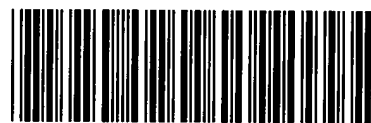


Royal Collection Enterprises Limited
Directors' report and financial statements

31 March 2016

Company number 2778486

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Royal Collection Enterprises Limited

Directors' Report and Financial Statements

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Royal Collection Enterprises Limited

Corporate Information

Company number: 2778486

Registered office: York House
St James's Palace
London
SW1A 1BQ

Directors

Sir Alan Reid, GCVO (Chairman)
Mr Rufus Bird
Miss Frances Dunkels, LVO
Mrs Kerry Francois, LVO
Mr Keith Harrison
Vice Admiral Tony Johnstone-Burt, CB, OBE
Mrs June Lawlor-Warner
Mrs Nuala McGourty, LVO
Mr Jonathan Marsden, CVO, FSA
Ms Jemima Rellie
Mr Desmond Shawe-Taylor, LVO

Advisors

Auditor	KPMG LLP 15 Canada Square, London E14 5GL
Banker	Coutts & Co 440 Strand, London WC2R 0QS
Solicitor	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH

Royal Collection Enterprises Limited

Strategic Report

Royal Collection Enterprises Limited (the company) is the wholly-owned subsidiary of The Royal Collection Trust, a company limited by guarantee and registered as a charity in England & Wales and Scotland.

Review of the Year

The key performance measures for the company relate to visitor numbers, the level of retail sales and retail profitability.

Visitor numbers

Visitor numbers overall for 2015/16 showed a slight improvement on prior year, with paying visitors falling just short of 2.5 million. When complementary and One Year Pass holders are added, total visitors for the year were 2,646,000. Within that total, there was a noticeable improvement in visitor numbers at Holyroodhouse, with visitors to both the Palace and the Gallery increasing by 12.8%. Full details of visitors by location were as follows:

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

In addition, Learning Centre visitors totalled 61,000 compared with 55,000 in the previous year.

Retail

Retail sales bounced back following the disappointing prior year, with an overall increase in turnover of over 11.2%. Merchandise relating to The Queen's longest reign milestone in September 2015, and 90th Birthday celebrations in 2016 both helped to drive sale volumes. Online sales doubled, exceeding £1m for the first time, while sales via wholesale increased by 60.3%. Overall gross profit margin remained consistent with the prior year at 60.6%.

Royal Collection Enterprises Limited

Strategic Report (continued)

Photographic Services

Income for the Picture Library, which amounted to £218,000 for the year, derives predominantly from the supply of photographic material for inclusion in television programmes and printed publications. Over 17,000 reproduction quality photographs were added to the Picture Library stock as a result of new photography undertaken during the year and over 65,000 photographs were added to the internal digital database which included inventory and conservation photography.

Publishing

Royal Collection Trust published ten new titles in print format in 2015/16, including exhibition catalogues, a catalogue raisonné on 'Dutch Pictures in the Collection of Her Majesty The Queen' by Sir Christopher White, and a children's book written by Queen Victoria and illustrated using her own collection of paper dolls. An educational app on 'Kings & Queens: 1,000 Years of British Royal History', was also launched. Foreign rights were sold for five exhibition catalogues, covering five territories.

Financial Review

Management fees for the year were £27.4 million, an increase of over 7.0% on the previous year. This increase was primarily driven by the increase in staff costs and facilities management charges. Turnover overall increased by 8.6% due to strong retail performance and growth in visitor numbers outlined above. There were no other noteworthy changes in costs.

As a consequence, operating profit grew to £6.1 million, an increase of 17.0% on prior year. There was a corresponding increase in the amount payable to The Royal Collection Trust under deed of covenant.

In view of the current trading outlook and the financial position of the company, the directors have concluded that the use of the going concern basis in preparing these financial statements is appropriate. While the company continues to manage the risks outlined below, there are no material uncertainties related to events or conditions that may cast doubt on the ability of the company to continue as a going concern.

These financial statements have been prepared in accordance with Financial Reporting Standard 102. As a consequence it has been necessary to restate some prior year figures. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 22.

