

Royal Collection Enterprises Limited
Directors' report and financial statements

31 March 2014

Company number 2778486

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Royal Collection Enterprises Limited

Directors' Report and Financial Statements

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Royal Collection Enterprises Limited

Directors' Report (incorporating the Strategic Report)

The Directors' present their annual report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2014.

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.

Business review

The purpose of the company is to generate 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 following locations:

The official residences of The Queen

Windsor Castle
Frogmore House, Windsor Home Park
Buckingham Palace State Rooms
The Queen's Gallery, Buckingham Palace
The Royal Mews, Buckingham Palace
The Palace of Holyroodhouse
The Queen's Gallery, Palace of Holyroodhouse

The official residence of The Prince of Wales

Clarence House

In addition to the above, income is raised through off-site retail activities (including the distribution of books, licensing of publications and other merchandise and wholesale sales of merchandise), 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 of The Queen and the official residence of The Prince of Wales. The company acts as an agent of The Royal Collection Trust in managing the admission of visitors to the official residences.

Royal Collection Enterprises Limited

Directors' Report (incorporating the Strategic Report) (continued)

Management Fees

Management fees amounted to £23,907,000, an increase of £2,017,000 (9.2%) on the previous year, which is primarily due to increased operating costs.

Interest in visiting the official residences remained strong after the record visitor numbers achieved last year. Events celebrating the 60th anniversary of The Queen's Coronation and an increase in overseas visitors following the London Olympics in 2012 helped sustain visitor numbers at high levels. Visitor numbers for the full year were 2,586,000, an increase of 159,000 (6.6%) on the previous year. Details of visitor numbers by location are as follows:

	2014	2013
	'000	'000
Windsor Castle	1,244	1,097
Windsor Castle Learning Centre	29	31
Frogmore House	6	6
Buckingham Palace State Rooms	536	518
Buckingham Palace Learning Centre	4	4
Clarence House	13	-
The Queen's Gallery, Buckingham Palace	151	209
The Royal Mews, Buckingham Palace	243	228
The Palace of Holyroodhouse	283	255
The Queen's Gallery, Palace of Holyroodhouse	74	77
The Palace of Holyroodhouse Learning Centre	3	2
	<u>2,586</u>	<u>2,427</u>

Retail

The company's retail activities enjoyed another exceptionally good year, helped by commemorative merchandise celebrating the 60th anniversary of The Queen's Coronation and the birth of Prince George of Cambridge. Although retail sales were 2.7% lower than in the previous year, it is acknowledged that the 5.9% growth in retail sales in 2012-13 was achieved with the benefit of strong sales of merchandise celebrating the Diamond Jubilee. Growth areas in 2013-14 did however include Windsor Castle, up 4.7% on the previous year and wholesale sales, up 42.6% on the previous year. Following the launch of a new e-commerce site in the previous year as part of the strategy to develop off-site business, the results this year have again been encouraging with e-commerce sales of £0.9 million. In 2012-13 e-commerce sales of £1.0 million included sales of Diamond Jubilee merchandise.

Gross profit margin has declined from 61.2% last year to 59.0% this year largely as a result of a higher proportion of wholesale sales and lower sales of higher margin commemorative china.

Royal Collection Enterprises Limited

Directors' Report (incorporating the Strategic Report) (continued)

Photographic Services

A large proportion of the income for the Picture Library is derived from the supply of photographic material for inclusion in television programmes and printed publications. Reproduction fee income, amounted to £197,000 (2012-13: £223,000), which although 11.7% lower than the previous year, was in line with earlier years. 2013 saw higher levels of activity largely associated with image rights for publications about the works of Leonardo Da Vinci.

The number of records available via The Royal Collection Online increased from 227,000 to 236,000. Work continues to improve the quality of text and images and to add further records. During the year images were added to 16,000 records which previously did not have an image.

The photographers' projects during the year included photography for exhibition catalogues to accompany the exhibition programme, catalogues raisonnés, the Buckingham Palace Summer Opening display, The Royal Collection Online and PR & Marketing.

Publishing

An illustrated book was published to accompany the display at the Buckingham Palace Summer Opening entitled *The Queen's Coronation 1953*. Published in July 2013 and sold at an onsite retail price of £9.95, the publication proved to be very popular, selling 10,400 copies, of which 7,800 were sold through the company's shops and 2,600 through book distributors. Other published titles included *In Fine Style: The Art of Tudor and Stuart Fashion*, *Castiglione: Lost Genius*, *High Spirits: The Art of Thomas Rowlandson* and *Gifted: From the Royal Academy to The Queen*. Work has continued on the extensive catalogues raisonnés publishing programme and the Cassiano publications which included publication of *Volume AX: Renaissance and Later Architecture and Ornament*.

