

**The International Shakespeare
Globe Centre Limited**

Directors' report and financial statements

31 March 1998

Registered number 997433



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

Principal activities

The principal activities of the company have been the pursuit of the educational and charitable objectives of The Shakespeare Globe Trust and the development of a site on Bankside, Southwark for The International Shakespeare Globe Centre and its related activities.

Business review

The company continued during the year to pursue the re-construction of Shakespeare's Globe Theatre and to participate in a variety of educational and charitable activities.

The success of the National Lottery bid in 1995 allowed the building works to proceed at a far faster pace than had been possible for some years. The Globe itself, its foyers, dressing rooms, catering facilities and administration buildings were completed in time for the Festival of Firsts in June 1997, and the first full theatre season.

The International Shakespeare Globe Centre still requires the completion of the Undercroft and the design and construction of the final exhibition therein. Further funding of approximately £6.5 million is needed for this. During the course of the year the needs of the Education Department and the Theatre Company were reviewed and as a result an earlier plan to develop a building in Bear Gardens as teaching and rehearsal studios was revived. The projected cost of this work is £5.2 million.

Two Shakespeare Globe Theatre Companies were formed in 1997 performing the Shakespeare plays, "The Life of Henry V" and "A Winters Tale", and two plays by his contemporaries, "A Chaste Maid in Cheapside" and "The Maid's Tragedy". They played for 149 performances, achieving 87% of capacity and a box office return of 83%. Visiting Companies played for 16 performances, with Umabatha, (the Zulu MacBeth), achieving 87% capacity. Education Department continued to grow receiving some 37,000 students through its Bear Gardens Education Centre, a substantial increase for the fourth year in succession. The Exhibition also increased with some 165,000 visitors and shop revenues of £469,000. These activities have contributed to a significant increase in the income of the company, up from £1.6million to £4.9million, which has resulted in the achievement of an operating surplus of £454,000 for the year. For the first year, this has enabled the company to achieve its financial aim of supporting the Trust's educational and charitable purposes, by providing for covenants of £440,000 to be made to the Trust.

Directors' report

Directors and directors' interests

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

K Baxter
Lord Birkett of Ulverston
RB Brooke
AP Butland
BL Day
Dr DM Delvin
RF Erith
KH Grange
Prof. AJ Gurr
JM Hignett
AG Jackson
RC Jackson
PH Kent
JE Link (American)
Sir Peter Parker
R Parry
Sir Michael Perry
SLA Perry
BMH Shaw
P Tucker
Prof. SW Wells

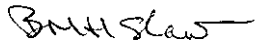
(resigned 29 July 1997)

No director held any interest in the share capital of the company during the financial year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



BMH Shaw
Secretary

21 New Globe Walk
London
SE1 9DT

27 July 1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit on its income and expenditure account for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



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London
EC4Y 8BB

Report of the auditors to the members of The International Shakespeare Globe Centre Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 1998 and of the result of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

29 July 1998

Income and expenditure account

for the year ended 31 March 1998

	Note	£	1998 £	£	1997 £
Income					
Education, exhibition, theatre and other receipts	2		4,877,121		1,578,237
Deferred income credit – Arts Council Lottery Grant	14		229,000		-
Donations from holding company			-		23,315
			<hr/>		<hr/>
			5,106,121		1,601,552
Expenditure					
Education, exhibition and theatre expenses	6	4,054,224		1,510,809	
Administrative expenses		123,497		84,260	
Building depreciation	9	474,748		-	
			<hr/>	<hr/>	
			(4,652,469)		(1,595,069)
 Operating income less expenditure	8		<hr/>		<hr/>
Interest receivable and similar income	3		453,652		6,483
Interest payable and similar charges	7		23,255		15,758
			(26,344)		(22,241)
			<hr/>		<hr/>
Income less expenditure			450,563		-
Less appropriations:					
Deeds of covenant to holding company			(439,870)		-
			<hr/>		<hr/>
Surplus carried forward			10,693		-
			<hr/>		<hr/>

There have been no acquisitions or discontinued operations in the period.

