



Royal Collection Trust

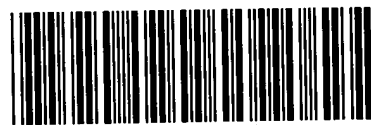
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Trustees' report and consolidated financial statements

31 March 2016

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

TRUSTEE REPORT 2015/16

The Trustees present their annual report and the audited consolidated financial statements of The Royal Collection Trust ("The Trust") and its trading subsidiary Royal Collection Enterprises Limited (together "Royal Collection Trust"), for the year ended 31 March 2016.

Reference and Administrative Information

Charity Registration Number: 1016972
Scottish Charity Number: SC039772
Company Number: 2713536
Principal and Registered Office: York House
St James's Palace
London SW1A 1BQ

Trustees

HRH The Prince of Wales, KG, KT, GCB, OM, AK, QSO, ADC (Chairman)
The Rt Hon. The Earl Peel GCVO, DL (Deputy Chairman)
The Duke of Buccleuch and Queensberry, KBE, DL
The Rt Hon. Sir Christopher Geidt, KCB, KCVO, OBE
The Hon. James Leigh-Pemberton, CVO (appointed 1st April 2016)
Sir Alan Reid, GCVO
Dame Rosalind Savill, DBE, FSA, FBA
Mr Peter Troughton, CBE (resigned on 31st March 2016)

Management Board

| | |
|-------------------------------|---|
| Mr Jonathan Marsden, CVO, FSA | Director, Royal Collection Trust and Surveyor of The Queen's Works of Art |
| Ms Tot Brill | Future Programme Director (appointed 5th October 2015) |
| Mr Rufus Bird | Deputy Surveyor of The Queen's Works of Art |
| Miss Frances Dunkels, LVO | Director of Communications and Business Development |
| Mrs Kerry Francois, LVO | Visitor Experience Director |
| Mr Keith Harrison | Finance Director |
| Mr Charles MacDermot-Roe | Head of HR, Operations |
| Mrs Nuala McGourty, LVO | Retail Director |
| Ms Jemima Rellie | Director, Content and Audiences |
| Mr Desmond Shawe-Taylor, LVO | Surveyor of The Queen's Pictures |

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Auditor

KPMG LLP
15 Canada Square,
London E14 5GL

Bankers

Coutts & Co
440 Strand,
London WC2R 0QS

Lloyds Private Banking Ltd
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

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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

As set out in the Articles of Association, the Chairman of the Trustees shall be The Prince of Wales during his lifetime or until he shall resign from office. In addition to The Prince of Wales, the Trustees will 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.

The appointment of a Trustee is approved by The Sovereign prior to appointment by the Board of Trustees. In appointing Trustees other than The Prince of Wales and holders of the Relevant Offices, consideration is given to ensuring that the Board of Trustees has the requisite mix of skills. Trustees are therefore likely to have experience in one or more of the following areas: management of an art collection, education, public service and finance.

The Chairman and Deputy Chairman, on behalf of the Board of Trustees undertake a re-assessment of the Board's mix of skills in advance of the retirement of Trustees, making reference to the latest strategic plan.

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 7 to the financial statements.

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Trustee Induction and Training

New Trustees receive an information pack including:

- Information about The Trust - the Memorandum and Articles of Association, a brief history of The Trust, an organisation chart, guidebooks to each of the official residences open to the public and the Annual Report and Accounts for the last three years;
- Information about being a Trustee – a summary of Trustee responsibilities and obligations, including reference to relevant guidance issued by the Charity Commission and the Scottish Charity Regulator; and
- Matters for the Board – minutes of meetings of the Board of Trustees for the last two years and a copy of the current three-year strategic plan.

In addition, new Trustees undertake an induction programme comprising meetings with individual members of the Management Board and senior management, and visits to the official residences, conservation studios and workshops. As part of an ongoing programme of training, Trustees are invited to study days and exhibitions and receive copies of Royal Collection Trust's publications.

Organisational Structure

The Board of Trustees, which can have a minimum of 5 and up to a maximum of 12 Trustees, manages the charity and meets three times annually.

The Audit Committee is a sub-committee of the Board. It has three members: Mr James Leigh-Pemberton (Chairman, with effect from 1st April 2016) and Sir Alan Reid, both of whom are Trustees, and Mr Rupert Barclay. Mr Peter Troughton was Chairman of the Committee until he retired as a Trustee on 31st March 2016. The Audit Committee, which meets and reports formally to the Board three times a year, has overall responsibility for monitoring the effectiveness of The Trust's corporate governance and system of internal control. In undertaking its responsibilities, the Audit Committee receives reports from the internal and external auditors and from management.

The Strategic Development Committee is also a sub-committee of the Board comprising members of the Management Board, the non-executive directors of Royal Collection Enterprises Limited and the Trustees, one of whom, Sir Alan Reid, is Chairman. The Strategic Development Committee meets three times annually. 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.

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The Investment Committee is a third sub-committee. The Committee comprises Sir Alan Reid (Chairman), Mr James Leigh-Pemberton (with effect from 1st April 2016, Mr Peter Troughton was a member up to 31st March 2016) and Mr Keith Harrison. The Committee's role is to review and advise on policy in relation to investment of reserve funds.

During the year, the Board of Trustees established a Future Programme Board to oversee all aspects of the major programmes of improvement planned at Windsor Castle and the Palace of Holyroodhouse. The members of the Future Programme Board are Mr Peter Troughton (Chairman), Sir Alan Reid, The Duke of Buccleuch and Queensberry and Vice Admiral Tony Johnstone-Burt.

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 Board of Trustees monitor 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 Committee and the Investment Committee; and
- Review of management accounts and the Annual Report and Financial Statements;

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

The Management Board is responsible for ensuring that there are effective processes for the use of resources to deliver optimum performance. This involves:

- Initiating and developing policies and plans for the achievement of the strategic objectives approved by the Board of Trustees;
- Allocating and managing resources at an operational level to achieve the strategic objectives approved by the Board of Trustees;
- Establishing performance measures;
- Establishing monitoring and control systems to ensure the effective implementation of policies and plans, the efficient and effective use of resources and the quality of the service provided to the public;
- Regularly reviewing Royal Collection Trust's performance; and
- Reporting Royal Collection Trust's performance to the Board of Trustees.

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

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The Prince of Wales and the sale of merchandise in shops at each location. Taxable profits are donated in full under deed of covenant to the holding company, The Royal Collection Trust.

Related Parties

The activities of Royal Collection Trust require the co-operation and support of various departments within the Royal Household. These departments are represented on the Board of Trustees through the holders of the Relevant Offices and on the Strategic Development Committee.

Details of transactions during the year with other entities controlled by officials or Trustees on behalf of The Queen are set out in note 20 to the financial statements.

Objectives and Activities

The works of art contained within 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 primarily exhibited 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 in the Drawings Gallery at Windsor Castle, in The Queen's Galleries in London and Edinburgh, through loans to other museums and galleries both within the UK and overseas, and via publications and on-line access. Any private benefit to members of the Royal Family is therefore incidental and subordinate to the aims of The Trust.

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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 Trust seeks to fulfil these objects by pursuing the following aims:

- the Royal Collection is subject to proper **custodial control** to ensure that the works of art remain available to future generations;
- 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** and increased subject to capacity constraints to ensure that as many people as possible are able to view the Collection.

To ensure that these aims continue to be met, they are considered by Management and the Trustees when planning Royal Collection Trust's future activities. The Royal Collection Trust's priorities and achievements during the year, which are described in the Strategic Report, reflect the focus on the aims outlined above.

The public benefit that is delivered as a result 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, and exhibitions in The Queen's Galleries;
- expansion and enhancement of The Royal Collection Online to include more records, images and information on the works of art;
- broadening and enhancing the learning programmes at each site, from family workshops to short courses for adults;
- the publication of books, catalogues and apps 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.

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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; and
 - Museums and galleries which host travelling 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 are included in the cost of admission to all sites;
- Guided tours, included within the cost of admission at The Royal Mews, Windsor Castle, Frogmore House, the Palace of Holyroodhouse and Clarence House;
- A programme of British Sign Language Interpreted & Lip-speaking guided tours for the deaf and hard of hearing and Verbal Description guided tours for the blind and partially-sighted;
- Verbal description audio tours are available at Buckingham Palace, Windsor Castle and the Palace of Holyroodhouse;
- A hand-held, British sign language video tour of the State Apartments of Buckingham Palace and Touch Tours at The Queen's Gallery, Buckingham Palace;
- A range of on demand sessions for schools and families, tailored to the Palaces and exhibitions;
- Lectures and short courses, publications, TV and radio programmes;
- Learning spaces with facilities for all ages; and
- Guide books to each site, as well as catalogues and apps 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. 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;
- Where fees are a barrier to visiting, schools can apply for free entrance;
- Gallery talks and workshops are offered to schools without additional charges;

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- 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;
- Regular short talks, lunchtime lectures and music recitals accompany exhibitions, at no additional charge to exhibition ticketholders;
- Family activities are available at all sites without additional charges;
- Events for visitors with special access requirements take place at all sites;
- Extensive free learning resources are available on Royal Collection Trust's website; BBC Online; the London Grid for Learning; Google Art Project; YouTube and others;
- Senior visitors and students are given discounted rates;
- 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;
- Purchase of a standard ticket allows an unlimited number of repeat day admission visits within a year to a particular site (excluding Frogmore House);
- Windsor Castle participates in a scheme which gives free admission to local residents;
- Admission to the Palace of Holyroodhouse is free on St Andrew's day;
- Complimentary family tickets to the official residences and The Queen's Galleries are provided to Charities and Parent Teacher Associations each year; and
- Value for money ratings at each of the official residences are closely monitored through the annual market research programme.

The Trustees are satisfied that Royal Collection Trust has complied with the requirements of public benefit reporting as set out in Charity Commission guidance.

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Strategic Report

Achievements & Performance

In pursuit of its stated aims and objectives, the Trustees agreed six priorities for the year. These are set out below together with a summary of performance and key measures of success.