Royal Collection Enterprises Limited

Strategic Report (continued)

Plans for Future Periods

The company's plans are informed by the strategic priorities of its holding company, The Royal Collection Trust. For the coming period, The Royal Collection Trust has identified the following six priorities:

- 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;
- To encourage greater enjoyment of the Royal Collection and Palaces by digital means;
- To maintain and further develop all sources of revenue;
- To deliver capital investment to improve visitor experience at our sites;
- To ensure that our resources are effectively deployed on the long term care of the Collection and to promote our work in this area; and
- To ensure that all employees take responsibility for representing the personality and values of Royal Collection Trust.

In line with these priorities, the company's aims are to increase visitor numbers, particularly from the UK, to ensure an enjoyable, rewarding experience for all who do attend and to increase revenues from all other sources. To support this, a programme of exhibitions, including regional tours, and large scale events will be developed in 2016/17, the company will seek to maximise the opportunities presented by Her Majesty The Queen's 90th Birthday celebrations and the scope to increase the volume of retail space in use will be investigated.

Risk Management

The principal risks facing the company are:

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

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

Visitor numbers may fluctuate for a variety of reasons, e.g. the state of the UK and world economy, tourism trends, foreign currency exchange rates, and the perceived threat of terrorism in the UK. The company seeks to mitigate the effect of such fluctuations through the development of alternative income streams relating to retail, catering, publishing and photographic services.

Royal Collection Enterprises Limited

Strategic Report (continued)

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 the company's shops has contributed to the development of income streams that are not reliant on visitors to the Official Residences e.g. the on-line shop, wholesale accounts and licensing.

The risk management process is addressed jointly with the holding company, The Royal Collection Trust. The Management Board of Royal Collection Trust in conjunction with senior management in the Royal Household is responsible for the management of the risk process. Departmental Heads and senior managers are responsible for identifying, assessing and managing risk in their areas of responsibility and all staff are encouraged to identify operational risks in the performance of their duties.

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

The Audit Committee is a sub-committee of the Board of Trustees of The Royal Collection Trust. It is responsible for assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks and is supported in this role by the internal audit function.

The Chairman of the Audit Committee reports to the Board of Trustees at each meeting of the Trustees 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.

The Audit Committee meets three times annually and reviews the risk register twice a year. This follows a detailed review and discussion by the Management Board. The internal audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit Committee that is aligned to the risk register and the

Royal Collection Enterprises Limited

Strategic Report (continued)

company's objectives. Evaluation of the company's exposure to risk includes consideration of governance, operational and information systems, the integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, regulations and contracts. The findings of reviews are reported to the Audit Committee:

The Audit Committee monitors management's progress with the implementation of agreed internal audit recommendations ensuring that management establish appropriate priorities:

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

Royal Collection Enterprises Limited

Directors' Report

Principal activities

The principal activities of the company are the management of public access to the official residences of The Queen and the official residence of The Prince of Wales and the sale of merchandise in shops at each location. Taxable profits are donated in full under deed of covenant to the holding company, The Royal Collection Trust, a company limited by guarantee and registered as a charity. Royal Collection Enterprises Limited and The Royal Collection Trust are collectively referred to by the group name Royal Collection Trust. The company thus generates income for The Royal Collection Trust for the presentation, maintenance and conservation of the Royal Collection.

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

The official residences of The Queen

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

The official residence of The Prince of Wales

- Clarence House

In addition to the above, income is raised through off-site retail activities (including online sales, the distribution of books and licensing of publications); catering at The Palace of Holyroodhouse and the Buckingham Palace Summer Opening, and fees for reproducing images of items in the Royal Collection.

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

Royal Collection Enterprises Limited

Directors' Report (continued)

Directors and Directors' Interests

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

Sir Alan Reid, GCVO (Chairman)

Mr Rufus Bird

Miss Frances Dunkels, LVO

Mrs Kerry Francois, LVO

Mr Keith Harrison

Mrs Nuala McGourty, LVO

Mr Jonathan Marsden, CVO, FSA

Ms Jemima Rellie

Mr Desmond Shawe-Taylor, LVO

Vice Admiral Tony Johnstone-Burt, CB, OBE - Non Executive Director

Mrs June Lawlor-Warner – Non Executive Director (appointed 30th June 2015)

None of the directors who held office at 31 March 2016 had any disclosable interest in the shares of the company. According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the year.

