

The Royal Collection Trust

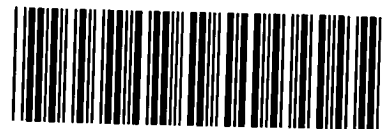
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Trustees' report and consolidated financial statements

31 March 2018

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 2017/18

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 2018.

Reference and Administrative Information

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

Trustees

HRH The Prince of Wales (Chairman)
The Rt Hon. The Earl Peel (Deputy Chairman)
Mr Marc Bolland
The Duke of Buccleuch and Queensberry
The Rt. Hon. the Lord Geidt (resigned 17 October 2017)
Vice Admiral Tony Johnstone-Burt (appointed 18 October 2017)
Dr Anna Keay (appointed 1 April 2018)
The Hon. James Leigh-Pemberton
Sir Alan Reid (resigned 31 December 2017)
Dame Rosalind Savill (resigned 31 March 2018)
Sir Michael Stevens (appointed 1 January 2018)
The Rt. Hon. Edward Young (appointed 17 October 2017)

Management Board

Mr Tim Knox	Director of the Royal Collection (appointed 5 March 2018)
Sir Jonathan Marsden	Director of the Royal Collection and Surveyor of The Queen's Works of Art (resigned 31 December 2017)
Ms Tot Brill	Future Programme Director
Mr Rufus Bird	Surveyor of The Queen's Works of Art (Deputy Surveyor to 31 December 2017)
Miss Frances Dunkels	Director of Communications and Business Development
Mrs Kerry Francois	Visitor Experience Director (resigned 11 August 2017)
Mr Keith Harrison	Finance Director (and Acting Director 1 January – 4 March 2018)
Mr Charles MacDermot-Roe	Head of HR, Operations
Mrs Nuala McGourty	Retail Director
Ms Jemima Rellie	Director, Content and Audiences & Acting Visitor Experience Director
Mr Desmond Shawe-Taylor	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.

All Trustees give their time voluntarily and receive no remuneration for their services to The Trust. Details of any expenses reimbursed by The Trust are set out in note 8 to the financial statements.

Trustee Induction and Training

New Trustees receive an information pack which includes the current strategic plan, minutes of recent Trustee Board meetings and details of organisational structure.

In addition, new Trustees undertake an induction programme comprising meetings with senior managers and visits to the Official Residences, and 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.

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Organisational Structure

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

The Audit Committee has three members: Mr James Leigh-Pemberton (Chairman), Sir Michael Stevens (with effect from 1 January 2018), both of whom are Trustees, and Mr Rupert Barclay. Sir Alan Reid served as a member of the Committee in the period up to 31 December 2017. The Committee meets and reports formally to the Board three times a year. It has overall responsibility for monitoring the effectiveness of The Trust's corporate governance and system of internal control. In undertaking its responsibilities, the Committee receives reports from the internal and external auditors and from management.

The Strategic Development Committee comprising the Trustees, excluding the Chairman of the Trustee Board, and the Directors of Royal Collection Enterprises Limited. This Committee meets three times annually, and its Chairman is Mr Marc Bolland (with effect from 1 January 2018, prior to that the Committee was chaired by Sir Alan Reid). Its role is to scrutinise the Management Board's development and implementation of strategic priorities and to review key plans, strategies and proposals before they are presented formally to the Board of Trustees.

The Investment Committee comprises Sir Michael Stevens, Mr James Leigh-Pemberton and Mr Keith Harrison. Sir Michael Stevens is Chairman, having replaced Sir Alan Reid on the Committee on 1 January 2018. This Committee's role is to review and advise on policy in relation to investment of reserve funds.

Finally, the Future Programme Board oversees all aspects of the major programmes of improvement underway at Windsor Castle and the Palace of Holyroodhouse. The members of the Future Programme Board are Mr Peter Troughton (Chairman), Sir Alan Reid (resigned 31 December 2017), The Duke of Buccleuch and Queensberry, Vice Admiral Tony Johnstone-Burt and Sir Michael Stevens.

The Board of Trustees has delegated the powers set out in The Trust's governing document to the Director and members of the Management Board who manage the day-to-day operations of the charity. The 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;

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

The Management Board's responsibilities involve:

- 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 and monitoring 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; and
- Reporting Royal Collection Trust's performance to the Board of Trustees.

Kerry Francois, Visitor Experience Director, moved to another senior role in the Royal Household and so left her post in August 2017. Sir Jonathan Marsden stood down as Director of the Royal Collection on 31 December 2017. He was replaced as Director by Tim Knox, who took up post on 5 March 2018. Keith Harrison was Acting Director during the intervening period.

The Trustees are extremely grateful to Sir Jonathan Marsden and Kerry Francois for their considerable periods of service to Royal Collection Trust.

Subsidiary Undertaking

The Trust's wholly-owned subsidiary, Royal Collection Enterprises Limited, has a paid up share capital of £2, and is incorporated in the UK. The principal activities of the company are the management of public access to the official residences of The Queen and the official residence of The Prince of Wales and the sale of retail merchandise. Taxable profits are donated in 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 the other departments of 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 material transactions during the year with other entities controlled by officials or Trustees on behalf of The Queen are set out in note 21 to the financial statements.

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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 at The Queen's Galleries in London and Edinburgh, through loans to other museums and galleries both within the UK and overseas (including travelling exhibitions), and via publications and online access. Any private benefit to members of the Royal Family is therefore incidental and subordinate to the aims of The Trust.

Charitable Objects and Public Benefit

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

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

The Trustees, having regard to the Charity Commission's public benefit guidance, seek to fulfil these objects by pursuing 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.

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

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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 the learning programmes at each site to include events for adults aligned with new publications, more regular family activities and increased workshops for community groups 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.

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

- Visitors from both the UK and overseas who view the Royal Collection at:
 - The official residences (Buckingham Palace, Windsor Castle, Palace of Holyroodhouse and Clarence House);
 - The Queen's Galleries (Buckingham Palace and Palace of Holyroodhouse);
 - The private estates (Sandringham and Balmoral);
 - The unoccupied Royal Palaces, managed by Historic Royal Palaces Trust;
 - Osborne House, managed by English Heritage;
 - Museums and galleries 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 events 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, the Royal Mews, Windsor Castle and the Palace of Holyroodhouse;
- A hand-held, British sign language video tour of the State Apartments of Buckingham Palace and the Royal Mews;
- A range of sessions for schools tailored to the Palaces and exhibitions;

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- A range of family events and activities at all sites;
- Workshops for community groups and events for visitors with different access requirements
- Lectures, panel discussions, performances, concerts and creative courses for adults at all sites as part of the public programme;
- Activity bags for families visiting The Queen's Galleries included in the cost of admission;
- Films, TV and radio programmes;
- Learning spaces for all visitors with special activities for families; and
- Guidebooks to each site, as well as catalogues, apps and other publications focussing on the Royal Collection.

