

**Royal Collection Enterprises Limited**

**Directors' report and financial statements**

31 March 1998

Registered number 2778486



# 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 1998.

## 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. It is expected that the restoration will have been paid for by 31 March 1999. Thereafter, the net income from the Buckingham Palace Summer Opening will be used to fund the presentation, maintenance and conservation of the Royal Collection and net income from the Windsor Castle Precincts will be used for maintenance and conservation at Windsor Castle.

# Royal Collection Enterprises Limited

## **Directors' report** *(continued)*

### **Business review** *(continued)*

The past year has been challenging for the company. However, despite the adverse impact of the strength of sterling and a temporary closure of Buckingham Palace for seven days and the Palace of Holyroodhouse for ten days, admissions were only down by 4.9% (103,000) to 1,997,000. Turnover declined by £822,000 (4.7%) during the year to £16,517,000, and gross profit declined by £956,000 (11.3%) to £7,478,000. This resulted in £7,335,000 being contributed to the Trust, a reduction of £854,000 (10.5%) on the previous year.

### **Windsor Castle**

The opening of the restored areas of the Castle to visitors on 27 December 1997 attracted world-wide interest and visitor numbers during the last quarter of the year were significantly higher than usual. This contributed substantially to the year's trading results, with the total visitors in the year increasing 3.8% to 1,266,000 (1996-97: 1,220,000), despite a three month closure of the State Apartments to allow the final phase of the fire restoration to be completed. It is anticipated that the restoration of the Castle will continue to attract large numbers of visitors throughout 1998-99. The introduction of new ranges of merchandise and a new guidebook in December 1997, helped increase shop sales to £1,970,000 (1996-97: £1,700,000).

The Education Centre at Windsor Castle, which was opened in January 1996, had an encouraging second year, with many schools making repeat visits. The number of children and young adults using the centre increased from 10,000 to 15,000.

### **Buckingham Palace**

The State Rooms at Buckingham Palace were fully open for 52 days during the period August to October 1997 (1996-97: 54 days), seven days less than planned as a result of the closure following the death of Diana, Princess of Wales. 313,000 people visited during this period (1996-97: 397,000) in 1996. The introduction of advance booking and credit card payment by telephone made the purchase of tickets easier for the public. In 1998-99 further developments will include improvements to the telephone booking system and increased flexibility for group bookings. The State Rooms at Buckingham Palace will be open again from 6 August to 4 October 1998.

# Royal Collection Enterprises Limited

## **Directors' report** *(continued)*

### **Business review** *(continued)*

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 148,000 visitors compared with 199,000 in 1996-97. A full exhibition programme at The Queen's Gallery has enabled items from the Royal Collection which have travelled elsewhere in the world to be seen in London. The exhibitions during the year have been *King of the World: The Padshahnama*, (20,000 visitors), *Views of Windsor: Water colours by Thomas & Paul Sandby* (12,000 visitors), *Masterpieces in Little: Portrait Miniatures from the Collection of Queen Elizabeth II* (16,000 visitors), *Presenting an Image* (12,000 visitors) and *Michelangelo and His Influence* (26,500 visitors).

### **The Palace of Holyroodhouse**

The strong growth in Scottish tourism seen in 1996 did not continue in 1997. Furthermore, the Palace was closed for an additional 10 days in October and November 1997 for the Commonwealth Heads of Government Meeting. After allowing for the additional closures during the year, visitor numbers have remained at a similar level to the previous year.

### **Distributions**

During the year, distributions were made in the form of payments under deed of covenant amounting to £7,335,000 (1996-97: £8,189,000).

The directors do not recommend any further distribution.

After distributions, the loss for the year retained in the company is £99,000 (1996-97: £52,000).

### **Directors and directors' interests**

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

Sir Michael Peat (Chairman)  
Hugh Roberts  
Oliver Everett  
Christopher Lloyd  
Jonathan Marsden  
Edward Hewlett  
Michael Stevens  
Richard Arbiter  
Gail Johnson

# Royal Collection Enterprises Limited

## Directors' report (*continued*)

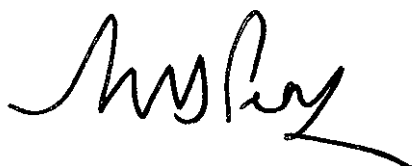
None of the directors who held office at 31 March 1998 had any disclosable interest in the shares of the company.

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.