The company again exhibited at the Frankfurt Book Fair and attended the London Book Fair. Further licensing and co-edition deals included a Chinese edition of *Amazing Rare Things* and German editions of *A Royal Cookbook*, *Queen Mary's Dolls' House*, *The Queen's Jewels* and *Painting Paradise*.

Payments under Deed of Covenant

During the year amounts payable to The Royal Collection Trust under deed of covenant were £6,674,000 (2012-13: £7,785,000).

After payments under deed of covenant, the profit retained for the year in the company is £258,000 (2012-13: Profit of £79,000).

Royal Collection Enterprises Limited

Directors' Report (incorporating the Strategic Report) (continued)

Directors and directors' interests

The directors who held office during the year were as follows:

Sir Alan Reid, GCVO (Chairman)
Mr Rufus Bird
Miss Frances Dunkels, LVO
Miss Kerry Francois, MVO
Mrs Nuala McGourty, LVO
Mr Jonathan Marsden, CVO, FSA
Ms Jemima Rellie
The Hon. Lady Roberts, DCVO, FSA (retired 26 July 2013)
Mr Desmond Shawe-Taylor, LVO
Mr Michael Stevens, CVO
Mr Edward Griffiths, CVO - Non Executive Director
Mr Thomas Jenkins – Non Executive Director (retired 3 December 2013)
Mrs Fiona Sale – Non Executive Director

None of the directors who held office at 31 March 2014 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.

Risk Management

The Management Board of Royal Collection Trust in conjunction with senior management in the Royal Household is responsible to the Trustees 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 Royal Collection Trust staff are encouraged to identify operational risks in the performance of their duties.

The Management Board assesses risks and opportunities as part of the review of annual budgets and in the preparation of longer term operating plans and, where appropriate, mitigates risks as far as possible.

The Audit 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 Chair of the Audit Committee reports to the Board of Trustees at each meeting of the Trustees on the Audit Committee's activities and responsibilities. Sir Alan Reid also served on the Audit Committee.

Specialist risk managers in the Royal Household include the Fire Safety Managers in Windsor and London, the Health and Safety Manager, the Head of Information Assurance and the Director of Security Liaison. These specialists provide advice on the management of the risks falling within their areas of responsibility and provide annual reports which are available to the Management Board.

Royal Collection Enterprises Limited

Directors' Report (incorporating the Strategic Report) (continued)

The risk and control framework

The company's management of risk is facilitated in the following ways:

- There is a consolidated strategic risk register for The Royal Collection Trust and the company which has been developed with reference to the company's objectives. This is reviewed by the Management Board and senior managers on a regular basis;
- The Audit Committee meets three times annually and reviews the risk registers at least annually. The Audit Committee regularly requires members of the Management Board and senior managers to present an outline of the activities in their area of responsibility to ensure that key risks are appropriately identified and being managed;
- The internal audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit 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, operations and information systems with regard to the reliability and 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 Audit Committee;
- The Audit Committee monitors management's progress with the implementation of agreed internal audit recommendations ensuring that management establish appropriate priorities;
- Assurance on specialist areas such as 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; and
- Ongoing budgetary control is monitored by the production of regular and timely financial management reports.

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.

The company seeks to manage as far as possible the principal risks that it faces.

Visitor numbers may fluctuate due to factors outside the company's control such as economic recession, foreign currency movements and environmental issues e.g. foot and mouth. The company seeks to mitigate the effect of such fluctuations through the development of alternative income streams.

The continuous development of new ranges of merchandise for the company's shops which are inspired by the Royal Collection and the Official Residences of The Queen has consistently delivered annual growth in retail spend per visitor and has contributed to the development of income streams that are not reliant on visitors to the Official Residences e.g. the on-line shop, wholesale accounts and licensing.