Charges are made to visit the official residences of The Queen and The Prince of Wales and exhibitions in The Queen's Galleries. 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;
- Taught sessions and workshops are offered to schools without additional charges;
- Teachers can take advantage of free 'pre-visit' tickets, to help them prepare for their school's visit and regular free teachers' evenings are programmed;
- 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;
- Sessions for community groups and societies working with under-represented, disadvantaged or disabled audiences who wouldn't normally visit are available without additional charges;
- Extensive free learning resources are available on Royal Collection Trust's website; 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.

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Strategic Report

Achievements & Performance

In pursuit of its stated aims and objectives, the Trustees agreed six priorities for the year. The priorities for 2017/18 and progress made in addressing them are set out below.

1. **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.**

Over 2.9 million visitors attended all sites. This was the highest annual figure achieved to date, exceeding the record set in the previous year. In January 2018, the Royal Collection Season was launched. This major partnership between the Trust and the BBC, brought works of art from the Collection to audiences across Britain. The Season included programming across BBC One, Two and Four, as well as national and local radio channels. Twelve exhibitions were staged during the year: *Canaletto & the Art of Venice* and *Charles II: Art & Power* at The Queen's Gallery, Buckingham Palace; *Maria Merian's Butterflies, Shadows of War: Roger Fenton's Photographs of the Crimea, 1855*, and *Splendours of the Subcontinent: A Prince's tour of India, 1875-6* at The Queen's Gallery, Palace of Holyroodhouse; *Royal Gifts* at Buckingham Palace Summer Opening; *Charles I: King and Collector* (in partnership with the RA) at The Royal Academy of Arts, London; *Splendours of the Subcontinent: A Prince's Tour of India, 1875-6* at Cartwright Hall, Bradford and New Walk Art Gallery and Museum, Leicester; *Queen Victoria in Paris* at The Wilson: Cheltenham Art Gallery & Museum and The Bowes Museum, Barnard Castle; *Portrait of the Artist: An Exhibition from the Royal Collection* at Vancouver Art Gallery.

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

A new mobile responsive Visit section of the Royal Collection Trust website was launched in December as part of the rebranding of the site as a whole. The pages are visitor-led, designed to help people find the information they need quickly, with clear sections aimed at different types of visitor and a simple structure to help people find their way around. In February, the Royal Archives published the third phase of the Georgian Papers Programme which focussed on the papers of William IV and Queen Adelaide. This publication of a further 10,000 pages brings the total of material now freely available online to 60,000 pages. The year also saw the culmination of the four-year project to digitise and publish the Stuart and Cumberland Papers held by the Royal Archives, with their publication by Cengage Learning in the State Papers Online subscription service. Some 245,000 papers comprising 430,000 pages have been published.

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

As expected, Retail sales fell (by £0.7 million) compared with the prior year when The Queen's 90th Birthday range boosted sales significantly. Nevertheless, sales exceeded budget by 8.5% in total. Sales levels at Windsor were particularly noticeable, totalling nearly £4.8

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million, an increase of over 5% on prior year. Several new 'non commemorative' ranges were launched during the year and an extensive range of new Limited Edition china, Carriage Clocks and Prestige pieces were developed to meet the demand for higher value, more 'exclusive' products. The development team secured a total of £1.6 million in new gifts, pledges and sponsorship across all five approved areas for fundraising.

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

Significant works are now underway as part of the Future Programme, with over £6.6 million being spent in year. The new Frogmore Workshops in Windsor Home Park were completed on time and within budget in February. The Billiard Room at the Castle has been restored and redecorated, and is now in use as a flexible space, initially providing learning facilities. Work is now underway on the Admissions Building and Learning Centre, and on the main Castle works. Delays in receipt of planning approvals in relation to Admissions and Learning Centre led to the timetable for the programme of works at Windsor Castle being extended to April 2020. In Edinburgh, work continues across all areas of the Palace of Holyroodhouse. The presentation of historic rooms within the Palace is being enhanced, and new visitor facilities developed in the Mews café. Substantial work is underway on the Abbey Strand building which will house a new Learning Centre and apartments for holiday lets.

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.

Over 110,000 Collection items were checked in year as part of our ongoing management programme. Delegates from the Open Palace Programme attended Windsor Castle in July to learn about the skills required to care for a working collection. Conservation work throughout the year was been focussed on preparing items for forthcoming loans and exhibitions. Several short films explaining and promoting our conservation work were released on the website. The new Frogmore Workshops provide significantly improved facilities for conservation work.

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

The Employee Opinion Survey conducted in autumn 2017 indicated an improved employee engagement score of 76% (up from 70% in 2015). In pursuit of improvements in internal communications, five Director's Reports were circulated to all staff during the year, and a round of Director briefings held at the three main sites to which all staff were invited. Recruitment for the second intake to The Queen's Bindery Apprenticeship Scheme was completed in the summer. Two Academic & Technical Research sabbaticals completed and a further sabbatical arranged for December 2018 – March 2019

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Financial Review and Results for the Year

The financial statements set out on pages 22 to 48 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 of 2,884,000 was the highest annual figure achieved to date. The breakdown of visitors by location was as follows:

	17/18 000s	16/17 000s
Windsor Castle	1,482	1,389
Frogmore House	5	7
Buckingham Palace	508	580
Clarence House	10	12
The Royal Mews	192	216
The Queen's Gallery	189	154
Holyroodhouse	431	386
Holyroodhouse Gallery	67	71
	2,884	2,815

In addition, Learning visitors totalled 72,000 compared with 59,000 in the previous year.

With visitor numbers exceeding the record set in the prior year, income from charitable activities increased by 3.8%. As expected, retail sales fell compared with 2016/17 (by £0.7 million) when The Queen's 90th Birthday range boosted sales significantly. Nevertheless, sales exceeded target overall. Sales levels at Windsor Castle were particularly noticeable, totalling nearly £4.8 million, an increase of over 5% on prior year.