1. To present a programme that appeals to people throughout the UK in order to encourage them to engage with and be inspired by the Royal Collection and Palaces

Over 2.6 million visitors attended all sites, a small increase on prior year. 47,650 school pupils visited Buckingham Palace, the Royal Mews, Windsor Castle and the Palace of Holyroodhouse. 6,300 adults took part in learning events at the Palaces and The Queen's Galleries. Twelve exhibitions were staged: *Painting Paradise: The Art of the Garden*; *D-Day Portraits*; *Masters of the Everyday: Dutch Artists in the Age of Vermeer* and *High Spirits: The Comic Art of Thomas Rowlandson* at The Queen's Gallery, London; *A Royal Welcome* at Buckingham Palace Summer Opening, *Waterloo at Windsor: 1815–2015*, at Windsor Castle; *Gold and Scottish Artists 1750 – 1900: From Caledonia to the Continent* at The Queen's Gallery, Edinburgh; *Master Prints from the Royal Collection* at Royal Academy of Arts, London; *Gold* at Bath Holbourne Museum; *Ten Drawings by Leonardo da Vinci from the Royal Collection* at Laing Arts Gallery, Newcastle and *Shakespeare in the Royal Library* at Windsor Castle.

2. To encourage greater enjoyment of the Royal Collection and Palaces by digital means, on site and online

'The Royal Collection Near You', a map interface to the Royal Collection online, was launched, enabling visitors to discover objects associated with different locations. A Google Expeditions app was also launched, allowing teachers to take their students on a virtual field trip to Buckingham Palace from any classroom in the world. The new 'Kings and Queens: 1,000 Years of British Royal History' app tells the stories of the 42 British kings and queens through biographies, family trees and interactive quizzes. Short films on conservation treatments have proved popular, including the surprising discovery of a hidden figure in Isaac van Ostaade's 'A Village Fair' and the recently identified 'Elephant Automaton' by Fabergé. In a successful pilot, tablet computers were employed for a taught session at Windsor Castle for the first time.

3. To maintain and further develop new sources of revenue

Sales online and via wholesale increased by 99.0% and 60.3% respectively. While this performance was helped by sales of commemorative china relating to the birth of Princess Charlotte and The Queen becoming Britain's longest-reigning British monarch, it also reflects the emphasis given to the expansion of the mailing list for the shop's e-Newsletter and the development of the online shop. In December 2015, the Board of Trustees approved a new development strategy to drive fundraising activity, and gifts, pledges and sponsorship of £485,000 were secured in year.

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4. To continue to enhance the visitor experience at all sites and make progress with the Future Programmes at Windsor Castle and the Palace of Holyroodhouse

Governance arrangements for Future Programme have been established and an outline Programme Plan for developments at both the Palace of Holyroodhouse and Windsor Castle was approved by the Board of Trustees in July 2015 at a total anticipated cost of £37 million. Lead designers and project managers have been appointed, and following various delays, a company has been appointed to undertake construction work on the Conservation Studio at Windsor, commencing in July 2016.

5. To focus attention on, and promote our work on the long-term care of the Collection

Collection Care Guidelines have been published and disseminated. Data gathered from Condition Priority Audit surveys has helped to inform conservation programmes, and the digitisation of conservation records has continued. Seventeen conservation case study films were made available online to promote this work, with viewing figures exceeding target. Conservation talks and events were included in the public programmes for exhibitions.

6. To ensure through effective and visible leadership that the Personality and Values of Royal Collection Trust continue to be embedded across the entire team

With a response rate of 84.0%, the Employee Opinion Survey in December 2015 allowed an assessment of the level of employee engagement. It gave a clear indication of areas for particular strength as well as areas for further focus. It has vindicated the ongoing investment in the programme of leadership development, and led to a renewed focus on internal communications. This focus will build on the foundations of the 'employer communications' project which has resulted in continuing growth in the diversity of applicants to RCT.

Various factors outside of the control of the Trustees have an impact on the level of achievement of its objectives relating to visitor numbers and income. These factors relate to the UK and international tourism market, for example the state of the UK economy, currency exchange rates and the impact of the perceived threat of terrorism on international travel.

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Financial Review and Results for the Year

The financial statements set out on pages 23 to 53 cover the activities of The Royal Collection Trust ("The Trust") and its trading subsidiary Royal Collection Enterprises Limited (together "Royal Collection Trust"). The Statement of Financial Activities shows the gross income from all sources and the split of activity between restricted and unrestricted funds.

Financial Results

The total visitor number for the year was 2,646,000, a slight increase of 1.1% on the prior year, and just ahead of the budgeted target figure. The breakdown of visitors by location was as follows:

| | 15/16 | | 14/15 |
|-----------------------|-------|--|-------|
| | '000s | | '000s |
| Windsor Castle | 1,300 | | 1,329 |
| Frogmore House | 8 | | 8 |
| Buckingham Palace | 519 | | 510 |
| Clarence House | 11 | | 11 |
| The Royal Mews | 226 | | 245 |
| The Queen's Gallery | 194 | | 170 |
| Holyroodhouse | 324 | | 294 |
| Holyroodhouse Gallery | 64 | | 49 |
| | 2,646 | | 2,616 |

Together with the increase in pricing levels, this helped to deliver a rise in income from charitable activities of 5.8%. Retail income rose significantly, by over 11.1%. Royal events and national anniversaries helped to drive sales of commemorative ware, together with the success of the growing focus on online sales and an expanded product range. These key drivers meant that total incoming resources rose by 6.6% to £52.1 million for the year.

On the expenditure side, it was possible to deliver an increase of 8.8% in total spend on charitable activities. Within that, spend on presentation and interpretation increased by 22.0%. Overall, Royal Collection Trust generated net incoming resources of £2 million prior to the actuarial gain in the pension scheme.

These financial statements have been prepared in accordance with Financial Reporting Standard 102. As a consequence it has been necessary to restate some prior year figures. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 21.

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Pension Scheme

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2014. As at 31 March 2016 there is a notional funding deficit of £100,000 (31 March 2015: £600,000 deficit) included in unrestricted funds.

Investment Policy

Royal Collection Trust's investment objectives are to preserve capital in order to facilitate the funding of long term projects; and to maintain flexibility and to ensure The Trust's ability to meet the requirements of working capital and act as a cushion against fluctuations in income levels.

Royal Collection Trust's investment policy is as follows:

- The overriding factor is that the principal should not be placed at risk, surplus funds should therefore be invested in banking deposits with leading United Kingdom banks; and
- Interest rates should be maximised but ordinarily deposits should be placed for no longer than two years.

At 31 March 2016 investments in term deposits totalled £20 million. Interest income of £219,000 (2013-14: £212,000) was earned during the year.

Funds and Reserves Policy

Royal Collection Trust has various funds available to finance its activities. These are as follows.

Restricted funds

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

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. As at 31st March 2016, funds of £26.4 million are designated for Future Programmes, an increase of £1.4 million on the prior year. The Future Programme is due to be completed by the end of 2018, and so these designated funds are expected to be spent in full by the end of the financial year 2018/19.

The funded status of the **pension reserve** has improved by £0.5 million. This arises as a consequence of an updated actuarial valuation based on market changes and assumptions applicable as at 31st March 2016.

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The part of unrestricted funds represented by **fixed assets** 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.

Free reserves help to mitigate the risk that the Trust might suffer a material reduction in visitor numbers. The policy of maintaining free reserves is informed by recognition of the dependence of income streams on visitor numbers, and the risk that major external events could have a negative impact on those numbers in any one year.

The **Reserves Policy** was reviewed in year. It was decided that surplus funds should be allocated to the designated fund for Future Programme, while free reserves would be maintained at their current balance until Future Programme is complete. Beyond that point, the Policy is to continue to generate and maintain free reserves. The longer term goal is to grow free reserves to a level which would enable the Trust to withstand a drop in visitor numbers of 20.0% over a five year period.

The balance held on these various funds as at 31st March 2016 is set out below. Full details of the movements in fund balances are set out in note 17 on pages 38 and 39.

| | £'000 | £'000 |
|--|-------|----------------------|
| Restricted funds | | 547 |
| Designated funds - Future Programmes | | 26,442 |
| Fixed assets reserve | | 15,836 |
| General reserve | 6,945 | |
| Royal Households' Group Pension Scheme net liability | (100) | |
| Net free reserves | | <u>6,845</u> |
| | | <u><u>49,670</u></u> |

Plans for Future Periods

Royal Collection Trust's three-year strategic plan is updated and reviewed by the Trustees annually. Longer term objectives continue to be grouped under six headings: UK Programme, Digital, Revenues, Future Programme, Conservation and People. The current three-year plan, which was approved by the Trustees in February 2016, sets out the following strategic priorities.

I. To develop and maintain a programme with broad appeal to encourage people from throughout the UK to engage with and be inspired by the Royal Collection and Palaces.

A seasonal programme of large-scale events at Windsor and Holyrood will be introduced in partnership with specialist external organisations, and The Queen's 90th birthday will be celebrated through programming partnerships and promotion. Additionally, a programme of exhibitions at The Queen's Galleries will be delivered and a programme of UK touring

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exhibitions developed. This will include: Scottish Artists, Maria Merian's Butterflies, Portrait of the Artist at The Queen's Gallery London; 90th Birthday Displays at Buckingham Palace, Windsor and Holyrood; Masters of the Everyday, Painting Paradise and Maria Merian's Butterflies at The Queen's Gallery Edinburgh; Shakespeare in the Royal Library and Medieval Castle at Windsor. Travelling exhibitions will include Leonardo da Vinci: Ten Drawings from the Royal Collection at the Laing Art Gallery, National Gallery of Ireland, Nottingham Castle Museum and Art Gallery and Glynn Vivian Art Gallery; Vermeer at Mauritshuis; Queen Victoria in Paris at Compton Verney and Exeter; and Toshakhana at Bradford.

2. To encourage greater enjoyment of the Royal Collection and Palaces by digital means.

A new contract for multimedia guides and website improvements will improve visitors' digital experience. Additionally, 'Print at Home' ticketing will be launched, with the 1 Year Pass being redeemable online. An Instagram account was launched to coincide with The Queen's birthday in April. The Royal Library and Archives digitisation studio will be operational with over 400,000 archive images ready to be published online by 31 March 2017, including George III and Stuart and Cumberland papers.

