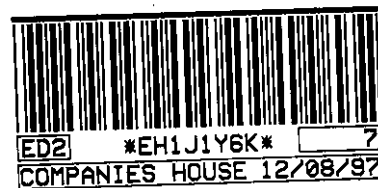


# Royal Collection Enterprises Limited

## Directors' report and financial statements

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# Royal Collection Enterprises Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1997.

## Principal activities

The principal activities of the company are the management of public access to occupied Royal Palaces and the sale of merchandise in shops at each location. Taxable profits are donated in full under deed of covenant to the holding company, The Royal Collection Trust, a company limited by guarantee and registered as a charity.

## Business review

The purpose of Royal Collection Enterprises Limited is to generate income for The Royal Collection Trust for:

- the presentation, maintenance and conservation of the Royal Collection;
- and
- the restoration of the fire-damaged areas of Windsor Castle.

Income is raised from admission charges and shop sales at the following locations:

Windsor Castle  
The Education Centre, Windsor Castle  
Buckingham Palace State Rooms (open for two months in the summer)  
The Queen's Gallery, Buckingham Palace  
The Royal Mews, Buckingham Palace  
The Palace of Holyroodhouse  
Frogmore House, Windsor Castle Home Park

In addition to the above, income is raised through fees for reproducing images of items in the Royal Collection.

The net income from the Buckingham Palace Summer Opening and from admissions to the Windsor Castle Precincts goes toward the restoration of the fire-damaged areas of Windsor Castle.

# Royal Collection Enterprises Limited

## Directors' report (continued)

### Business review (continued)

The State Rooms at Buckingham Palace were open for 54 days during August and September (*Summer 1995: 56 days*) and over 397,000 people visited the Palace, an average of 7,360 per day (*Summer 1995: 7,375 per day*). The composition of visitors was broadly similar to that in Summer 1995: 65% were from the United Kingdom, 13% from the United States and 10% from Continental Europe. Once again, some 200 temporary staff were engaged to work along the visitor route and in the ticket office and Garden Shop. Developments in 1996-97 to enable visitors to purchase admission tickets more easily included advance booking from the ticket office and the ability to book by telephone using credit cards. The State Rooms at Buckingham Palace will be open again from 8 August to 5 October 1997.

At Windsor Castle, where visitor numbers were slightly reduced, the introduction of new ranges of merchandise together with improved merchandising helped increase shop sales to £1,700,000 (*1995-96: £1,665,000*).

The Education Centre at Windsor Castle, which opened in January 1996, had an encouraging first year with over 10,000 children and young adults using the centre. The teacher resource pack has been valued by teachers aiming to maximise the benefit of their visit to Windsor Castle.

As well as the State Rooms at Buckingham Palace, which are open during the summer, The Queen's Gallery and the Royal Mews are open throughout the year. Together they had 199,000 visitors compared with 223,000 in 1995-96. The exhibitions during the year, *Leonardo da Vinci: One Hundred Drawings from the Collection of Her Majesty The Queen* and *King of the World: The Padshahnama, An Imperial Mughal manuscript* have both proved popular with 129,000 visitors (366 per day) to the *Leonardo da Vinci* exhibition between 1 March 1996 and 16 February 1997 and 19,700 visitors (448 per day) to the *Padshahnama* exhibition between 14 March and 27 April 1997. Sales of the catalogues for both exhibitions greatly exceeded expectations and helped increase overall sales to £1,204,000 (*1995-96: £1,169,000*), an increase of 3%.

The general recovery of tourism in Scotland combined with the completion of major works in Edinburgh's Royal Mile contributed to an increase in the number of people visiting the Palace of Holyroodhouse to 283,000 from 260,000 in 1995-96, an increase of 9%. The system of guided tours during the winter months and free flow for the

# Royal Collection Enterprises Limited

## Directors' report *(continued)*

### Business review *(continued)*

remainder of the year is proving popular with visitors. The identification of an area where suitable educational facilities for groups (both children and adults) can be established forms an important part of the future presentation of the Palace to the public.

The increase in profit from £7,647,000 to £8,137,000 reflects the growth in profits from the majority of locations. The development of new merchandise and the continuation of the publishing programme are expected to contribute to future profitability. The current year has started better than 1996-97, but it is too early to determine whether this trend will continue for the remainder of the year.

### Distributions

During the year, distributions were made in the form of payments under deed of covenant amounting to £8,189,000 (1995-96: £7,829,000).

The directors do not recommend any further distribution.

After distributions, the loss for the year retained in the company is £52,000 (1995-96: £182,000).

### Directors and directors' interests

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

Major Sir Shane Blewitt (Chairman until retirement on 31 July 1996)  
Michael Peat (Chairman with effect from 31 July 1996)  
Christopher Lloyd  
Hugh Roberts  
Jonathan Marsden  
Oliver Everett  
Edward Hewlett  
Michael Stevens  
Richard Arbiter  
Gail Johnson

None of the directors who held office at 31 March 1997 had any disclosable interest in the shares of the company.