There have been no material gains or losses other than those disclosed in the income and expenditure account.

There is no difference between the result on a historic cost basis and that shown in the income and expenditure account.

Balance sheet

at 31 March 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	9		23,451,214		18,745,016
Current assets					
Stocks	10	116,424		55,913	
Debtors	11	404,333		1,412,284	
Cash at bank and in hand		391,806		409,347	
		<u>912,563</u>		<u>1,877,544</u>	
Creditors: amounts falling due within one year	12	(2,258,751)		(2,204,688)	
Net current liabilities			(1,346,188)		(327,144)
Total assets less current liabilities			<u>22,105,026</u>		<u>18,417,872</u>
Creditors: amounts falling due after more than one year	13		(7,562,858)		(6,488,890)
Deferred income: The Arts Council of England National Lottery Fund Grant	14		(11,221,005)		(8,618,512)
			<u>3,321,163</u>		<u>3,310,470</u>
Capital and reserves					
Called up share capital	15		3,310,470		3,310,470
Income & expenditure account			10,693		-
Shareholders' funds	18				
Equity funds		10,743		50	
Non-equity funds		3,310,420		3,310,420	
		<u>3,321,163</u>		<u>3,310,470</u>	

These financial statements were approved by the board of directors on 27 July 1998 and were signed on its behalf by:

Sir Michael Perry
Chairman

RB Brooke
Director

The notes on pages 8 to 16 form part of these financial statements.

Cash flow statement

for the year ended 31 March 1998

	<i>Note</i>	1998	1997
		£	£
Net cash inflow from operating activities	19	2,509,485	2,100,064
Return on investments and servicing of finance			
Interest received		23,255	15,758
Interest paid		(725)	(258)
Net cash inflow/(outflow) from returns on investments and servicing of finance		22,530	15,500
Capital expenditure		(5,251,179)	(9,059,155)
Cash outflow before financing		(2,719,164)	(6,943,591)
Financing – National Lottery Fund Grant	14	2,831,493	7,283,291
Appropriation – Holding Company		(129,870)	-
Increase/(decrease) in cash	20	(17,541)	339,700

The notes on pages 8 to 16 form part of these financial statements.

Notes

(forming part of the financial statements)

1 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

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Tangible fixed assets

Long leasehold property comprises construction and pre-construction costs of the building transferred from intangible fixed assets on commencement of the building work. The construction was completed during the year, and depreciation is charged so as to write off the cost over the expected life of the building, currently 50 years. Interest costs incurred on capital expenditure are expensed when incurred.

Depreciation on fixtures, fittings, tools and equipment is provided at the following annual rates, on a straight line basis, to write off the cost of tangible fixed assets over their estimated useful lives:

Computer equipment (hardware and software)	-	25% per annum
Fixtures and fittings	-	25% per annum
Office equipment	-	25% per annum
Leasehold improvements	-	Over the period of occupation of Bear Gardens, (until September 1997)

Pension costs

The company does not operate a pension scheme but pays defined contributions into individual pension schemes. The amounts charged in the income and expenditure account represents the contributions payable to these schemes in respect of the accounting period.

Foreign currencies

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

The Arts Council of England National Lottery Fund Grant

Grants receivable from the Arts Council of England for the purpose of constructing tangible fixed assets of the company are included within deferred income in the balance sheet and are credited to the income and expenditure account over the estimated useful economic lives of the assets to which they relate.

Notes (continued)

1 Accounting policies (continued)

Leases

All leases are accounted for as 'operating leases' and the rental charges are charged to the income and expenditure account on a straight line basis over the life of the lease.

2 Education, exhibition, theatre and other receipts

	1998	1997
	£	£
Theatre	2,324,345	395,266
Exhibition	1,813,498	943,614
Education	298,437	221,513
Miscellaneous income	440,841	17,844
	<hr/> 4,877,121	<hr/> 1,578,237

Having regard to the special nature of the company's business, the analysis of income and expenditure as prescribed by the Companies Act 1985 is not meaningful. In the circumstances, therefore, as required by Paragraph 3(3) of Schedule 4 of the Companies Act 1985, the directors have adapted the prescribed format to the requirements of the company's business (see note 6).