3. To maintain and further develop all sources of revenue.

The retail opportunities presented by the celebrations of The Queen's 90th birthday will be maximised. The possibility of increasing the volume of retail space via pop up shops will be investigated. The online shop will aim to increase its mailing list to 125,000 and launch a retail blog and more social media channels. The first year of the Development Strategy will be implemented with an aim to raise £1m in donations and sponsorship.

4. To deliver capital investment to improve visitor experience at our sites.

The planned works under Future Programme at Windsor and Holyrood are due to be completed by the end of 2018. Concept designs for these works will be completed in summer 2017. Construction work on the Conservation Studio will begin in summer 2016. A plan for the potential opening of St James's Palace to visitors will be developed and presented to Trustees by November 2016. The re-presentation of the Royal Mews will be completed by March 2017.

5. To ensure that our resources are effectively deployed on the long term care of the Collection and to promote our work in this area.

The operational and long term storage needs for every part of the collection will be assessed and strategies for in-the-field conservation for works on paper and works of art will be developed. Conservation work will be promoted via social media and exhibitions and a new conservation section of the website will be launched.

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6. To ensure that we all take responsibility for representing the personality and values of Royal Collection Trust.

The aim is to ensure that all members of staff have a Personal Development Plan linked to their annual Performance Development Review. Actions will be developed in response to the findings of the 2015 Employee Opinion Survey. An internal communications framework will be introduced. Efforts will continue to represent the RCT as an employer of choice encouraging greater diversity of applications for posts at all levels.

Principal Risks and Uncertainties

The principal risks facing Royal Collection Trust are:

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

In addition, Royal Collection Trust manages generic risks relating to fraud, failure of IT systems and the operational risks associated with managing large numbers of visitors. Royal Collection Trust seeks to manage as far as possible the risks that it faces.

Visitor numbers may fluctuate for a variety of reasons. Many are due to external factors such as the state of the UK and world economy, tourism trends, foreign currency exchange rates, and the perceived threat of terrorism in the UK. Royal Collection Trust seeks to mitigate the effect of such fluctuations through the development of alternative income streams, although visitor numbers will always be a key driver of financial performance. The Trustee's reserves policy is to increase resilience by building its general reserve balance over the long term to withstand a significant drop in visitor numbers. The Future Programme developments will also help mitigate risk by greatly improving the visitor experience and therefore helping to maintain visitor numbers in the longer term at Windsor Castle and Place of Holyroodhouse.

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

The continuous introduction of new ranges of merchandise for Royal Collection Trust's shops has contributed to the development of income streams that are not reliant on visitors to the Official Residences e.g. the on-line shop, wholesale accounts and licensing.

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

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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.

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

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

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

Risk is managed in the following ways:

- The risk register has been developed with reference to strategic objectives. This is reviewed by the Management Board and senior managers on a regular basis;
- The Audit Committee meets three times annually and ordinarily reviews the risk register twice a year. The Audit Committee requires members of the Management Board and senior managers to present an outline of the activities in their area of responsibility to ensure that key risks are appropriately identified and being managed;
- The internal audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit Committee that is aligned to the risk register and the strategic objectives. Evaluation of the company's exposure to risk includes consideration of governance, operational and information systems, the integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, regulations and contracts. The findings of reviews are reported to the Audit Committee;
- The Audit Committee monitors management's progress with the implementation of agreed internal audit recommendations ensuring that management establish appropriate priorities;

Royal Collection Trust

TRUSTEES' REPORT

- Assurance on specialist areas such as property maintenance, health and safety and security is provided by suitably qualified senior managers in the Royal Household and where appropriate, external professionals;
- New activities and changes to existing processes are routinely reviewed to ensure that controls are in place; and
- Ongoing budgetary control is monitored by the production of regular and timely financial management reports.

Employment policies

The Royal Collection Trust, and Royal Collection Enterprises Limited, are equal opportunities employers and every effort is made to give employment to disabled applicants. Both companies would endeavour to re-train or re-deploy any employee who developed a disability while in their 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. A Royal Household wide staff survey, including Royal Collection Trust, was conducted in November 2015. The results, and actions to be taken in the light of those results, are shared with all staff. All Royal Collection Trust staff receive a copy of the Annual Report including the summary financial statements.

Environmental Sustainability

Royal Collection Trust, alongside the other departments of the Royal Household, is committed to reducing its environmental impact and ensuring best value from its resources. The Royal Household is committed to reducing this impact and its associated costs through embedding environmental sustainability across the organisation. An Energy Management Policy and Strategy is in place which sets out the Household's commitment to reduce energy consumption, costs and associated greenhouse gas emissions across the Estate. Royal Collection Trust has adopted its own action plan in support of this strategy, helped by the work of staff 'green champions'.

Progress made during 2015/16 across the Household included:

- Delivery of various education and awareness-raising activities, including 'Offtober' and 'The Big Christmas Switch Off' energy saving campaigns and team workshops;
- Installation of sub-meters at Buckingham Palace and Windsor Castle;
- Continued roll out of LED lighting at Buckingham Palace, St James's Palace, Windsor Castle and the Palace of Holyroodhouse;
- Replacement of the main boiler control panel and various local heating control upgrades at Windsor Castle; and
- Installation of a ground source heat pump as part of the Windsor Conservation Studio project.

Royal Collection Trust

TRUSTEES' REPORT

Statement of responsibilities of the Trustees of Royal Collection Trust in respect of the Trustees' annual report and the financial statements

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 charitable company and of the group's excess of income over expenditure for that period.

In preparing each of the group and 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The 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 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

Royal Collection Trust

TRUSTEES' REPORT

make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

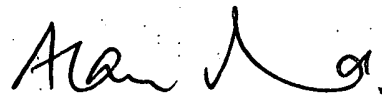
Auditors

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



James Leigh-Pemberton
Trustee



Sir Alan Reid
Trustee

York House
St James's Palace
London SW1A 1BQ

27 June 2016

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

We have audited the financial statements of The Royal Collection Trust for the year ended 31 March 2016 set out on pages 23 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 19, 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.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2016 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 Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information in the Trustees' Annual Report, which constitutes the Strategic Report and the Directors' Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the charitable company has not kept adequate 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.



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

27 June 2016

Royal Collection Trust

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating the consolidated income and expenditure account) For the year ended 31 March 2016

| | | Income Funds | | 2016 | 2015* |
|--|------|-----------------------|---------------------|----------------|----------------|
| | Note | Unrestricted £'000 | Restricted £'000 | Total £'000 | Total £'000 |
| INCOMING RESOURCES | | | | | |
| Income and endowments from: | | | | | |
| Donations and legacies | 4 | 31 | 151 | 182 | 319 |
| Charitable Activities | | | | | |
| Access | | 34,087 | - | 34,087 | 32,292 |
| Presentation and interpretation | | 611 | - | 611 | 506 |
| Other Trading Activities | | | | | |
| Retail, catering and photographic services | | 16,469 | - | 16,469 | 14,825 |
| Licences, commissions and fees | 2 | 328 | - | 328 | 474 |
| Sponsorship | | 140 | - | 140 | 140 |
| Investments | | | | | |
| Investment income | | 219 | - | 219 | 212 |
| Other | | 49 | - | 49 | 78 |
| Total | | 51,934 | 151 | 52,085 | 48,846 |
| Expenditure on: | | | | | |
| Raising Funds | | | | | |
| Fundraising | 6 | 84 | - | 84 | 46 |
| Retail, catering and photographic services | 6 | 13,570 | - | 13,570 | 12,700 |
| Charitable Activities | | | | | |
| Access | 6 | 22,720 | - | 22,720 | 21,027 |
| Presentation and interpretation | 6,17 | 6,141 | 233 | 6,374 | 5,227 |
| Exhibitions and displays | 6,17 | 2,977 | 13 | 2,990 | 2,966 |
| Conservation | 6 | 2,863 | - | 2,863 | 2,906 |
| Custodial control | 6 | 946 | - | 946 | 862 |
| | | 35,647 | 246 | 35,893 | 32,988 |
| Other | | | | | |
| Donations payable | 5 | 537 | - | 537 | 541 |
| Total | | 49,838 | 246 | 50,084 | 46,275 |
| Net income (expenditure) | | 2,096 | (95) | 2,001 | 2,571 |
| Other recognised gains/(losses): | | | | | |
| Actuarial gains/(losses) on defined benefit pension scheme | 19 | 600 | - | 600 | (900) |
| Net movement in Funds | | 2,696 | (95) | 2,601 | 1,671 |
| Reconciliation of funds: | | | | | |
| Total funds brought forward | | 46,427 | 642 | 47,069 | 45,398 |
| Total funds carried forward | | 49,123 | 547 | 49,670 | 47,069 |

* In preparing its FRS 102 financial statements, the group and the Trust has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 21.

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 27 to 53 form part of these financial statements.

Royal Collection Trust

THE ROYAL COLLECTION TRUST STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2016

| | | Income Funds | | 2016 | 2015* |
|--|------|-----------------------|---------------------|----------------|----------------|
| | Note | Unrestricted £'000 | Restricted £'000 | Total £'000 | Total £'000 |
| INCOMING RESOURCES | | | | | |
| Income and endowments from: | | | | | |
| Donations and legacies | | | | | |
| Deed of covenant receivable from trading subsidiary | 22 | 6,156 | - | 6,156 | 5,197 |
| Donations | | 31 | 151 | 182 | 309 |
| Charitable Activities | | | | | |
| Access | | 34,087 | - | 34,087 | 32,292 |
| Presentation and interpretation | | 304 | - | 304 | 260 |
| Investments | | | | | |
| Investment income | | 217 | - | 217 | 210 |
| Other | | 607 | - | 607 | 611 |
| Total | | 41,402 | 151 | 41,553 | 38,879 |
| Expenditure on: | | | | | |
| Raising Funds | | | | | |
| | | 84 | - | 84 | 46 |
| Charitable Activities | | | | | |
| Access | | 28,646 | - | 28,646 | 26,652 |
| Presentation and interpretation | | 3,639 | 233 | 3,872 | 2,841 |
| Exhibitions and displays | | 2,977 | 13 | 2,990 | 2,964 |
| Conservation | | 2,863 | - | 2,863 | 2,905 |
| Custodial control | | 946 | - | 946 | 862 |
| | | 39,071 | 246 | 39,317 | 36,224 |
| Other Expenditure | | 95 | - | 95 | 55 |
| Total | | 39,250 | 246 | 39,496 | 36,325 |
| Net income (expenditure) | | 2,152 | (95) | 2,057 | 2,554 |
| Other recognised gains/(losses): | | | | | |
| Actuarial gains/(losses) on defined benefit pension scheme | | 600 | - | 600 | (900) |
| Net movement in Funds | | 2,752 | (95) | 2,657 | 1,654 |
| Reconciliation of funds: | | | | | |
| Total funds brought forward | | 45,812 | 642 | 46,454 | 44,800 |
| Total funds carried forward | | 48,564 | 547 | 49,111 | 46,454 |

* Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

The notes on pages 27 to 53 form part of these financial statements.

