

# The Royal Collection Trust

*(Limited by guarantee)*

## Trustees' Report and Consolidated Financial Statements

31 March 2021

Company Number 2713536

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# Royal Collection Trust

## TRUSTEES' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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# Royal Collection Trust

## TRUSTEES' REPORT 2020/21

### Auditor

KPMG LLP  
15 Canada Square,  
London E14 5GL

### Bankers

Coutts & Co  
440 Strand,  
London WC2R 0QS

Lloyds Bank PLC  
25 Gresham Street,  
London EC2V 7HN

Barclays Bank PLC  
1 Churchill Place,  
Canary Wharf,  
London E14 5HP

Close Brothers Group PLC  
10 Crown Place,  
London EC2A 4FT

### Solicitor

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

## Structure, Governance and Management

### Governing Document

The Trust is a company limited by guarantee, incorporated on 29 January 1993 and registered as a charity in England and Wales on 2 February 1993. The Office of the Scottish Charity Regulator approved The Trust's application to be registered as a charity in Scotland on 5 August 2008.

The company was established under a Memorandum of Association which established the objects and powers of The Trust and is governed under its Articles of Association. There are currently three members of The Trust, each of whom is required to contribute an amount not exceeding £1 in the event of it winding up.

### Appointment of Trustees

Trustees include the holders of Relevant Offices within the Royal Household, defined as The Lord Chamberlain, The Private Secretary to The Sovereign and The Keeper of the Privy Purse. During the year, the Articles of Association were amended by Special Resolution to allow that the Chairman of the Trustees may be elected by the Trustee Board from among their number (previously the Chairman was The Prince of Wales during his lifetime).

The appointment of a Trustee is approved by The Sovereign prior to appointment by the Board of Trustees. In appointing Trustees other than holders of the Relevant Offices, consideration is given to ensuring that the Board of Trustees has the requisite mix of skills and experience.

All Trustees give their time voluntarily and receive no remuneration for their services to The Trust. Details of any expenses reimbursed by The Trust are set out in note 8 to the financial statements. New Trustees receive an information pack which includes the current strategic plan, minutes of recent Trustee Board meetings and details of organisational structure. In addition, new Trustees undertake an induction programme comprising meetings with senior managers and visits to the official residences and workshops.

### Organisational Structure

The Board of Trustees, which can have a minimum of five and up to a maximum of twelve Trustees, manages the Charity and meets at least three times a year. The Board of Trustees also has three sub-committees.

The Audit and Risk Assurance Committee has three members: Sir James Leigh-Pemberton (until 10 March 2021, formerly Chairman), Sir Brian Ivory (Chairman from 11 March 2021), Sir Michael Stevens, all of whom are Trustees, and Mr Steve Maslin. The Committee meets and reports formally to the Board at least three times a year. It has overall responsibility for monitoring the

## TRUSTEES' REPORT 2020/21

### Organisational Structure *(continued)*

effectiveness of The Trust's corporate governance and system of internal control. In undertaking its responsibilities, the Committee receives reports from the internal and external auditors and from management.

The Strategic Development Committee comprises the Trustees and members of the Management Board. This Committee meets at least three times annually, and its Chairman is Mr Marc Bolland. Its role is to scrutinise the Management Board's development and implementation of strategic priorities and to review key plans, strategies and proposals before they are presented formally to the Board of Trustees.

The Investment Committee comprises Sir Michael Stevens (Chairman), Sir James Leigh-Pemberton and Mr Keith Harrison. This Committee's role is to review and advise on policy in relation to investment of reserve funds, negotiations on bank borrowing facilities and compliance with bank covenants.

Following the completion of Future Programme during the year, the Future Programme Board was disbanded in September 2020. Until this time, the Board's role was to oversee all aspects of the major programmes of improvement underway at Windsor Castle and the Palace of Holyroodhouse. The members of the Future Programme Board were Mr Peter Troughton (Chairman), The Duke of Buccleuch and Queensberry, Vice Admiral Sir Tony Johnstone-Burt and Sir Michael Stevens.

The Board of Trustees has delegated the powers set out in The Trust's governing document to the Director and members of the Management Board who manage the day-to-day operations of the Charity. The Management Board was restructured during the year to include the Director of the Royal Collection, the Finance Director and the Commercial Director. Further details around the restructure are given on page 10.

The Board of Trustees monitors the way in which its delegated powers are exercised by the Management Board through:

- Involvement in the Strategic Development Committee;
- Receipt of regular reports on Royal Collection Trust's activities;
- Review and approval of budgets and strategic plans;
- Reports from the Chairman of the Audit and Risk Assurance Committee and the Investment Committee; and
- Review of management accounts and the Annual Report and Financial Statements.

The Director of the Royal Collection is a Head of Department of the Royal Household and is appointed by The Sovereign.

## TRUSTEES' REPORT 2020/21

### **Organisational Structure** *(continued)*

The Management Board is responsible for preparation of strategic plans and annual budgets, and for overseeing the efficient and effective operation of Royal Collection Trust. Together with the Operations Board of senior managers, the Management Board is responsible for the day-to-day monitoring of performance, maintaining adequate systems for internal financial control and risk management, ensuring value for money and operational efficiency and providing organisation-wide leadership and effective internal communications.

### **Subsidiary Undertaking**

The Trust's wholly-owned subsidiary, Royal Collection Enterprises Limited, has a paid up share capital of £2, and is incorporated in the UK. 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 retail merchandise. Taxable profits are donated in accordance with a deed of covenant to the holding company, The Royal Collection Trust.

### **Related Parties**

The activities of Royal Collection Trust require the co-operation and support of the other departments of the Royal Household. These departments are represented on the Board of Trustees through the holders of the Relevant Offices. The Relevant Offices are The Lord Chamberlain, The Private Secretary to The Queen and The Keeper of the Privy Purse.

Details of material transactions during the year with other entities controlled by officials or Trustees on behalf of The Queen are set out in note 23 to the financial statements.

### **Objectives and Activities**

The works of art that comprise the Royal Collection are held by The Queen in right of the Crown and are held in trust for her Successors and for the Nation. The Collection is exhibited primarily within areas of the official residences of The Queen and The Prince of Wales, and in the unoccupied residences maintained by Historic Royal Palaces, which are open to the public. Where works of art are not on public view, these items are made available to the public through exhibitions at The Queen's Galleries in London and Edinburgh, through loans to other museums and galleries both within the UK and overseas (including travelling exhibitions), and via publications and online access.

### Charitable Objects and Public Benefit

The objects of The Trust are, for the benefit of the Nation:

- to administer, conserve, renovate, repair, maintain, improve and advise on the Royal Collection, the Royal Archives and the Royal Photograph Collection which pass in right of the Crown; and
- to educate and inform the Public about such Collections and Archives by exhibition, preparation of catalogues and inventories, research, publication, educational activities, and by such other means as appropriate.

The Trustees, having regard to the Charity Commission's public benefit guidance, seek to fulfil these objects by pursuing a series of charitable aims. They are as follows:

- the Royal Collection is subject to proper custodial control in the service of HM The Queen and the Nation;
- the Royal Collection is maintained and conserved to the highest possible standards to ensure that visitors can view the Collection in the best possible condition;
- as much of the Royal Collection as possible can be seen by members of the public;
- the Royal Collection is presented and interpreted so as to enhance public appreciation and understanding;
- appropriate acquisitions are made when resources become available to enhance the Collection and displays of exhibits for the public; and
- access to the Royal Collection is broadened in person, in print and online, and increased to ensure that as many people as possible are able to enjoy the Collection.

The Trustees consider that public benefit is delivered as a result of pursuit of these aims. That benefit can be summarised as follows.

Access to the Royal Collection is provided in various ways, including:

- direct access by visits to the official residences of The Queen and The Prince of Wales, and the unoccupied Royal Palaces maintained by Historic Royal Palaces, at Osborne House, and exhibitions in The Queen's Galleries;
- the continued expansion and enhancement of The Royal Collection Online to include more records, images and information on the works of art;
- development of digital access through online videos, social media and live webinars
- broadening the learning programmes at each site to include events for adults aligned with new exhibitions and publications, regular family activities and increased workshops for community groups and the publication of books, catalogues, apps and websites on the Collection for both academic and general audiences; and
- the loan of works of art to other organisations who exhibit them to the public.



**Charitable Objects and Public Benefit** *(continued)*

Many different groups use and benefit from Royal Collection Trust's work, including:

- Visitors from both the UK and overseas who view the Royal Collection at:
  - The official residences (Buckingham Palace, Windsor Castle, Palace of Holyroodhouse and Clarence House);
  - The Queen's Galleries (Buckingham Palace and Palace of Holyroodhouse);
  - The private estates (Sandringham and Balmoral);
  - The unoccupied Royal Palaces, managed by Historic Royal Palaces Trust;
  - Osborne House, managed by English Heritage;
  - Museums and galleries that host Royal Collection Trust exhibitions or exhibit items on loan
- People who read Royal Collection Trust publications, who browse the website and watch or listen to television or radio broadcasts;
- Adults and children participating in learning programmes;
- Students and researchers who make enquiries of curatorial staff; and
- Cultural heritage professionals who attend the Royal Collection Studies Summer School or who undertake internships or work experience placements.

Royal Collection Trust helps to enhance visitors' understanding and appreciation of the works of art by providing interpretation based on scholarly research, up-to-date Collections information and historical resources from the Royal Archives. Interpretation is provided via:

- Audio/Multi-media tours, which are included in the cost of admission to all main sites, and guided tours;
- Hand-held, British sign language video tours and verbal description audio tours for the blind and partially sighted, at Buckingham Palace, the Royal Mews, Windsor Castle and the Palace of Holyroodhouse;
- A range of sessions for schools tailored to the Palaces and exhibitions, and a range of family events and activities at all sites;
- Workshops for community groups and events for visitors with different access requirements;
- Lectures, panel discussions, performances, concerts and creative courses for adults at all sites as part of the public programme;
- Learning spaces for all visitors with special activities for families; and
- Guidebooks to each site, as well as catalogues, apps and other publications focussing on the Royal Collection.

Charges are made to visit the official residences of The Queen and The Prince of Wales and exhibitions in The Queen's Galleries. Value-for-money ratings at each of the official residences are closely monitored. There are various measures in place to ensure that the charges do not unduly restrict access to the Royal Collection as follows:

- Schools can visit the Palaces and Galleries at discounted rates, with free entry for accompanying teachers and assistants;

## TRUSTEES' REPORT 2020/21

### Charitable Objects and Public Benefit *(continued)*

- Where fees are a barrier to visiting, schools can apply for free entrance;
- Taught sessions and workshops are offered to schools without additional charges;
- Teachers can take advantage of free 'pre-visit' tickets, to help them prepare for their school's visit and regular free teachers' evenings are programmed;
- Sessions for community groups and societies working with under-represented, disadvantaged or disabled audiences who wouldn't normally visit are available without additional charges;
- Extensive free learning resources are available on Royal Collection Trust's website and elsewhere;
- Senior visitors and students are given discounted rates and disabled visitors pay a discounted rate for admission and access companions are granted free admission;
- Registered charities working with under-represented, disadvantaged or disabled people can apply for free entrance to the Palaces and Galleries;
- Serving members of the armed forces and their families are granted free admission via the Defence Discount Service;
- Purchase of a standard ticket allows an unlimited number of repeat day admission visits within a year to a particular site
- Windsor Castle participates in a scheme that gives free admission to local residents; and
- Complimentary family tickets to the official residences and The Queen's Galleries are provided to charities and Parent Teacher Associations each year.

## Review of the Year

### Pandemic Impact

All of Royal Collection Trust's operations throughout the year were hugely impacted by the COVID-19 pandemic. As a consequence, financial performance was significantly impaired, and the organisation has had to take a number of important steps to enable its recovery.

