

Royal Collection Enterprises Limited
Directors' report and financial statements

31 March 2020

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 (resigned 16 September 2019)

Miss Frances Dunkels

Mr Keith Harrison

Mr Tim Knox

Mrs June Lawlor-Warner (Non-Executive Director – resigned 30 June 2019)

Mrs Michelle Lockhart (appointed 16 September 2019)

Mrs Nuala McGourty (resigned 30 June 2019)

Ms Jemima Rellie (resigned 16 September 2019)

Mr Desmond Shawe-Taylor (resigned 16 September 2019)

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. The COVID-19 pandemic had a significant negative impact on visitor numbers and retail sales in the last two months of what was otherwise, in trading terms, a very successful year. All residences and sites had to be closed to visitors from 21 March onward as part of the national lockdown in response to the pandemic.

Visitor numbers

With complimentary tickets and 1-Year Pass holders included, total visitors for the year were 3,285,000 (2019: 3,272,000). This was the highest annual figure achieved to date. Full details of visitors by location were as follows:

	2019-20	2018-19
	000s	000s
Windsor Castle	1,587	1,744
Frogmore House	5	7
Buckingham Palace	578	573
Queens's Gallery, Buckingham Palace	266	198
The Royal Mews	237	204
Clarence House	-	12
Palace of Holyroodhouse	496	455
Queen's Gallery, Palace of Holyroodhouse	116	79
	3,285	3,272

110,000 learning visitors are included in these numbers (2018/19: 94,000). Clarence House was not open during summer 2019 due to building work.

Retail

A drop in retail sales levels by comparison with the prior year was anticipated, given the exceptional demand for Royal Wedding merchandise in 2018/19. In addition, reduced visitor numbers and the closure of sites towards the end of the financial year had a negative impact on retail activities. Nevertheless, measures including 'pop-up' shops at Windsor Castle and the Palace of Holyroodhouse and continued product innovation supported both sales and profitability. The new Undercroft café was opened to visitors at Windsor Castle in early 2020.

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Photographic Services

Income for the Picture Library, which amounted to £256,000 for the year (2018/19: £279,000), derives predominantly from the supply of photographic material for inclusion in television programmes, printed publications and product licensing. More than 66,000 resources were added to Digital Asset Management System, including more than 11,300 photographs of Royal Collection objects.

Photography was undertaken for the George IV and Japan publications as well as for the Fabergé and European Sculpture Catalogues Raisonné. Images of works by Leonardo da Vinci were heavily licensed throughout the year, to coincide with the 500th anniversary of the artist's death.

Publishing

Four new titles were published in print format in 2019/20. *Victoria & Albert: Our Lives in Watercolour* was published in June 2019 to support the touring exhibition of the same name. The souvenir album, *Queen Victoria's Buckingham Palace*, was published in July to accompany the special exhibition at the Summer Opening of Buckingham Palace. In November, the catalogue *George IV: Art & Spectacle* was published to accompany the exhibition at The Queen's Gallery, Buckingham Palace. A new Official Souvenir Guide to the Palace of Holyroodhouse was published in March 2020 in five languages. Rights were sold for three titles: German rights for *The Miniature Library of Queen Mary's Dolls' House*, Spanish rights for *Leonardo da Vinci: A Life in Drawing*, and English rights for a Mark Catesby natural history colouring book.

Management fees

Management fee income for the year was £37.1 million, an increase of 6% on the previous year. The fees are based on costs incurred in providing admissions services. The costs include £7.3 million of facilities management charges (2018/19: £7 million).

Financial review and outlook

The overall increase in turnover was 0.5%. Gross profit reduced, driven by lower retail sales and profitability. Administrative expenses were slightly lower. Overall, the profit on ordinary activities was £7.8 million compared with £8.7 million for the previous year.