Royal Collection Enterprises Limited

Directors' Report (incorporating the Strategic Report) (continued)

Some of the improvements and initiatives implemented during the year to manage the company's key operating risks include:

- The 3 year plan for the period to 31 March 2016 was reviewed and updated for key risks and opportunities in the plan for the period to 31 March 2017;
- Quarterly security scans of retail systems, in line with the Payment Card Industry ("PCI") compliance rules as administered by WorldPay and a detailed annual submission to WorldPay with our PCI compliance statement. The scope of UK PCI compliance standards continues to widen each year and changes are regularly reviewed against RCT retail activities to ensure continued compliance. All commercial applications have been separated from the Royal Household network which has minimised the scope for PCI compliance and greatly simplified the work involved;
- The Royal Household's project to upgrade to Windows 7 and Microsoft Office 2010 was substantially completed with 1,400 users (99%) upgraded by 31 March 2014. The Retail System (TRS) is not Windows 7 compliant and whilst there is no immediate impact on the efficiency of retail operations it is planned to upgrade the system to a compliant version in September 2014;
- In conjunction with the implementation of the Bribery Act 2010 the Head of Audit Services assisted with the development of an awareness seminar for managers across the Royal Household. The seminar was presented by the Fraud Advisory Panel in December 2013 and as a result, a new fraud and bribery awareness programme is being rolled out which will involve a presentation at 18 month intervals to senior managers aimed at maintaining their awareness of the requirements of the Bribery Act 2010;
- Business Continuity Plans were developed further during the year based on a number of scenarios. Co-ordination and testing of the plans will continue during 2014-15;
- The Royal Household Security Risk Management Board met twice during 2013-14 to consider reports from the Information, Personnel and Physical Security Working Groups. A programme of information assurance and security awareness training was rolled out across the Royal Household during the year;
- A plan for improving the back-up arrangements for the Collection Management System and the Digital Asset Management System was developed and implemented in 2013-14;
- Following the appointment of the new software development companies who specialise in Magento (e-commerce) and Drupal (main website and Collection Online) further development in 2013-14 has led to improved performance of the main website and e-commerce site as well as increased reliability and security; and
- The project to replace the ticketing system made considerable progress, with the new system implemented at the Palace of Holyroodhouse in November 2013 and in London and Windsor in February 2014. The final stage of implementation will be the Buckingham Palace Summer Opening in July 2014. An additional investment was made in a new online ticket office, launched in March 2014. The next phase of implementation will begin in early summer 2014 and will include online registration for the 1-Year Pass and print-at-home ticketing.

Royal Collection Enterprises Limited

Directors' Report (incorporating the Strategic Report) (continued)

Review of effectiveness

The Directors' have responsibility for ensuring the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is supported by the work of the internal auditors and the Management Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors and other qualified professionals in their management letters and reports. The Directors have considered the results of the reviews of the system of internal control by the Management Board and the Audit Committee, and have agreed a plan to address weaknesses and ensure continuous improvement of the system is in place.

No significant internal control issues have arisen during the period covered by this report.

Liability insurance

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

Employment policies

The company is an equal opportunities employer and every effort is made to give employment to disabled applicants. The company would endeavour to re-train any employee who developed a disability while in its employment. All staff receive an annual appraisal to assess performance and to identify career development opportunities and training requirements. Regular meetings with staff are held to keep employees informed of the activities and objectives of the company and to discuss other matters of interest or concern.

Disclosure of information to auditors

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 auditors are 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 auditors are 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.

By order of the Board



Sir Alan Reid
Chairman
York House
St James's Palace
London SW1A 1BQ

23 June 2014

Royal Collection Enterprises Limited

Statement of directors' responsibilities in respect of the Directors' Report (incorporating the Strategic Report) and the Financial Statements

The Directors are responsible for preparing the Directors' Report (incorporating the Strategic 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).

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 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; and
- 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 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 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

We have audited the financial statements of Royal Collection Enterprises Limited for the year ended 31 March 2014 set out on pages 12 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our 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 us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report (incorporating the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

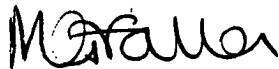
Royal Collection Enterprises Limited

Independent Auditor's Report to the members of Royal Collection Enterprises Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



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

23 June 2014

Royal Collection Enterprises Limited

Profit and Loss Account

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	1,2	42,413	41,467
Direct costs, including cost of sales	2	(33,586)	(31,902)
Gross profit	2	8,827	9,565
Administrative expenses		(1,730)	(1,597)
Donations payable	3	(526)	(468)
Other operating income	7	353	364
Operating profit		6,924	7,864
Interest receivable and other similar income	8	8	-
Profit on ordinary activities before and after taxation	4	6,932	7,864
Deed of covenant		(6,674)	(7,785)
Retained profit for the financial year	14,15	258	79

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 14 to 24 form part of these financial statements.