# Royal Collection Enterprises Limited

## Directors' report *(continued)*


### Business review *(continued)*

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.

By order of the board



**Michael Peat**  
*Chairman*

Stable Yard House  
St James's Palace  
London  
SW1A 1JR

6 June 1997

# Royal Collection Enterprises Limited

## 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 profit or loss of the company for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

Auditors' report to the members of  
Royal Collection Enterprises Limited

We have audited the financial statements on pages 7 to 19.

*Respective responsibilities of directors and auditors*

As described on page 5 the company's directors are responsible for the preparation of the 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.

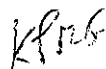
*Basis of opinion*

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 the company's affairs as at 31 March 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG**

*Chartered Accountants  
Registered Auditors*

6 June 1997

# Royal Collection Enterprises Limited

## Profit and loss account for the year ended 31 March 1997

	<i>Note</i>	<b>1997</b> <b>£000</b>	<b>1996</b> <b>£000</b>
<b>Turnover</b>	<i>1,2</i>	<b>17,339</b>	<b>17,397</b>
Direct costs, including cost of sales	<i>2</i>	<b>(8,905)</b>	<b>(9,497)</b>
		<hr/>	<hr/>
<b>Gross profit</b>	<i>2</i>	<b>8,434</b>	<b>7,900</b>
Administrative expenses		<b>(574)</b>	<b>(572)</b>
Other operating income		<b>109</b>	<b>130</b>
		<hr/>	<hr/>
<b>Operating profit</b>		<b>7,969</b>	<b>7,458</b>
Interest receivable and other similar income	<i>7</i>	<b>202</b>	<b>235</b>
Interest payable and other similar charges	<i>8</i>	<b>(34)</b>	<b>(46)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before and after taxation</b>	<i>4</i>	<b>8,137</b>	<b>7,647</b>
Distributions by deed of covenant		<b>(8,189)</b>	<b>(7,829)</b>
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>	<i>15</i>	<b>(52)</b>	<b>(182)</b>
		<hr/>	<hr/>

The results shown above relate to continuing activities.

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.



# Royal Collection Enterprises Limited

## Balance sheet at 31 March 1997

	Note	1997		1996	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		1,602		1,817
<b>Current assets</b>					
Stocks		711		980	
Debtors	10	689		746	
Cash at bank and in hand		482		1,057	
		<u>1,882</u>		<u>2,783</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,963)</u>		<u>(2,887)</u>	
<b>Net current liabilities</b>			(81)		(104)
<b>Total assets less current liabilities</b>			1,521		1,713
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(144)</u>		<u>(284)</u>
<b>Net assets</b>			<u>1,377</u>		<u>1,429</u>
<b>Capital and reserves</b>					
Called up share capital	14		-		-
Capital reserve	15		563		706
Profit and loss account	15		814		723
			<u>1,377</u>		<u>1,429</u>
<b>Equity shareholders funds</b>			<u>1,377</u>		<u>1,429</u>

These financial statements were approved by the board of directors on 6 June 1997 and were signed on its behalf by:



**Michael Peat**  
Chairman

# Royal Collection Enterprises Limited

## 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 in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard 1 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 Financial Reporting Standard 8, the company is exempt from the requirement to disclose the detail of related party transactions with its parent undertaking.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the collection of admission charges to occupied Royal Palaces and the sale of goods and reproduction rights.

#### *Fixed assets and depreciation*

Depreciation 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 as follows:

Property improvements	-	10 or 20 years
Shop fittings	-	5 to 10 years
Plant and machinery	-	10 years
Furniture and equipment	-	3 to 10 years

#### *Goodwill*

Goodwill, relating to a business acquired by the company, is written off immediately to reserves. Where the fair value of the assets acquired is greater than the cost of the acquisition the difference is credited to the capital reserve. A transfer from the capital reserve to the profit and loss account is made as the amounts are realised by depreciation or disposal of the assets acquired.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

# Royal Collection Enterprises Limited

## Notes (continued)

### 1 Accounting policies (continued) Leases (continued)

Where the company enters into a sale and leaseback agreement of existing assets any profit or loss is spread over the life of the relevant assets.

#### *Pensions and other post-retirement benefits*

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

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

#### *Deferred taxation*

Deferred tax is the tax attributable to timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is considered probable that an actual liability will crystallise in the foreseeable future.