In terms of the current trading outlook and the financial position of the company, the COVID-19 pandemic gives rise to a level of uncertainty. Following their closure in March, in line with Government advice, all sites were able to re-open in July 2020. It is anticipated that visitor levels and retail activity will slowly recover over the next two to three years to reach the levels seen prior to the pandemic. The payment of facilities management charges due to the Royal Household of £7.3 million has been deferred to 2021/22. An increase in the management fee receivable for the provision of admissions services has been agreed with The Royal Collection Trust, applicable from 2020/21 onwards. In addition, the annual licence fee paid to the parent company for the right to conduct trading activities in areas of the Royal Estate has been waived for 2020/21. Having considered a range of scenarios including plausible downsides in the

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management fee, visitor numbers and associated retail income, and having extended forecasts for 3 years, the Directors have concluded that the use of the going-concern basis in preparing these financial statements is appropriate. A net current liability of £463,000 (2018/19, net current liability - £216,000) as at the balance sheet date reflects the seasonal nature of trading activity and is within normal parameters.

Section 172 statement

In accordance with section 172 of the Companies Act 2006, in its decision making the Board considers how to promote the success of the Company as a whole, with due consideration to the impact of decisions on other stakeholders. The Board therefore considers the impact of its decisions on its employees, suppliers and the environment.

Examples of how this approach has been applied during the year include

- Applying Royal Household employment policies and practices. The Royal Household achieved the Investors in People Gold Award during the year.
- Dealing fairly with suppliers with agreeing contractual terms and settling accounts promptly, with over 90% of invoices settled within 30 days. As trade was suddenly reduced in the circumstances surrounding COVID-19, care was taken to minimise the impact, particularly on smaller suppliers, wherever possible.
- Trading ethically, for example by removing plastic water bottles from cafes, reducing packaging waste, and disposing of food waste from the Windsor Castle café to an 'energy from waste' facility.

The Board is satisfied that the examples above and the information contained elsewhere in this report demonstrates its commitment to good governance under section 172:

Plans for Future Periods

The COVID-19 pandemic has had a significant impact on the company's plans. As noted above, all sites were closed for the four months up to 23 July. The 2020 Summer Opening of Buckingham Palace was cancelled. Operating procedures and visitor routes have been much reviewed and amended to enable the visitor admissions to operate on a COVID- secure basis.

The closure period and the anticipated longer-term impact on international tourism and visitor levels will have a significant impact on trading income. As a consequence, major reductions in non-essential spend were implemented in 2020, and it is proposed to reduce staffing levels and related costs.

In broad terms, the company's longer-term plans are informed by the strategic priorities of its holding company, The Royal Collection Trust, as reflected in the Five Year Plan 2019-24. The Plan will be reviewed in early 2021 to take account of the impact of the COVID-19 pandemic. Subject to that review, the company is focussed on the resumption of visitor operations and various activities in support of the strategic priorities. These include the introduction of a new

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ticketing system, which will go live in autumn 2020, and the opening of the two new Learning Centres at Windsor and Holyroodhouse. In the longer term, 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.

The COVID-19 pandemic has of course had a significant impact on visitor numbers, and therefore in addition, on Retail sales. Although sites reopened in July, visitor numbers are expected to be much reduced for several months due to the collapse in 2020 of the international tourist market, loss of visitor confidence and the challenges of delivering a COVID-secure visitor experience. The company is working closely with the Royal Collection Trust to actively manage the risks generated by COVID-19. Principal among these are the health and well-being of staff and visitors, enhanced operating risks associated with managing visitors in compliance with Government regulation and best practice, relationships key suppliers and operating risks arising from widespread working at home, including the uninterrupted operation of procedures, systems and controls. A register of risks arising from COVID-19 has been prepared by management and reviewed by the Audit and Risk Assurance Committee to provide a framework for the management and mitigation of these new risks. The agreed programme of work with the Internal Audit function has been updated to support the management of risks identified in the COVID-19 risk register.

The company will continue to focus on the development of new ranges of merchandise to provide income streams that are less dependent on major Royal events or on visitors to the Official Residences e.g. by increasing sales online.

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.