The financial statements set out on pages 28 to 60 cover the activities of The Royal Collection Trust ("The Trust") and its trading subsidiary Royal Collection Enterprises Limited (together "Royal Collection Trust"). The Consolidated Statement of Financial Activities shows the gross income from all sources and the split of activity between restricted and unrestricted funds.

The pandemic started to impact on visitor numbers in February 2020, initially with the decrease in international tourism and escalating to closure of all sites by the end of March 2020. National lockdowns and tier restrictions in England and Scotland meant that there were only limited times (mainly in the period from late July until early November) when it was possible to welcome visitors to the sites, while retail outlets were also severely constrained. The 2020 summer opening of Buckingham Palace was cancelled. When sites were open, the absence of overseas tourists, limitations on travel and social distancing requirements reduced demand and capacity. As a consequence, overall visitor numbers for 2020/21 were significantly reduced, as follows:

	2020-21	2019-20
	000s	000s
Windsor Castle	104	1,587
Frogmore House	-	5
Buckingham Palace	-	578
The Queen's Gallery, Buckingham Palace	9	266
The Royal Mews	5	237
Palace of Holyroodhouse	31	496
The Queen's Gallery, Palace of Holyroodhouse	6	116
	<hr/> 155	<hr/> 3,285

Note: 3,000 learning visitors are included in these numbers (2019/20: 110,000). Buckingham Palace and Frogmore House were closed during the year. Clarence House was closed in 2019/20 due to building work, and remained closed during 2020/21.

The significant reduction in visitor numbers and trading activity resulted in a reduction in visitor admissions and retail income compared with prior year of £64 million (91%). Income was bolstered by the success of the online shop managed by Royal Collection Enterprises Limited which saw sales more than triple to £2.9 million (2019/20: £0.9 million).

## TRUSTEES' REPORT 2020/21

### Review of the Year *(continued)*

In response to the severe reduction in income, spend was reduced in all areas. A recruitment and pay freeze was introduced in April 2020, and this together with significant reductions in all other areas of spend resulted in a fall in operating costs.

#### Recovery Plan

The loss of income in 2020/21 due to the pandemic was over £70 million compared with budget, with further significant reduction of income anticipated in 2021/22 compared with pre-pandemic plans. Trustees and management had to respond swiftly to challenges presented as a result. A financial recovery plan was developed during the year to ensure that the Charity could survive, while also protecting the wellbeing of visitors and staff and acting fairly and responsibly towards suppliers.

Together with the recruitment and pay freeze measures referred to above, all discretionary spend and non-essential capital works were suspended in April. The exhibition programme was revised and contracted out conservation work was reduced. In May 2020, The Trust agreed a five-year term loan facility of £22 million with its bankers, drawn in July 2020. The Trust also received short term financial assistance from the Royal Household, which permitted the deferral of the payment of facilities fees relating to 2019/20, from the due date of July 2020 to March 2021.

As a consequence of the national lockdown, most employees had to work from home, if possible, throughout the year. However, a large number of staff were unable to work from home, given the nature of their roles. The Trust could have used the Government's Job Retention Scheme (JRS) to claim public funding for furloughed staff. However, to support Royal Collection Trust's survival and recovery the Royal Household agreed to waive the full amount of the facilities management fee due for 2020/21 (£3.8 million) and to credit part of the fee for 2019/20 (£0.2 million), thus matching the level of JRS income that could have been claimed for March 2020 and for the 2020/21 financial year.

Despite this support and the measures outlined above, it was necessary for The Trust to take further significant cost saving measures. A major staffing restructure was undertaken in autumn 2020. As part of this process, a voluntary severance scheme was made available to all employees. Following consultation, the new structure was confirmed in November, and implementation was completed in early 2021. As a consequence, 124 staff left on voluntary redundancy terms and 6 left on compulsory terms. The ending of fixed term contracts, including intern and apprenticeship schemes, meant that in total 165 staff left the organisation.

As part of the restructuring exercise the Management Board was reduced to three members and a new Operations Board was created. The Management Board is responsible for delivery of the strategic direction, as agreed with the Trustee Board. The Operations Board is a senior leadership

## TRUSTEES' REPORT 2020/21

### Review of the Year *(continued)*

team responsible for managing the day-to-day operations of Royal Collection Trust. The new structure, including these management changes, came into formal effect on 1 January 2021.

As a further essential cost saving, following a period of consultation, the employer contribution rate to the defined contribution pension scheme was reduced in January 2021. The scheme remains non-contributory for employees. In addition, the Royal Household Group Pension Scheme, a defined benefit scheme in which The Trust is a participating employer, was closed to future accrual on 31 March 2021.

In the final quarter of 2020/21, The Trust secured an additional borrowing facility from its bankers. This is a revolving credit facility of £30 million, reducing over the seven-year period of borrowing. The terms of the facility mean that The Trust has flexibility to align its borrowing with seasonal variations in cash flow, and to repay the facility early should circumstances permit.

In March 2021, The Trust made a £7 million loan to its trading subsidiary, Royal Collection Enterprises Limited (RCEL). The loan was agreed with due regard for Charity Commission and HMRC guidance for such arrangements. The Trust has obtained fixed and floating security over the assets of RCEL. The loan was needed to ensure working capital was available to RCEL, particularly in the light of continued lockdown restrictions on visitor attractions and non-essential retail from January through to May 2021 and the decision to cancel Buckingham Palace Summer Opening in 2021. The loan term is three years with the option of early repayment and interest is charged at 2.5%. Details of the loan are given in note 14.

### Looking ahead

Restrictions on opening non-essential retail and visitor attractions lifted in April and May 2021. Royal Collection Trust is optimistic that sites will be able to welcome visitors throughout 2021/22, while recognising that numbers will be much reduced compared to the levels seen prior to the pandemic. It is anticipated that inbound tourism figures will increase as international travel resumes from 2022 onwards.

Management teams have developed creative solutions to support income during this time, including new visitor access to the Buckingham Palace Garden and new product offerings both in-store and online.

The Trust expects to incur a further significant operating loss in 2021/22. The borrowing facilities that have been arranged will allow it to manage liquidity during this period. A return to operating surplus is projected in 2022/23. Management have prepared 'most likely' and severe plausible downside scenario forecasts for the next five years. The plans currently in place will allow the organisation to continue as a going concern, even under the severe plausible downside scenario. Progress will be monitored carefully to ensure the organisation responds quickly to new challenges that may arise as the

## TRUSTEES' REPORT 2020/21

### Review of the Year *(continued)*

world seeks to bring the pandemic under control. The seven-year term of the revolving credit facility will ensure resources are available as needed in the meantime.

### Financial Results

Despite the significant cost saving measures put in place, the loss of over 90% of anticipated revenue resulted in a net deficit of £36.5 million for the year. Costs included £2.2 million in redundancy payments, and £0.4 million in loan charges and interest. The last funding valuation of the Royal Household Group Pension Scheme was carried out by a qualified actuary as at 31 December 2017. As a consequence of an updated actuarial assessment of the pension scheme as at 31 March 2021 there is a notional funding surplus of £1.7 million (31 March 2020: £1.8 million surplus) included in unrestricted funds.

### Reserves and going concern

Prior to the pandemic, The Trust's policy has been to target a free reserves level of £10 million. The significant loss incurred in 2020/21 has meant that reserves have been fully expended, and at 31 March 2021 free reserves show a deficit position of £21.4 million.

The level of bank borrowing put in place is based on a severe plausible downside scenario projection. This borrowing facility will be available until March 2028 (with planned reductions from the total facility of £52 million taking place from 2023/24 onward). Details of the loan are given in note 19. Assessment of the severe plausible downside scenario shows that the organisation will continue as a going concern. The forecasts are based on low visitor numbers in 2021/22, acknowledging the continued uncertainty around COVID-19 restrictions and severely limited international tourism. The Trustees anticipate that visitor numbers will recover, particularly supported by the Platinum Jubilee celebrations in 2022, but has allowed several years for visitor numbers to reach pre-pandemic levels. As admissions grow, the forecasts show a gradual return to operating surplus and cash generation which will allow the organisation to manage working capital and ensure repayment of the facilities in line with the borrowing agreements.

The Trust expects to suffer a deficit in 2021/22, but as described above, management continues to carefully manage costs and expect visitor levels to eventually recover, returning the organisation to a surplus position and allowing the rebuilding of reserves. This will take several years, but the liquidity secured with the borrowing facilities ensures that the organisation can continue to trade responsibly even with a deficit balance on negative reserves. As the trading position improves, the aim is to rebuild free reserve levels to an appropriate level. This level will be reviewed by Trustees as the recovery develops.

## TRUSTEES' REPORT 2020/21

### Review of the Year *(continued)*

#### Funds and Reserves

The reserves held at 31 March 2021 were as follows:

	2020-21 £'000s	2019-20 £'000s
Restricted funds	1,044	1,455
Unrestricted funds		
Designated funds		
Future Programme	2,125	8,216
General funds		
Fixed Asset Reserve	54,255	54,329
Free Reserve	(21,417)	8,422
Pension Reserve	1,700	1,800
<b>Total Unrestricted Funds</b>	<b>36,663</b>	<b>72,767</b>
<b>Total Charity Funds</b>	<b>37,707</b>	<b>74,222</b>

Details of the movements in fund balances are set out in note 20 on page 49.

#### Restricted funds

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the Charity.

Restricted funds include £609,000 donated in support of Future Programme. This fund is in addition to the designated fund that the Trustees have put aside for Future Programme.

#### Unrestricted funds

These are funds that are expendable at the discretion of the Trustees in furtherance of the Charity's objects. The Trustees have **designated a fund** for Future Programme, covering the two major programmes of improvement at Windsor Castle and the Palace of Holyroodhouse. The aims of Future Programme include transformation of the visitor experience and making the Royal Collection physically and intellectually accessible to everyone. Future Programme works were completed in autumn 2020. The designated fund balance of £2.1 million is sufficient to cover the full final cost of the works.

The funded status of the **pension reserve** has reduced by £0.1 million, leading to a total asset of £1.7 million. This arises as a consequence of an updated actuarial report based on market changes and assumptions applicable as at 31 March 2021. The Trustees do not treat the pension reserve as available funds to be utilised as it is subject to market fluctuations and not realised in liquid funds. Consequently, the pension reserve is excluded from free reserves.

## TRUSTEES' REPORT 2020/21

### Review of the Year *(continued)*

The **fixed asset reserve** represents the net book value of the group's tangible and intangible assets. It is excluded from free reserves, as the Charity could not dispose of all or the majority of these assets and continue its operations as a going concern.

### Section 172 statement

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

The strategic focus on visitor experience and broadening access to the Collection ensures attention is given to the beneficiaries of The Trust's activities. Pages 6 to 8 give examples. Feedback is invited from visitors to inform the Board's understanding of their needs. Details of employee policies and practices, ensuring that the needs of employees are taken into account, are set out in the section below on Employment Policies.

The Board seeks to act responsibly with regards to the environment, and further information is provide in the Environmental Sustainability section of this report. The Trust seeks to deal fairly with suppliers when agreeing contractual terms and settling accounts promptly, with over 85% of invoices settled within 30 days. The Trust seeks to act responsibly towards its local communities, making special provision for local access, providing workshops for local community groups and using local suppliers where appropriate.

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.

### Fundraising

The majority of The Royal Collection Trust's income is raised by ticket sales from visitors to our sites. However, The Trust employs a small Development Team to raise remaining funds from Corporate, Trust & Foundations and Philanthropic individuals via a number of diverse fundraising activities. The Trust does not conduct mail-outs or practice 'cold calling' and only solicits gifts from supporters with whom it has an existing relationship.