Liability insurance

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

Employment policies

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

Disclosure of information to auditor

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

Royal Collection Enterprises Limited

Directors' Report (continued)

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 Board



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

27 June 2016

Royal Collection Enterprises Limited

Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

We have audited the financial statements of Royal Collection Enterprises Limited for the year ended 31 March 2016 set out on pages 14 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

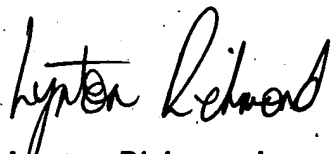
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the members of Royal Collection
Enterprises Limited**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Lynton Richmond

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

27 June 2016

Royal Collection Enterprises Limited

Profit and Loss Account

for the year ended 31 March 2016

	Note	2016 £'000	2015* £'000
Turnover	1,2	44,207	40,702
Direct costs, including cost of sales	2	(36,111)	(33,684)
Gross profit	2	8,096	7,018
Administrative expenses		(1,929)	(1,915)
Donations payable	3	(537)	(541)
Other operating income	7	468	650
Operating profit		6,098	5,212
Interest receivable and other similar income	8	2	2
Profit on ordinary activities before and after taxation	4	6,100	5,214
Deed of covenant		(6,156)	(5,197)
Retained profit for the financial year	15,16	(56)	17

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22

There are no recognised gains or losses other than those included above.

The profit on ordinary activities before and after taxation is measured under the historical cost convention.

The notes on pages 16 to 29 form part of these financial statements.

Royal Collection Enterprises Limited

Balance Sheet

at 31 March 2016

		2016		2015*	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9	227		313	
Tangible assets	10	580		644	
			807		957
Current assets					
Stock and work in progress	11	3,936		3,225	
Debtors	12	862		586	
Cash at bank and in hand		6,909		4,223	
		11,707		8,034	
Creditors: amounts falling due within one year	13	(11,955)		(8,376)	
Net current liabilities			(248)		(342)
Total assets less current liabilities			559		615
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		559		615
Shareholder's funds			559		615

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22.

The notes on pages 16 to 29 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 June 2016 and were signed on its behalf by:



Sir Alan Reid
Chairman

Royal Collection Enterprises Limited

Notes

(forming part of the financial statements)

I Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014.

The company has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 22.

The directors have reviewed cash flow forecasts for twelve months from the date of approval of the accounts, and consider that it is appropriate to prepare these accounts under the going concern basis.

The company is exempt from the requirement of FRS 102 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of The Royal Collection Trust (limited by guarantee) and its cash flows are included within the consolidated cash flow statement of that company.

Under FRS 102, the company is exempt from the requirement to disclose the details of related party transactions with its parent undertaking.

Turnover

Turnover, which excludes Value Added Tax, includes management fees for managing the admission of visitors to the official residences of The Queen and the official residence of The Prince of Wales, income from the publication of books on the Royal Collection and the granting of rights for the use of images from the Royal Collection in books and other media, income from the café operations for visitors to the official residences and sales of merchandise. Management fees comprise both direct and indirect costs related to these activities and a contribution to central management and administrative costs.

Other operating income includes sponsorship and other income.

Fixed assets and depreciation

The buildings comprising Windsor Castle, Buckingham Palace (including The Queen's Gallery and the Royal Mews) and the Palace of Holyroodhouse (including The Queen's Gallery) are owned by The Queen as Sovereign and maintained by the Royal Household Property Section and Historic Environment Scotland and are therefore not capitalised in these financial statements. However, where improvements are made to these buildings by the company, in order to increase revenues, the expenditure is capitalised and depreciation is charged over the estimated useful lives of the assets.

Royal Collection Enterprises Limited

Notes (continued)

I Accounting policies (continued)

Fixed assets and depreciation (continued)

No depreciation 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 profit and loss account as incurred.

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

Property improvements	-	10 to 20 years
Plant and 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.