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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 appropriate controls are in place. Ongoing budgetary control is supported by the production of regular and timely financial management reports.

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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. 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 from retail sales. Retail activities include online sales, the distribution of books and licensing of publications, catering at Windsor Castle, 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.

Director Appointments

During the year, changes in Director level responsibilities and structure were reflected in changes in Director appointments. Nuala McGourty retired in June 2019 following nearly 21 years of service with the company, and so resigned as a Director at that point. Michelle Lockhart took up post as Commercial Director in September 2019. Rufus Bird, Jemima Rellie and Desmond Shawe-Taylor also resigned as Directors in September 2019, reflecting the changes in Management Board arrangements introduced at that time.

Directors' Interests

None of the Directors who held office at 31 March 2020 held any 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.

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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 and during the year it received the Investors in People Gold Award. Gender Pay details are published on the Royal Collection Trust website. In recognition of its commitment to employee health and wellbeing, the Royal Household achieved the Investors in People Health and Wellbeing Best Practice Award.

Every effort is made to give employment to disabled applicants, and to re-train or re-deploy any employee who develops 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 to the individual involved and of 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 (2019: £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.

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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



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

10 September 2020

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.

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 2020 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 2020 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.

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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION ENTERPRISES LIMITED (*continued*)

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 11, 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

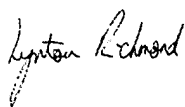
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION ENTERPRISES LIMITED (*continued*)

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.

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
11 September 2020

Royal Collection Enterprises Limited

Profit and Loss Account

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	1,2	57,913	57,608
Direct costs, including cost of sales	2	(47,327)	(46,065)
Gross profit	2	10,586	11,543
Administrative expenses		(2,460)	(2,487)
Donations payable	3	(760)	(817)
Other operating income	7	431	412
Operating profit		7,797	8,651
Interest receivable and other similar income	8	18	18
Profit for the financial year		7,815	8,669

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 17 to 29 form part of these financial statements.

Royal Collection Enterprises Limited

Balance Sheet

at 31 March 2020

		2020	2019
	Note	£'000	£'000
Fixed assets			
Intangible assets	9	112	-
Tangible assets	10	1,096	679
		<u>1,208</u>	<u>679</u>
Current assets			
Stock and work in progress	11	4,062	4,294
Debtors	12	10,466	7,457
Cash at bank and in hand		3,327	3,739
		<u>17,855</u>	<u>15,490</u>
Creditors: amounts falling due within one year	13	(18,318)	(15,706)
Net current liabilities		<u>(463)</u>	<u>(216)</u>
Total assets less current liabilities		<u>745</u>	<u>463</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	745	463
Shareholder's funds		<u>745</u>	<u>463</u>

The notes on pages 17 to 29 form part of these financial statements.

These financial statements were approved by the Board of Directors on 10 September 2020 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 financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons explained below.

The Directors have performed a going concern assessment for the period to 31 March 2022. This assessment indicates that, taking account of reasonably plausible downsides relating to the management fee percentage, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Please see note 12 for further information on the management fee.

As a consequence of the outbreak of COVID-19, there are restrictions on all forms of overseas travel with an overall reduction in tourism in the capital and other major UK cities. This has led to a reduction in the number of potential visitors. The Royal Collection Trust has seen reductions in visitors to all sites with closures of larger scale events such as the Buckingham Palace Summer Opening. As a result the Directors forecast reduced retail income in comparison to prior year while following the traditional seasonality of the visitor footfall.

The principal activities of the Company are to act as a management company and receive a management fee from its parent entity the Royal Collection Trust ("the Trust") and the sale of merchandise. The Company having a trade is entirely dependent on the Trust continuing to trade. The Company meets a significant proportion of its day to day working capital requirements from the management fee received from the Trust. Therefore, the going concern assessment of the Company is dependent on that of the Trust.