Miscellaneous income includes sponsorship of £125,000 provided by Panasonic UK Limited of the production of 'Henry V'. An Award of £30,000 matched this under the Association for Business Sponsorship of the Arts Pairing Scheme.

3 Interest receivable and similar income

	1998	1997
	£	£
Interest receivable	23,255	15,758
	<hr/> 23,255	<hr/> 15,758

4 Directors' emoluments

No directors received emoluments in respect of services provided during the year (1997: £nil).

Notes (continued)

5 Staff numbers and costs

The average number of employees employed by the company (excluding directors) during the year was 62 (1997: 35).

	1998 £	1997 £
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	758,900	419,140
Social security costs	69,307	23,837
Other pension costs	13,078	10,382
	<hr/>	<hr/>
Less recharge to The Shakespeare Globe Trust	841,285 (48,268)	453,359 (32,531)
	<hr/>	<hr/>
	<u>793,017</u>	<u>420,828</u>

A proportion of the company's expenses are recharged to the holding company, resulting in a reduced charge to the company's income and expenditure account.

6 Education, exhibition and theatre expenses

	1998 £	1997 £
Theatre	2,091,774	482,048
Exhibition	1,359,558	658,518
Education	366,366	281,566
Press and publicity	236,526	88,677
	<hr/>	<hr/>
	<u>4,054,224</u>	<u>1,510,809</u>

7 Interest payable

	1998 £	1997 £
Interest payable	26,344	22,241
	<hr/>	<hr/>

Notes (continued)

8 Operating income less expenditure

	1998 £	1997 £
<i>This is stated after charging:</i>		
Hire of plant and machinery - rentals payable under operating leases	7,581	6,662
Auditor's remuneration	10,000	-
Depreciation	544,981	55,952
	<u>544,981</u>	<u>55,952</u>

9 Tangible fixed assets

	Long Leasehold property £	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At beginning of year	18,629,451	34,121	146,484	18,810,056
Additions	5,107,936	-	143,243	5,251,179
	<u>23,737,387</u>	<u>34,121</u>	<u>289,727</u>	<u>24,061,235</u>
<i>Depreciation</i>				
At beginning of year	-	(26,339)	(38,701)	(65,040)
Charge for the year	(474,748)	(7,782)	(62,451)	(544,981)
	<u>(474,748)</u>	<u>(34,121)</u>	<u>(101,152)</u>	<u>(610,021)</u>
<i>Net book value</i>				
At 31 March 1998	23,262,639	-	188,575	23,451,214
	<u>23,262,639</u>	<u>-</u>	<u>188,575</u>	<u>23,451,214</u>
At 31 March 1997	18,629,451	7,782	107,783	18,745,016
	<u>18,629,451</u>	<u>7,782</u>	<u>107,783</u>	<u>18,745,016</u>

10 Stocks

	1998 £	1997 £
Goods for resale	116,424	55,913
	<u>116,424</u>	<u>55,913</u>

Notes (continued)

11 Debtors: amounts falling due within one year

	1998 £	1997 £
Other debtors	347,651	1,372,543
Prepayments	56,682	39,741
	<u>404,333</u>	<u>1,412,284</u>

Included within other debtors at the end of the year was £ nil receivable from The Arts Council of England National Lottery Fund (1997: £941,612).

12 Creditors: amounts falling due within one year

	1998 £	1997 £
Taxes and social security	182,778	12,950
Other creditors	711,583	824,801
	<u>894,361</u>	<u>837,751</u>
Bank loan	150,000	-
Accruals and deferred income	1,214,390	1,366,937
	<u>2,258,751</u>	<u>2,204,688</u>

Included within the accruals at the year-end was £ 550,000 (1997: £975,787) relating to accrued invoices and provisions for amounts due to Lovell Construction Limited.