The Development Team subscribes to the Code of Fundraising Practice operated by the Fundraising Regulator, which includes guidance on fundraising with vulnerable people, as well as HMRC best practise for donor benefits. Subscription to the Fundraising Regulator also provides training and support for fundraisers, if needed.



## TRUSTEES' REPORT 2020/21

### **Fundraising** *(continued)*

The Trust has clear, established and robust systems including: due-diligence reporting for solicitations in excess of £5,000, a gift-acceptance policy and a GDPR-compliant statement in place for approaching both existing and new prospects and the way in which we store personal data. There have been no failures by The Trust to comply with these fundraising standards and the Trust has received no complaints about its fundraising activities.

### **Principal Risks and Uncertainties**

The primary risk now facing Royal Collection Trust is the impact of the pandemic on the opening of sites and shops to the public, on the international tourism market and on the readiness of the public to attend visitor attractions as restrictions are eased. Deterioration or loss of items in the Royal Collection remains a standing risk that is central to The Trust's core purpose. Secondary risks, as visitor numbers recover, are the failure to engage with the public or develop new audiences and decline in commercial appeal of retail merchandise.

In addition, Royal Collection Trust manages key generic risks relating to the General Data Protection Regulations (GDPR), fraud, physical and cyber security, potential failure of IT systems, the need to ensure appropriate and robust safeguarding measures for visitors and staff and the operational risks associated with managing large numbers of visitors.

COVID-19 has generated a range of additional risks which Royal Collection Trust is actively managing. Principal among these are the health and well-being of staff and visitors, enhanced operating risk associated with managing visitors to The Trust's sites in compliance with Government regulation and best practice, relationships with The Trust's key suppliers and operating risks arising from widespread working at home, including custody of the Collection and the uninterrupted operation of procedures, systems and controls. The Trust's risk register, which is reviewed regularly by the Audit and Risk Assurance Committee, has been much expanded and revised this year to reflect this changed landscape.

In addition to managing the response to the pandemic, management continues to monitor and manage ongoing risks relating to areas such as the achievement of charitable objectives, and the protection of The Trust's assets.

Regular inventory checks ensure that the works of art within the Royal Collection are subject to proper custodial control. In addition, the checks confirm the condition of items in the Royal Collection and help to establish conservation priorities. Environmental monitoring of conditions throughout the official residences and at other locations where the Royal Collection is on display ensures that the deterioration of works of art is minimised. Whilst capital budgets have been significantly reduced to secure the future of The Trust, essential work to care for the Collection will continue.

## TRUSTEES' REPORT 2020/21

### Principal Risks and Uncertainties *(continued)*

A structured programme of training and compliance work has been put in place to address information risks. This includes mandatory staff training in cyber security and awareness with phishing campaigns and activities to achieve the key requirements of the General Data Protection Regulation. Additional training has been provided to address risks arising from a large proportion of staff working from home during the lockdown period.

The Operations 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.

The Operations Board assesses risks and opportunities in the preparation of longer-term 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 - Property Section, the Director of Security Liaison, the Head of IT and Telecoms and the Chief Information Security Officer. These specialists provide advice on the management of the risks falling within their areas of responsibility.

The Audit and Risk Assurance Committee 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 ordinarily meets three times annually and reviews the risk register twice a year. This follows a detailed review and discussion by the Operations 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 Royal Collection Trust'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 IT controls, data protection, property maintenance, health and safety and security is provided by suitably qualified senior managers in the Royal Household and where appropriate, external professionals. New activities and changes to existing processes are routinely reviewed to ensure that controls are in place.

## TRUSTEES' REPORT 2020/21

### Principal Risks and Uncertainties *(continued)*

Ongoing budgetary control is monitored by the production of regular and timely financial management reports.

### 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. In recognition of its commitment to employee health and wellbeing, the Royal Household holds the Investors in People Gold Award and the Health and Wellbeing Best Practice Award.

Diversity, in all its forms, is central to our success as an organisation, ensuring a diversity of experience, thought and decision making. The Royal Household actively seeks applications from a wide range of backgrounds. These include disabled applicants, and the organisation would seek 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.

Royal Collection Trust 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. Royal Collection Trust 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 that are available both to staff (through training, their managers and via an Intranet) and members of the public (via the Royal Collection Trust website).

## TRUSTEES' REPORT 2020/21

### Employment policies *(continued)*

During the year, the Royal Household changed the defined contribution pension scheme provided for employees from a Stakeholder scheme to a Worksave Mastertrust, known as the Royal Household Worksave Pension Scheme. The new scheme offers greater flexibility for individuals in how they access their funds on retirement, more robust oversight of the scheme via a group of independent external trustees, and access to a wider range of environmental and sustainable investment funds.

### Environmental Sustainability

Royal Collection Trust is committed to reducing the impact of its operations on the environment. To support this aim, the Trust has adopted an Environmental Action Plan outlining five key focus areas for 2020-2022. These are:

- Legislative and Compliance
- Energy Management and Carbon Reduction
- Waste Management and Segregation
- Retail and Supply Chain
- Single Use Plastics

Activity was much impacted during the year by the pandemic. Nevertheless, some notable actions during the year were:

- Recycling ratios at Windsor increased during the year, as a result of the new waste recycling and management strategy implemented, although COVID-19 significantly reduced its impact (with lower recyclable waste volumes generated due to reductions in visitor activities, including from the Undercroft Café).
- The review and discontinuation of specific retail lines that required single use plastics continued, with increased adoption of alternatives where possible.
- The reduction of packaging both at product design stage and for home delivery
- Although retail carrier bags are degradable, charges were introduced in early 2020 across all our sites to deter use and minimise consumption. The flat rate of 10p per bag is used to offset the increased cost of sustainable shipping materials used for home delivery and online fulfilment.

## TRUSTEES' REPORT 2020/21

### Streamlined Energy and Carbon Reporting 2020/21

Royal Collection Trust is required to report on energy use and carbon emissions under the Streamlined Energy and Carbon Reporting regulations. The tables below provide the disclosure required in respect of The Royal Collection Trust and Royal Collection Enterprises Limited.

#### This SECR report covers:

Scope 1 – Natural Gas and Owned/leased vehicles.

Scope 2 – Electricity National Grid

Scope 3 – Travel in privately owned vehicles for business purposes

#### Greenhouse Gas Emissions

	2021 (tCO <sub>2</sub> e) Location based**	Market based*	2020 (tCO <sub>2</sub> e) Location based**	Market based*
Emissions Scope 1	461	461	518	518
Emissions Scope 2	705	151	833	134
<b>Total Scope 1 &amp; 2</b>	<b>1,166</b>	<b>612</b>	<b>1,351</b>	<b>652</b>
Emissions Scope 3	3	3	11	11
<b>Total GHG emissions (1-3)</b>	<b>1,169</b>	<b>615</b>	<b>1,362</b>	<b>663</b>

GHG emissions for reporting purposes are deemed to be Market-based.

\* GHG emissions for grid electricity calculated according to the Market-based method supported by contractual arrangements with suppliers for the purchase of renewable electricity.

\*\* GHG emissions for grid electricity calculated using UK grid-average (Location-based) emissions factor.

All emissions have been calculated using the relevant carbon conversion factors from DEFRA

#### Energy Use

Energy Consumption	2021 KWh (m)	2020 KWh (m)
Scope 1	2.49	2.80
Scope 2	2.38	3.57
Scope 3	0.01	0.05
<b>Total kWh</b>	<b>4.88</b>	<b>6.42</b>

Data has been sourced from accounting software using utility invoices, business mileage claims and fuel card invoices.

**Streamlined Energy and Carbon Reporting 2020/21** *(continued)*

Royal Collection Trust has adopted Net Internal Area (NIA) as an intensity measure. The NIA of buildings within The Royal Collection Trust and its subsidiary during the 2020/21 financial year was 24,272.5 m<sup>2</sup>. The Royal Collection Trust emitted 0.048 tonnes of CO<sub>2</sub>e per m<sup>2</sup> of NIA when using grid average conversions. The Royal Collection Trust emitted 0.025 tonnes of CO<sub>2</sub>e per m<sup>2</sup> of NIA when allowing for REGOs.

Energy consumption used to calculate emissions	Gas: 2,453,917 kWh Company owned vehicles: 39,340 kWh Electricity: 3,025,593 kWh (of which 2,376,496 kWh is REGO backed renewable) Employee owned vehicles: 11,481 kWh
Emissions from combustion of gas tCO <sub>2</sub> e (scope 1)	451 tonnes
Emissions from business travel in company owned vehicles	9.4 tonnes
Emissions from purchased electricity (scope 2, location based)	705.4 tonnes (using grid average) 151.3 tonnes (allowing for REGO backed renewable generation)
Emissions from business travel in rental cars or employee owned vehicles where company is responsible for purchasing the fuel	2.8 tonnes
Total gross CO <sub>2</sub> e based on the above	1,168.9 tonnes (using grid average) 614.8 tonnes (allowing for REGO back renewable generation)

## TRUSTEES' REPORT 2020/21

### Statement of Trustees responsibilities in respect of the Trustees' Annual Report and the financial statements

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

Company and charity law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent charitable company 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 Trustees 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 group and parent charitable company and of the group's income and expenditure for that period. In preparing each of the group and parent charitable company financial statements, the Trustees 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 and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group's and the parent charitable 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 group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the parent charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the parent charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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 group and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the

## Royal Collection Trust

### TRUSTEES' REPORT 2020/21

preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

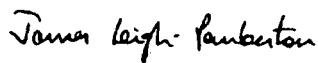
#### Disclosure of information to auditor

The Trustees who held office at the date of approval of this Trustees' 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 Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

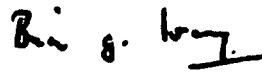
#### Auditors

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

By order of the Trustees



The Hon. Sir James Leigh-Pemberton  
Trustee



Sir Brian Ivory  
Trustee

York House  
St James's Palace  
London SW1A 1BQ

1 July 2021





## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF THE ROYAL COLLECTION TRUST

### Opinion

We have audited the financial statements of The Royal Collection Trust ("the charitable company") for the year ended 31 March 2021 which comprise the Consolidated and Trust Statement of Financial Activities, The Statement of Financial Activities, Consolidated and Trust Balance Sheet, Consolidated Statement of Cash Flows 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 group's and of the charitable company's affairs as at 31 March 2021 and of the group's incoming resources and application of resources, including its income and expenditure, 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, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 group 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 Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the charitable company or to cease their operations, and as they have concluded that the group and the charitable 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 their 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").

In our evaluation of the Trustees' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and charitable company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the charitable company's ability to continue as a going concern for the going concern period.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

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 above conclusions are not a guarantee that the group or the charitable company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading minutes of the Board of Trustees, and Audit and Risk Assurance Committee meetings.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue primarily arises from non-complex, individually low value admissions transactions. In addition, due to Covid-19 restrictions, no material revenue was generated around year end, limiting the opportunity to process fictitious sales.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards),



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies and charities legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Other information**

The Trustees are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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:



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report and the directors' report 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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' 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.