Publishing

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

Stock and work in progress

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

Foreign currencies

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

Royal Collection Enterprises Limited

Notes (continued)

I Accounting policies (continued)

Pensions

The company participates in a pension scheme, The Royal Households Group Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The scheme which provides benefits based on final pensionable salary is part of a group scheme, the contributions to which are determined by a qualified actuary based on the triennial valuations. The scheme is accounted for in accordance with FRS102 with current service cost recognised in the companies profit or loss. It is the stated policy of the Trustees that assets and liabilities of the scheme are recognised in the financial statements of The Royal Collection Trust.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Further details of the pension schemes are provided in note 18.

Taxation

The company fully provides for both current and deferred tax to the extent that it has any liability to tax. However, it is bound by a deed of covenant to transfer all of its taxable profit to The Royal Collection Trust and consequently has no liability to tax.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Liabilities

Liabilities are recognised when a constructive obligation arises.

Royal Collection Enterprises Limited

Notes (continued)

2 Turnover and gross profit

Turnover and gross profit from each of the company's main activities may be analysed as set out below.

	Management fees £'000	Retail and publishing £'000	Other £'000	2016 Total £'000	2015* Total £'000
Turnover	27,431	16,395	381	44,207	40,702
Direct costs, including cost of sales	(22,114)	(13,493)	(504)	(36,111)	(33,684)
Gross profit/(loss)	<u>5,317</u>	<u>2,902</u>	<u>(123)</u>	<u>8,096</u>	<u>7,018</u>

3 Donations payable

Donations made during the year were as follows:

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

4 Profit on ordinary activities before and after taxation

	2016 £'000	2015 £'000
Profit on ordinary activities before and after taxation is stated after charging:		
Auditor's remuneration		
Audit of these financial statements	9	10
Other services - taxation	5	5
Depreciation, amortisation and other amounts written off owned fixed assets	232	249
Operating lease charges	<u>124</u>	<u>118</u>

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22.

Royal Collection Enterprises Limited

Notes (continued)

5 Directors' Emoluments

	2016	2015
	£'000	£'000
Emoluments including pension contributions	577	539

The key management personnel of the company are the directors of the company.

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

The Chairman received no emoluments during the year in connection with services to the company. The company met the cost of directors' liability insurance in relation to the Chairman of £225 (2014-15: £206). The emoluments, excluding pension contributions, of the highest paid director were £100,206 (2014-15: £99,213).

Contributions to provide defined pension benefits were made for three directors (2014-15: three). The accrued benefits due to the highest paid director at 31 March 2016 amounted to an annual pension of £26,801 or a reduced pension of £19,219 and a lump sum of £128,129 (2014-15: £25,118 or a reduced pension of £18,108 and a lump sum of £120,719).

Royal Collection Enterprises Limited

Notes (continued)

6 Staff numbers and costs

The average monthly head count was 783 staff (2015: 747 staff) and the average number of full-time equivalent staff employed by the group or on permanent secondment from the Royal Household, analysed by category, were as follows:

	Number of employees	
	2016	2015 ^R
Windsor Castle	175	174
Buckingham Palace	199	189
Palace of Holyroodhouse	59	59
Central Retail & Warehousing	23	21
Public Relations & Marketing	13	11
Publishing	7	5
Learning	14	10
Photographic Services	8	7
Finance & Administration	14	12
Royal Household staff directly supporting Royal Collection Enterprises	46	48
	<u>558</u>	<u>536</u>

^R restatement increases Royal Household staff supporting RCEL by 8.

The aggregate payroll costs of these persons were as follows:

	2016	2015*
	£'000	£'000
Wages and salaries	12,464	11,457
Social security costs	910	863
Other pension costs (see note 18)	1,625	1,544
	<u>14,999</u>	<u>13,864</u>

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

In the year provision has been made for one redundancy package (2014-15: 1). The redundancy package (including severance payment) is as follows:

	2016	2015
Less than £25,000	<u>1</u>	<u>1</u>

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22.