The RCT Trustees have reviewed cash flow forecasts until March 2022 and forward looking cash flow forecasts for the next five years which indicate that, taking account of reasonably plausible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Group and Charity will have sufficient funds to meet their liabilities as they fall due for that period. Further detail on this conclusion is given below:

- Financing has been secured from The Trust's bankers for the sum of £22 million over a five year period. £15 million has currently been drawn with the remainder to be drawn by December 2020. The loan is repayable in two capital instalments in 2023 and 2025. No security was required for the loan. Interest is payable quarterly at 2.4% plus the bank's base rate and covenants within the agreement do not come into effect until 2023/24.
- Operational and capital budgets have been reduced across the organisation.
- Cost reduction measures have been taken in relation to personnel costs and these measures are currently under consultation internally.

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Notes (continued)

I Accounting policies (continued)

Basis of preparation (continued)

With these measures in place the Trustees have determined that The Trust will have cash available to pay its liabilities as they fall due for a period of least 12 months from the approval of these financial statements. In addition, over the medium term it is anticipated that visitor numbers will be sufficient to generate surpluses sufficient to repay monies drawn under the committed facility and replenish reserves. On this basis, the Trustees have determined that the Charity is a going concern.

The Directors of the Company have assessed the conclusions reached by the Trustees of the Trust and agree with their conclusions. The Directors of the Company have taken additional steps to secure the activities of the company including

- Facilities management fees payable to The Royal Household have been deferred. Details of these charges are in Note 13
- Operational and capital budgets have been reduced
- Additional cost reduction measures have been taken in relation to personnel costs and these measures are currently under consultation internally.

Based on the above, the Directors have determined that it is appropriate to prepare the financial statements on a 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 or support the administration of the company, the expenditure is capitalised and depreciation is charged over the estimated useful lives of the assets.

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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.

Intangible assets and amortisation

No amortisation is charged on assets under development until the assets have been successfully commissioned and are available for use. 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:

Software development	-	3 to 10 years
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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. The weighted average cost is used to determine the cost of goods sold and held.

Estimates and judgements

Provision is made against stock and work in progress where there are specific risks identified against the recoverability of carrying value. Further details is given in note 11.

Royal Collection Enterprises Limited

Notes (continued)

I Accounting policies (continued)

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.

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 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 legal or 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
2020				
Turnover	37,091	20,449	373	57,913
Direct costs, including cost of sales	(29,784)	(17,012)	(531)	(47,327)
Gross profit/(loss)	7,307	3,437	(158)	10,586
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)	6,922	4,724	(103)	11,543

3 Donations payable

Donations made during the year were as follows:

	2020 £'000	2019 £'000
Privy Purse Charitable Trust	695	747
The Prince's Foundation	-	50
Royal Household Staff Wellbeing Fund	-	20
Prince Andrew Charitable Trust	15	-
Sussex Royal, The Foundation of The Duke and Duchess of Sussex	50	-
	760	817

Royal Collection Enterprises Limited

Notes (continued)

4 Profit on ordinary activities before and after taxation

Profit on ordinary activities before and after taxation is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration – audit of these financial statements	15	14
Depreciation, amortisation and other amounts written off owned fixed assets	234	280
Operating lease charges	117	120

5 Key Management Personnel

	2020	2019
	£'000	£'000
Emoluments including pension contributions	562	548

The key management personnel of the company are the Directors and senior managers of the company.

In addition, some of the key management personnel 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 2020 was £454,000 (2018/19: £556,000).

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 £301 (2018/19: £233). The emoluments, excluding pension contributions, of the highest paid Director were £107,392 (2018/19: £104,778).

Contributions to provide defined pension benefits were made for one Director (2018/19: two). The accrued benefits due to the highest paid Director at 31 March 2020 amounted to an annual pension of £31,983 or a reduced pension of £22,923 and a lump sum of £152,796 (2018/19: £30,559 or a reduced pension of £21,662 and a lump sum of £144,409).

Of the key management personnel, five received reimbursed expenses from RCE totalling £2,496 (2018/19: five - £3,946). In addition, four received reimbursed expenses from the parent company totalling £5,384 (2018/19: three - £3,955).