By order of the board



**Sir Michael Peat**  
*Chairman*

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

8 June 1998

# 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 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.

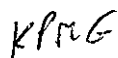
*Basis of opinion*

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 1998 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*

8 June 1998  
London



# Royal Collection Enterprises Limited

## Profit and loss account

for the year ended 31 March 1998

	Note	1998 £000	1997 £000
<b>Turnover</b>	1,2	<b>16,517</b>	<b>17,339</b>
Direct costs, including cost of sales	2	(9,039)	(8,905)
		<hr/>	<hr/>
<b>Gross profit</b>	2	<b>7,478</b>	<b>8,434</b>
Administrative expenses		(576)	(574)
Other operating income		196	109
		<hr/>	<hr/>
<b>Operating profit</b>		<b>7,098</b>	<b>7,969</b>
Interest receivable and other similar income	7	154	202
Interest payable and other similar charges	8	(16)	(34)
		<hr/>	<hr/>
<b>Profit on ordinary activities before and after taxation</b>	4	<b>7,236</b>	<b>8,137</b>
Distributions by deed of covenant		(7,335)	(8,189)
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>	15	<b>(99)</b>	<b>(52)</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 1998

	Note	1998		1997	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		1,416		1,602
<b>Current assets</b>					
Stocks		683		711	
Debtors	10	631		689	
Cash at bank and in hand		2,464		482	
		<u>3,778</u>		<u>1,882</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,914)</u>		<u>(1,963)</u>	
<b>Net current liabilities</b>			(136)		(81)
<b>Total assets less current liabilities</b>			1,280		1,521
<b>Creditors: amounts falling due after more than one year</b>	12		(2)		(144)
<b>Net assets</b>			<u>1,278</u>		<u>1,377</u>
<b>Capital and reserves</b>					
Called up share capital	14		-		-
Capital reserve	15		447		563
Profit and loss account	15		831		814
<b>Equity shareholders' funds</b>			<u>1,278</u>		<u>1,377</u>

These financial statements were approved by the board of directors on 8 June 1998 and were signed on its behalf by:



Sir 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	10,644	5,560	313	16,517
Direct costs, including cost of sales	(4,605)	(4,196)	(238)	(9,039)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit	6,039	1,364	75	7,478
	<hr/>	<hr/>	<hr/>	<hr/>

Admission numbers at each location were as follows:

	1998	1997
Windsor Castle	1,237,662	1,194,537
Buckingham Palace State Rooms	313,590	397,465
The Queen's Gallery, Buckingham Palace	76,256	119,035
The Royal Mews, Buckingham Palace	71,872	80,185
The Palace of Holyroodhouse	269,811	283,877
Windsor Castle Education Centre	15,561	10,542
Frogmore House	12,540	14,474
	<hr/>	<hr/>
	1,997,292	2,100,115
	<hr/>	<hr/>

# 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	1998 £'000	1997 £'000	Type of Transaction	Details of Transaction
Property Services Grant-in-aid	38 (nil)	19 (nil)	Occupancy charges	Property refurbishment costs, including finance charges, included in cost of sales.
Property Services Grant-in-aid	13 (3)	13 (nil)	Accommodation costs	Accommodation charges in respect of Royal Collection employees included in payroll costs
Property Services Grant-in-aid	115 (13)	99 (27)	Maintenance services	Property maintenance services included in cost of sales.
Property Services Grant-in-aid	37 (19)	24 (14)	Utility costs	Utility costs included in cost of sales.
Civil List	201 (2)	211 (1)	Management charge	Various services including personnel, payroll and pensions administration and other staff related expenses included in payroll costs.
Privy Purse	2 (nil)	3 (nil)	Interest payable	Provision of short term finance. Average daily balance drawdown under facility amounted to £358,000 for 37 days with interest, charged at 0.3% over bank base rate, included in interest payable
Privy Purse Charitable Trust	263 (66)	257 (59)	Cost of sales	Payment by Royal Collection Enterprises Limited ('RCEL') to the Privy Purse Charitable Trust in respect of the right to charge for admission to Queen Mary's Dolls' House, Windsor Castle included in cost of sales.
St George's Chapel	843 (46)	829 (52)	Cost of sales	Payment by RCEL in respect of the right to charge for admission to St. George's Chapel, Windsor Castle included in cost of sales.

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

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	16	16
Other services	3	3
Depreciation and other amounts written off tangible fixed assets:		
Owned	274	277
Leased	76	82
Finance charges in respect of finance leases	14	31
	<u>      </u>	<u>      </u>

Included in profit on ordinary activities is the following arising from the Summer Opening of the Buckingham Palace State Rooms and from charges for entry to the Precincts of Windsor Castle which the Royal Collection Trust has donated towards the cost of restoring Windsor Castle:

	1998 £000	1997 £000
<b>Buckingham Palace</b>		
Admissions	1,138	1,741
Shop	666	1,031
Net interest receivable	-	73
	<u>      </u>	<u>      </u>
	1,804	2,845
<b>Windsor Castle</b>		
Admissions	2,508	2,378
	<u>      </u>	<u>      </u>
<b>Total</b>	<u>4,312</u>	<u>5,223</u>

# Royal Collection Enterprises Limited

## Notes (continued)

### 5 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments including pension contributions	243	226
	==	==

The emoluments, excluding pension contributions, of each director who held the office of Chairman during the year were £327 (including £327 (1997: £480) in respect of the cost of directors' liability insurance) and those of the highest paid director were £66,700.