Royal Collection Enterprises Limited

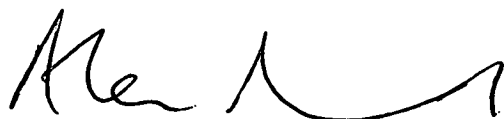
Balance Sheet

at 31 March 2014

		2014		2013	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		1,056		636
Current assets					
Stock and work in progress	10	3,338		2,978	
Debtors	11	508		1,008	
Cash at bank and in hand		5,432		5,079	
		<u>9,278</u>		<u>9,065</u>	
Creditors: amounts falling due within one year	12	(9,509)		(9,134)	
Net current liabilities			<u>(231)</u>		<u>(69)</u>
Total assets less current liabilities			<u>825</u>		<u>567</u>
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account	14		825		567
Shareholder's funds			<u>825</u>		<u>567</u>

The notes on pages 14 to 24 form part of these financial statements.

These financial statements were approved by the Board of Directors on 23 June 2014 and were signed on its behalf by:



Sir Alan Reid
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

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules.

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 Financial Reporting Standard 1 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 Financial Reporting Standard 8, 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 income includes sponsorship and other income.

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 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 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 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

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*)

1 Accounting policies (*continued*)

Pensions

The company participates in a 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 company is unable to identify its share of the assets and liabilities of this pension scheme. Accordingly the funding deficit in respect of this pension scheme is disclosed in the financial statements of the parent undertaking.

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.

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 transfer 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	Retail and		2014	2013
	fees	publishing	Other	Total	Total
	£'000	£'000	£'000	£'000	£'000
Turnover	23,907	18,139	367	42,413	41,467
Direct costs, including cost of sales	(19,184)	(13,973)	(429)	(33,586)	(31,902)
Gross profit/(loss)	<u>4,723</u>	<u>4,166</u>	<u>(62)</u>	<u>8,827</u>	<u>9,565</u>

3 Donations payable

Donations made during the year were as follows:

	2014	2013
	£'000	£'000
Privy Purse Charitable Trust	524	447
The Queen Elizabeth Diamond Jubilee Charitable Trust	2	21
	<u>526</u>	<u>468</u>

4 Profit on ordinary activities before and after taxation

	2014	2013
	£'000	£'000
Profit on ordinary activities before and after taxation is stated after charging:		
Auditor's remuneration		
Audit of these financial statements	8	8
Other services - taxation	5	5
Depreciation and other amounts written off owned tangible fixed assets	110	151
Operating lease charges	<u>122</u>	<u>117</u>

Royal Collection Enterprises Limited

Notes (continued)

5 Remuneration of directors

	2014	2013
	£'000	£'000
Directors' emoluments including pension contributions	<u>507</u>	<u>478</u>

The Chairman received no emoluments during the year in connection with services to the company, other than £103 (2012-13: £177) in respect of the cost of directors' liability insurance. The emoluments, excluding pension contributions, of the highest paid director were £98,213 (2012-13: £95,457).

Contributions to provide defined pension benefits were made for four directors (2012-13: four). The accrued benefits due to the highest paid director at 31 March 2014 amounted to an annual pension of £23,461 and a lump sum of £111,285 (2012-13: £21,343 and £107,172).

Royal Collection Enterprises Limited

Notes (continued)

6 Staff numbers and costs

The average number of full time equivalent staff employed by the company or on permanent secondment from the Royal Household (including directors) analysed by category, was as follows:

	Number of employees	
	2014	2013
Windsor Castle	159	158
Buckingham Palace	198	191
Palace of Holyroodhouse	54	49
Central Retail & Warehousing	21	22
Public Relations & Marketing	10	9
Publishing	4	4
Learning	8	7
Photographic Services	8	8
Finance & Administration (including directors)	11	10
Royal Household staff directly supporting Royal Collection Enterprises	39	36
	<u>512</u>	<u>494</u>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	10,579	10,127
Social security costs	802	774
Other pension costs (see note 17)	1,475	1,332
	<u>12,856</u>	<u>12,233</u>

7 Other operating income

	2014	2013
	£'000	£'000
Other income	353	364
	<u>353</u>	<u>364</u>

Royal Collection Enterprises Limited

Notes (continued)