Royal Collection Enterprises Limited

Notes (continued)

6 Staff numbers and costs

The average monthly head count was 850 staff (2019: 845 staff) and the average number of full-time equivalent staff employed by the company or on permanent secondment from the Royal Household, analysed by category, were as follows:

	2020	2019
Windsor Castle	208	198
Buckingham Palace	215	205
Palace of Holyroodhouse	71	59
Central Retail & Warehousing	30	31
Communications & Business Development	17	16
Publishing	7	8
Learning	20	19
Photographic Services	7	7
Finance & Administration	17	17
Royal Household staff directly supporting Royal Collection Enterprises	57	58
	<u>649</u>	<u>618</u>

The aggregate payroll costs of these persons were as follows:

	2019	2019
	£'000	£'000
Wages and salaries	16,000	15,063
Social security costs	1,319	1,235
Other pension costs (see note 19)	2,037	1,948
	<u>19,356</u>	<u>18,246</u>

Redundancy and severance payments benefits are recognised as an expense when incurred or when there is a legal or constructive obligation to make the payment. The wages and salaries above include £18,000 of redundancy/severance payments (2018/19: £29,000).

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

7 Other operating income

	2020	2019
	£'000	£'000
Other income - sponsorship, grants & fees	431	412
	<u>431</u>	<u>412</u>

8 Interest receivable and other similar income

	2020	2019
	£'000	£'000
Bank interest	<u>18</u>	<u>18</u>

9 Intangible fixed assets

	Software	Software in development	Total
	£'000	£'000	£'000
<i>Cost</i>			
At 1 April 2019	693	-	693
Additions	-	112	112
Disposals /write-offs	-	-	-
At 31 March 2020	<u>693</u>	<u>112</u>	<u>805</u>
<i>Amortisation</i>			
At 1 April 2019	693	-	693
Charge for the year	-	-	-
Disposals /write-offs	-	-	-
At 31 March 2020	<u>693</u>	<u>-</u>	<u>693</u>
<i>Net book value</i>			
At 31 March 2020	<u>-</u>	<u>112</u>	<u>112</u>
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</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
<i>Cost</i>					
At 1 April 2019	336	301	1,944	62	2,643
Additions	154	140	352	5	651
Transfers	3	-	60	(63)	-
Disposals	-	(23)	(116)	-	(139)
At 31 March 2020	493	418	2,240	4	3,155
<i>Depreciation</i>					
At 1 April 2019	155	214	1,595	-	1,964
Charge for the year	36	17	181	-	234
Disposals	-	(23)	(116)	-	(139)
At 31 March 2020	191	208	1,660	-	2,059
<i>Net book value</i>					
At 31 March 2020	302	210	580	4	1,096
At 31 March 2019	181	87	349	62	679

11 Stock and work in progress

	2020	2019
	£'000	£'000
Finished goods	3,102	3,466
Work in progress	960	828
	<u>4,062</u>	<u>4,294</u>

Stock is stated net of a provision of £561,000 (2019: £231,000). Additional provision has been made against specific items in recognition of reduced retail opportunities due to the cancellation of Buckingham Palace Summer Opening and the closure of all retail sites from late March – mid July 2020.

Royal Collection Enterprises Limited

Notes (continued)

12 Debtors

	2020	2019
	£'000	£'000
Trade debtors	313	197
Amounts owed by parent undertaking	9,746	6,536
Other debtors including taxation	121	5
Prepayments and accrued income	286	719
	<u>10,466</u>	<u>7,457</u>

The intercompany debtor of £9.7m (2019: £6.5m) is money owed by the parent company in respect of fees due for managing the admission of visitors to the Occupied Royal Palaces and recharges of costs borne by the company on behalf of the parent company during the year. After the year end, the parent company has agreed to an increase in the fees paid for the admissions service, with effect from 1 April 2020.