### Trustees' responsibilities

As explained more fully in their statement set out on page 21 the trustees (who are also the directors of the charitable company for the purposes of company law) 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 group's and the charitable 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 group or the charitable company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

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

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charitable company's trustees 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 charitable company, its members, as a body and its trustees, 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*

*KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006*

15 Canada Square

London

E14 5GL

**5th July 2021**

# Royal Collection Trust

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating the consolidated income and expenditure account)

For the year ended 31 March 2021

	Note	Income Funds		2021	Income Funds		2020
		Unrestricted £'000	Restricted £'000	Total £'000	Unrestricted £'000	Restricted £'000	Total £'000
<b>Income</b>							
<u>Donations and legacies</u>	4,20	1	(254)	(253)	25	70	95
<u>Charitable Activities</u>							
Access		2,533	-	2,533	49,483	-	49,483
Presentation and interpretation		168	-	168	647	-	647
<u>Other Trading Activities</u>							
Retail, catering, photographic services		4,012	-	4,012	20,547	-	20,547
Licences, commissions and fees	2	29	-	29	130	-	130
Sponsorship		-	-	-	250	-	250
<u>Investments</u>							
Investment income	6	109	-	109	296	-	296
<u>Other income</u>		25	-	25	78	-	78
<b>Total income</b>		<b>6,877</b>	<b>(254)</b>	<b>6,623</b>	<b>71,456</b>	<b>70</b>	<b>71,526</b>
<b>Expenditure</b>							
<u>Raising Funds</u>							
Fundraising	7	129	-	129	124	-	124
Retail, catering, photographic services	7	8,444	-	8,444	17,606	-	17,606
		8,573	-	8,573	17,730	-	17,730
<u>Charitable Activities</u>							
Access	7	18,911	-	18,911	30,165	-	30,165
Presentation and interpretation	7,20	9,633	95	9,728	9,606	408	10,014
Exhibitions and displays	7,20	1,730	13	1,743	3,631	13	3,644
Conservation	7,20	2,716	49	2,765	4,408	73	4,481
Custodial control	7	812	-	812	1,124	-	1,124
		33,802	157	33,959	48,934	494	49,428
<u>Other</u>							
Donations payable	5	44	-	44	770	-	770
Interest payable	6	362	-	362	-	-	-
<b>Total expenditure</b>		<b>42,781</b>	<b>157</b>	<b>42,938</b>	<b>67,434</b>	<b>494</b>	<b>67,928</b>
<b>Net (deficit)/income</b>		<b>(35,904)</b>	<b>(411)</b>	<b>(36,315)</b>	<b>4,022</b>	<b>(424)</b>	<b>3,598</b>
<u>Other recognised gains</u>							
Actuarial (loss)/gain on pension scheme	22	(200)	-	(200)	1,200	-	1,200
<b>Net movement in funds</b>		<b>(36,104)</b>	<b>(411)</b>	<b>(36,515)</b>	<b>5,222</b>	<b>(424)</b>	<b>4,798</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward		72,767	1,455	74,222	67,545	1,879	69,424
Total funds carried forward		36,663	1,044	37,707	72,767	1,455	74,222

The results shown above relate to continuing activities. There are no recognised gains or losses other than those included above. The incoming resources and resources expended for the year are measured under the historical cost convention. The notes on pages 32 to 60 form part of these financial statements.

# Royal Collection Trust

## THE ROYAL COLLECTION TRUST STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2021

		Income Funds		2021	Income Funds		2020
	Note	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
<u>Donations and legacies</u>							
Received from subsidiary	24	244	-	244	7,533	-	7,533
Other donations		-	(254)	(254)	20	70	90
<u>Charitable Activities</u>							
Access		2,533	-	2,533	49,483	-	49,483
Presentation and interpretation		2	-	2	376	-	376
<u>Investments</u>							
Investment income	6	104	-	104	278	-	278
<u>Other</u>		25	-	25	586	-	586
<b>Total</b>		<b>2,908</b>	<b>(254)</b>	<b>2,654</b>	<b>58,276</b>	<b>70</b>	<b>58,346</b>
<b>Expenditure</b>							
<u>Raising Funds</u>							
		129	-	129	124	-	124
		129	-	129	124	-	124
<u>Charitable Activities</u>							
Access		26,827	-	26,827	39,198	-	39,198
Presentation and interpretation		6,617	95	6,712	5,861	408	6,269
Exhibitions and displays		1,017	13	1,030	3,631	13	3,644
Conservation		2,717	49	2,766	4,408	73	4,481
Custodial control		814	-	814	1,124	-	1,124
		37,992	157	38,149	54,222	494	54,716
<u>Other expenditure</u>							
		329	-	329	190	-	190
<u>Interest payable</u>							
	6	362	-	362	-	-	-
<b>Total expenditure</b>		<b>38,812</b>	<b>157</b>	<b>38,969</b>	<b>54,536</b>	<b>494</b>	<b>55,030</b>
<b>Net (deficit)/income</b>		<b>(35,904)</b>	<b>(411)</b>	<b>(36,315)</b>	<b>3,740</b>	<b>(424)</b>	<b>3,316</b>
<b>Other recognised gains:</b>							
Actuarial (loss)/gains on pension scheme	22	(200)	-	(200)	1,200	-	1,200
<b>Net movement in funds</b>		<b>(36,104)</b>	<b>(411)</b>	<b>(36,515)</b>	<b>4,940</b>	<b>(424)</b>	<b>4,516</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward		72,022	1,455	73,477	67,082	1,879	68,961
Total funds carried forward		35,918	1,044	36,962	72,022	1,455	73,477

The notes on pages 32 to 60 form part of these financial statements.

# Royal Collection Trust

## CONSOLIDATED AND TRUST BALANCE SHEET

As at 31 March 2021

		2021		2020	
	Note	Group £'000	Trust £'000	Group £'000	Trust £'000
<u>Non-current assets</u>					
Intangible assets	11	4,529	4,333	4,696	4,584
Tangible assets	12	50,029	49,191	49,949	48,852
Loan to subsidiary	14	-	7,000	-	-
<b>Total non-current assets</b>		<b>54,558</b>	<b>60,524</b>	<b>54,645</b>	<b>53,436</b>
<u>Current assets</u>					
Stock and work in progress	15	4,022	-	4,062	-
Debtors	16	2,125	1,605	2,604	9,444
Bank deposits		13,651	11,438	24,729	21,912
Cash at bank and in hand		324	10	514	4
<b>Total current assets</b>		<b>20,122</b>	<b>13,053</b>	<b>31,909</b>	<b>31,360</b>
<u>Liabilities</u>					
Creditors: amounts due within one year	18	(4,173)	(3,815)	(14,132)	(13,119)
<b>Net current assets</b>		<b>15,949</b>	<b>9,238</b>	<b>17,777</b>	<b>18,241</b>
Creditors: amounts due in more than one year	19	(34,500)	(34,500)	-	-
<b>Net assets excluding pension asset</b>		<b>36,007</b>	<b>35,262</b>	<b>72,422</b>	<b>71,677</b>
Defined benefit pension scheme asset	22	1,700	1,700	1,800	1,800
<b>Total net assets</b>		<b>37,707</b>	<b>36,962</b>	<b>74,222</b>	<b>73,477</b>
<b>Funds</b>	<b>20</b>				
<u>Restricted funds</u>					
Fixed assets		303	303	316	316
Cash & Debtors		741	741	1,139	1,139
<b>Total restricted funds</b>		<b>1,044</b>	<b>1,044</b>	<b>1,455</b>	<b>1,455</b>
<u>Unrestricted funds</u>					
Designated funds					
Future Programme		2,125	2,125	8,216	8,216
General funds:					
Fixed assets		54,255	53,221	54,329	53,120
Free reserve		(21,417)	(21,128)	8,422	8,886
Pension reserve	22	1,700	1,700	1,800	1,800
<b>Total unrestricted funds</b>		<b>36,663</b>	<b>35,918</b>	<b>72,767</b>	<b>72,022</b>
<b>Total charity funds</b>		<b>37,707</b>	<b>36,962</b>	<b>74,222</b>	<b>73,477</b>

The notes on pages 32 to 60 form part of these financial statements. These financial statements were approved by the Trustees on 1 July 2021 and were signed on their behalf by:

*James Leigh-Pemberton*

The Hon. Sir James Leigh-Pemberton  
Trustee

*Brian Ivory*

Sir Brian Ivory  
Trustee



# Royal Collection Trust

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

### Reconciliation of net (deficit)/income to net cash flow from operating activities

	2021	2020
	£'000	£'000
Net (deficit)/income for the year	(36,515)	4,798
Adjustments for:		
Excess of pension scheme loss/(gain) over contributions	100	(1,200)
Amortisation	252	226
Depreciation	3,499	1,876
Loss on disposal of fixed assets	2,108	882
Decrease in stock	40	233
Decrease in debtors	479	1,307
(Decrease)/increase in creditors	(9,959)	1,404
Interest receivable	(109)	(296)
Interest payable	362	-
Net cash (used)/provided by operating activities	(39,743)	9,230

### Statement of cash flows

Net cash (used)/provided by operating activities	(39,743)	9,230
Cash flows from investing activities:		
Interest income	109	296
Purchase of intangible fixed assets	(123)	(112)
Purchase of tangible fixed assets	(5,649)	(20,690)
Net cash used in investing activities	(5,663)	(20,506)
Cash flows from financing activities		
Receipt of loan	34,500	-
Payment of loan interest	(362)	-
Net cash provided by financing activities	34,138	-
Change in cash and cash equivalents in the year	(11,268)	(11,276)
Cash and cash equivalents at the beginning of the year	25,243	36,519
Cash and cash equivalents at the end of the year	13,975	25,243
Analysis of cash and cash equivalents		
Cash at bank and in hand	324	514
Bank deposits	13,651	24,729
Total cash and cash equivalents	13,975	25,243

The notes on pages 32 to 60 form part of these financial statements.

# Royal Collection Trust

## 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 group's financial statements.

#### *Status of company*

The Royal Collection Trust ("The Trust") is a company limited by guarantee, incorporated on 29 January 1993 and registered as a charity in England and Wales on 2 February 1993. The Charity is a public benefit entity. The Office of the Scottish Charity Regulator approved The Trust's application to be registered as a charity in Scotland on 5 August 2008. The company was established under a Memorandum of Association which established the objects and powers of The Trust and is governed under its Articles of Association.

#### *Basis of preparation*

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP 2019 (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The company is exempt from the requirement to disclose the details of related party transactions with its subsidiary undertaking.

The subsidiary's principal activities include: management of the admission of visitors to the official residences of The Queen and the official residence of The Prince of Wales to view the Royal Collection, the publication of books on the Royal Collection, the granting of rights for the use of images from the Royal Collection in books and other media and the sale of merchandise designed with reference to items in the Royal Collection.

The financial statements have been prepared on a going concern basis which the Trustees consider to be appropriate.

The Trustees have reviewed income, expenditure and cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements based on a 'most likely' scenario and for a severe plausible downside scenario. The scenarios take account of the impact of COVID-19 restrictions on operations and financial performance, and the requirements to service and repay the loans taken out during the period. The forecasts reflect a realistic operating cost base (accounting for the savings delivered in 2020/21).

The Trust has secured financing for the sum of £52 million. This consists of two facilities, a term loan and a revolving credit facility. At the end year, £34.5 million of the total facility has been drawn. The facility is repayable in instalments starting in 2023. No security was required for the facility. The company has complied with the loan covenant since the loan was drawn and expects to remain compliant for the full term of the loan.

The forecasts show that, the Group and Charity will have sufficient funds to meet their liabilities as they fall due for that period and will be able to settle all debts as they fall due throughout this period.

On this basis, the Trustees have concluded that the Group and Charity will continue in operation for a period of at least 12 months from the approval of the financial statements. It is appropriate to prepare the financial statements on a going concern basis.

## Royal Collection Trust

### NOTES (forming part of the Financial Statements)

#### I Accounting policies (*continued*)

##### *Basis of consolidation*

The group (collectively referred to as Royal Collection Trust or RCT) accounts consolidate The Royal Collection Trust and its subsidiary undertaking, Royal Collection Enterprises Limited on a line-by-line basis. These accounts are made up to 31 March 2021.