On the expenditure side, underspends across a number of branches, mainly relating to pay, contributed to the overall surplus. Spend on charitable activities increased by over 5%. Overall, Royal Collection Trust generated a net operational surplus of £3.1million (2016/17: £4.3 million) plus fundraising income of £1.4 million (2016/17: £1.8 million).

Pension Scheme

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2014. As a consequence of an updated actuarial 'assessment of the pension scheme' as at 31 March 2018 there is a notional funding surplus of £400,000 (31 March 2017: £400,000 deficit) included in unrestricted funds.

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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 2018 investments in term deposits totalled £30.6 million. Interest income of £218,000 (2016/17: £274,000) 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. Restricted fund balances at 31st March 2018 include £0.5 million that has been donated in support of the Future Programme.

Unrestricted funds

These are funds that are expendable at the discretion of the Trustees in furtherance of the charity's objects. The Trustees have **designated funds** 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 2018, funds of £23.8 million are designated for Future Programme. The Future Programme is due to be completed in April 2020, and so these designated funds are expected to be spent in full by then.

The funded status of the **pension reserve** has improved by £0.8 million. This arises as a consequence of an updated actuarial disclosure based on market changes and assumptions applicable as at 31 March 2018.

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.

In considering the target level for **free reserves**, Trustees have considered risks in relation to income and expenditure, balanced by the obligation to apply income funds on the objects of the charity. The level of the charity's reserves is a key feature of the risk management process. Free

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reserves help to mitigate the risk that the Trust might suffer a material reduction in visitor numbers. The policy of building free reserves recognises 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.

Taking these considerations into account, the **Reserves Policy** is to allocate surplus funds to the designated fund for Future Programme sufficient to meet the cost of that Programme on current projections. Once that has been achieved, the current Policy is then to grow free reserves to a level which would enable the Trust to withstand a drop in visitor numbers of 20% over a five year period.

The balance held on these various funds as at 31st March 2018 is set out below. Full details of the movements in fund balances are set out in note 17 on page 38.

	£'000
Restricted Funds	1,920
Unrestricted Funds:	
Future Programme Designated Fund	23,753
General Funds:	
Fixed Assets Reserve	20,315
Free Reserve	14,659
Pension Reserve	400
Total Unrestricted Funds	59,127
Total Charity Funds	61,047

Fundraising

The charity's fundraising approach involves building relationships with a small number of individuals, trusts, and foundations, to secure donations in support of specific charitable projects. The charity employs directly its own fundraising team to assist in this work and subscribes to the Code of Fundraising Practice operated by the Fundraising Regulator.

There have been no failures by the charity to comply with these fundraising standards and the charity has received no complaints about its fundraising activities. The charity has a policy of not compensating third parties for directing gifts or donors to it, whether through commissions, finders' fees or other means. The charity does not conduct mail outs or practice 'cold calling' and only solicits gifts from individuals with whom it has an existing relationship.

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Plans for Future Periods

A strategic plan for 2018/19 was approved by the Trustees in February 2018. The objectives for the year remain grouped under six headings: UK Programme, Digital, Revenues, Future Programme, Conservation and People.

The external context for the year ahead is broadly positive, with the UK tourism sector expected to see continued growth, although the domestic economic outlook remains a little uncertain. A number of Royal Events during 2018 can be expected to boost visitor numbers and interest in retail products, particularly commemorative china. The 2018 Summer Opening at Buckingham Palace will feature a special display, *Prince and Patron*, marking the 70th birthday of HRH The Prince of Wales, while Windsor Castle will provide the setting for two Royal Weddings.

2018 will also see the completion of a number of Future Programme projects. A full programme of exhibitions at The Queen's Galleries and venues around the country in collaboration with UK partners will be delivered. The reservicing of Buckingham Palace informs a number of planned activities in 2018/19, with a focus on development of a new strategy for storage of the Royal Collection, a review of conservation priorities to take account of the anticipated movement of Collection items at the Palace, and a review of the impact of reservicing work on London based teams. Meanwhile, 2018 will see the launch of new multimedia guides at Windsor and Holyrood, and the publication of new guidebooks for our sites.

Principal Risks and Uncertainties

The principal risks specific to Royal Collection Trust remain:

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

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. In the longer term, the Trust's reserves policy is to increase resilience by building the general reserve balance to withstand a significant drop in visitor numbers. The Future Programme developments will also help mitigate

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risk by 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 online 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 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.

Significant time and effort over the last year has been devoted to ensuring that GDPR requirements can be met, as part of a coordinated approach across the Royal Household. This includes documenting how personal data is used, implementing a regime of deletion of personal data that is no longer required and considering any Privacy Notices that are required. Awareness training has been provided for all staff in support of this activity.

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.

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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 reviews the risk register regularly. A risk assurance map helps the Committee to understand and monitor the range of assurances received in relation to the risks identified. The Audit Committee may request reports and presentations from Directors and other senior managers to help inform its review and understanding of the management of risk;
- 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;
- Assurance on specialist areas such as information assurance, health and safety and security is provided by suitably qualified senior managers in the Royal Household and where appropriate, external professionals; 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. They 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. All Royal Collection Trust staff receive a copy of the Annual Report including the summary financial statements, plus a periodic report from the Director on current activity.

Environmental Sustainability

Royal Collection Trust, alongside the other departments of the Royal Household, is committed to reducing its impact and its associated costs through embedding environmental sustainability across the organisation. Progress this year included completion of the Conservation Workshops in Home Park, featuring low energy lighting and ground source heating, and upgrades to building plant and lighting across the wider estate.

TRUSTEES' REPORT

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

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

Company and charity law requires the trustees to prepare financial statements for each financial year. Under that law they have 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

The trustees are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the 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, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Royal Collection Trust

TRUSTEES' REPORT

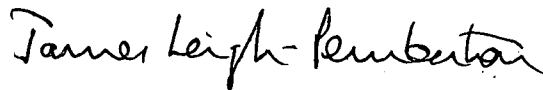
Disclosure of information to auditor

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

Auditors

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

By order of the Trustees



James Leigh-Pemberton
Trustee



Sir Michael Stevens
Trustee

York House
St James's Palace
London SW1A 1BQ

26 June 2018

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

Opinion

We have audited the financial statements of The Royal Collection Trust ("the charitable company") for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, The Statement of Financial Activities, Consolidated and Trust Balance Sheet and Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2018 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, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if in our opinion:

the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or

- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report or for the opinions we have formed.