13 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	696	1,094
Amounts due to parent undertaking	7,561	4,653
Other creditors	58	275
Accruals and deferred income	10,003	9,684
	<u>18,318</u>	<u>15,706</u>

Post balance sheet events

Accruals and deferred income include £7.3 million relating to facilities management charges owed to the Royal Household in relation to access to residences during 2019/20. After the year end, it was agreed that settlement of the facilities management charges owed to the Royal Household would be deferred until 2021/22. This amount is held at the settlement value without discounting, as this reflects the conditions in place at the year end.

14 Called up share capital

	2020	2019
	£	£
<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>

Royal Collection Enterprises Limited

Notes (continued)

15	Reserves		
	Profit and loss account	2020	2019
		£'000	£'000
	At beginning of year	463	446
	Retained profit for the year	282	17
	At end of year	<u>745</u>	<u>463</u>

16	Movement in shareholder's funds		
		2020	2019
		£'000	£'000
	Opening shareholder's funds	463	446
	Profit for the year	7,815	8,669
	Distribution to parent under deed of covenant	<u>(7,533)</u>	<u>(8,652)</u>
	Closing shareholder's funds	<u>745</u>	<u>463</u>

17	Commitments		
	Capital commitments at 31 March 2020 for which no provision has been made were as follows:		
		2020	2019
		£'000	£'000
	Contracted	268	28
	Authorised but not contracted	636	398
		<u>904</u>	<u>426</u>

Operating lease commitments

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

	2019	2019
	£'000	£'000
- within one year	101	116
- in the second to fifth year	370	373
- later than five years	231	278
	<u>702</u>	<u>767</u>

Royal Collection Enterprises Limited

Notes (continued)

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. The company is able to claim tax relief on the donation and so has no liability to tax.

19 Pension scheme

As explained in the accounting policies set out on page 20, 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, 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 2020, 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 and also with other entities which, whilst not related parties, it is deemed appropriate to disclose. The figures in *italics* represent the amounts due (to) or from related parties at the balance sheet date.

Related party	2020 £000	2019 £000	Details of Transaction
Royal Household	13,809 <i>(9,518)</i>	13,273 <i>(7,932)</i>	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	5 3	20 3	Recovery of costs incurred on behalf of the Royal Household.
Privy Purse Charitable Trust (PPCT)	695 <i>nil</i>	747 <i>nil</i>	Donation to the PPCT in lieu of its right to charge for admission to Queen Mary's Dolls' House, Windsor Castle.
Privy Purse	332 <i>16</i>	652 2	Recovery of costs incurred on behalf of the RCEL.
St George's Chapel	2,063 2	2,009 2	Payment in respect of admissions to St. George's Chapel, Windsor Castle collected by the company as agent.
A G Carrick (Highgrove)	108 <i>nil</i>	136 22	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	1 <i>nil</i>	11 <i>11</i>	Recovery of costs incurred on behalf of RCEL.
Office of HRH The Prince of Wales	<i>nil</i> <i>nil</i>	2 <i>nil</i>	Purchase of RCEL stock and charges for admission events.
Historic Royal Palaces (HRP)	31 <i>1</i>	98 4	Recovery of costs from HRP for maintenance, services and goods for resale purchased from RCEL.
Privy Purse (including Royal Farms and Windsor Farm Shop)	58 <i>nil</i>	56 <i>nil</i>	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	1 <i>nil</i>	21 <i>nil</i>	Purchase of RCEL goods for resale.
Balmoral Estate	3 <i>nil</i>	12 <i>nil</i>	Purchase of Balmoral goods for resale.
Sandringham Estate	24 <i>nil</i>	19 <i>nil</i>	Purchase of RCEL goods for resale.
The Prince's Teaching Institute Estate	<i>nil</i> <i>nil</i>	1 <i>nil</i>	Purchase of RCEL goods for resale.
The Prince's Foundation	<i>nil</i> <i>nil</i>	50 <i>nil</i>	Donation to the Foundation.
Royal Household Staff Wellbeing Fund	<i>nil</i> <i>nil</i>	20 <i>nil</i>	Donation.

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.