##### *Income*

Income represents:

- the amounts derived from admission charges (including any Gift Aid receivable) to the official residences of The Queen and the official residence of The Prince of Wales which are culturally exempt from VAT;
- income (excluding VAT), from the sale of goods and reproduction rights;
- the receipt of royalties from publications and merchandise;
- donations; and
- other income includes sponsorship and sundry income.

In general, income is accounted for on a receivable basis, but is deferred when it is received in respect of events or transactions occurring after the year end. Entitlement to a donation arises immediately on receipt, pledges and promises of donations are only recognised as income when the receipt is probable and the amount of the promised gift can be measured reliably.

##### *Resources expended*

All outgoing resources are included in the Statement of Financial Activities inclusive of any irrecoverable VAT.

Donations are included in the Statement of Financial Activities when payable. Other charitable expenditure is recognised on an accruals basis, with liabilities valued at their settlement amount.

Expenditure incurred within The Trust is allocated between that incurred directly on admitting the public to the official residences, the conservation and maintenance of items in the Royal Collection, and that incurred on the management and administration of The Trust, details of which are disclosed in note 7. The allocation of management and administration costs between The Trust and its trading subsidiary and the subsequent apportionment to individual activities is based on the proportion of time spent on those activities.

##### *Governance costs*

These costs include the costs of governance arrangements which relate to the general running of The Trust as opposed to the direct management functions inherent in day-to-day operations. This includes such items as internal and external audit, legal advice for Trustees and costs associated with regulatory and statutory requirements.

##### *Support costs*

Support costs represent the staffing and associated costs of marketing, finance, human resources, IT and general administration in supporting the operational programmes for which The Trust is responsible. These are allocated to the relevant cost area and are explained in more detail in the notes to the accounts.

##### *Exhibition costs*

The cost of mounting exhibitions are written off as they are incurred.

# Royal Collection Trust

## NOTES (forming part of the Financial Statements)

### I Accounting policies (*continued*)

#### *Publishing*

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

#### *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. However, where improvements or major redevelopments are made to these buildings by The Royal Collection Trust or its subsidiary, in order to increase revenues or to fulfil The Trust's charitable duties, the expenditure (including irrecoverable VAT) is capitalised and depreciation is charged over the estimated useful lives of the assets.

The Royal Collection consists of works of art of all kinds which are held by The Queen in right of the Crown and are held in trust for her Successors and the Nation. These are assets of historical and artistic importance that are held to advance the preservation, conservation and educational objectives of The Trust. Assets held in right of the Crown are not recognised as Heritage Assets by Royal Collection Trust, as they do not meet the recognition criteria of an asset under FRS 102 and are therefore not capitalised in these financial statements. Royal Collection Trust cannot control the benefits that arise from these assets as its role with respect to the Royal Collection as defined by its charitable objects is to **administer**, conserve, renovate, repair, maintain, improve and **advise** on the Royal Collection, the Royal Archives and the Photograph Collection which pass in right of the Crown.

All fixed assets are included in the financial statements at historical cost. No depreciation or amortisation is charged on assets in the course of construction until the assets have been successfully commissioned and are available for use. Finance costs incurred in connection with the construction of tangible assets are not capitalised and are charged to the income and expenditure account as incurred.

Depreciation and amortisation is provided by Royal Collection Trust to write off the cost or valuation less 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:

Building redevelopments	-	40 years
Property improvements:		
- Refurbishments	-	10 to 20 years
- Finishes	-	5 to 20 years
Plant and machinery:		
- Lighting and power	-	10 to 20 years
- Ventilation and air conditioning	-	5 to 20 years
- Building management systems	-	10 years
- Machinery	-	3 to 10 years
Furniture, fittings and equipment	-	2 to 10 years
Software development	-	3 to 10 years

Individual assets costing less than £5,000 are not capitalised.

If an asset is available for use but the cost cannot be reliably measured by the year end date (e.g. for construction projects where the final valuation of works is yet to be certified), the estimated cost of the asset is included in Assets in the Course of Construction and an accrual

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**I Accounting policies (continued)**

***Fixed assets and depreciation (continued)***

for estimated depreciation is charged against income and held in accruals until the final valuation is known and recorded in the fixed asset register.

***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 income and expenditure account.

***Stock and work in progress***

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

***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 detail is given in note 15.

***Financial instruments***

The Charity holds basic financial instruments. These are initially measured at the amount receivable or payable and subsequently at the amount expected to be received or paid. The financial instruments that the Charity commonly holds are

- Cash and long-term bank deposits – measured at the amount of cash held;
- Trade debtors – initially measured at settlement amount, subsequently this may be adjusted to reflect credit risk;
- Accrued income – measured at the amount expected to be received, subsequently this may be adjusted if the expectation of receipt changes; and
- Trade creditors – measured at the amount to be settled net of any trade discounts.
- Loans (liabilities) – measured at amortised cost. Transaction costs are spread over the life of the facility
- Loans (assets) – measured at amortised cost

No financial instruments are held at fair value through profit or loss. Financial instruments are held at amortised cost if the effect of discounting is material to the financial statements.

***Pensions***

Royal Collection Trust participates in two pension schemes providing benefits based on final pensionable pay, The Royal Household Pension Scheme and The Royal Households Group Pension Scheme, and also a defined contribution scheme. The assets of the schemes are held separately from those of Royal Collection Trust. Contributions to the schemes are charged to the Statement of Financial Activities to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with Royal Collection Trust.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**I Accounting policies (continued)**

***Pensions (continued)***

One of these pension schemes, The Royal Household Pension Scheme, is managed by the Government and the benefits of the scheme are broadly analogous to the benefits of the Principal Civil Service Scheme (PCSPS). It is an unfunded scheme and the Consolidated Fund pays as a Standing Service the pension benefits of those Royal Collection Trust employees who entered employment before 1 April 2001.

The liabilities for this scheme are included within the resource accounts of the Consolidated Fund Account. Royal Collection Trust is unable to identify the share of the underlying assets and liabilities of the scheme attributable to its employees on a consistent and reasonable basis and therefore as permitted by FRS 102 this scheme is treated as a defined contribution scheme by Royal Collection Trust and the full cost of contributions made in the year is reflected in the Statement of Financial Activities.

The other scheme, The Royal Households Group Pension Scheme, is accounted for in accordance with FRS102 with current service cost and net interest cost recognised in profit or loss and remeasurement of the net defined benefit asset or liability recognised in other comprehensive income. This scheme was closed to future service accrual from 1 April 2021. From this date, members in-service deferred of the defined benefit scheme and are enrolled in the defined contribution scheme, unless they choose to opt-out.

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. During the year the defined contribution scheme was changed from a Stakeholder plan to a Worksave Mastertrust Scheme. There is no difference in the accounting treatment for the two schemes.

Further details of the pension schemes are provided in note 22.

***Taxation***

The Royal Collection Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. In addition because the subsidiary is bound by deed of covenant to transfer all its taxable profit to The Trust, it incurs no liability to tax. Consequently Royal Collection Trust has no liability to tax and no deferred tax.

***Restricted Funds***

Restricted Funds include those receipts which are subject to specific restrictions, including donations towards specific projects for conservation and publishing.

***Unrestricted Funds***

Unrestricted Funds include donations and other income received without restriction, including the profits of the subsidiary, which are expendable at the discretion of the Trustees.

***Operating Leases***

Operating lease rentals are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**1 Accounting policies (continued)**

***Donated Goods, Facilities and Services***

Donated goods, facilities and services are recognised when it has been established that The Trust has an entitlement to them, their receipt is probable and that their value can be measured reliably. Donated goods are measured at their fair value, while donated facilities and services are measured on the basis of their value to The Trust.

**2 Licences, commissions and fees**

	2021	2020
	£'000	£'000
Licences	-	1
Commissions and fees	29	129
	<u>29</u>	<u>130</u>

**3 Net (deficit)/income is stated after charging:**

	2021	2020
	£'000	£'000
Auditor's remuneration:		
Audit of these financial statements	42	30
Audit of subsidiary undertakings	20	15
Depreciation, amortisation and impairment		
Owned assets	3,751	2,102
Operating lease charges	<u>306</u>	<u>163</u>

Auditors remuneration in 2021 includes £6,000 (these financial statements) and £3,000 (audit of subsidiary undertakings) paid in respect of additional fees for the 2020 audit agreed after the approval of the financial statements.

**4 Donations and legacies**

	2021	2020
	£'000	£'000
Grants	-	42
Donations	53	53
Pledges de-recognised in the year	<u>(306)</u>	<u>-</u>
	<u>(253)</u>	<u>95</u>

Following the closure of The Queen's Bindery Apprentice Scheme during the year, and reduced activity in other projects, pledges that had previously been recognised in restricted funds as donation income have now been reversed.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**5 Donations payable**

Donations made in the year were as follows:

	Group	Group	Trust	Trust
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Privy Purse Charitable Trust	44	695	-	-
Prince Andrew Charitable Trust	-	15	-	-
Sussex Royal, The Foundation of the Duke and Duchess of Sussex	-	50	-	-
Royal Household Staff Wellbeing Fund	-	10	-	10
	<u>44</u>	<u>770</u>	<u>-</u>	<u>10</u>

The Group continues to contribute to the Royal Household Staff Wellbeing Fund but will no longer present this as a 'donation'. Details of the contribution to the Staff Wellbeing Fund continue to be given in note 23.

**6 Investment income and interest payable**

	Group	Group	Trust	Trust
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Investment income on cash deposits	109	296	104	278

	Group	Group	Trust	Trust
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Interest and charges payable on bank loans	362	-	362	-

Interest and charges payable represent interest charged on the term loan and revolving credit facility and amortisation of arrangement fees which are spread over the life of the respective facilities. Further details of the borrowing facilities are given in note 19.



**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**7 Resources expended**

						2021
	Direct costs £'000	Central & HR £'000	IT £'000	Finance £'000	Govern- ance £'000	Total £'000
Raising funds:						
Fundraising	129	-	-	-	-	129
Retail, catering, photographic	7,276	556	218	321	73	8,444
Charitable activities:						
Access	17,641	580	243	356	91	18,911
Presentation & interpretation	8,796	536	129	190	77	9,728
Exhibition & displays	1,474	165	32	47	25	1,743
Conservation	2,698	41	8	12	6	2,765
Custodial control	677	82	16	25	12	812
<b>TOTAL</b>	<b>38,691</b>	<b>1,960</b>	<b>646</b>	<b>951</b>	<b>284</b>	<b>42,532</b>
						2020
	Direct costs £'000	Central & HR £'000	IT £'000	Finance £'000	Govern- ance £'000	Total £'000
Raising funds:						
Fundraising	124	-	-	-	-	124
Retail, catering, photographic	16,499	506	212	329	60	17,606
Charitable activities:						
Access	28,723	767	236	366	73	30,165
Presentation & interpretation	8,655	981	126	195	57	10,014
Exhibition & displays	3,201	347	31	49	16	3,644
Conservation	4,370	87	8	12	4	4,481
Custodial control	901	174	16	24	9	1,124
<b>TOTAL</b>	<b>62,473</b>	<b>2,862</b>	<b>629</b>	<b>975</b>	<b>219</b>	<b>67,158</b>

Non-direct costs are allocated on the basis of estimated usage. For detail on governance costs, see note 9.

**8 Analysis of the cost of key management personnel, staff numbers and costs**

The key management personnel of the group comprise the Trustees and the Management Board.

**Trustees**

None of the Trustees received any remuneration during the year in connection with their role as a Trustee of The Royal Collection Trust. The Trust paid liability insurance in respect of each Trustee at a cost of £319 per Trustee (2019-20: £635). None of the Trustees received reimbursed expenses (2019-20: nil). Retirement gifts worth a total of £270 were given to two Trustees who left the Board during the year (2019-20: £nil).