Royal Collection Trust

CONSOLIDATED AND TRUST BALANCE SHEET

As at 31 March 2016

| | Note | 2016 | | 2015* | |
|---|------|----------------|----------------|----------------|----------------|
| | | Group £'000 | Trust £'000 | Group £'000 | Trust £'000 |
| Fixed assets: | | | | | |
| Intangible assets | 11 | 314 | 87 | 406 | 93 |
| Tangible assets | 12 | 15,890 | 15,310 | 16,499 | 15,855 |
| <i>Total fixed assets</i> | | <u>16,204</u> | <u>15,397</u> | <u>16,905</u> | <u>15,948</u> |
| Current assets: | | | | | |
| Stock and work in progress | 14 | 3,936 | - | 3,225 | - |
| Debtors | 15 | 2,351 | 3,942 | 1,201 | 813 |
| Bank deposits | | 37,302 | 30,982 | 32,790 | 31,374 |
| Cash at bank and in hand | | 630 | 41 | 2,891 | 85 |
| <i>Total current assets</i> | | <u>44,219</u> | <u>34,965</u> | <u>40,107</u> | <u>32,272</u> |
| Liabilities: | | | | | |
| Creditors: amounts falling due within one year | 16 | (10,653) | (1,151) | (9,343) | (1,166) |
| <i>Net current assets</i> | | <u>33,566</u> | <u>33,814</u> | <u>30,764</u> | <u>31,106</u> |
| Net assets excluding pension asset/(liability) | | <u>49,770</u> | <u>49,211</u> | <u>47,669</u> | <u>47,054</u> |
| Defined benefit pension scheme asset/(liability) | 19 | (100) | (100) | (600) | (600) |
| Total net assets | | <u>49,670</u> | <u>49,111</u> | <u>47,069</u> | <u>46,454</u> |
| The funds of the charity: | 17 | | | | |
| Restricted income funds | | | | | |
| Fixed assets | | 368 | 368 | 381 | 381 |
| Cash | | 179 | 179 | 261 | 261 |
| <i>Total restricted funds</i> | | <u>547</u> | <u>547</u> | <u>642</u> | <u>642</u> |
| Unrestricted funds | | | | | |
| Designated funds | | | | | |
| Future Programmes | | 26,442 | 26,442 | 25,000 | 25,000 |
| General funds | | | | | |
| Fixed assets | | 15,836 | 15,029 | 16,524 | 15,567 |
| General reserve | | 6,945 | 7,193 | 5,503 | 5,845 |
| Pension reserve | 19 | (100) | (100) | (600) | (600) |
| <i>Total unrestricted funds</i> | | <u>49,123</u> | <u>48,564</u> | <u>46,427</u> | <u>45,812</u> |
| <i>Total charity funds</i> | | <u>49,670</u> | <u>49,111</u> | <u>47,069</u> | <u>46,454</u> |

* Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

The notes on pages 27 to 53 form part of these financial statements. These financial statements were approved by the Trustees on 27 June 2016 and were signed on their behalf by:

James Leigh-Pemberton Trustee

Sir Alan Reid Trustee

James Leigh-Pemberton

Alan Reid

Royal Collection Trust

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

Reconciliation of net income to net cash flow from operating activities

| | 2016 £'000 | 2015* £'000 |
|---|---------------|----------------|
| <i>Net income for the reporting period (as per the statement of financial activities)</i> | 2,001 | 2,571 |
| Adjustments for: | | |
| Excess of pension scheme contributions over service cost | 100 | (100) |
| Amortisation | 145 | 189 |
| Depreciation | 1,342 | 1,303 |
| Loss on disposal of tangible fixed assets | 224 | 196 |
| (Increase) / decrease in stock | (711) | 113 |
| Increase in debtors | (1,150) | (46) |
| Increase / (decrease) in creditors | 1,310 | (266) |
| Net interest receivable | (160) | (295) |
| Net cash provided by operating activities | 3,101 | 3,665 |

Statement of cash flows

Cash flows from operating activities:

Net cash provided by operating activities

Cash flows from investing activities:

Dividends, interest and rents from investments

Proceeds from the sale of property, plant and equipment

Purchase of intangible fixed assets

Purchase of tangible fixed assets

Net cash used in investing activities

Change in cash and cash equivalents in the reporting period

Cash and cash equivalents at the beginning of the reporting period

Cash and cash equivalents at the end of the reporting period

Analysis of cash and cash equivalents

Cash at bank and in hand

Bank deposits

Total cash and cash equivalents

| | | |
|--|--------|--------|
| | 3,101 | 3,665 |
| | 160 | 295 |
| | 9 | - |
| | (53) | (450) |
| | (966) | (687) |
| | (850) | (842) |
| | 2,251 | 2,823 |
| | 35,681 | 32,858 |
| | 37,932 | 35,681 |
| | 630 | 2,891 |
| | 37,302 | 32,790 |
| | 37,932 | 35,681 |

* Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

The notes on pages 27 to 53 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 (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 group and Trust has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 21.

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 Trustees have reviewed cash flow forecasts for twelve months from the date of approval of the accounts, and consider that it is appropriate to prepare these accounts under the going concern basis. The financial position of The Trust, its surplus for the year and cash flows are set out earlier and they demonstrate the overall net cash position of The Trust and the strength of its reserves. As a consequence the Trustees believe that The Trust is well placed to manage the business risks successfully.

The Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

The group (collectively referred to as Royal Collection Trust) 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 2016.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies (continued)

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 6. 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 finance, personnel 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 at the official residences of The Queen and the official residence of The Prince of Wales are written off as incurred.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies (continued)

Publishing

The cost of producing each Trust book is carried forward in work in progress until publication. Where, however, it is envisaged that a book will make a loss, the loss is recognised immediately. 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 Royal Collection Trust or its subsidiary, in order to increase revenues or to fulfil The Trust's charitable duties, the expenditure 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 (RCT) as they do not meet the recognition criteria of an asset under FRS102 and are therefore not capitalised in these financial statements. RCT 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 Royal Photographic 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 £2,000 are not capitalised.

Investment in subsidiary

In The Trust's accounts, the investment in its subsidiary is stated at market value.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies (continued)

Foreign currencies

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

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. 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.

One of these pension schemes, the Royal Household Pension Scheme, is managed by the Government and the benefits of the scheme are broadly by analogy 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 FRS 102 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.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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

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.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

1 Accounting policies (continued)

Restricted Funds

Restricted Funds include those receipts, which are subject to specific restrictions, including donations towards specific projects of 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.

2 Licences, commissions and fees

| | 2016 | 2015 |
|----------------------|------------|------------|
| | £'000 | £'000 |
| Licences | 8 | 6 |
| Commissions and fees | 320 | 468 |
| | <u>328</u> | <u>474</u> |

3 Net income is stated after charging:

| | 2016 | 2015 |
|---|------------|------------|
| | £'000 | £'000 |
| Auditor's remuneration: | | |
| Audit of these financial statements | 22 | 17 |
| Audit of subsidiary undertakings | 8 | 10 |
| Other services - tax | 5 | 5 |
| Depreciation, amortisation and other amounts written off tangible fixed assets: | | |
| Owned | 1,487 | 1,492 |
| Operating lease charges | <u>153</u> | <u>139</u> |

4 Donations and legacies

| | 2016 | 2015 |
|-----------|------------|------------|
| | £'000 | £'000 |
| Grants | 2 | 10 |
| Donations | 180 | 309 |
| | <u>182</u> | <u>319</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

5 Donations payable

Donations made in the year were as follows:

| | Group 2016 £'000 | Group 2015 £'000 | Trust 2016 £'000 | Trust 2015 £'000 |
|------------------------------|------------------------|------------------------|------------------------|------------------------|
| Privy Purse Charitable Trust | 537 | 541 | - | - |
| | <u>537</u> | <u>541</u> | <u>-</u> | <u>-</u> |

6 Resources expended

| | Direct Costs £'000 | Central & HR £'000 | Non-Direct Costs* | | | 2016 Total £'000 | 2015* Total £'000 |
|---|--------------------------|--------------------------|-------------------|------------------|---------------------|------------------------|-------------------------|
| | | | IT £'000 | Finance £'000 | Governance £'000 | | |
| Raising Funds: | | | | | | | |
| Fundraising | 84 | - | - | - | - | 84 | 46 |
| Retail, catering and photographic services | 12,702 | 402 | 111 | 312 | 43 | 13,570 | 12,700 |
| Charitable Activities: | | | | | | | |
| Access | 21,671 | 528 | 122 | 347 | 52 | 22,720 | 21,027 |
| Presentation and interpretation | 5,577 | 507 | 65 | 185 | 40 | 6,374 | 5,227 |
| Exhibitions and displays | 2,748 | 168 | 16 | 46 | 12 | 2,990 | 2,966 |
| Conservation | 2,803 | 41 | 4 | 12 | 3 | 2,863 | 2,906 |
| Custodial control | 825 | 84 | 8 | 23 | 6 | 946 | 862 |
| | <u>46,410</u> | <u>1,730</u> | <u>326</u> | <u>925</u> | <u>156</u> | <u>49,547</u> | <u>45,734</u> |

Governance costs see note 8.