8 Interest receivable and other similar income

	2014	2013
	£'000	£'000
Bank interest	<u>8</u>	<u>-</u>

9 Tangible fixed assets

	Property improvements	Plant and machinery	Furniture, fittings and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At 1 April 2013	208	156	2,445	138	2,947
Additions	3	-	33	494	530
Disposals /write-offs	-	-	(349)	-	(349)
At 31 March 2014	<u>211</u>	<u>156</u>	<u>2,129</u>	<u>632</u>	<u>3,128</u>
<i>Depreciation</i>					
At 1 April 2013	61	144	2,106	-	2,311
Charge for the year	18	4	88	-	110
Disposals /write-offs	-	-	(349)	-	(349)
At 31 March 2014	<u>79</u>	<u>148</u>	<u>1,845</u>	<u>-</u>	<u>2,072</u>
<i>Net book value</i>					
At 31 March 2014	<u>132</u>	<u>8</u>	<u>284</u>	<u>632</u>	<u>1,056</u>
At 31 March 2013	<u>147</u>	<u>12</u>	<u>339</u>	<u>138</u>	<u>636</u>

10 Stock and work in progress

	2014	2013
	£'000	£'000
Finished goods	2,767	2,532
Work in progress	<u>571</u>	<u>446</u>
	<u>3,338</u>	<u>2,978</u>

Royal Collection Enterprises Limited

Notes (continued)

11 Debtors

	2014	2013
	£'000	£'000
Trade debtors	221	526
Other debtors including taxation	93	234
Prepayments and accrued income	194	248
	<u>508</u>	<u>1,008</u>

12 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	1,028	827
Amounts due to parent undertaking	1,640	1,897
Other creditors	345	219
Accruals and deferred income	6,496	6,191
	<u>9,509</u>	<u>9,134</u>

13 Called up share capital

	2014	2013
	£	£
<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>

14 Reserves

	Profit and loss account £'000
At beginning of year	567
Retained profit for the year	<u>258</u>
At end of year	<u>825</u>

Royal Collection Enterprises Limited

Notes (continued)

15 Movement in shareholder's funds

	2014	2013
	£'000	£'000
Retained profit for the year	258	79
Opening shareholder's funds	567	488
Closing shareholder's funds	<u>825</u>	<u>567</u>

16 Commitments

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

	2014	2013
	£'000	£'000
Contracted	156	247
Authorised but not contracted	<u>118</u>	<u>223</u>

Operating lease commitments

	2014	2013
	£'000	£'000
Amounts payable within one year of the balance sheet date in respect of operating leases expiring:		
- within one year	1	4
- in the second to fifth year	126	106
	<u>127</u>	<u>110</u>

17 Pension scheme

As explained in the accounting policies set out on pages 14 - 16 the company participates in a pension scheme providing benefits based on final pensionable pay. 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.

18 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 largest and smallest 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 of the Royal Collection, The Royal Collection Trust, York House, St James's Palace, London, SW1A 1BQ.

Royal Collection Enterprises Limited

Notes *(continued)*

19 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 2014 there was no overdraft in either the company or the parent company.

Royal Collection Enterprises Limited

Notes (continued)

20 Related Party Transactions

Material transactions during the year with other entities controlled by officials, Trustees or other appointees on behalf of The Queen are set out below. 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
	2014	2013	2014	2013	
Royal Household	(5,670)	(5,163)	8,732	7,921	Charges to Royal Collection Enterprises Limited (RCEL) for various services including personnel, payroll, pensions administration, internal audit, records management, property maintenance services, IT services and carriage conservation etc.
Royal Household	(1)	(1)	13	15	Recovery of costs incurred on behalf of the Royal Household.
Privy Purse Charitable Trust (PPCT)	(7)	(4)	524	447	Donation to the PPCT in lieu of its right to charge for admission to Queen Mary's Dolls' House, Windsor Castle.
St George's Chapel	-	-	1,490	1,446	Payment in respect of admissions to St. George's Chapel, Windsor Castle collected by the company as agent and compensation for the loss of retail income.
The Queen Elizabeth Diamond Jubilee Trust (QEDJT)	-	21	2	21	Donation to the QEDJT in respect of the Diamond Jubilee publication <i>Dressing The Queen</i> .
A G Carrick (Highgrove)	11	14	70	162	Purchase of RCEL goods for resale and commission on sales of admission tickets for the gardens at Highgrove House.
Historic Royal Palaces (HRP)	-	9	253	177	Recovery of costs from HRP for maintenance, services and goods for resale purchased from RCEL.
Privy Purse (including Royal Farms and Windsor Farm Shop)	13	(2)	39	54	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 ice cream.
Balmoral Estate Office	2	11	32	22	Purchase of RCEL goods for resale.
Sandringham Estate	-	-	6	14	Purchase of RCEL goods for resale.

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