Royal Collection Enterprises Limited

Notes (continued)

7 Other operating income

	2016	2015
	£'000	£'000
Other income - sponsorship, grants & fees	468	650
	<u>468</u>	<u>650</u>

8 Interest receivable and other similar income

	2016	2015
	£'000	£'000
Bank interest	2	2
	<u>2</u>	<u>2</u>

9 Intangible fixed assets

	Software*
	£'000
Cost	
At 1 April 2015	724
Disposals /write-offs	(12)
At 31 March 2016	<u>712</u>
Depreciation	
At 1 April 2015	411
Charge for the year	86
Disposals /write-offs	(12)
At 31 March 2016	<u>485</u>
Net book value	
At 31 March 2016	<u>227</u>
At 31 March 2015	<u>313</u>

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22.

Royal Collection Enterprises Limited

Notes (continued)

10 Tangible fixed assets

	Property improvements	Plant and machinery	Furniture, fittings and equipment	Total*
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2015	290	278	1,924	2,492
Additions	1	-	85	86
Disposals /write-offs	(48)	-	(116)	(164)
At 31 March 2016	243	278	1,893	2,414
Depreciation				
At 1 April 2015	103	161	1,584	1,848
Charge for the year	25	13	108	146
Disposals /write-offs	(44)	-	(116)	(160)
At 31 March 2016	84	174	1,576	1,834
Net book value				
At 31 March 2016	159	104	317	580
At 31 March 2015	187	117	340	644

11 Stock and work in progress

	2016	2015
	£'000	£'000
Finished goods	3,214	2,782
Work in progress	722	443
	3,936	3,225

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22.

Royal Collection Enterprises Limited

Notes (continued)

12 Debtors

	2016	2015
	£'000	£'000
Trade debtors	430	350
Other debtors including taxation	220	13
Prepayments and accrued income	212	223
	<u>862</u>	<u>586</u>

13 Creditors: amounts falling due within one year

	2016	2015*
	£'000	£'000
Trade creditors	943	866
Amounts due to parent undertaking	2,452	194
Other creditors	844	592
Accruals and deferred income	7,716	6,724
	<u>11,955</u>	<u>8,376</u>

14 Called up share capital

	2016	2015
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

15 Reserves

	Profit and* loss account £'000
At beginning of year	615
Retained profit for the year	(56)
At end of year	<u>559</u>

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22.

Royal Collection Enterprises Limited

Notes (continued)

16 Movement in shareholder's funds

	2016	2015*
	£'000	£'000
Retained profit for the year	(56)	17
Opening shareholder's funds	615	598
Closing shareholder's funds	<u>559</u>	<u>615</u>

17 Commitments

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

	2016	2015
	£'000	£'000
Contracted	-	60
Authorised but not contracted	25	397
	<u>25</u>	<u>457</u>

Operating lease commitments

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

	2016	2015
	£'000	£'000
- within one year	105	120
- in the second to fifth year	21	105
	<u>126</u>	<u>225</u>

18 Pension scheme

As explained in the accounting policies set out on page 18 the company participates in a pension scheme, The Royal Households Group Pension Scheme. Benefits are based on final pensionable pay, a member's length of service and is non-contributory for employees. It is the stated policy of the Trustees of the parent company, The Royal Collection Trust, that assets and liabilities of the scheme are to be recognised in the financial statements of The Royal Collection Trust.

Details of the most recent valuation of the scheme, together with the assumptions which have the most significant effect on the results of the valuation, are given in the financial statements of the parent company, The Royal Collection Trust.

* In preparing its FRS 102 financial statements, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in note 22

Royal Collection Enterprises Limited

Notes (continued)

The scheme is closed to new members. Employees joining the group after 1 April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme after six months service.

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

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of The Royal Collection Trust, a company limited by guarantee registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by its ultimate parent company, The Royal Collection Trust, registered in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from the Director of the Royal Collection, The Royal Collection Trust, York House, St James's Palace, London, SW1A 1BQ.

20 Guarantee

On 12 February 1997 the company provided a guarantee to Coutts & Co. in consideration for the granting of an overdraft facility in favour of its parent company, The Royal Collection Trust. At 31 March 2016 there was no overdraft in either the company or the parent company.

