>
Amortisation	
At 1 April 2018	649
Charge for the year	63
Disposals /write-offs	<u>(19)</u>
At 31 March 2019	<u>693</u>
Net book value	
At 31 March 2019	<u>-</u>
At 31 March 2018	<u>63</u>

Royal Collection Enterprises Limited

Notes (continued)

10 Tangible fixed assets

	Property improvements	Plant and machinery	Furniture, fittings and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	310	279	1,912	72	2,573
Additions	9	8	195	63	275
Transfer / disposals /write-offs	17	14	(163)	(73)	(205)
At 31 March 2019	336	301	1,944	62	2,643
Depreciation					
At 1 April 2018	124	200	1,619	-	1,943
Charge for the year	31	14	172	-	217
Transfer / disposals /write-offs	-	-	(196)	-	(196)
At 31 March 2019	155	214	1,595	-	1,964
Net book value					
At 31 March 2019	181	87	349	62	679
At 31 March 2018	186	79	293	72	630

11 Stock and work in progress

	2019	2018
	£'000	£'000
Finished goods	3,466	4,065
Work in progress	828	977
	4,294	5,042

Royal Collection Enterprises Limited

Notes (continued)

12 Debtors

	2019	2018
	£'000	£'000
Trade debtors	197	515
Amounts owed by parent undertaking	6,536	-
Other debtors including taxation	5	6
Prepayments and accrued income	719	405
	<u>7,457</u>	<u>926</u>

The inter-company debtor of £6.5m (2018: £nil) is money owed by the parent company in respect of fees due for managing the admission of visitors to the Occupied Royal Palaces.

13 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	1,094	829
Amounts due to parent undertaking	4,653	2,272
Other creditors	275	255
Accruals and deferred income	9,684	9,018
	<u>15,706</u>	<u>12,374</u>

14 Called up share capital

	2019	2018
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

15 Reserves

	2019	2018
	£'000	£'000
Profit and loss account		
At beginning of year	446	597
Retained profit for the year	17	(151)
At end of year	<u>463</u>	<u>446</u>

Royal Collection Enterprises Limited

Notes (continued)

16 Movement in shareholder's funds

	2019	2018
	£'000	£'000
Opening shareholder's funds	446	597
Profit for the year	8,669	7,069
Distribution of Gift Aid to parent	(8,652)	(7,220)
Closing shareholder's funds	<u>463</u>	<u>446</u>

17 Commitments

Capital commitments at 31 March 2019 for which no provision has been made were as follows:

	2019	2018
	£'000	£'000
Contracted	28	-
Authorised but not contracted	398	480
	<u>426</u>	<u>480</u>

Operating lease commitments

Total of future minimum lease payments at the end of the reporting period, for each of the following periods:

	2019	2018
	£'000	£'000
- within one year	116	116
- in the second to fifth year	373	396
- later than five years	278	371
	<u>767</u>	<u>883</u>

18 Taxation

Gift aid payments are legally distributions, and so those payments have been presented as such in the financial statements directly in equity in accordance with FRS102 section 6. FRS102 requires tax expense to be recognised in the same place in the financial statements as the items that resulted in the tax expense. Hence the tax benefit of the committed gift aid payments are recognised directly in equity for each year.

The company is bound by a deed of covenant to donate all of its taxable profit to its parent, The Royal Collection Trust. As a consequence the company is able to claim tax relief on the donation and so has no liability to tax.

Royal Collection Enterprises Limited

Notes (continued)

19 Pension scheme

As explained in the accounting policies set out on page 18, the company participates in a pension scheme, The Royal Households Group Pension Scheme. Benefits are based on final pensionable pay, a member's length of service and are non-contributory for employees. It is the policy of the Trustees of the parent company, The Royal Collection Trust, that the Group's share of assets and liabilities of the scheme are to be recognised in the financial statements of The Royal Collection Trust.

Details of the most recent valuation of the scheme, together with the assumptions which have the most significant effect on the results of the valuation, are given in the financial statements of the parent company, The Royal Collection Trust.

The scheme is closed to new members. Employees joining the group after 1 April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme.

The company also operates a defined-contribution pension scheme. This stakeholder scheme is administered by Legal and General and is non-contributory for employees. The employer's contribution rate is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can make additional contributions up to the HM Revenue & Customs' limits.

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of The Royal Collection Trust, a company limited by guarantee registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by its ultimate parent company, The Royal Collection Trust, registered in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from the Director, Royal Trust Collection, The Royal Collection Trust, York House, St James's Palace, London, SW1A 1BQ.

21 Guarantee

On 12 February 1997, the company provided a guarantee to Coutts & Co. in consideration for the granting of an overdraft facility in favour of its parent company, The Royal Collection Trust. At 31 March 2019, there was no overdraft in either the company or the parent company.

Royal Collection Enterprises Limited

Notes (continued)

22 Related Party Transactions

Set out below are details of transactions during the year with related parties, which includes key management personnel of the company, and also with other entities which, whilst not related parties, it is deemed appropriate to disclose. The figure in italics represent the amounts due (to) or from related parties at the balance sheet date.

Related Party £000	Balance at Year End		Transactions in the year		Details of Transaction
	2019	2018	2019	2018	
Royal Household	(7,932)	(7,591)	13,273	11,295	Charges to Royal Collection Enterprises Limited (RCEL) for various services including personnel, payroll, pensions administration, internal audit, records management, property maintenance services, IT services etc.
Royal Household	3	7	20	25	Recovery of costs incurred on behalf of the Royal Household.
Privy Purse Charitable Trust (PPCT)	-	(8)	747	632	Donation to the PPCT in lieu of its right to charge for admission to Queen Mary's Dolls' House, Windsor Castle.
Privy Purse	2	346	652	14	Recovery of costs incurred on behalf of the RCEL.
St George's Chapel	2	-	2,009	1,930	Payment in respect of admissions to St. George's Chapel, Windsor Castle collected by the company as agent.
A G Carrick (Highgrove)	22	18	136	107	Purchase of RCEL goods for resale, and commission on sales of admission tickets for the gardens at Highgrove House.
Office of HRH The Prince of Wales	11	-	11	12	Recovery of costs incurred on behalf of RCEL.
Office of HRH The Prince of Wales	-	-	2	1	Purchase of RCEL stock and charges for admission events.
Historic Royal Palaces (HRP)	4	-	98	155	Recovery of costs from HRP for maintenance, services and goods for resale purchased from RCEL.
Privy Purse (including Royal Farms and Windsor Farm Shop)	-	(30)	56	83	Purchase of RCEL goods for resale and recharge of costs incurred on behalf of Privy Purse. Royalty to Royal Farms for milk in Royal Collection Trust ice cream.
Balmoral Estate	-	-	21	18	Purchase of RCEL goods for resale.
Balmoral Estate	-	-	12	13	Purchase of Balmoral goods for resale.
Sandringham Estate	-	-	19	1	Purchase of RCEL goods for resale.
The Prince's Teaching Institute Estate	-	-	1	-	Purchase of RCEL goods for resale.
The Prince's Foundation	-	-	50	-	Donation
Royal Household Staff	-	-	20	-	Donation
Wellbeing Fund	-	-	-	-	

None of the directors or other related parties except as referred to above or as otherwise disclosed in the financial statements has undertaken any transactions with the company during the year.