13 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Amounts owed to parent undertaking	<u>7,562,858</u>	<u>6,488,890</u>

Notes (continued)

14 The Arts Council of England National Lottery Fund Grant

	1998 £	1997 £
Deferred income at beginning of year	8,618,512	1,335,221
Receivable during year	2,831,493	7,283,291
Credited to income and expenditure account for the year at 2%	(229,000)	-
Deferred income at end of year	<u>11,221,005</u>	<u>8,618,512</u>

The grant represents contributions towards the cost of construction of the company's tangible fixed assets and is credited to the income and expenditure account over the estimated useful economic lives of the assets to which they relate (currently 2% per annum). No such credit to the income and expenditure account was made in 1996/7 as the assets were still in the course of construction.

15 Share capital

	1998 £	1997 £
<i>Authorised</i>		
1,000 ordinary shares of 5p each	50	50
49,950 ordinary shares of £1 each	49,950	49,950
3,500,000 preference shares of £1 each	3,500,000	3,500,000
	<u>3,550,000</u>	<u>3,550,000</u>
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of 5p each	50	50
3,310,420 preference shares of £1 each	3,310,420	3,310,420
	<u>3,310,470</u>	<u>3,310,470</u>

The preference shares are not entitled to any profits available for distribution. They are redeemable at par, subject to the Companies Act 1985, from the year 2000 onwards from which year amounts representing 5% of trading surpluses will be used for redemption.

16 Taxation

No corporation tax liability is considered to have arisen in respect of the year ended 31 March 1998.

Notes (continued)

17 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made are £200,000 authorised and £141,441 committed.
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1998 £	1997 £
Operating leases which expire: In the second to fifth years inclusive	7,581	6,662

18 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Opening shareholders' funds	3,310,470	3,310,470
Income and expenditure account surplus	10,693	-
Closing shareholders' funds	3,321,163	3,310,470

19 Reconciliation of operating surplus to net cash inflow from operating activities

	1998 £	1997 £
Operating surplus/(deficit)	453,652	6,483
Depreciation	544,981	55,952
Credit to income and expenditure account – Arts Council Grant	(229,000)	-
Decrease/ (increase) in stocks	(60,511)	1,793
Increase/(decrease) in debtors	1,007,951	(811,724)
Increase in creditors	792,412	2,847,560
Net cash inflow from operating activities	2,509,485	2,100,064

Notes (continued)

20 Reconciliation of net cash flow to movement in net funds

	1998 £	1997 £
Increase/(decrease) in cash	(17,541)	339,700
Other non cash changes	(25,619)	(21,983)
	<hr/>	<hr/>
Change in net funds	(43,160)	317,717
Net debt at 1 April	74,866	(242,851)
	<hr/>	<hr/>
Net funds/(debt) at 31 March (note 21)	<u>31,706</u>	<u>74,866</u>

21 Analysis of changes in net debt

	Cash in hand, at bank £
At 1 April 1997	409,347
Cash flows	(17,541)
Other non-cash changes	<hr/>
At 31 March 1998	<u>391,806</u>

22 Related party transactions

Michael Holden, the chief executive until 31 March 1998, is an associate within Michael Holden Associates which has the contract for the internal design of the Globe Theatre Project. The charge for these services during the year was £8,089. Amounts paid to Michael Holden Associates in respect of consultancy fees as chief executive were £41,048. Further payments made in respect of expenses incurred total £1,252. Kenneth Grange, one of the directors, is a principal in Pentagram Design Limited, architects to the Globe Theatre Project. Amounts paid to Pentagram Design Limited during the year were £126,696.

Notes *(continued)*

23 Ultimate holding company

The holding company is The Shakespeare Globe Trust, a company limited by guarantee in the United Kingdom and registered as a charity.

The only group in which the results of the company are consolidated is that headed by The Shakespeare Globe Trust, incorporated in England.

The consolidated accounts of the group are available to the public and may be obtained from 21 New Globe Walk, London SE1 9DT.