Non-direct costs are allocated on the basis of estimated usage.

7 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. None of the Trustees received any remuneration during the year in connection with services to Royal Collection Trust. The Trust paid liability insurance in respect of each Trustee at a cost of £225 per Trustee (2014-15: £206). Of the seven Trustees, none received reimbursed expenses (2014-15: nil). During the year, lunches were provided for Trustees and senior management at a total cost of £529 (2014-15: £621).

Total employee benefits for the ten members of the Management Board was £1,066,392 (2015: ten members, £943,114). Total employee benefits includes pension contributions of £180,136 (2015: £158,989).

The total remuneration of the highest paid member of the Management Board was as follows:

| | Total remuneration | | Salary | | Pension payments | |
|------------------|--------------------|--------------|--------------|--------------|------------------|--------------|
| | 2016 £000 | 2015 £000 | 2016 £000 | 2015 £000 | 2016 £000 | 2015 £000 |
| Jonathan Marsden | 153 | 140 | 120 | 108 | 33 | 32 |

* Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

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

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

The average monthly head count was 910 staff (2015: 870 staff) and the average number of full-time equivalent staff employed by the group or on permanent secondment from the Royal Household, analysed by category, were as follows:

| | Number of employees | |
|---|---------------------|-------------------|
| | 2016 | 2015 ^R |
| Retail, catering and photographic services | 111 | 109 |
| Custodial control | 15 | 15 |
| Conservation | 41 | 39 |
| Exhibitions and displays | 5 | 5 |
| Presentation and interpretation | 74 | 67 |
| Access | 359 | 346 |
| Fundraising | 1 | - |
| Finance, administration and IT | 17 | 15 |
| Royal Household Staff supporting Royal Collection Trust | 48 | 49 |
| | <u>671</u> | <u>645</u> |

^R restatement increases Royal Household staff supporting RCT by 8

The aggregate payroll costs of these persons were as follows:

| | 2016 | 2015 |
|-----------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 16,223 | 14,836 |
| Social security costs | 1,264 | 1,180 |
| Other pension costs (see note 20) | 2,326 | 2,222 |
| | <u>19,813</u> | <u>18,238</u> |

The emoluments in excess of £60,000, excluding pension contributions, of staff employed by Royal Collection Trust or on permanent secondment from the Royal Household (including the directors of Royal Collection Enterprises Limited) were within the following ranges:

| | 2016 | | 2015 | |
|---------------------|-----------|------------------|-----------|------------------|
| | All staff | Management Board | All staff | Management Board |
| £60,001 - £70,000 | 4 | 1 | 2 | - |
| £70,001 - £80,000 | 2 | 1 | 4 | 3 |
| £80,001 - £90,000 | 2 | 2 | 1 | 1 |
| £90,001 - £100,000 | 1 | 1 | 3 | 3 |
| £100,001 - £110,000 | 2 | 2 | 1 | 1 |
| £110,001 - £120,000 | 1 | 1 | - | - |
| £120,001 - £130,000 | 1 | 1 | - | - |
| | <u>13</u> | <u>9</u> | <u>11</u> | <u>8</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

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

Contributions to provide defined benefit pensions were made in respect of 6 of the above individuals amounting to £154,000 (2014-15: six, £145,000).

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

In the year provision has been made for two redundancy packages (2014-15: 1). The redundancy packages (including severance payment) are as follows:

| | 2016 | 2015 |
|--------------------|----------|----------|
| Less than £25,000 | 1 | 1 |
| £50,001 to £75,000 | 1 | - |
| | <u>2</u> | <u>1</u> |

8 Governance costs

| | Group 2016 £'000 | Group 2015 £'000 | Trust 2016 £'000 | Trust 2015 £'000 |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|
| External audit | 26 | 27 | 18 | 17 |
| Internal audit | 61 | 52 | 15 | 13 |
| Allocated internal costs | 68 | 60 | 26 | 25 |
| Trustee expenses (see note 7) | 1 | 1 | 1 | 1 |
| | <u>156</u> | <u>140</u> | <u>60</u> | <u>56</u> |

9 Interest payable

No interest was payable during the year (2014-15: £Nil).

10 Deferred Income

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

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| At 1 April | 644 | 451 |
| Income brought forward released during year | (644) | (451) |
| Income deferred during year | 650 | 644 |
| At 31 March | <u>650</u> | <u>644</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

11 Intangible fixed assets

| | Software* developments £'000 |
|-----------------------|------------------------------------|
| Group | |
| Cost | |
| At 1 April 2015 | 1,437 |
| Additions | 53 |
| Disposals /write-off | (12) |
| At 31 March 2016 | <u>1,478</u> |
| Amortisation | |
| At 1 April 2015 | 1,031 |
| Charge for the year | 145 |
| Disposals /write-off | (12) |
| At 31 March 2016 | <u>1,164</u> |
| Net book value | |
| At 31 March 2016 | <u>314</u> |
| At 31 March 2015 | <u>406</u> |
| Trust | |
| Cost | |
| At 1 April 2015 | 713 |
| Additions | 53 |
| At 31 March 2016 | <u>766</u> |
| Amortisation | |
| At 1 April 2015 | 620 |
| Charge for the year | 59 |
| At 31 March 2016 | <u>679</u> |
| Net book value | |
| At 31 March 2016 | <u>87</u> |
| At 31 March 2015 | <u>93</u> |

* Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

12 Tangible fixed assets

| | Building developments £'000 | Property Improvements £'000 | Plant and machinery £'000 | Furniture, fittings and equipment £'000 | Assets in course of construction £'000 | Total* £'000 |
|-----------------------|-----------------------------------|-----------------------------------|---------------------------------|--|---|-----------------|
| Group | | | | | | |
| Cost | | | | | | |
| At 1 April 2015 | 16,615 | 5,666 | 6,320 | 4,782 | 704 | 34,087 |
| Additions | - | 75 | 395 | 173 | 323 | 966 |
| Transfers | - | 233 | 191 | 54 | (478) | - |
| Disposals /write-off | - | (176) | - | (211) | (226) | (613) |
| At 31 March 2016 | 16,615 | 5,798 | 6,906 | 4,798 | 323 | 34,440 |
| Depreciation | | | | | | |
| At 1 April 2015 | 5,276 | 3,585 | 4,827 | 3,900 | - | 17,588 |
| Charge for the year | 423 | 347 | 261 | 311 | - | 1,342 |
| Disposals /write-off | - | (169) | - | (211) | - | (380) |
| At 31 March 2016 | 5,699 | 3,763 | 5,088 | 4,000 | - | 18,550 |
| Net book value | | | | | | |
| At 31 March 2016 | 10,916 | 2,035 | 1,818 | 798 | 323 | 15,890 |
| At 31 March 2015 | 11,339 | 2,081 | 1,493 | 882 | 704 | 16,499 |
| Trust | | | | | | |
| Cost | | | | | | |
| At 1 April 2015 | 16,615 | 5,376 | 6,042 | 2,858 | 704 | 31,595 |
| Additions | - | 74 | 395 | 88 | 323 | 880 |
| Transfers | - | 233 | 191 | 54 | (478) | - |
| Disposals /write-off | - | (128) | - | (95) | (226) | (449) |
| At 31 March 2016 | 16,615 | 5,555 | 6,628 | 2,905 | 323 | 32,026 |
| Depreciation | | | | | | |
| At 1 April 2015 | 5,276 | 3,482 | 4,666 | 2,316 | - | 15,740 |
| Charge for the year | 423 | 322 | 248 | 203 | - | 1,196 |
| Disposals /write-off | - | (125) | - | (95) | - | (220) |
| At 31 March 2016 | 5,699 | 3,679 | 4,914 | 2,424 | - | 16,716 |
| Net book value | | | | | | |
| At 31 March 2016 | 10,916 | 1,876 | 1,714 | 481 | 323 | 15,310 |
| At 31 March 2015 | 11,339 | 1,894 | 1,376 | 542 | 704 | 15,855 |

The net book value of intangible and tangible assets held at 31 March 2016 amounted to £16,204,000 of which £15,124,000 was held for charitable activities and £1,080,000 was held for other trading activities.

* Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

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 Stock and work in progress

| | Group 2016 £'000 | Group 2015 £'000 | Trust 2016 £'000 | Trust 2015 £'000 |
|------------------|------------------------|------------------------|------------------------|------------------------|
| Finished goods | 3,214 | 2,782 | - | - |
| Work in progress | 722 | 443 | - | - |
| | <u>3,936</u> | <u>3,225</u> | <u>-</u> | <u>-</u> |

15 Debtors

| | Group 2016 £'000 | Group 2015 £'000 | Trust 2016 £'000 | Trust 2015 £'000 |
|--|------------------------|------------------------|------------------------|------------------------|
| Amounts falling due within one year | | | | |
| Trade debtors | 780 | 672 | 350 | 322 |
| Amounts due from subsidiary | - | - | 2,452 | 194 |
| Other debtors | 219 | 27 | - | 19 |
| Prepayments and accrued income | 1,352 | 502 | 1,140 | 278 |
| | <u>2,351</u> | <u>1,201</u> | <u>3,942</u> | <u>813</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

16 Creditors: amounts falling due within one year

| | Group 2016 £'000 | Group 2015* £'000 | Trust 2016 £'000 | Trust 2015* £'000 |
|------------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| Trade creditors | 1,373 | 1,140 | 430 | 274 |
| Other creditors including taxation | 983 | 670 | 140 | 83 |
| Accruals and deferred income | 8,297 | 7,533 | 581 | 809 |
| | <u>10,653</u> | <u>9,343</u> | <u>1,151</u> | <u>1,166</u> |

17 Income Funds

| Group | Restricted funds £'000 | Designated funds £'000 | Pension reserve £'000 | General funds £'000 | Total £'000 |
|--------------------|------------------------------|------------------------------|-----------------------------|---------------------------|----------------|
| At 1 April 2015* | 642 | 25,000 | (600) | 22,027 | 47,069 |
| Incoming resources | 151 | - | - | 51,934 | 52,085 |
| Resources expended | (246) | (997) | (100) | (48,741) | (50,084) |
| Transfers | - | 2,439 | - | (2,439) | - |
| Gains and losses | - | - | 600 | - | 600 |
| At 31 March 2016 | <u>547</u> | <u>26,442</u> | <u>(100)</u> | <u>22,781</u> | <u>49,670</u> |

| Trust | Restricted funds £'000 | Designated funds £'000 | Pension* reserve £'000 | General funds £'000 | Total £'000 |
|--------------------|------------------------------|------------------------------|------------------------------|---------------------------|----------------|
| At 1 April 2015* | 642 | 25,000 | (600) | 21,412 | 46,454 |
| Incoming resources | 151 | - | - | 41,402 | 41,553 |
| Resources expended | (246) | (997) | (100) | (38,153) | (39,496) |
| Transfers | - | 2,439 | - | (2,439) | - |
| Gains and losses | - | - | 600 | - | 600 |
| At 31 March 2016 | <u>547</u> | <u>26,442</u> | <u>(100)</u> | <u>22,222</u> | <u>49,111</u> |

Funds are transferred from general to designated funds in order to increase funds for Future Programme work.

* Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

17 Income Funds (continued)

Restricted funds:

| | Opening Funds £'000 | Income £'000 | Expenditure £'000 | Closing Funds £'000 |
|---|---------------------------|-----------------|----------------------|---------------------------|
| Presentation and interpretation: | | | | |
| Shahnama Publication | 9 | - | - | 9 |
| Cassiano Publications | 55 | 100 | (25) | 130 |
| Oliver Millar Catalogue | - | 12 | (12) | - |
| Getty Fund | 3 | - | - | 3 |
| Pilkington Fund | 11 | - | (4) | 7 |
| Publishing Supporters | 183 | 37 | (190) | 30 |
| George III Archive Fund | - | 2 | (2) | - |
| | <u>261</u> | <u>151</u> | <u>(233)</u> | <u>179</u> |
| Exhibitions: | | | | |
| The Queen's Gallery, London | 277 | - | (9) | 268 |
| The Queen's Gallery, Holyrood | 104 | - | (4) | 100 |
| | <u>381</u> | <u>-</u> | <u>(13)</u> | <u>368</u> |
| | <u>642</u> | <u>151</u> | <u>(246)</u> | <u>547</u> |

Assets representing funds:

| Group | Restricted funds £'000 | Designated funds £'000 | Pension reserve £'000 | General funds £'000 | Total 2016 £'000 | Total* 2015 £'000 |
|---|------------------------------|------------------------------|-----------------------------|---------------------------|------------------------|-------------------------|
| Intangible Fixed Assets | - | - | - | 314 | 314 | 406 |
| Tangible Fixed Assets | 368 | - | - | 15,522 | 15,890 | 16,499 |
| Current assets | 179 | 26,442 | - | 17,598 | 44,219 | 40,107 |
| Creditors: amounts falling due within one year | - | - | - | (10,653) | (10,653) | (9,343) |
| Pension liability | - | - | (100) | - | (100) | (600) |
| At 31 March | <u>547</u> | <u>26,442</u> | <u>(100)</u> | <u>22,781</u> | <u>49,670</u> | <u>47,069</u> |

| Trust | Restricted funds £'000 | Designated funds £'000 | Pension reserve £'000 | General funds £'000 | Total 2016 £'000 | Total* 2015 £'000 |
|---|------------------------------|------------------------------|-----------------------------|---------------------------|------------------------|-------------------------|
| Intangible Fixed Assets | - | - | - | 87 | 87 | 93 |
| Tangible Fixed Assets | 368 | - | - | 14,942 | 15,310 | 15,855 |
| Current assets | 179 | 26,442 | - | 8,344 | 34,965 | 32,272 |
| Creditors: amounts falling due within one year | - | - | - | (1,151) | (1,151) | (1,166) |
| Pension liability | - | - | (100) | - | (100) | (600) |
| At 31 March | <u>547</u> | <u>26,442</u> | <u>(100)</u> | <u>22,222</u> | <u>49,111</u> | <u>46,454</u> |

*Restated due to first time adoption of FRS 102. See note 21 for detailed explanation of how FRS 102 has affected the Company's financial position and financial performance.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

18 Commitments

Capital commitments at 31 March 2016 for which no provision has been made were as follows:

| | Group 2016 £'000 | Group 2015 £'000 | Trust 2016 £'000 | Trust 2015 £'000 |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|
| Contracted | 839 | 82 | 839 | 22 |
| Authorised but not contracted | 1,281 | 4,648 | 1,256 | 4,251 |
| | <u>2,120</u> | <u>4,730</u> | <u>2,095</u> | <u>4,273</u> |

Operating Lease Commitments

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

| | Group 2016 £'000 | Group 2015 £'000 | Trust 2016 £'000 | Trust 2015 £'000 |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|
| - within one year | 129 | 144 | 24 | 25 |
| - in the second to fifth year | 39 | 127 | 18 | 22 |
| | <u>168</u> | <u>271</u> | <u>42</u> | <u>47</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

19 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

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 Defined Contribution (Stakeholder) Pension Scheme (Scheme 3) after six months service. 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 2014.

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.

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 1st 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 2014 and updates that valuation for International Accounting Standard 19: Employee Benefits (IAS19) annually. The total liabilities of the scheme of £98.5 million (2014-15: £106.7 million) are included in the resource accounts of the Consolidated Fund Account. Royal Collection Trust funds the employment costs of 21 of the 85 active members of the scheme as at 31 March 2016. 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 contribute 1.5% of pensionable pay in respect of widows'/widowers' benefits and 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:

| | Classic |
|--------------------|---------|
| Up to £15,000 | 3.00% |
| £15,001 - £21,000 | 4.60% |
| £21,001 - £47,000 | 5.45% |
| £47,001 - £150,000 | 7.35% |
| £150,001 and above | 8.05% |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

19 Pension schemes (continued)

Scheme 3 is administered by Legal and General and is non-contributory for employees. The employer's contribution rate is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can make additional contributions up to the HM Revenue & Customs' limits.

The pension charge for the year was £2,326,000 (2014-15: £2,222,000).

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

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

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.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2014 and regular contributions of £0.6 million are expected to be paid by the Royal Collection to the Scheme during the year ending on 31 March 2017.

The results of the latest funding valuation at 31 December 2014 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. 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 set out below:

| Main financial assumptions | 31 March 2016 | 31 March 2015 |
|--|--|--|
| | % pa | % pa |
| RPI Inflation | 3.1 | 3.1 |
| CPI Inflation | 2.0 | 2.0 |
| Rate of increase in salaries | 3.5 | 3.5 |
| Pension increases (Post 93 service) | 3.0 | 3.0 |
| Pension increases (Pre 93 service) | 5.0 | 5.0 |
| Discount rate for Scheme liabilities | 3.5 | 3.3 |
| Main demographic assumptions | 31 March 2016 | 31 March 2015 |
| | 100% of the SINXA tables with improvements in line with the CMI 2014 projections and a long-term rate of improvement of 1.25% pa | 100% of the SINXA tables with improvements in line with the CMI 2014 projections and a long-term rate of improvement of 1.25% pa |
| Mortality | | |
| Life expectancy for male currently aged 65 | 22.4 years | 22.4 years |
| Life expectancy for female currently aged 65 | 24.5 years | 24.4 years |
| Life expectancy at 65 for male currently aged 45 | 24.1 years | 24.1 years |
| Life expectancy at 65 for female currently aged 45 | 26.4 years | 26.3 years |
| Cash commutation | Members assumed to take their maximum cash lump sum at retirement | Members assumed to take their maximum cash lump sum at retirement |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

19 Pension schemes (continued)

| Scheme asset allocation | 31 March 2016 | | 31 March 2015 | |
|-------------------------|---------------|------------|---------------|------------|
| | £m | % | £m | % |
| UK equities | 2.6 | 11 | 2.9 | 12 |
| Overseas equities | 10.6 | 44 | 11.2 | 44 |
| Fixed interest gilts | 1.7 | 7 | 1.7 | 7 |
| Index-linked gilts | 6.4 | 27 | 6.7 | 27 |
| Property | 2.4 | 10 | 2.2 | 9 |
| Cash/net | 0.3 | 1 | 0.3 | 1 |
| Total | 24 | 100 | 25 | 100 |

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

| Reconciliation of funded status to balance sheet | 31 March 2016 | 31 March 2015 |
|---|---------------|---------------|
| | £m | £m |
| Fair value of assets | 24.0 | 25.0 |
| Present value of funded defined benefit obligations | (24.1) | (25.6) |
| Funded status | (0.1) | (0.6) |
| Unrecognised asset | - | - |
| Liability recognised on the balance sheet | (0.1) | (0.6) |

When determining the asset recognised on the balance sheet, it has been assumed that the Royal Collection 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 income statement | Year ending 31 March 2016 | Year ending 31 March 2015 |
|--|------------------------------|------------------------------|
| | £m | £m |
| Operating cost: | | |
| Current service cost | 0.6 | 0.5 |
| Administration expenses | 0.1 | 0.1 |
| Financing cost: | | |
| Interest on net defined benefit liability/(asset) | - | - |
| Pension expense recognised in profit and loss | 0.7 | 0.6 |

| Amounts recognised in Other Comprehensive Income | Year ending 31 March 2016 | Year ending 31 March 2015 |
|--|------------------------------|------------------------------|
| | £m | £m |
| Asset gains/(losses) arising during the year | (0.6) | 2.6 |
| Liability gains/(losses) arising during the year | 1.2 | (3.5) |
| Total amount recognised in OCI | 0.6 | (0.9) |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