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**8 Analysis of the cost of key management personnel, staff numbers and costs (continued)**

**Management Board**

The organisation restructure implemented from 1 January 2021 reduced the Management Board to three members, being the Director of the Royal Collection, the Finance Director and the Commercial Director. In the period 1 April 2020 – 31 December 2020, an additional six people participated in the Management Board.

The total payments to the Management Board during these periods were as follows:

	2021	2021	2020	2020
	Total benefits	Pension contribution <i>(included in total benefits)</i>	Total benefits	Pension contribution <i>(included in total benefits)</i>
	£'000	£'000	£'000	£'000
New structure (Jan – Mar 2021)	105	9	-	-
Old structure (to 31 Dec 2020)	826	113	1,014	144
<b>Total</b>	<b>931</b>	<b>122</b>	<b>1,014</b>	<b>144</b>

Five of the members of the Management Board, received reimbursed expenses totalling £2,300 (2019-20: nine - £7,880).

Four employees who participated in Management Board under the old structure left the organisation in April 2021 and received voluntary severance payments on the same terms as all other employees.

The total remuneration of the Director of the Royal Collection was as follows:

	Total remuneration		Salary		Pension	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Tim Knox	152	154	134	134	18	20

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.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**8 Analysis of the cost of key management personnel, staff numbers and costs** *(continued)*

The average monthly head count was 759 staff (2020: 995 staff) and the average number of full-time equivalent (FTE) staff employed by the group or on permanent secondment from the Royal Household, analysed by category, was as follows:

	Number of employees	
	2021	2020
Retail, catering and photographic services	98	145
Custodial control	11	13
Conservation	42	51
Exhibitions and displays	4	5
Presentation and interpretation	75	91
Access	292	398
Fundraising	3	3
Finance, administration and IT	20	19
Royal Household Staff supporting Royal Collection Trust	63	58
	<u>608</u>	<u>783</u>

Employee numbers reduced significantly during the year following the restructuring programme and reduced seasonal employees. The average payroll cost per FTE increased due to the significant reduction in temporary summer staffing levels as a result of the closure of sites.

The increase in Royal Household staff supporting Royal Collection Trust reflects a change in charging mechanism during the year, with more services being paid for directly through payroll instead of being recharged via invoice.

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	17,092	20,688
Redundancy pay	2,159	29
Social security costs	1,693	1,820
Other pension costs	2,682	2,880
	<u>23,626</u>	<u>25,417</u>

Redundancy and severance payments are recognised as an expense when incurred or when there is a legal or constructive obligation to make the payment. The redundancy payments in 2021 reflect the restructuring programme undertaken during the year and include £317,000 of payments accrued at the year-end (2020: £111,000).

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**8 Analysis of the cost of key management personnel, staff numbers and costs** *(continued)*

The Charities SORP requires that the number of employees whose total employee benefits exceed £60,000 is disclosed in bands of £10,000.

The following table shows the number of employees whose benefits (including paid and accrued redundancy but excluding contributions made to a pension scheme) were in excess of £60,000. These include staff employed by Royal Collection Trust or on permanent secondment from the Royal Household (including the directors of Royal Collection Enterprises Limited).

	2021		2020	
	All staff	Management Board*	All staff	Management Board*
£60,001 - £70,000	9	-	10	1
£70,001 - £80,000	3	2	1	1
£80,001 - £90,000	1	-	-	-
£90,001 - £100,000	1	-	3	3
£100,001 - £110,000	3	-	2	2
£110,001 - £120,000	1	1	-	-
£130,001 - £140,000	4	3	2	2
£160,001 - £170,000	1	1	-	-
£190,001 - £200,000	1	1	-	-
£230,001 - £240,000	1	1	-	-
	<u>25</u>	<u>9</u>	<u>18</u>	<u>9</u>

\*Management Board includes all employees who have served on Management Board at any point during the year. Contributions to provide defined benefit pensions were made in respect of five of the above individuals amounting to £80,000 (2019-20: three, £69,000).

For 2020/21, the benefits received were high due to the inclusion of redundancy payments and accruals. For comparability, the table below presents the banding excluding redundancy payments:

	2021		2020	
	All staff	Management Board*	All staff	Management Board*
£60,001 - £70,000	6	-	10	1
£70,001 - £80,000	2	2	1	1
£90,001 - £100,000	1	1	3	3
£100,001 - £110,000	3	3	2	2
£110,001 - £120,000	1	1	-	-
£130,001 - £140,000	2	2	2	2
	<u>15</u>	<u>9</u>	<u>18</u>	<u>9</u>

Contributions to provide defined benefit pensions were made in respect of two of the above individuals amounting to £54,000 (2019-20: three, £69,000).

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**9 Governance costs**

	Group	Group	Trust	Trust
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
External audit	62	45	42	30
Internal audit	86	75	21	19
Allocated internal costs	133	93	57	31
Trustee expenses (see note 8)	3	6	3	6
	<u>284</u>	<u>219</u>	<u>123</u>	<u>86</u>

**10 Deferred Income**

Income is deferred where it is received in respect of events or transactions occurring in the future, including advance admission-ticket sales.

	2021	2020
	£'000	£'000
At 1 April	541	1,129
Income brought forward released during year	(541)	(1,129)
Income deferred during year	<u>5</u>	<u>541</u>
At 31 March	<u>5</u>	<u>541</u>

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**11 Intangible fixed assets**

	Software development	Pug Yard Access	Assets in course of construction	Total
	£'000	£'000	£'000	£'000
<b>Group</b>				
<b>Cost</b>				
At 1 April 2020	1,556	4,903	139	6,598
Additions	123	-	-	123
Transfers	101	-	(101)	-
Disposals /write-off	(382)	-	(38)	(420)
At 31 March 2021	<u>1,398</u>	<u>4,903</u>	<u>-</u>	<u>6,301</u>
<b>Amortisation</b>				
At 1 April 2020	1,518	384	-	1,902
Charge for the year	55	197	-	252
Disposals /write-off	(382)	-	-	(382)
At 31 March 2021	<u>1,191</u>	<u>581</u>	<u>-</u>	<u>1,772</u>
<b>Net book value</b>				
At 31 March 2021	<u>207</u>	<u>4,322</u>	<u>-</u>	<u>4,529</u>
At 31 March 2020	<u>38</u>	<u>4,519</u>	<u>139</u>	<u>4,696</u>
<b>Trust</b>				
<b>Cost</b>				
At 1 April 2020	863	4,903	27	5,793
Disposals /write-off	-	-	(27)	(27)
At 31 March 2021	<u>863</u>	<u>4,903</u>	<u>-</u>	<u>5,766</u>
<b>Amortisation</b>				
At 1 April 2020	825	384	-	1,209
Charge for the year	31	197	-	228
Disposals /write-off	(4)	-	-	(4)
At 31 March 2021	<u>852</u>	<u>581</u>	<u>-</u>	<u>1,433</u>
<b>Net book value</b>				
At 31 March 2021	<u>11</u>	<u>4,322</u>	<u>-</u>	<u>4,333</u>
At 31 March 2020	<u>39</u>	<u>4,519</u>	<u>27</u>	<u>4,584</u>

The intangible assets balance includes £4.3 million (2020: £4.5 million) in respect of a licence to use Pug Yard at Windsor Castle to construct a Learning Centre. The licence was granted to the Trust in return for funding the construction of Frogmore Workshops and was initially valued at the cost of construction. The licence is being amortised over the life of the new Learning Centre as the best estimate of the useful life of the licence, and at 31 March 2021 it has 22 years of amortisation remaining.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**12 Tangible fixed assets**

	Building developments	Property improvements	Plant and machinery	Furniture, fittings and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>						
<b>Cost</b>						
At 1 April 2020	23,498	10,276	7,881	6,769	24,935	73,359
Additions	2,150	172	7	459	2,861	5,649
Transfers	14,875	1,591	100	2,524	(19,090)	-
Disposals /write-off	-	(29)	(29)	(434)	(2,065)	(2,557)
At 31 March 2021	40,523	12,010	7,959	9,318	6,641	76,451
<b>Depreciation</b>						
At 1 April 2020	7,436	4,816	6,133	5,025	-	23,410
Charge for the year	995	929	325	1,250	-	3,499
Disposals /write-off	-	(27)	(29)	(431)	-	(487)
At 31 March 2021	8,431	5,718	6,429	5,844	-	26,422
<b>Net book value</b>						
At 31 March 2021	32,092	6,292	1,530	3,474	6,641	50,029
At 31 March 2020	16,062	5,460	1,748	1,744	24,935	49,949
<b>Trust</b>						
<b>Cost</b>						
At 1 April 2020	23,498	9,784	7,463	4,526	24,930	70,201
Additions	2,150	166	-	452	2,861	5,629
Transfers	14,875	1,590	102	2,523	(19,090)	-
Disposals /write-off	-	(12)	(18)	(310)	(2,060)	(2,400)
At 31 March 2021	40,523	11,528	7,547	7,191	6,641	73,430
<b>Depreciation</b>						
At 1 April 2020	7,436	4,623	5,925	3,365	-	21,349
Charge for the year	995	881	295	1,055	-	3,226
Disposals /write-off	-	(12)	(18)	(306)	-	(336)
At 31 March 2021	8,431	5,492	6,202	4,114	-	24,239
<b>Net book value</b>						
At 31 March 2021	32,092	6,036	1,345	3,077	6,641	49,191
At 31 March 2020	16,062	5,161	1,538	1,161	24,930	48,852

Assets in the course of construction primarily relates to Future Programme projects at the Palace of Holyroodhouse and Windsor Castle. These assets were largely complete and ready for use at 31 March 2021. Due to outstanding snagging work and final certifications, the assets cannot be sufficiently reliably measured to allocate them to the appropriate asset class as at the year-end. An accrual of £218,000 (2019/20: nil) has been recognised in current liabilities as an estimate of the depreciation that would have been charged if this analysis was available. This is not included in the depreciation charge shown above and will be reflected in the asset table at 31 March 2022. The depreciation charge for 2020/21 above includes £183,000 that would have been charged in previous years had it been possible to allocate assets in the course of construction to the appropriate asset category.

The net book value of intangible and tangible assets held at 31 March 2021 amounted to £54,558,000 of which £49,624,000 was held for charitable activities and £4,934,000 was held for other trading activities.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**13 Fixed asset investments**

On 31 March 1993 The Trust acquired all of the issued shares of Royal Collection Enterprises Limited for no consideration; the investment is shown in the balance sheet at market value, which in the opinion of the Trustees is nil as the undertakings of Royal Collection Enterprises Limited cannot be transferred to third parties. Furthermore, in the event of Royal Collection Enterprises Limited ceasing to trade, the Trustees estimate that the realisable value of that company's net assets would be nil.

Details of subsidiary undertaking:

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Royal Collection Enterprises Limited York House St James's Palace London, SW1A 1BQ	England and Wales	Management of public access to Occupied Royal Palaces	Ordinary shares 100%

**14 Loan to Royal Collection Enterprises Limited**

In March 2021 The Trust advanced a loan of £7 million to Royal Collection Enterprises Limited. The loan term is 3 years (although early repayment is permitted) and the interest rate is 2.5%. The loan is secured on the assets of Royal Collection Enterprises Limited.

**15 Stock and work in progress**

	Group 2021 £000	Group 2020 £000	Trust 2021 £000	Trust 2020 £000
Finished goods	3,134	3,102	-	-
Works in progress	888	960	-	-
	<u>4,022</u>	<u>4,062</u>	<u>-</u>	<u>-</u>

Stock is stated net of a provision of £473,000 (2020: £561,000). The provision has been reduced from the prior year reflecting increased activity for the online shop and the improved outlook for retail sales in 2021 compared with prior year. It includes specific provision against lines that may not sell in full in the event of future restrictions on trade.