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



Lynton Richmond

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

15 Canada Square

London

E14 5GL

13 July 2018

Royal Collection Trust

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

For the year ended 31 March 2018

	Note	Income Funds		2018	Income Funds		2017
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Income and endowments from:							
Donations and legacies	4	-	1,387	1,387	1,253	500	1,753
Charitable Activities							
Access		40,501	-	40,501	39,154	-	39,154
Presentation and interpretation		781	-	781	620	-	620
Other Trading Activities							
Retail, catering and photographic services		18,795	-	18,795	19,752	-	19,752
Licences, commissions and fees	2	204	-	204	201	-	201
Sponsorship		261	-	261	211	-	211
Investments							
Investment income		218	-	218	274	-	274
Other		73	-	73	30	-	30
Total		60,833	1,387	62,220	61,495	500	61,995
Expenditure on:							
Raising Funds							
Fundraising	6	223	-	223	179	-	179
Retail, catering and photographic services	6	15,426	-	15,426	15,610	-	15,610
Charitable Activities							
Access	6	25,804	-	25,804	24,392	-	24,392
Presentation and interpretation	6,17	7,687	154	7,841	7,343	255	7,598
Exhibitions and displays	6,17	2,900	13	2,913	3,417	13	3,430
Conservation	6	3,753	64	3,817	3,136	15	3,151
Custodial control	6	1,050	-	1,050	992	-	992
		41,194	231	41,425	39,280	283	39,563
Other							
Donations payable	5	632	-	632	580	-	580
Total		57,475	231	57,706	55,649	283	55,932
Net income		3,358	1,156	4,514	5,846	217	6,063
Other recognised gains/(losses):							
Actuarial gains/(losses) on defined benefit pension scheme	20	1,000	-	1,000	(200)	-	(200)
Net movement in Funds		4,358	1,156	5,514	5,646	217	5,863
Reconciliation of funds:							
Total funds brought forward		54,769	764	55,533	49,123	547	49,670
Total funds carried forward		59,127	1,920	61,047	54,769	764	55,533

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 26 to 48 form part of these financial statements.

Royal Collection Trust

THE ROYAL COLLECTION TRUST STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2018

		Income Funds		2018	Income Funds		2017
	Note	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Income and endowments from:							
Donations and legacies							
Gift aid receivable from trading subsidiary	22	7,220	-	7,220	7,215	-	7,215
Donations		-	1,387	1,387	1,253	500	1,753
Charitable Activities							
Access		40,501	-	40,501	39,154	-	39,154
Presentation and interpretation		342	-	342	348	-	348
Investments							
Investment income		201	-	201	255	-	255
Other		631	-	631	554	-	554
Total		48,895	1,387	50,282	48,779	500	49,279
Expenditure on:							
Raising Funds							
		223	-	223	179	-	179
Charitable Activities							
Access		32,823	-	32,823	30,948	-	30,948
Presentation and interpretation		4,530	154	4,684	4,245	255	4,500
Exhibitions and displays		2,899	13	2,912	3,417	13	3,430
Conservation		3,752	64	3,816	3,136	15	3,151
Custodial control		1,050	-	1,050	992	-	992
		45,054	231	45,285	42,738	283	43,021
Other Expenditure		109	-	109	54	-	54
Total		45,386	231	45,617	42,792	283	43,075
Net income		3,509	1,156	4,665	5,808	217	6,025
Other recognised gains/(losses):							
Actuarial gains/(losses) on defined benefit pension scheme		1,000	-	1,000	(200)	-	(200)
Net movement in Funds		4,509	1,156	5,665	5,608	217	5,825
Reconciliation of funds:							
Total funds brought forward		54,172	764	54,936	48,564	547	49,111
Total funds carried forward		58,681	1,920	60,601	54,172	764	54,936

The notes on pages 26 to 48 form part of these financial statements.

Royal Collection Trust

CONSOLIDATED AND TRUST BALANCE SHEET

As at 31 March 2018

	Note	2018		2017	
		Group £'000	Trust £'000	Group £'000	Trust £'000
Fixed assets:					
Intangible assets	11	146	83	202	62
Tangible assets	12	20,511	19,881	18,172	17,604
<i>Total fixed assets</i>		<u>20,657</u>	<u>19,964</u>	<u>18,374</u>	<u>17,666</u>
Current assets:					
Goods for donation		220	220	225	225
Stock and work in progress	14	5,042	-	3,820	-
Debtors	15	9,521	10,942	4,525	5,817
Bank deposits		36,264	30,959	38,539	33,103
Cash at bank and in hand		1,004	150	527	47
<i>Total current assets</i>		<u>52,051</u>	<u>42,271</u>	<u>47,636</u>	<u>39,192</u>
Liabilities:					
Creditors: amounts falling due within one year	16	(12,061)	(2,034)	(10,077)	(1,522)
<i>Net current assets</i>		<u>39,990</u>	<u>40,237</u>	<u>37,559</u>	<u>37,670</u>
Net assets excluding pension liability		<u>60,647</u>	<u>60,201</u>	<u>55,933</u>	<u>55,336</u>
Defined benefit pension scheme asset/(liability)	20	400	400	(400)	(400)
Total net assets		<u>61,047</u>	<u>60,601</u>	<u>55,533</u>	<u>54,936</u>
The funds of the charity:	17				
Restricted income funds:					
Fixed assets		342	342	355	355
Cash & Debtors		1,578	1,578	409	409
<i>Total restricted funds</i>		<u>1,920</u>	<u>1,920</u>	<u>764</u>	<u>764</u>
Unrestricted funds:					
Designated funds:					
Future Programme		23,753	23,753	27,120	27,120
General funds:					
Fixed assets		20,315	19,622	18,019	17,311
Free reserve		14,659	14,906	10,030	10,141
Pension reserve	20	400	400	(400)	(400)
<i>Total unrestricted funds</i>		<u>59,127</u>	<u>58,681</u>	<u>54,769</u>	<u>54,172</u>
<i>Total charity funds</i>		<u>61,047</u>	<u>60,601</u>	<u>55,533</u>	<u>54,936</u>