### 2 Turnover and gross profit

Turnover and gross profit from each of the company's main activities may be analysed as follows:

	Admissions £000	Shops £000	Other £000	Total £000
Turnover	11,016	6,032	291	17,339
Direct costs, including cost of sales	(4,375)	(4,333)	(197)	(8,905)
Gross profit	6,641	1,699	94	8,434

Admission numbers at each location were as follows:

	1997	1996
Windsor Castle	1,194,537	1,224,422
Buckingham Palace State Rooms	397,465	412,677
The Queen's Gallery, Buckingham Palace	119,035	143,099
The Royal Mews, Buckingham Palace	80,185	79,431
The Palace of Holyroodhouse	283,877	260,294
Exhibition of The Queen's Presents and Royal Carriages (until 19 September 1995)	-	19,563
Windsor Castle Education Centre (from 24 January 1996)	10,542	1,850
Frogmore House	14,474	11,190
	<u>2,100,115</u>	<u>2,152,526</u>

# Royal Collection Enterprises Limited

## Notes (continued)

### 3. Related Party Transactions

Material transactions during the year with other entities controlled by officials, Trustees or other appointees on behalf of The Queen are set out below:

Related Party	£'000	Type of Transaction	Details of Transaction
Property Services Grant-in-aid	19 (nil)	Occupancy charges	Property refurbishment costs, including finance charges, recharged and included in cost of sales.
Property Services Grant-in-aid	99 (27)	Maintenance services	Property maintenance services recharged and included in cost of sales.
Property Services Grant-in-aid	37 (14)	Utility costs	Utilities recharged at cost and included in cost of sales.
Civil List	211 (1)	Management charge	Various services including personnel, payroll and pensions administration and other staff related expenses, recharged to RCEL and included in payroll costs.
Privy Purse	3 (nil)	Interest payable	Provision of short term finance. Average daily balance drawdown under facility amounted to £533,000 for 30 days with interest charged at 0.3% over bank base rate.
Privy Purse Charitable Trust	257 (59)	Cost of sales	Royal Collection Enterprises Limited ('RCEL') charges for admission to Queen Mary's Dolls' House, Windsor Castle in consideration for paying a proportion of the Windsor Castle Precincts admissions surplus to The Privy Purse Charitable Trust.
St George's Chapel	829 (52)	Cost of sales	RCEL charges for admission to St George's Chapel as part of the Windsor Castle Precincts admission charge and pays a proportion of the Windsor Castle Precincts admissions surplus to St George's Chapel.

The figures in brackets represent the amounts due to related parties at the balance sheet date.

None of the directors or other related parties except as referred to above or as otherwise disclosed in the financial statements has undertaken any material transactions with Royal Collection Enterprises Limited during the year.

# Royal Collection Enterprises Limited

## Notes (continued)

### 4 Profit on ordinary activities before taxation

	1997 £000	1996 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	16	20
Other services	3	3
Depreciation and other amounts written off tangible fixed assets:		
Owned	277	354
Leased	82	145
Finance charges in respect of finance leases	31	42
	<u>      </u>	<u>      </u>

Included in profit on ordinary activities is the following arising from the Summer Opening of the Buckingham Palace State Rooms, which The Royal Collection Trust is donating towards the cost of restoring Windsor Castle:

	1997 £000	1996 £000
Admissions	1,686	1,667
Shop	976	1,161
Net interest receivable	73	149
	<u>      </u>	<u>      </u>
	<u>2,735</u>	<u>2,977</u>

# Royal Collection Enterprises Limited

## Notes (continued)

### 5 Remuneration of directors

	1997 £000	1996 £000
Directors' emoluments including pension contributions	226	195
	==	==

The emoluments, excluding pension contributions, of each director who held the office of Chairman during the year were £480 (including £480 (1995: £534 for a fifteen month period) in respect of the cost of directors' liability insurance) and those of the highest paid director were £63,500.

Contributions to provide defined pension benefits were made for four directors (1995: four). The accrued benefits due to the highest paid director at 31 March 1997 amounted to an annual pension of £15,500 and a lump sum of £32,000.

The emoluments, excluding pension contributions, of the directors (including the Chairman and highest paid director) were within the following ranges:

	Number of directors	
	1997	1996
£0 - £ 5,000	6	8
£30,001 - £35,000	1	2
£40,001 - £45,000	1	1
£45,001 - £50,000	1	1
£50,001 - £55,000	0	0
£55,001 - £60,000	0	0
£60,001 - £65,000	1	1

### 6 Staff numbers and costs

The average number of persons employed by the company or on permanent secondment from the Royal Household (including directors) analysed by category, was as follows:

	Number of employees	
	1997	1996
Buckingham Palace	52	55
Windsor Castle	63	65
Palace of Holyroodhouse	21	23
Central retail and warehousing	8	6
Photographic Services	6	6
Administration (including directors)	14	15
	==	==
	164	170
	==	==

# Royal Collection Enterprises Limited

## Notes (continued)

### 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	2,847	2,883
Social security costs	174	171
Other pension costs (see note 18)	214	188
	<u>3,235</u>	<u>3,242</u>