**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**16 Debtors**

	Group	Group	Trust	Trust
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	279	515	11	201
Amounts due from subsidiary	-	-	458	7,561
Other debtors	633	123	-	-
Prepayments and accrued income	1,213	1,966	1,136	1,682
	<u>2,125</u>	<u>2,604</u>	<u>1,605</u>	<u>9,444</u>

Amounts included within prepayments and accrued income and recoverable more than one year after the reporting date include accrued fundraising pledges of £0.5 million (2019-20: £0.9 million).

**17 Movement in cash and net debt**

	31 March	Cash from operating and investing activities	Cost of borrowings	New loans	31 March
	2020				2021
	£'000	£'000	£'000	£'000	£'000
Cash deposits and in hand	25,243	(45,406)	(362)	34,500	13,975
Bank loans > 1 year	-	-	-	(34,500)	(34,500)
Net cash / (debt)	<u>24,243</u>	<u>(45,406)</u>	<u>(362)</u>	<u>-</u>	<u>(20,525)</u>

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**18 Creditors: amounts falling due within one year**

	Group	Group	Trust	Trust
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade creditors	888	3,147	333	2,451
Amounts due to subsidiary	-	-	1,807	9,746
Other creditors including taxation	9	60	-	-
Accruals and deferred income	3,276	10,925	1,675	922
	<u>4,173</u>	<u>14,132</u>	<u>3,815</u>	<u>13,119</u>

In the prior year it was reported that payment of the £7.3 million facilities management charges owed to the Royal Household would be deferred until 2021/22. This amount was settled during 2020/21, and following the waiver of the equivalent fees for the current year no further accrual has been made. See page 10 for further details.

**19 Creditors due in more than one year**

	Group	Group	Trust	Trust
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loan	<u>34,500</u>	<u>-</u>	<u>34,500</u>	<u>-</u>
<i>Undrawn facility</i>	<i>17,500</i>	<i>-</i>	<i>17,500</i>	<i>-</i>

The Trust has entered into two facilities with Coutts and Co. The agreements are as follows:

**1. Loan 1**

This is a £22 million facility agreed in June 2020 and drawn down in two tranches in July and December 2020. The capital is repayable in two instalments in 2023 (£5.5 million) and 2025 (£16.5 million). Interest is payable quarterly at an annual rate of 2.4% plus the bank's base rate (interest rate during FY2020/21: 2.5%). The covenants previously associated with this loan have been withdrawn and replaced by the covenant explained below.

**2. Revolving Credit Facility**

This is a £30 million facility agreed in March 2021. £12.5 million had been drawn by the year end. Amounts drawn under the agreement are charged at an annual rate of 2.8% plus the bank's base rate (interest rate during FY2020/21: 2.9%). Undrawn amounts incur a 1.4% per annum non-utilisation fee. The remaining facility can be drawn at any time by request from The Trust. Drawn funds can be returned to the bank without cancelling the facility. The amount available on the facility will reduce in stages from 2026 and will be settled in full in 2028.

Both of the facilities have the option of early repayment and are subject to a covenant that tests liquidity at specified points. There have been no breaches of covenant during the year or subsequently.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**20 Income Funds**

Group	Restricted funds	Designated funds	Pension reserve	General funds	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	1,455	8,216	1,800	62,751	74,222
Incoming/(outgoing) resources	(254)	-	-	6,877	6,623
Resources expended	(157)	(6,067)	100	(36,814)	(42,938)
Transfers	-	(24)	-	24	-
Gains and (losses)	-	-	(200)	-	(200)
At 31 March 2021	<u>1,044</u>	<u>2,125</u>	<u>1,700</u>	<u>32,838</u>	<u>37,707</u>

Group	Restricted funds	Designated funds	Pension reserve	General funds	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	1,879	16,895	600	50,050	69,424
Incoming resources	70	-	-	71,456	71,526
Resources expended	(494)	(16,564)	-	(50,870)	(67,928)
Transfers	-	7,885	-	(7,885)	-
Gains and (losses)	-	-	1,200	-	1,200
At 31 March 2020	<u>1,455</u>	<u>8,216</u>	<u>1,800</u>	<u>62,751</u>	<u>74,222</u>

Trust	Restricted funds	Designated funds	Pension reserve	General funds	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	1,455	8,216	1,800	62,006	73,477
Incoming/(outgoing) resources	(254)	-	-	2,908	2,654
Resources expended	(157)	(6,067)	100	(32,845)	(38,969)
Transfers	-	(24)	-	24	-
Gains and (losses)	-	-	(200)	-	(200)
At 31 March 2021	<u>1,044</u>	<u>2,125</u>	<u>1,700</u>	<u>32,093</u>	<u>36,962</u>

Trust	Restricted funds	Designated funds	Pension reserve	General funds	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	1,879	16,895	600	49,587	68,961
Incoming resources	70	-	-	58,276	58,346
Resources expended	(494)	(16,564)	-	(37,972)	(55,030)
Transfers	-	7,885	-	(7,885)	-
Gains and losses	-	-	1,200	-	1,200
At 31 March 2020	<u>1,455</u>	<u>8,216</u>	<u>1,800</u>	<u>62,006</u>	<u>73,477</u>

The Designated Funds represent the planned reserves to be used for completion of Future Programme.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

20 Income Funds (*continued*)

Restricted funds:	Opening Funds £'000	Income £'000	Expenditure £'000	Closing Funds £'000
<b>Presentation and interpretation:</b>				
Shahnama Publication	9	-	-	9
Getty Fund	3	-	-	3
Pilkington Fund	1	-	-	1
Publishing Supporters Fund	111	(46)	(11)	54
Future Programme Learning Fund	609	-	-	609
Learning Supporters Fund	1	49	-	50
Intern Supporters Fund	44	(24)	(20)	-
Digitisation Fund	8	-	-	8
Prince Albert Digitisation Fund	70	-	(64)	6
Art of Japan	-	1	-	1
Acquisitions	-	2	(2)	-
	<u>856</u>	<u>(18)</u>	<u>(97)</u>	<u>741</u>
<b>Exhibitions:</b>				
The Queen's Gallery, London	232	-	(10)	222
The Queen's Gallery, Edinburgh	84	-	(3)	81
	<u>316</u>	<u>-</u>	<u>(13)</u>	<u>303</u>
<b>Conservation:</b>				
The Queen's Bindery Apprentice Scheme	283	(236)	(47)	-
	<u>283</u>	<u>(236)</u>	<u>(47)</u>	<u>-</u>
<b>Total restricted funds</b>	<u>1,455</u>	<u>(254)</u>	<u>(157)</u>	<u>1,044</u>

The Queens Bindery Apprentice Scheme was closed during the year, leading to de-recognition of £236,000 in pledges previously recognised in income. Reduced activity in other areas has also meant pledges previously recognised as income have been reversed in the year.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**20 Income Funds (continued)**

Assets representing funds:

Group	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total 2021 £'000
Intangible fixed assets	-	-	-	4,529	4,529
Tangible fixed assets	303	-	-	49,726	50,029
Current assets	741	2,125	-	17,256	20,122
Creditors due in < 1 year	-	-	-	(4,173)	(4,173)
Creditors due in > 1 year	-	-	-	(34,500)	(34,500)
Pension asset	-	-	1,700	-	1,700
At 31 March 2021	<u>1,044</u>	<u>2,125</u>	<u>1,700</u>	<u>32,838</u>	<u>37,707</u>

Group	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total 2020 £'000
Intangible fixed assets	-	-	-	4,696	4,696
Tangible fixed assets	316	-	-	49,633	49,949
Current assets	1,139	8,216	-	22,554	31,909
Creditors due in < 1 year	-	-	-	(14,132)	(14,132)
Pension asset	-	-	1,800	-	1,800
At 31 March 2020	<u>1,455</u>	<u>8,216</u>	<u>1,800</u>	<u>62,751</u>	<u>74,222</u>

Trust	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total 2021 £'000
Intangible fixed assets	-	-	-	4,333	4,333
Tangible fixed assets	303	-	-	48,888	49,191
Loan to subsidiary	-	-	-	7,000	7,000
Current assets	741	2,125	-	10,187	13,053
Creditors due in < 1 year	-	-	-	(3,815)	(3,815)
Creditors due in > 1 year	-	-	-	(34,500)	(34,500)
Pension asset	-	-	1,700	-	1,700
At 31 March 2021	<u>1,044</u>	<u>2,125</u>	<u>1,700</u>	<u>32,093</u>	<u>36,962</u>

Trust	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total 2020 £'000
Intangible fixed assets	-	-	-	4,584	4,584
Tangible fixed assets	316	-	-	48,536	48,852
Current assets	1,139	8,216	-	22,005	31,360
Creditors due < 1 year	-	-	-	(13,119)	(13,119)
Pension asset	-	-	1,800	-	1,800
At 31 March 2020	<u>1,455</u>	<u>8,216</u>	<u>1,800</u>	<u>62,006</u>	<u>73,477</u>

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**21 Commitments**

Capital commitments at 31 March 2021 for which no provision has been made were as follows:

	Group 2021 £'000	Group 2020 £'000	Trust 2021 £'000	Trust 2020 £'000
Contracted	1,110	1,538	1,110	1,270
Authorised but not contracted	-	3,924	-	3,288
	<u>1,110</u>	<u>5,462</u>	<u>1,110</u>	<u>4,558</u>

The decrease in value of capital commitments compared to the prior year is due to the completion of the Future Programme.

**Operating Lease Commitments**

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

	Group 2021 £'000	Group 2020 £'000	Trust 2021 £'000	Trust 2020 £'000
- within one year	295	154	12	52
- in the second to fifth year	689	391	1	21
- later than five years	139	231	-	-
	<u>1,123</u>	<u>776</u>	<u>13</u>	<u>73</u>

**22 Pension schemes**

The group participates in three pension schemes as follows:

- Scheme 1 The Royal Households Group Pension Scheme
- Scheme 2 The Royal Household Pension Scheme
- Scheme 3 The Royal Household Defined Contribution (Stakeholder) Scheme (until 31 July 2020) and The Royal Household Worksave (Mastertrust) Pension Scheme (from 1 August 2020)

Schemes 1 and 2 are closed to new members. Employees joining the group after 1 April 2002 are entitled to be members of the Royal Household Worksave (Mastertrust) Pension Scheme. Details of the schemes are set out below.

Scheme 1 provides benefits based on final pensionable pay and is non-contributory for employees. The contributions for this scheme are determined by a qualified actuary, on the basis of triennial valuations. The most recent approved valuation of the scheme was carried out as at 31 December 2017.

It is the stated policy of the Trustees that assets and liabilities of Scheme 1 are to be recognised in the financial statements of The Royal Collection Trust.

## Royal Collection Trust

### NOTES (forming part of the Financial Statements)

#### 22 Pension schemes (continued)

Scheme 2 is managed by the Government and has terms by-analogy to the Principal Civil Service Pension Scheme. Eligible employees are those who were previously paid from the Civil List and are now paid by The Royal Collection Trust and who joined the Royal Household prior to 1 April 2001.

The scheme is an unfunded multi-employer defined benefit scheme in which Royal Collection Trust is unable to identify the share of the underlying assets and liabilities attributable to its employees and as permitted by FRS 102 this scheme will continue to be accounted for as if it were a defined contribution scheme.

The scheme actuary (Government Actuary's Department) valued the scheme as at 31 March 2017 and updates that valuation for International Accounting Standard 19: Employee Benefits (IAS19) annually. The total liabilities of the scheme of £122.1 million (2020: £118.7 million) are included in the resource accounts of the Consolidated Fund Account. Royal Collection Trust funds all or part of the employment costs of 8 of the 42 active members of the scheme as at 31 March 2021 (2020: 17 of 58 active members). Pension contributions are paid directly to the Consolidated Fund and, in turn, pension benefits are paid directly from the Consolidated Fund as a Standing Service on a defined benefit basis. The contribution rate during the year was 21.1% of pensionable pay, reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees.