The notes on pages 26 to 48 form part of these financial statements. These financial statements were approved by the Trustees on 26 June 2018 and were signed on their behalf by:

James Leigh-Pemberton Trustee

Sir Michael Stevens Trustee

James Leigh-Pemberton

Michael Stevens

Royal Collection Trust

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

Reconciliation of net income to net cash flow from operating activities

	2018	2017
	£'000	£'000
<i>Net income for the year (as per the statement of financial activities)</i>	4,514	6,063
Adjustments for:		
Excess of pension scheme contributions over service cost	200	100
Donated goods	-	(225)
Amortisation	112	138
Depreciation	1,426	1,421
Loss/(gain) on disposal of tangible fixed assets	2	(2)
(Increase) / decrease in stock	(1,222)	116
Increase in debtors	(4,996)	(2,393)
Increase / (decrease) in creditors	1,984	(355)
Net interest receivable	(217)	(291)
Net cash provided by operating activities	1,803	4,572

Statement of cash flows

Cash flows from operating activities:

Net cash provided by operating activities 1,803 4,572

Cash flows from investing activities:

Dividends, interest and rents from investments	217	291
Proceeds from the sale of property, plant and equipment	5	2
Purchase of intangible fixed assets	(56)	(26)
Purchase of tangible fixed assets	(3,767)	(3,705)
Net cash used in investing activities	(3,601)	(3,438)

Change in cash and cash equivalents in the year (1,798) 1,134

Cash and cash equivalents at the beginning of the year 39,066 37,932

Cash and cash equivalents at the end of the year 37,268 39,066

Analysis of cash and cash equivalents

Cash at bank and in hand	1,004	527
Bank deposits	36,264	38,539
Total cash and cash equivalents	37,268	39,066

The notes on pages 26 to 48 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 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 or RCT) accounts consolidate The Royal Collection Trust and its subsidiary undertaking, Royal Collection Enterprises Limited on a line-by-line basis. These accounts are made up to 31 March 2018.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

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

Exhibition costs

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

Fixed assets and depreciation

The buildings comprising Windsor Castle, Buckingham Palace (including The Queen's Gallery and the Royal Mews) and the Palace of Holyroodhouse (including The Queen's Gallery) are owned by The Queen as Sovereign and maintained by the Royal Household Property Section and Historic Environment Scotland. However, where improvements or major redevelopments are made to these buildings by The Royal Collection Trust or its subsidiary, in order to increase revenues or to fulfil The Trust's charitable duties, the expenditure is capitalised and depreciation is charged over the estimated useful lives of the assets.

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

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

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

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

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

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 FRS102 with current service cost and net interest cost recognised in profit or loss and remeasurement of the net defined benefit asset or liability recognised in other comprehensive income.

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 20.

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.

Donated Goods, Facilities and Services

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

2 Licences, commissions and fees

	2018	2017
	£'000	£'000
Licences	3	6
Commissions and fees	201	195
	<u>204</u>	<u>201</u>

3 Net income is stated after charging:

	2018	2017
	£'000	£'000
Auditor's remuneration:		
Audit of these financial statements	18	22
Audit of subsidiary undertakings	9	9
Other services - tax	7	4
Depreciation, amortisation and other amounts written off tangible fixed assets:		
Owned	1,538	1,559
Operating lease charges	<u>148</u>	<u>159</u>

Royal Collection Trust

NOTES (forming part of the Financial Statements)

4 Donations and legacies

	2018	2017
	£'000	£'000
Grants	129	397
Donations	1,258	1,356
	<u>1,387</u>	<u>1,753</u>

5 Donations payable

Donations made in the year were as follows:

	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
Privy Purse Charitable Trust	632	580	-	-
	<u>632</u>	<u>580</u>	<u>-</u>	<u>-</u>

6 Resources expended

	Direct Costs £'000	Central & HR £'000	Non-Direct Costs			2018 Total £'000	2017 Total £'000
			IT £'000	Finance £'000	Governance £'000		
Raising Funds:							
Fundraising	223	-	-	-	-	223	179
Retail, catering and photographic services	14,376	517	175	304	54	15,426	15,610
Charitable Activities:							
Access	24,508	700	194	338	64	25,804	24,392
Presentation and interpretation	6,666	848	104	180	43	7,841	7,598
Exhibitions and displays	2,538	292	26	45	12	2,913	3,430
Conservation	3,723	74	6	11	3	3,817	3,151
Custodial control	862	146	13	23	6	1,050	992
	<u>52,896</u>	<u>2,577</u>	<u>518</u>	<u>901</u>	<u>182</u>	<u>57,074</u>	<u>55,352</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 their role as a Trustee of Royal Collection Trust. Prior to the appointment of Sir Michael Stevens as Keeper of the Privy Purse and therefore as a Trustee of The Royal Collection Trust, the Trust reimbursed the Royal Household for a proportion of his remuneration (amounting to £18,000) for his role as Deputy Treasurer to The Queen within the Royal Household's shared finance function.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

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

The Trust paid liability insurance in respect of each Trustee at a cost of £222 per Trustee (2016-17: £234). None of the Trustees received reimbursed expenses (2016-17: nil). During the year, no lunches were provided for Trustees and senior management (2016-17: £856). Trustees also received complimentary copies of four Royal Collection Trust publications, at a total value of £595 (2016-17 two publications, £299). Upon completing their term as Trustee, one Trustee received a leaving gift, with a value £90 (2016-17 nil).

Total employee benefits for the eleven members of the Management Board was £1,161,307 (2017: ten members, £1,175,796). Total employee benefits include pension contributions of £180,664 (2017: £180,112). Of the eleven members of the Management Board, ten received reimbursed expenses totalling £9,857 (2016-17: nine - £10,173).