Royal Collection Enterprises Limited

Notes (continued)

21 Related Party Transactions

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

Related Party £000	Balance at Year End		Transactions in the year		Details of Transaction
	2016	2015	2016	2015	
Royal Household	(6,799)	(5,880)	9,754	9,183	Charges to Royal Collection Enterprises Limited (RCEL) for various services including personnel, payroll, pensions administration, internal audit, records management, property maintenance services, IT services etc.
Royal Household	(1)	(11)	41	43	Recovery of costs incurred on behalf of the Royal Household.
Privy Purse Charitable Trust (PPCT)	(15)	(4)	537	541	Donation to the PPCT in lieu of its right to charge for admission to Queen Mary's Dolls' House, Windsor Castle.
Privy Purse	-	-	243	227	Recovery of costs incurred on behalf of the RCEL.
St George's Chapel	-	-	1,839	1,831	Payment in respect of admissions to St. George's Chapel, Windsor Castle collected by the company as agent and compensation for the loss of retail income.
A G Carrick (Highgrove)	22	16	150	69	Purchase of RCEL goods for resale, and commission on sales of admission tickets for the gardens at Highgrove House.
Office of HRH The Prince of Wales	-	(1)	-	12	Recovery of costs incurred on behalf of the RCEL.
Office of HRH The Prince of Wales	-	-	3	3	Purchase of RCEL stock.
Historic Royal Palaces (HRP)	10	25	174	78	Recovery of costs from HRP for maintenance, services and goods for resale purchased from RCEL.
Privy Purse (including Royal Farms and Windsor Farm Shop)	(22)	(23)	86	69	Purchase of RCEL goods for resale and recharge of costs incurred on behalf of Privy Purse. Royalty to Royal Farms for milk in Royal Collection ice cream.
Balmoral Estate	1	2	19	27	Purchase of RCEL goods for resale.
Balmoral Estate	-	-	2	20	Purchase of Balmoral goods for resale.
Sandringham Estate	3	-	16	1	Purchase of RCEL goods for resale.
Mrs June Lawlor-Warner	-	-	4	-	Fees in respect of service as non executive director of Royal Collection Enterprises Ltd

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

Royal Collection Enterprises Limited

Notes (continued)

22 Transition to FRS 102

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

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

Notes to the reconciliation of Balance Sheet and Profit and Loss

a. Intangible Fixed assets

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

b. Holiday pay accrual

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

Royal Collection Enterprises Limited

Notes (continued)

22 Transition to FRS 102 – reconciliation of Royal Collection Enterprises Limited Profit and Loss for the year ending 31 March 2015

	Note	As previously stated £'000	2015 Effect of transition £'000	FRS 102 (as restated) £'000
Turnover		40,702	-	40,702
Direct costs, including cost of sales	b	(33,660)	(24)	(33,684)
Gross profit		7,042	(24)	7,018
Administrative expenses		(1,915)	-	(1,915)
Donations payable		(541)	-	(541)
Other operating income		650	-	650
Operating profit		5,236	(24)	5,212
Interest receivable and other similar income		2	-	2
Profit on ordinary activities before and after taxation		5,238	(24)	5,214
Deed of covenant		(5,197)	-	(5,197)
Retained profit for the financial year		41	(24)	17

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

		1 April 2014			31 March 2015		
	Note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Fixed assets							
Intangible assets	a	-	35	35	-	313	313
Tangible assets	a	1,056	(35)	1,021	957	(313)	644
		1,056	-	1,056	957	-	957
Current assets							
Stock and work in progress		3,338	-	3,338	3,225	-	3,225
Debtors		508	-	508	586	-	586
Cash at bank and in hand		5,432	-	5,432	4,223	-	4,223
		9,278	-	9,278	8,034	-	8,034
Creditors: amounts falling due within one year	b	(9,509)	(227)	(9,736)	(8,125)	(251)	(8,376)
Net current liabilities		(231)	(227)	(458)	(91)	(251)	(342)
Total assets less current liabilities		825	(227)	598	866	(251)	615
Capital and reserves							
Profit and loss account	b	825	(227)	598	866	(251)	615
Shareholder's funds		825	(227)	598	866	(251)	615