19 Pension schemes (continued)

| Changes to the present value of the defined benefit obligation during the year | Year ending 31 March 2016 | Year ending 31 March 2015 |
|--|------------------------------|------------------------------|
| | £m | £m |
| Opening defined benefit obligation (DBO) | 25.6 | 21.1 |
| Current service cost | 0.6 | 0.5 |
| Interest expense on DBO | 0.8 | 0.9 |
| Actuarial (gains)/losses on liabilities | (1.2) | 3.5 |
| Net benefits paid out | (1.7) | (0.4) |
| Closing defined benefit obligation | <u>24.1</u> | <u>25.6</u> |

| Changes to the fair value of Scheme assets during the year | Year ending 31 March 2016 | Year ending 31 March 2015 |
|--|------------------------------|------------------------------|
| | £m | £m |
| Opening fair value of Scheme assets | 25.0 | 21.3 |
| Interest income on Scheme assets | 0.8 | 0.9 |
| Gain/(loss) on Scheme assets | (0.6) | 2.6 |
| Contributions by the Company | 0.6 | 0.7 |
| Net benefits paid out | (1.7) | (0.4) |
| Administration costs incurred | (0.1) | (0.1) |
| Closing fair value of Scheme assets | <u>24.0</u> | <u>25.0</u> |

| Actual return on Scheme assets | Year ending 31 March 2016 | Year ending 31 March 2015 |
|----------------------------------|------------------------------|------------------------------|
| | £m | £m |
| Interest income on Scheme assets | 0.8 | 0.9 |
| Gain/(loss) on Scheme assets | (0.6) | 2.6 |
| Actual return on Scheme assets | <u>0.2</u> | <u>3.5</u> |

Estimated profit and loss charge for the next year

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

Analysis of amount charged to profit and loss account

| | Year ending 31 March 2017 |
|---------------------------------|------------------------------|
| | £m |
| Current service cost | 0.6 |
| Administration expenses | 0.1 |
| Total estimated pension expense | <u>0.7</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

19 Pension schemes (continued)

The actual amount to be charged to the profit and loss account for the next financial year might be different to that estimated above. This may be due to contributions differing from expected, changes to scheme benefits or settlement/curtailment events that are not yet known.

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) |
|--|-----------|-------------|--------|--------------------|
| Current Figures | | 24.0 | (24.1) | (0.1) |
| Following a 0.25% decrease in the discount rate | Change | 0.0 | (1.2) | (1.2) |
| | New value | 24.0 | (25.3) | (1.3) |
| Following a 0.25% increase in the inflation assumption | Change | 0.0 | (1.0) | (1.0) |
| | New value | 24.0 | (25.1) | (1.1) |
| Following a one year increase in life expectancy | Change | 0.0 | (0.8) | (0.8) |
| | New value | 24.0 | (24.9) | (0.9) |

Scheme 2

Scheme 2 is a multi-employer scheme, because Royal Collection Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, 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)

20 Related Party Transactions

Details of transactions during the year with other entities controlled by officials, Trustees or other appointees on behalf of The Queen are set out below. The figures in italics represent the amounts due (to) or from related parties at the balance sheet date.

| Related Party £000 | Balance at Year End | | Transactions in the year | | Details of Transaction |
|---|------------------------|---------|-----------------------------|--------|--|
| | 2016 | 2015 | 2016 | 2015 | |
| Royal Household | (7,068) | (6,497) | 11,230 | 10,375 | Charges to Royal Collection Trust (RCT) for various services including personnel, payroll, pensions administration, internal audit, records management, property maintenance services and IT services etc. |
| Royal Household | (1) | (1) | 52 | 58 | Recovery of costs incurred on behalf of the Royal Household. |
| Privy Purse Charitable Trust (PPCT) | (15) | (4) | 537 | 541 | Donation to the PPCT in lieu of its right to charge for admission to Queen Mary's Dolls' House, Windsor Castle. |
| St George's Chapel | - | - | 1,860 | 1,831 | 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) | (22) | (23) | 86 | 69 | Purchase of RCEL goods for resale and recharge of costs incurred on behalf of the Privy Purse. Royalty payable to Royal Farms for milk used in Royal Collection ice cream. |
| Privy Purse | - | - | 245 | 238 | Recovery of costs incurred on behalf of the RCEL and RCT. |
| A G Carrick (Highgrove) | 22 | 16 | 150 | 69 | Purchase of RCEL goods for resale and commission on sales of admission tickets for the gardens at Highgrove House |
| Office of HRH The Prince of Wales | - | (1) | - | 12 | Recovery of costs incurred on behalf of the RCEL. |
| Office of HRH The Prince of Wales | - | - | 7 | 7 | Recovery of costs incurred on behalf of the HRH The Prince of Wales and the purchase of RCEL stock. |
| Historic Royal Palaces (HRP) | 171 | 41 | 231 | 118 | Recovery of costs from HRP for maintenance, services and goods provided by RCT. |
| Balmoral Estate | 1 | 2 | 19 | 27 | Purchase of RCEL goods for resale. |
| Balmoral Estate | - | - | 2 | 20 | Sale of Balmoral of goods for resale. |
| Sandringham Estate | 3 | - | 16 | 1 | Purchase of RCEL goods for resale. |
| Sandringham Estate | - | - | - | 1 | Sale of Sandringham goods for resale. |
| Mrs June Lawlor-Wamer | - | - | 4 | - | Fees in respect of service as non executive director of Royal Collection Enterprises Ltd |

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)

21 Transition to FRS 102

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 102 balance sheet, the group and Trust has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompanying the tables.

Governance costs are no longer presented as a separate line item on the face of the statement of financial activities, as per other non-direct costs they are now allocated between raising funds and charitable activities (see note 6).

Notes to the reconciliation of equity and profit and loss

a. Intangible Fixed assets

The accounting policy of the Group, under previous UK GAAP, was to classify software and website development costs as tangible fixed assets. Following the introduction of FRS 102 the accounting policy has changed so as to now classify them as intangible assets. No changes to carrying amounts at the date of reclassification, or amortisation rates compared to depreciation rates have occurred.

b. Holiday pay accrual

Under previous UK GAAP, the group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the group is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the balance sheet.

c. Group defined benefit plan - recognition of plan

Under previous UK GAAP any group defined benefit pension surplus or deficit was only reported in the group's consolidated financial statements, the individual companies within the group applied the multi-employer exemption. FRS 102 requires at least one entity participating in a group defined benefit pension plan to recognise the net defined benefit asset or liability in their individual financial statements. It is the stated policy of the Trustees that any such defined benefit asset or liability is to be recognised in the financial statements of Royal Collection Trust.

d. Group defined benefit plan - recognition of plan costs

Under previous UK GAAP the cost of a defined benefit plan was recognised with:

- current service cost, interest cost and expected return on plan assets recognised in profit or loss; and
- actuarial gains and losses recognised in the statement of total recognised gains and losses.

Under FRS 102 the cost of a defined benefit plan is recognised, with:

- current service cost and net interest cost recognised in profit or loss; and
- re-measurement of the net defined benefit asset or liability recognised in other comprehensive income.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

21 Transition to FRS 102 – reconciliation of Consolidated Balance Sheet as at 31 March 2015

| Group | Note | 1 April 2014 | | | 31 March 2015 | | |
|---|------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------------------|--------------------------------|
| | | As previously stated £'000 | Effect of transition £'000 | FRS 102 (as restated) £'000 | As previously stated £'000 | Effect of transition £'000 | FRS 102 (as restated) £'000 |
| Fixed assets: | | | | | | | |
| Intangible assets | a | - | 145 | 145 | - | 406 | 406 |
| Tangible assets | a | 17,456 | (145) | 17,311 | 16,905 | (406) | 16,499 |
| <i>Total fixed assets</i> | | <u>17,456</u> | <u>-</u> | <u>17,456</u> | <u>16,905</u> | <u>-</u> | <u>16,905</u> |
| Current assets: | | | | | | | |
| Stock and work in progress | | 3,338 | - | 3,338 | 3,225 | - | 3,225 |
| Debtors | | 1,155 | - | 1,155 | 1,201 | - | 1,201 |
| Bank deposits | | 23,616 | - | 23,616 | 32,790 | - | 32,790 |
| Cash at bank and in hand | | 9,242 | - | 9,242 | 2,891 | - | 2,891 |
| <i>Total current assets</i> | | <u>37,351</u> | <u>-</u> | <u>37,351</u> | <u>40,107</u> | <u>-</u> | <u>40,107</u> |
| Liabilities: | | | | | | | |
| Creditors: amounts falling due within one year | b | (9,285) | (324) | (9,609) | (9,014) | (329) | (9,343) |
| <i>Net current assets</i> | | <u>28,066</u> | <u>(324)</u> | <u>27,742</u> | <u>31,093</u> | <u>(329)</u> | <u>30,764</u> |
| <i>Total assets less current liabilities</i> | | <u>45,522</u> | <u>(324)</u> | <u>45,198</u> | <u>47,998</u> | <u>(329)</u> | <u>47,669</u> |
| Net assets excluding pension asset/(liability) | | <u>45,522</u> | <u>(324)</u> | <u>45,198</u> | <u>47,998</u> | <u>(329)</u> | <u>47,669</u> |
| Defined benefit pension scheme asset/(liability) | | 200 | - | 200 | (600) | - | (600) |
| <i>Total net assets</i> | | <u>45,722</u> | <u>(324)</u> | <u>45,398</u> | <u>47,398</u> | <u>(329)</u> | <u>47,069</u> |
| The funds of the charity: | | | | | | | |
| Restricted income funds | | | | | | | |
| Fixed assets | | 394 | - | 394 | 381 | - | 381 |
| Cash | | 17 | - | 17 | 261 | - | 261 |
| <i>Total restricted funds</i> | | <u>411</u> | <u>-</u> | <u>411</u> | <u>642</u> | <u>-</u> | <u>642</u> |
| Unrestricted funds | | | | | | | |
| Designated funds | | | | | | | |
| Future Programmes | | 23,500 | - | 23,500 | 25,000 | - | 25,000 |
| General funds | | | | | | | |
| Fixed assets | | 17,062 | - | 17,062 | 16,524 | - | 16,524 |
| General reserve | b | 4,549 | (324) | 4,225 | 5,832 | (329) | 5,503 |
| Pension reserve | | 200 | - | 200 | (600) | - | (600) |
| <i>Total unrestricted funds</i> | | <u>45,311</u> | <u>(324)</u> | <u>44,987</u> | <u>46,756</u> | <u>(329)</u> | <u>46,427</u> |
| <i>Total charity funds</i> | | <u>45,722</u> | <u>(324)</u> | <u>45,398</u> | <u>47,398</u> | <u>(329)</u> | <u>47,069</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