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

	Total remuneration		Salary		Pension payments	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Sir Jonathan Marsden	168	162	129	124	39	38

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 920 staff (2017: 965 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, was as follows:

	Number of employees	
	2018	2017
Retail, catering and photographic services	122	127
Custodial control	12	13
Conservation	43	42
Exhibitions and displays	6	6
Presentation and interpretation	89	87
Access	359	379
Fundraising	4	3
Finance, administration and IT	17	17
Royal Household Staff supporting Royal Collection Trust	57	57
	<u>709</u>	<u>731</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)

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	18,141	18,078
Redundancy and severance payments	156	-
Social security costs	1,616	1,503
Other pension costs (see note 20)	2,602	2,525
	<u>22,515</u>	<u>22,106</u>

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

The emoluments in excess of £60,000, excluding pension contributions but including salary enhancement in lieu of pension contribution, 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:

	2018		2017	
	All staff	Management Board	All staff	Management Board
£60,001 - £70,000	6	-	4	-
£70,001 - £80,000	1	-	1	-
£80,001 - £90,000	1	1	2	2
£90,001 - £100,000	1	1	2	2
£100,001 - £110,000	3	3	2	2
£110,001 - £120,000	-	-	-	-
£120,001 - £130,000	1	1	2	2
£130,001 - £140,000	1	1	-	-
£140,001 - £150,000	1	1	1	1
	<u>15</u>	<u>8</u>	<u>14</u>	<u>9</u>

Contributions to provide defined benefit pensions were made in respect of five of the above individuals amounting to £135,000 (2016-17: five, £142,000).

Royal Collection Trust

NOTES (forming part of the Financial Statements)

8 Governance costs

	Group	Group	Trust	Trust
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
External audit	27	31	18	22
Internal audit	61	71	15	18
Allocated internal costs	84	78	25	21
Trustee expenses (see note 7)	4	2	4	2
	<u>176</u>	<u>182</u>	<u>62</u>	<u>63</u>

9 Interest payable

No interest was payable during the year (2016-17: £Nil).

10 Deferred Income

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

	2018	2017
	£'000	£'000
At 1 April	854	650
Income brought forward released during year	(838)	(650)
Income deferred during year	<u>971</u>	<u>854</u>
At 31 March	<u>987</u>	<u>854</u>

Royal Collection Trust

NOTES (forming part of the Financial Statements)

II Intangible fixed assets

	Software development	Assets in course of construction	Total
	£'000	£'000	£'000
Group			
Cost			
At 1 April 2017	1,499	-	1,499
Additions	3	53	56
Transfers	-	-	-
Disposals /write-off	-	-	-
At 31 March 2018	1,502	53	1,555
Amortisation			
At 1 April 2017	1,297	-	1,297
Charge for the year	112	-	112
Disposals /write-off	-	-	-
At 31 March 2018	1,409	-	1,409
Net book value			
At 31 March 2018	93	53	146
At 31 March 2017	202	-	202
Trust			
Cost			
At 1 April 2017	787	-	787
Additions	3	53	56
Transfers	-	-	-
Disposals /write-off	-	-	-
At 31 March 2018	790	53	843
Amortisation			
At 1 April 2017	725	-	725
Charge for the year	35	-	35
Disposals /write-off	-	-	-
At 31 March 2018	760	-	760
Net book value			
At 31 March 2018	30	53	83
At 31 March 2017	62	-	62

Royal Collection Trust

NOTES (forming part of the Financial Statements)

12 Tangible fixed assets

	Building developments	Property Improvements	Plant and machinery	Furniture, fittings and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Cost						
At 1 April 2017	16,615	5,849	6,936	5,100	3,345	37,845
Additions	-	276	49	306	3,136	3,767
Transfers	-	47	-	24	(71)	-
Disposals /write-off	-	(3)	(33)	(156)	-	(192)
At 31 March 2018	16,615	6,169	6,952	5,274	6,410	41,420
Depreciation						
At 1 April 2017	6,124	4,057	5,376	4,116	-	19,673
Charge for the year	425	356	251	394	-	1,426
Disposals /write-off	-	(5)	(33)	(152)	-	(190)
At 31 March 2018	6,549	4,408	5,594	4,358	-	20,909
Net book value						
At 31 March 2018	10,066	1,761	1,358	916	6,410	20,511
At 31 March 2017	10,491	1,792	1,560	984	3,345	18,172
Trust						
Cost						
At 1 April 2017	16,615	5,609	6,658	3,199	3,329	35,410
Additions	-	207	48	206	3,063	3,524
Transfers	-	45	-	10	(55)	-
Disposals /write-off	-	(3)	(33)	(56)	-	(92)
At 31 March 2018	16,615	5,858	6,673	3,359	6,337	38,842
Depreciation						
At 1 April 2017	6,124	3,956	5,189	2,537	-	17,806
Charge for the year	425	331	237	256	-	1,249
Disposals /write-off	-	(5)	(33)	(56)	-	(94)
At 31 March 2018	6,549	4,282	5,393	2,737	-	18,961
Net book value						
At 31 March 2018	10,066	1,576	1,280	622	6,337	19,881
At 31 March 2017	10,491	1,653	1,469	662	3,329	17,604

The net book value of intangible and tangible assets held at 31 March 2018 amounted to £20,657,000 of which £19,715,000 was held for charitable activities and £942,000 was held for other trading activities.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

13 Fixed asset investments

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

Details of subsidiary undertaking:

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

14 Stock and work in progress

	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
Finished goods	4,065	3,209	-	-
Work in progress	977	611	-	-
	<u>5,042</u>	<u>3,820</u>	<u>-</u>	<u>-</u>

The increase in the stock value at 31st March 2018 was due primarily to the build up of commemorative china stocks relating to forthcoming Royal Events, and an increase in the production of Royal Collection publications.

15 Debtors

	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
Amounts falling due within one year				
Trade debtors	904	789	390	365
Amounts due from subsidiary	-	-	2,272	1,895
Other debtors	405	18	474	39
Prepayments and accrued income	<u>8,212</u>	<u>3,718</u>	<u>7,806</u>	<u>3,518</u>
	<u>9,521</u>	<u>4,525</u>	<u>10,942</u>	<u>5,817</u>

By agreement with the Royal Household, the Trust has financed the construction of the Frogmore Workshops. The workshops were completed in February 2018. In return for this, the Trust has gained the use of Pug Yard at Windsor Castle. A new Learning Centre is being created at Pug Yard, and this should be completed in April 2020.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

15 Debtors (continued)

The £5.0 million cost of the Frogmore Workshops is included within prepayments and accrued income and will be amortised over the life of the new Learning Centre, of which £4.8 million is recoverable more than one year after the reporting date (2016-17, £1.0 million). Other amounts included within prepayments and accrued income and recoverable more than one year after the reporting date include accrued fundraising pledges of £1.8 million (2016-17 £1.2 million).