Employees make additional contributions as a percentage of actual Pensionable Pay. The contribution rate payable is determined by the tier that an employees' Full Time Equivalent annual Pensionable Pay would fall into per the following table:

Equivalent Annual Pensionable Pay	Member contributions
Up to £15,000	1.50%
£15,001 to £21,636	3.00%
£21,637 to £30,000	4.48%
£30,001 to £50,000	5.27%
£50,001 to £60,000	6.06%
Above £60,000	6.85%

Scheme 3 is administered by Legal and General and is non-contributory for employees. Benefits are based on contribution levels linked to investment returns over the period to retirement. A stakeholder plan was provided until July 2020, when it was replaced with the Royal Household Worksave (Mastertrust) Scheme. Employees can make additional contributions up to the HM Revenue & Customs' limits.

The pension charge for the year was £2,682,000 (2019-20: £2,880,000).

Royal Collection Trust accounts for pension costs in accordance with FRS 102 which requires the following disclosures in respect of Royal Collection Trust's pension schemes:

#### *Scheme 1*

Royal Collection Trust participates in a funded defined benefit pension plan, the Royal Households Group Pension Scheme – Royal Collection ('the Scheme').

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**22 Pension schemes (continued)**

*Scheme 1 (continued)*

The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme. Under the plan, employees are entitled to annual pensions on retirement at age 60 of 1/60 of final pensionable salary for each year of service up to 31 March 2007, then 1/70 for service up to 31 March 2019, then 1/90 for service from 1 April 2019. The scheme closed to future accrual with effect from 1 April 2021, however former active members still retain their link to salary increases. From 1 April 2021 members are enrolled in the Royal Household Defined Contribution Worksave (Mastertrust) Pension Scheme, unless they choose to opt out.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2017 and no regular contributions are expected to be paid by Royal Collection Trust to the Scheme during the year to 31 March 2022 (year to 31 March 2021: £0.2 million).

The results of the latest funding valuation at 31 December 2017 have been adjusted to the balance sheet date taking account of experience over the period since that date, changes in market conditions and differences in the financial and demographic assumptions and an allowance has been made for additional benefits due to GMP equalisation. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The principal assumptions used to calculate the liabilities under FRS 102 are as follows:

*Financial assumptions*

	31 March 2021	31 March 2020
	% per annum	% per annum
RPI inflation	3.2	2.6
CPI inflation	2.5	1.8
Rate of general long term increase in salaries	4.0	3.3
Pension increase (LRPI5)	3.1	2.5
Discount rate for scheme liabilities	2.1	2.3

The Trust has updated the corporate bond yield curve used to derive the discount rate from the Aon GBP Select AA (Corporates) Curve to the Aon GBP Single Agency AA (Corporates) Curve. This reflects growing market practice, and results in a more robust curve fitting approach. At the accounting date, both the previous approach and the updated approach would derive the same discount rate and therefore result in the same DBO.

*Demographic assumptions*

	31 March 2021	31 March 2020
	Years	Years
Life expectancy for male currently aged 65	21.5	21.6
Life expectancy for a female currently aged 65	23.5	23.5
Life expectancy at 65 for male currently aged 45	22.8	22.9
Life expectancy at 65 for a female currently aged 45	25.1	25.1
Cash commutation	Members assumed to take their cash lump	

The Trust considered the impact of COVID-19 on future mortality improvements and decided to make no adjustments to the mortality assumptions. There are a number of uncertain factors that could result in either higher or lower future longevity (e.g. effectiveness of vaccines, government support to health and welfare etc.). This together with the relatively early data from COVID-19 mortality led the Trust to the decision at this reporting date. This will be revisited in future years.



**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**22 Pension schemes (continued)**

**Scheme assets**

	31 March 2021		31 March 2020	
	£m	%	£m	%
UK equities	3.0	9	2.7	9
Overseas equities	13.9	43	10.3	35
Fixed interest gilts	2.4	7	3.3	11
Index-linked gilts	8.7	27	10.0	34
Property	2.7	8	2.8	9
Cash	1.9	6	0.5	2
	<u>32.6</u>	<u>100</u>	<u>29.6</u>	<u>100</u>

None of the Scheme assets are invested in Royal Collection Trust's financial instruments or in property occupied by, or other assets used by, Royal Collection Trust.

**Reconciliation of funded status to balance sheet**

	31 March 2021	31 March 2020
	£m	£m
Fair value of assets	32.6	29.6
Present value of funded defined benefit obligations	<u>(30.9)</u>	<u>(27.8)</u>
Funded status	1.7	1.8
Unrecognised asset	<u>-</u>	<u>-</u>
Asset recognised on the balance sheet	1.7	1.8

When determining the asset recognised on the balance sheet, it has been assumed that Royal Collection Trust would be able to recover the surplus through a refund from the Scheme in the future. This reflects the provisions of the Scheme's documentation.

**Amounts recognised in profit and loss**

	31 March 2021	31 March 2020
	£m	£m
Operating costs		
Current service cost	0.2	0.3
Administration costs	<u>0.1</u>	<u>0.1</u>
Expense recognised in profit and loss	0.3	0.4

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**22 Pension schemes (continued)**

**Amounts recognised in other comprehensive income**

	31 March 2021	31 March 2020
	£m	£m
<i>Re-measurements in other comprehensive income</i>		
Gains/(losses) on scheme assets during the year	4.0	(1.5)
(Losses)/gains on scheme liabilities during the year	(4.2)	2.7
Amounts recognised in other comprehensive income	(0.2)	1.2

**Changes to the valuation of the defined benefit obligation during the year**

	31 March 2021	31 March 2020
	£m	£m
Obligation at the start of the year	27.8	31.3
Current service cost	0.2	0.3
Interest cost on defined benefit obligations	0.6	0.7
Actuarial losses / (gains) on scheme liabilities	4.2	(2.7)
Net benefits paid out	(1.9)	(1.8)
Obligation at the end of the year	30.9	27.8

**Changes to the fair value of scheme assets during the year**

	31 March 2021	31 March 2020
	£m	£m
Fair value at the start of the year	29.6	31.9
Interest income on scheme assets	0.6	0.7
Gains / (losses) on scheme assets	4.0	(1.5)
Contributions by the employer	0.4	0.4
Administration costs incurred	(0.1)	(0.1)
Net benefits paid out	(1.9)	(1.8)
Fair value at the end of the year	32.6	29.6

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**22 Pension schemes (continued)**

**Estimated profit and loss charge for the next year**

Using the assumption for the discount rate set out above, we estimate that the charge to the profit and loss account for the next financial year will be:

	£m
Current service cost	-
Administration	<u>0.1</u>
	0.1

The actual amount to be charged to the profit and loss account for the next financial year might be different to that estimated above.

**Sensitivity of the results to the key assumptions**

The key assumptions used for FRS 102 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

		Plan assets	DBO	Surplus/(deficit)
Following a 0.25% decrease in the discount rate	Change	0.0	1.7	(1.7)
	New value	32.6	(32.6)	0
Following a 0.25% increase in the inflation assumption (excluding salary increases)	Change	0.0	1.0	(1.0)
	New value	32.6	(31.9)	0.7
Following a 1-year increase in life expectancies	Change	0.0	1.3	(1.3)
	New value	32.6	(32.2)	0.4

**Scheme 2**

Scheme 2 is a multi-employer scheme. Royal Collection Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and as permitted by FRS 102 the scheme has been accounted for by Royal Collection Trust as if the scheme was a defined contribution scheme.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**23 Related Party Transactions**

Set out below are details of transactions during the year with related parties and 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	2021 £000	2020 £000	Details of Transaction
Royal Household	3,363 (1,026)	16,901 (11,581)	Charges to Royal Collection Trust (RCT) for various services including personnel, payroll, pensions administration, internal audit, records management, property maintenance services and IT services
Royal Household	50 2	55 5	Recovery of costs incurred on behalf of the Royal Household.
Privy Purse Charitable Trust (PPCT)	44 -	695	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	206 2	2,063	Payment in respect of admissions to St George's Chapel, Windsor Castle collected by Royal Collection Enterprises Limited (RCEL) as agent and compensation for the loss of retail income.
Privy Purse (including Windsor Farm Shop and Royal farms)	11 4	65 7	Sales of products for resale and recharge of costs incurred on behalf of the Privy Purse.
Privy Purse (including Windsor Farm Shop and Royal farms)	11 (2)	339 16	Payment to PP in respect of costs incurred on behalf of RCEL and RCT, royalties payable to Royal Farms for milk used in RCT ice cream, contributions to shared funds and payments relating to publications.
A G Carrick (Highgrove)	258 2	108	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	3 2	5	Recovery of costs incurred on behalf of HRH The Prince of Wales - and the purchase of RCEL stock
Historic Royal Palaces (HRP)	28 9	96 15	Recovery of costs from HRP for maintenance, services and goods from resale purchased from RCEL.
Balmoral Estate	3 -	17 1	Purchase of RCEL goods for resale.
Balmoral Estate	- -	3 -	Purchase of Balmoral of goods for resale.
Sandringham Estate	- -	24 -	Purchase of RCEL goods for resale.
Royal Household Staff Wellbeing Fund	12 -	10 -	Contribution
Royal Households Group Pension Scheme	96 16	100 29	Administration costs for the defined benefit pension scheme.

Transactions are settled in cash. Transactions with key management personnel are disclosed in Note 8. None of the Trustees, directors or other related parties except as referred to above or as otherwise disclosed in the financial statements has undertaken any transactions with The Royal Collection Trust or Royal Collection Enterprises Limited during the year.

## Royal Collection Trust

### NOTES (forming part of the Financial Statements)

#### 24 Royal Collection Enterprises Limited

The Trust's wholly-owned subsidiary, Royal Collection Enterprises Limited (company number 2778486), has a paid up share capital of £2, and is incorporated in the UK. Audited accounts are filed with the Registrar of Companies and a summary of its trading results is shown below.

##### 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 Gift Aided in full under deed of covenant to the holding company, The Royal Collection Trust, a company limited by guarantee and registered as a charity.

##### 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 (not opened in 2020/21)

Buckingham Palace State Rooms (not opened in 2020/21)

The Queen's Gallery, Buckingham Palace

The Royal Mews, Buckingham Palace

Palace of Holyroodhouse

The Queen's Gallery, Palace of Holyroodhouse

##### **The official residence of The Prince of Wales**

Clarence House (not opened in 2019/20 or 2020/21)

In addition to the above, income is raised through off-site retail activities, catering operations at the Palace of Holyroodhouse, Windsor Castle and 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 and the company acts as an agent of The Trust in managing the admission of visitors to the official residences.

**Royal Collection Trust**  
**NOTES (forming part of the Financial Statements)**

**24 Royal Collection Enterprises Limited (continued)**

**Profit and Loss Account**  
*for the year ended 31 March 2021*

	2021	2020
	£'000	£'000
Turnover	28,692	57,913
Direct costs, including cost of sales	(25,846)	(47,327)
Gross profit	2,846	10,586
Administrative expenses	(2,590)	(2,460)
Donations payable	(44)	(760)
Other operating income	29	431
Operating profit	241	7,797
Interest payable	(1)	-
Interest receivable	5	18
Profit for the financial year	245	7,815

**Balance Sheet**  
*as at 31 March 2021*

	2021	2020
	£'000	£'000
Fixed and current assets	10,366	19,063
Current and non-current liabilities	(9,620)	(18,318)
Net assets and shareholder's funds	746	745

**Reserves**

At the beginning of the year	745	463
Retained profit for the year	1	282
At the end of the financial year	746	745