Contributions to provide defined pension benefits were made for four directors (1997: four). The accrued benefits due to the highest paid director at 31 March 1998 amounted to an annual pension of £17,700 and a lump sum of £35,700.

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

	Number of directors	
	1998	1997
£0 - £ 5,000	5	6
£30,001 - £35,000	1	1
£40,001 - £45,000	0	1
£45,001 - £50,000	2	1
£50,001 - £55,000	0	0
£55,001 - £60,000	0	0
£60,001 - £65,000	0	1
£65,001 - £70,000	1	0

### 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	
	1998	1997
Buckingham Palace	51	52
Windsor Castle	67	63
Palace of Holyroodhouse	20	21
Central retail and warehousing	9	8
Photographic Services	7	6
Administration (including directors)	13	14
	==	==
	167	164
	==	==

# Royal Collection Enterprises Limited

## Notes (continued)

### 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	2,877	2,847
Social security costs	174	174
Other pension costs (see note 19)	225	214
	<u>3,276</u>	<u>3,235</u>

### 7 Interest receivable and other similar income

	1998 £000	1997 £000
Bank interest	154	202
	<u>154</u>	<u>202</u>

### 8 Interest payable and other similar charges

	1998 £000	1997 £000
Finance charges in respect of finance leases	14	31
Interest payable on loans	2	3
	<u>16</u>	<u>34</u>



# Royal Collection Enterprises Limited

## Notes (continued)

### 9 Tangible fixed assets

	Property improvements and shop fittings	Plant and machinery	Fixtures fittings and equipment	Total
	£000	£000	£000	£000
<i>Cost</i>				
At 1 April 1997	1,498	123	1,483	3,104
Additions	-	-	164	164
Transfers	(10)	-	10	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 1998</b>	<b>1,488</b>	<b>123</b>	<b>1,657</b>	<b>3,268</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 1997	502	101	899	1,502
Charge for year	128	11	211	350
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 1998</b>	<b>630</b>	<b>112</b>	<b>1,110</b>	<b>1,852</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 1998</b>	<b>858</b>	<b>11</b>	<b>547</b>	<b>1,416</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1997	996	22	584	1,602
	<hr/>	<hr/>	<hr/>	<hr/>

Included in tangible fixed assets at 31 March 1998 are the following amounts in respect of assets held under finance leases:

	1998 Net book value £000	1997 Net book value £000
Fixtures and fittings	143	216

# Royal Collection Enterprises Limited

## Notes (continued)

### 10 Debtors: due within one year

	1998	1997
	£000	£000
Trade debtors	190	151
Other debtors	83	136
Prepayments and accrued income	323	279
Amounts due from parent undertaking	-	93
Income tax recoverable on overpayment of deed of covenant	35	30
	<u>631</u>	<u>689</u>

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

	1998	1997
	£000	£000
Obligations under finance leases (note 12)	137	139
Trade creditors	313	308
Other creditors including taxation and social security		
Income tax on deed of covenant	-	876
Other creditors	201	93
Accruals and deferred income	381	547
Amount due to parent undertaking	2,882	-
	<u>3,914</u>	<u>1,963</u>

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

	1998	1997
	£000	£000
Obligations under finance leases	-	137
Accruals and deferred income	2	7
	<u>2</u>	<u>144</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:

	1998 £000	1997 £000
Within one year	140	157
In the second to fifth years	-	140
	<hr/>	<hr/>
	140	297
Less future finance charges	(3)	(21)
	<hr/>	<hr/>
	137	276
	<hr/>	<hr/>

### 13 Provisions for liabilities and charges

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

	1998		1997	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	9	-	7
Other timing differences	-	8	-	17
	<hr/>	<hr/>	<hr/>	<hr/>
	-	17	-	24
	<hr/>	<hr/>	<hr/>	<hr/>

### 14 Called up share capital

	1998 £	1997 £
<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	563	814
Transfer to profit and loss account	(116)	116
Retained loss for the year	-	(99)
	<hr/>	<hr/>
At end of year	447	831
	<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

	1998 £000	1997 £000
Retained loss for the year	(99)	(52)
Opening shareholders' funds	1,377	1,429
	<hr/>	<hr/>
Closing shareholders' funds	1,278	1,377
	<hr/>	<hr/>

### 17 Commitments

Capital commitments at 31 March 1998 for which no provision has been made were as follows:

	1998 £000	1997 £000
Contracted	38	-
Authorised but not contracted	352	298
	<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 in favour of its parent company, The Royal Collection Trust. At 31 March 1998, the net overdraft facility amounted to £3.5 million and the group's net overdraft balance amounted to £1,338,000. (1997: nil).

# Royal Collection Enterprises Limited

## Notes *(continued)*

### 19 **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.

### 20 **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.