16 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
Trade creditors	1,515	1,479	686	394
Other creditors including taxation	181	271	-	-
Accruals and deferred income	10,365	8,327	1,348	1,128
	<u>12,061</u>	<u>10,077</u>	<u>2,034</u>	<u>1,522</u>

17 Income Funds

Group	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total £'000
At 1 April 2017	764	27,120	(400)	28,049	55,533
Incoming resources	1,387	-	-	60,833	62,220
Resources expended	(231)	(6,612)	(200)	(50,663)	(57,706)
Transfers	-	3,245	-	(3,245)	-
Gains and losses	-	-	1,000	-	1,000
At 31 March 2018	<u>1,920</u>	<u>23,753</u>	<u>400</u>	<u>34,974</u>	<u>61,047</u>

Trust	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total £'000
At 1 April 2017	764	27,120	(400)	27,452	54,936
Incoming resources	1,387	-	-	48,895	50,282
Resources expended	(231)	(6,612)	(200)	(38,574)	(45,617)
Transfers	-	3,245	-	(3,245)	-
Gains and losses	-	-	1,000	-	1,000
At 31 March 2018	<u>1,920</u>	<u>23,753</u>	<u>400</u>	<u>34,528</u>	<u>60,601</u>

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

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	58	-	(29)	29
Getty Fund	3	-	-	3
Pilkington Fund	7	-	-	7
Publishing Supporters Fund	-	132	(61)	71
Future Programme Learning Fund	-	546	-	546
Learning Supporters Fund	-	15	-	15
Intern Supporters Fund	-	90	-	90
George III Archive Fund	-	64	(64)	-
Digitisation Fund	-	7	-	7
Prince Albert Digitisation Fund	-	455	-	455
	<u>77</u>	<u>1,309</u>	<u>(154)</u>	<u>1,232</u>
Exhibitions:				
The Queen's Gallery, London	259	-	(9)	250
The Queen's Gallery, Holyrood	96	-	(4)	92
	<u>355</u>	<u>-</u>	<u>(13)</u>	<u>342</u>
Conservation:				
The Queen's Bindery Apprentice Scheme	332	78	(64)	346
	<u>332</u>	<u>78</u>	<u>(64)</u>	<u>346</u>
	<u>764</u>	<u>1,387</u>	<u>(231)</u>	<u>1,920</u>

Assets representing funds:

Group	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total 2018 £'000	Total 2017 £'000
Intangible Fixed Assets	-	-	-	146	146	202
Tangible Fixed Assets	342	-	-	20,169	20,511	18,172
Current assets	1,578	23,753	-	26,720	52,051	47,636
Creditors: amounts falling due within one year	-	-	-	(12,061)	(12,061)	(10,077)
Pension asset / (liability)	-	-	400	-	400	(400)
At 31 March	<u>1,920</u>	<u>23,753</u>	<u>400</u>	<u>34,974</u>	<u>61,047</u>	<u>55,533</u>

Royal Collection Trust

NOTES (forming part of the Financial Statements)

17 Income Funds (continued)

Trust	Restricted funds £'000	Designated funds £'000	Pension reserve £'000	General funds £'000	Total 2018 £'000	Total 2017 £'000
Intangible Fixed Assets	-	-	-	83	83	62
Tangible Fixed Assets	342	-	-	19,539	19,881	17,604
Current assets	1,578	23,753	-	16,789	42,120	39,192
Creditors: amounts falling due within one year	-	-	-	(2,034)	(2,034)	(1,522)
Pension liability	-	-	400	-	400	(400)
At 31 March	1,920	23,753	400	34,377	60,450	54,936

18 Commitments

Capital commitments at 31 March 2018 for which no provision has been made were as follows:

	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
Contracted	5,878	499	5,878	476
Authorised but not contracted	17,412	18,575	16,932	18,291
	23,290	19,074	22,810	18,767

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

Operating Lease Commitments

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

	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
- within one year	155	36	38	28
- in the second to fifth year	471	74	74	60
- later than five years	370	-	-	-
	996	110	112	88

Royal Collection Trust

NOTES (forming part of the Financial Statements)

19 Donated goods, facilities and services receivable from non-exchange transactions recognised in the accounts

	Group	Group	Trust	Trust
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
- goods	-	225	-	225
- services	-	27	-	27
	<u>-</u>	<u>252</u>	<u>-</u>	<u>252</u>

20 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 three 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 1 April 2001.

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

The scheme actuary (Government Actuary's Department) valued the scheme as at 31 March 2014 and updates that valuation for International Accounting Standard 19: Employee Benefits (IAS19) annually. The total liabilities of the scheme of £112.0 million (2016-17: £116.8 million) are included in the resource accounts of the Consolidated Fund Account. Royal Collection Trust funds the employment costs of 20 of the 64 active members of the scheme as at 31 March 2018. 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:

Royal Collection Trust

NOTES (forming part of the Financial Statements)

20 Pension schemes (continued)

	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%

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 £2,602,000 (2016-17: £2,525,000).

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

Scheme 1

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

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 £0.7 million are expected to be paid by Royal Collection Trust to the Scheme during the year ending on 31 March 2019.

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 2018	31 March 2017
	% pa	% pa
RPI Inflation	3.1	3.2
CPI Inflation	2.0	2.1
Rate of increase in salaries	3.5	3.6
Pension increases (Post 93 service)	3.0	3.1
Pension increases (Pre 93 service)	5.0	5.0
Discount rate for Scheme liabilities	2.6	2.6

Royal Collection Trust

NOTES (forming part of the Financial Statements)

20 Pension schemes (continued)

Main demographic assumptions	31 March 2018	31 March 2017
Mortality	100% of the S2PXA 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
Life expectancy for male currently aged 65	22.6 years	22.5 years
Life expectancy for female currently aged 65	24.7 years	24.6 years
Life expectancy at 65 for male currently aged 45	24.3 years	24.2 years
Life expectancy at 65 for female currently aged 45	26.6 years	26.5 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

Scheme asset allocation	31 March 2018		31 March 2017	
	£m	%	£m	%
UK equities	3.2	11	3.2	11
Overseas equities	13.5	45	14.1	48
Fixed interest gilts	2.3	8	1.9	6
Index-linked gilts	7.5	25	7.8	26
Property	3	10	2.4	8
Cash/net	0.4	1	0.4	1
Total	29.9	100	29.8	100