### 7 Interest receivable and other similar income

	1997 £000	1996 £000
Bank interest	<u>202</u>	<u>235</u>

### 8 Interest payable and other similar charges

	1997 £000	1996 £000
Finance charges in respect of finance leases	31	42
Loan interest	3	4
	<u>34</u>	<u>46</u>

# Royal Collection Enterprises Limited

## Notes (continued)

### 9 Tangible fixed assets

	Property improvements and shop fittings	Plant and machinery	Fixtures fittings and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At 1 April 1996	1,481	123	1,250	106	2,960
Additions	17	-	127		144
Transfers	-	-	106	(106)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 1997</b>	<b>1,498</b>	<b>123</b>	<b>1,483</b>	<b>-</b>	<b>3,104</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 April 1996	360	90	693	-	1,143
Charge for year	142	11	206	-	359
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 1997</b>	<b>502</b>	<b>101</b>	<b>899</b>	<b>-</b>	<b>1,502</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
<b>At 31 March 1997</b>	<b>996</b>	<b>22</b>	<b>584</b>	<b>-</b>	<b>1,602</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	1,121	33	557	106	1,817
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in tangible fixed assets at 31 March 1997 are the following amounts in respect of assets held under finance leases:

	1997 Net book value £000	1996 Net book value £000
Plant and machinery	-	4
Fixtures and fittings	216	303



# Royal Collection Enterprises Limited

## Notes (continued)

### 10 Debtors: due within one year

	1997	1996
	£000	£000
Trade debtors	151	170
Other debtors	136	128
Prepayments and accrued income	279	287
Amounts due from parent undertaking	93	39
Income tax recoverable on overpayment of deed of covenant	30	122
	<u>689</u>	<u>746</u>

### 11 Creditors: amounts falling due within one year

	1997	1996
	£000	£000
Obligations under finance leases (note 12)	139	118
Trade creditors	308	412
Other creditors including taxation and social security		
Income tax on deed of covenant	876	1,351
Other creditors	93	125
Accruals and deferred income	547	881
	<u>1,963</u>	<u>2,887</u>

### 12 Creditors: amounts falling due after more than one year

	1997	1996
	£000	£000
Obligations under finance leases	137	277
Accruals and deferred income	7	7
	<u>144</u>	<u>284</u>

# Royal Collection Enterprises Limited

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases is as follows:

	1997	1996
	£000	£000
Within one year	157	150
In the second to fifth years	140	297
	<hr/>	<hr/>
	297	447
Less future finance charges	(21)	(52)
	<hr/>	<hr/>
	276	395
	<hr/>	<hr/>

### 13 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1997		1996	
	Provided	Unprovided	Provided	Unprovided
	£000	£000	£000	£000
Difference between accumulated depreciation and capital allowances	-	7	-	71
Other timing differences	-	17	-	15
	<hr/>	<hr/>	<hr/>	<hr/>
	-	24	-	86
	<hr/>	<hr/>	<hr/>	<hr/>

### 14 Called up share capital

	1997	1996
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

# Royal Collection Enterprises Limited

## Notes (continued)

### 15 Reserves

	Capital reserve £000	Profit and loss account £000
At beginning of year	706	723
Transfer to profit and loss account	(143)	143
Retained loss for the year	-	(52)
	<hr/>	<hr/>
At end of year	563	814
	<hr/>	<hr/>

The transfer from capital reserve to profit and loss account represents that element of the assets acquired from the Royal Collection on 31 March 1993 for no consideration realised during the year.

### 16 Movement on shareholders' funds

	1997 £000	1996 £000
Retained loss for the year	(52)	(182)
Opening shareholders' funds	1,429	1,611
	<hr/>	<hr/>
Closing shareholders' funds	1,377	1,429
	<hr/>	<hr/>

### 17 Commitments

Capital commitments at 31 March 1997 for which no provision has been made were as follows:

	1997 £000	1996 £000
Contracted	-	1
Authorised but not contracted	298	119
	<hr/>	<hr/>

### 18 Guarantee

On 12 February 1996 the company provided a guarantee to Coutts & Co. in consideration for the granting of an overdraft facility of £1.6 million in favour of its parent company, The Royal Collection Trust. At 31 March 1997, the overdraft balance amounted to £54,000.

# Royal Collection Enterprises Limited

## Notes *(continued)*

### 18 Pension scheme

As explained in the accounting policies set out on page 10 the company participates in pension schemes providing benefits based on final pensionable pay. Details of the most recent valuations of the schemes, together with the assumptions which have the most significant effect on the results of the valuations, are given in the financial statements of the parent company, The Royal Collection Trust.

### 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 largest and smallest 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 Secretary, St James's Palace, London, SW1A 1JR.