21 Transition to FRS 102 – reconciliation of The Royal Collection Trust Balance Sheet as at 31 March 2015

| | | 1 April 2014 | | | 31 March 2015 | | |
|---|------|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| Royal Collection Trust | | As previously stated | Effect of transition | FRS 102 (as restated) | As previously stated | Effect of transition | FRS 102 (as restated) |
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed assets: | | | | | | | |
| Intangible assets | a | - | 110 | 110 | - | 93 | 93 |
| Tangible assets | a | 16,400 | (110) | 16,290 | 15,948 | (93) | 15,855 |
| <i>Total fixed assets</i> | | <u>16,400</u> | <u>-</u> | <u>16,400</u> | <u>15,948</u> | <u>-</u> | <u>15,948</u> |
| Current assets: | | | | | | | |
| Debtors | | 2,287 | - | 2,287 | 813 | - | 813 |
| Bank deposits | | 22,200 | - | 22,200 | 31,374 | - | 31,374 |
| Cash at bank and in hand | | 5,226 | - | 5,226 | 85 | - | 85 |
| <i>Total current assets</i> | | <u>29,713</u> | <u>-</u> | <u>29,713</u> | <u>32,272</u> | <u>-</u> | <u>32,272</u> |
| Liabilities: | | | | | | | |
| Creditors: amounts falling due within one year | b | (1,416) | (97) | (1,513) | (1,087) | (79) | (1,166) |
| <i>Net current assets</i> | | <u>28,297</u> | <u>(97)</u> | <u>28,200</u> | <u>31,185</u> | <u>(79)</u> | <u>31,106</u> |
| <i>Total assets less current liabilities</i> | | <u>44,697</u> | <u>(97)</u> | <u>44,600</u> | <u>47,133</u> | <u>(79)</u> | <u>47,054</u> |
| Net assets excluding pension asset/(liability) | | <u>44,697</u> | <u>(97)</u> | <u>44,600</u> | <u>47,133</u> | <u>(79)</u> | <u>47,054</u> |
| Defined benefit pension scheme asset/(liability) | c | - | 200 | 200 | - | (600) | (600) |
| <i>Total net assets</i> | | <u>44,697</u> | <u>103</u> | <u>44,800</u> | <u>47,133</u> | <u>(679)</u> | <u>46,454</u> |
| The funds of the charity: | | | | | | | |
| Restricted income funds | | | | | | | |
| Fixed assets | | 394 | - | 394 | 381 | - | 381 |
| Cash | | 17 | - | 17 | 261 | - | 261 |
| <i>Total restricted funds</i> | | <u>411</u> | <u>-</u> | <u>411</u> | <u>642</u> | <u>-</u> | <u>642</u> |
| Unrestricted funds | | | | | | | |
| Designated funds | | | | | | | |
| Future Programmes | | 23,500 | - | 23,500 | 25,000 | - | 25,000 |
| General funds | | | | | | | |
| Fixed assets | | 16,006 | - | 16,006 | 15,567 | - | 15,567 |
| General reserve | b | 4,780 | (97) | 4,683 | 5,924 | (79) | 5,845 |
| Pension reserve | c | - | 200 | 200 | - | (600) | (600) |
| <i>Total unrestricted funds</i> | | <u>44,286</u> | <u>103</u> | <u>44,389</u> | <u>46,491</u> | <u>(679)</u> | <u>45,812</u> |
| <i>Total charity funds</i> | | <u>44,697</u> | <u>103</u> | <u>44,800</u> | <u>47,133</u> | <u>(679)</u> | <u>46,454</u> |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

21 Transition to FRS 102 – reconciliation of consolidated statement of financial activities for year ending 31 March 2015

| Group | Note | 2015 | | |
|--|------|----------------------|----------------------|-----------------------|
| | | As previously stated | Effect of transition | FRS 102 (as restated) |
| | | £'000 | £'000 | £'000 |
| INCOMING RESOURCES | | | | |
| Income and endowments from: | | | | |
| Donations and legacies | | 319 | - | 319 |
| Charitable Activities | | | | |
| Access | | 32,292 | - | 32,292 |
| Presentation and interpretation | | 506 | - | 506 |
| Other Trading Activities | | | | |
| Retail, catering and photographic services | | 14,825 | - | 14,825 |
| Licences, commissions and fees | | 474 | - | 474 |
| Sponsorship | | 140 | - | 140 |
| Investments | | | | |
| Investment income | | 212 | - | 212 |
| Other | | 78 | - | 78 |
| Pensions finance income | d | 400 | (400) | - |
| Total | | 49,246 | (400) | 48,846 |
| Expenditure on: | | | | |
| Raising Funds | | | | |
| Fundraising | d | 45 | 1 | 46 |
| Retail, catering and photographic services | b,d | 12,648 | 52 | 12,700 |
| Charitable Activities | | | | |
| Access | b,d | 20,992 | 35 | 21,027 |
| Presentation and interpretation | b,d | 5,213 | 14 | 5,227 |
| Exhibitions and displays | b,d | 2,972 | (6) | 2,966 |
| Conservation | b,d | 2,900 | 6 | 2,906 |
| Custodial control | b,d | 859 | 3 | 862 |
| | | 32,936 | 52 | 32,988 |
| Other | | | | |
| Donations payable | | 541 | - | 541 |
| Total | | 46,170 | 105 | 46,275 |
| Net income (expenditure) | | 3,076 | (505) | 2,571 |
| Other recognised gains/(losses): | | | | |
| Actuarial gains/(losses) on defined benefit pension scheme | d | (1,400) | 500 | (900) |
| Net movement in Funds | | 1,676 | (5) | 1,671 |
| Reconciliation of funds: | | | | |
| Total funds brought forward | b,d | 45,722 | (324) | 45,398 |
| Total funds carried forward | | 47,398 | (329) | 47,069 |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

21 Transition to FRS 102 – reconciliation of The Royal Collection Trust statement of financial activities for year ending 31 March 2015

| The Royal Collection Trust | Note | As previously stated £'000 | 2015 Effect of transition £'000 | FRS 102 (as restated) £'000 |
|--|------|-------------------------------------|--|--------------------------------------|
| INCOMING RESOURCES | | | | |
| Income and endowments from: | | | | |
| Donations and legacies | | | | |
| Deed of covenant receivable from trading | | 5,197 | - | 5,197 |
| Donations | | 309 | - | 309 |
| Charitable Activities: | | | | |
| Access | | 32,292 | - | 32,292 |
| Presentation and interpretation | | 260 | - | 260 |
| Investments | | | | |
| Investment income | | 210 | - | 210 |
| Other | | 611 | - | 611 |
| Total | | 38,879 | - | 38,879 |
| Expenditure on: | | | | |
| Raising Funds | b | 45 | 1 | 46 |
| Charitable Activities | | | | |
| Access | b,d | 26,688 | (36) | 26,652 |
| Presentation and interpretation | b,d | 2,863 | (22) | 2,841 |
| Exhibitions and displays | b,d | 2,974 | (10) | 2,964 |
| Conservation | b,d | 2,923 | (18) | 2,905 |
| Custodial control | b,d | 867 | (5) | 862 |
| | | 36,315 | (91) | 36,224 |
| Other Expenditure | d | 83 | (28) | 55 |
| Total | | 36,443 | (118) | 36,325 |
| Net income (expenditure) | | 2,436 | 118 | 2,554 |
| Other recognised gains/(losses): | | | | |
| Actuarial gains/(losses) on defined benefit pension scheme | c | - | (900) | (900) |
| Net movement in Funds | | 2,436 | (782) | 1,654 |
| Reconciliation of funds: | | | | |
| Total funds brought forward | b,c | 44,697 | 103 | 44,800 |
| Total funds carried forward | | 47,133 | (679) | 46,454 |

Royal Collection Trust

NOTES (forming part of the Financial Statements)

22 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 in shops at each location. Taxable profits are donated in full under deed of covenant to the holding company, The Royal Collection Trust, a company limited by guarantee and registered as a charity.

Business review

The purpose of the company is to generate income for The Royal Collection Trust for the presentation, maintenance and conservation of the Royal Collection.

Income is raised from fees for the management of public access and shop sales at the following locations:

The official residences of The Queen

Windsor Castle

Frogmore House, Windsor Home Park

Buckingham Palace State Rooms

The Queen's Gallery, Buckingham Palace

The Royal Mews, Buckingham Palace

The Palace of Holyroodhouse

The Queen's Gallery, Palace of Holyroodhouse

The official residence of The Prince of Wales

Clarence House

In addition to the above, income is raised through off-site retail activities, catering operations at The Palace of Holyroodhouse and the Buckingham Palace Summer Opening, and fees for reproducing images of items in the Royal Collection.

The Royal Collection Trust has responsibility for admitting visitors to the official residences of The Queen and the official residence of The Prince of Wales 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)

22 Royal Collection Enterprises Limited (continued)

Income statement for the year ended 31 March 2016

| | 2016 | 2015 |
|---|----------|----------|
| | £'000 | £'000 |
| Turnover | 44,207 | 40,702 |
| Direct costs, including cost of sales | (36,111) | (33,684) |
| Gross profit | 8,096 | 7,018 |
| Administrative expenses | (1,929) | (1,915) |
| Donations payable | (537) | (541) |
| Other operating income | 468 | 650 |
| Operating profit | 6,098 | 5,212 |
| Finance income/Investment income | 2 | 2 |
| Profit on ordinary activities before and after taxation | 6,100 | 5,214 |
| Deed of covenant | (6,156) | (5,197) |
| Profit for the financial year | (56) | 17 |

Balance sheet as at 31 March 2016

| | 2016 | 2015 |
|------------------------------------|----------|---------|
| | £'000 | £'000 |
| Fixed and current assets | 12,514 | 8,991 |
| Current liabilities | (11,955) | (8,376) |
| Net assets and shareholder's funds | 559 | 615 |