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

	31 March 2018	31 March 2017
Reconciliation of funded status to balance sheet		
	£m	£m
Fair value of assets	29.9	29.8
Present value of funded defined benefit obligations	(29.5)	(30.2)
Funded status	0.4	(0.4)
Unrecognised asset	-	-
Asset / (liability) recognised on the balance sheet	0.4	(0.4)

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

Royal Collection Trust

NOTES (forming part of the Financial Statements)

20 Pension schemes (continued)

Amounts recognised in income statement

	Year ending 31 March 2018	Year ending 31 March 2017
	£m	£m
Operating cost:		
Current service cost	0.7	0.6
Administration expenses	0.1	0.1
Financing cost:		
Interest on net defined benefit liability/(asset)	-	-
Pension expense recognised in profit and loss	<u>0.8</u>	<u>0.7</u>

Amounts recognised in Other Comprehensive Income

	Year ending 31 March 2018	Year ending 31 March 2017
	£m	£m
Asset gains/(losses) arising during the year	(0.7)	5.0
Liability gains/(losses) arising during the year	1.7	(5.2)
Total amount recognised in OCI	<u>1.0</u>	<u>(0.2)</u>

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 March 2018	Year ending 31 March 2017
	£m	£m
Opening defined benefit obligation (DBO)	30.2	24.1
Current service cost	0.7	0.6
Interest expense on DBO	0.8	0.8
Actuarial (gains)/losses on liabilities	(1.7)	5.2
Net benefits paid out	(0.5)	(0.5)
Closing defined benefit obligation	<u>29.5</u>	<u>30.2</u>

Changes to the fair value of Scheme assets during the year

	Year ending 31 March 2018	Year ending 31 March 2017
	£m	£m
Opening fair value of Scheme assets	29.8	24.0
Interest income on Scheme assets	0.8	0.8
Gain/(loss) on Scheme assets	(0.7)	5.0
Contributions by the Group	0.6	0.6
Net benefits paid out	(0.5)	(0.5)
Administration costs incurred	(0.1)	(0.1)
Closing fair value of Scheme assets	<u>29.9</u>	<u>29.8</u>

Royal Collection Trust

NOTES (forming part of the Financial Statements)

20 Pension schemes (continued)

Actual return on Scheme assets	Year ending 31 March 2018	Year ending 31 March 2017
	£m	£m
Interest income on Scheme assets	0.8	0.8
Gain/(loss) on Scheme assets	(0.7)	5.0
Actual return on Scheme assets	<u>0.1</u>	<u>5.8</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 2019 £m
Current service cost	0.7
Administration expenses	<u>0.1</u>
Total estimated pension expense	<u>0.8</u>

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	£29.9m	(£29.5m)	£0.4m
Following a 0.25% decrease in the discount rate	Change £0.0m	(£1.5m)	(£1.5m)
	New value £29.9m	(£31.0m)	(£1.1m)
Following a 0.25% increase in the inflation assumption	Change £0.0m	(£1.2m)	(£1.2m)
	New value £29.9m	(£30.7m)	(£0.8m)
Following a one year increase in life expectancy	Change £0.0m	(£1.0m)	(£1.0m)
	New value £29.9m	(£30.5m)	(£0.6m)

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)

21 Related Party Transactions

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

Related Party £000	Balance at Year End		Transactions in the year		Details of Transaction
	2018	2017	2018	2017	
Royal Household	(8,361)	(6,856)	16,145	12,641	Charges to Royal Collection Trust (RCT) for various services including personnel, payroll, pensions administration, internal audit, records management, property maintenance services and IT services and the funding of the Frogmore workshop, etc.
Royal Household	7	7	31	50	Recovery of costs incurred on behalf of the Royal Household.
Privy Purse Charitable Trust (PPCT)	(8)	(7)	632	580	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	-	-	1,930	1,883	Payment in respect of admissions to St George's Chapel, Windsor Castle collected by Royal Collection Enterprises Limited (RCEL) as agent.
Privy Purse (including Windsor Farm Shop and Royal farms)	(30)	(-)	83	104	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 Trust ice cream.
Privy Purse	-	-	10	286	Recovery of costs incurred on behalf of the RCEL and RCT.
A G Carrick (Highgrove)	18	29	107	134	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	-	-	12	12	Recovery of costs incurred on behalf of the RCEL.
Office of HRH The Prince of Wales	-	-	6	15	Recovery of costs incurred on behalf of the HRH The Prince of Wales and the purchase of RCEL stock.
Historic Royal Palaces (HRP)	-	13	189	127	Recovery of costs from HRP for maintenance, services and goods provided by RCT.
Balmoral Estate	-	-	18	23	Purchase of RCEL goods for resale.
Balmoral Estate	-	-	13	12	Sale of Balmoral of goods for resale.
Sandringham Estate	-	-	1	5	Purchase of RCEL goods for resale.

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)

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

Business review

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

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

The official residences of The Queen

Windsor Castle

Frogmore House, Windsor Home Park

Buckingham Palace State Rooms

The Queen's Gallery, Buckingham Palace

The Royal Mews, Buckingham Palace

Palace of Holyroodhouse

The Queen's Gallery, Palace of Holyroodhouse

The official residence of The Prince of Wales

Clarence House

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

The Royal Collection Trust has responsibility for admitting visitors to the official residences of The Queen and the official residence of The Prince of Wales and the company acts as an agent of The Trust in managing the admission of visitors to the official residences.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

22 Royal Collection Enterprises Limited (continued)

Profit and Loss Account

for the year ended 31 March 2018

	2018	2017
	£'000	£'000
Turnover	50,453	49,681
Direct costs, including cost of sales	(40,870)	(40,206)
Gross profit	9,583	9,475
Administrative expenses	(2,362)	(2,079)
Donations payable	(632)	(580)
Other operating income	464	418
Operating profit	7,053	7,234
Interest receivable and other similar income	16	19
Profit on ordinary activities before taxation	7,069	7,253
Tax charge	(1,372)	(1,443)
Profit for the financial year	5,697	5,810

Other comprehensive income

Profit for the financial year	5,697	5,810
Gift aid committed	(7,220)	(7,215)
Current tax credit	1,372	1,443
Total comprehensive (expense) / income for the financial year	(151)	38

Balance sheet

as at 31 March 2018

	2018	2017
	£'000	£'000
Fixed and current assets	12,820	11,068
Current liabilities	(12,374)	(10,471)
Net assets and shareholder's funds	446	597