

# **Royal Collection Enterprises Limited**

## **Directors' report and financial statements**

**31 March 2003**

Registered number 2778486



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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 2003.

### Principal activities

The principal activities of the company are the management of public access to the 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.

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

- Windsor Castle
- Buckingham Palace State Rooms (open for two months in August and September)
- The Queen's Gallery, Buckingham Palace (opened after re-development in May 2002)
- The Royal Mews, Buckingham Palace (open March to October)
- The Palace of Holyroodhouse
- The Queen's Gallery, Palace of Holyroodhouse (opened November 2002)
- Frogmore House, Windsor Castle Home Park (open May and August)

In addition to the above, income is raised through off-site retail activities and fees for reproducing images of items in the Royal Collection.

The net surplus arising from the Windsor Castle admission charges after deducting amounts due to St George's Chapel, the Privy Purse Charitable Trust and Royal Collection Enterprises Limited, is payable to the Property Services grant-in-aid as a contribution towards maintenance and conservation at Windsor Castle and is deducted in arriving at the company's profit on ordinary activities before taxation.

The celebration of Her Majesty The Queen's Golden Jubilee in 2002 generated considerable interest in visiting the Official Residences of The Queen and greatly helped restore the company's trading results following the difficult market conditions experienced in the previous year. The re-opening of The Queen's Gallery at Buckingham Palace and the opening of the new Queen's Gallery at the Palace of Holyroodhouse saw the completion of two major capital projects funded by the company's parent company, the Royal Collection Trust. Both projects attracted extensive and favourable media coverage and the opening exhibitions have proved popular with visitors. Overall, visitor numbers at the Royal Collection's sites were up 442,000 (30%) at 1,918,000 and turnover was up £8,100,000 (50%) at £24,246,000 in 2002-3.

# Royal Collection Enterprises Limited

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

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

In May 2002 advance ticket sales and visitor information services for all locations were transferred to the call centre at Buckingham Palace. Increased knowledge of individual locations amongst the central ticket sales and information office staff through training and site visits have helped develop cross sales which together with further growth in internet bookings contributed to an increase in advanced bookings of 157,000 (94%) to 324,000 in 2002-3.

The opening of two new enlarged shops in the new galleries together with strong sales of the Golden Jubilee commemorative china range contributed to an excellent retail performance. On-site retail sales increased by £3,415,000 (66%) to £8,594,000 and the average spend per visitor increased by 28% to £4.48. The development of trading relationships with a small number of high street retail outlets, the opening of the company's first off-site shop in Buckingham Palace Road and further growth in internet and mail order sales also produced an increase in net income from off-site sales of £846,000 (268%) to £1,162,000 in 2002-3.

While the outbreak of war in the Gulf has had a negligible impact on the current year's trading results, prospects for overseas tourism to the UK in 2003-4 remain uncertain due to the continued threat of terrorism.

The 50th anniversary of The Queen's Coronation will be commemorated with special exhibitions at Buckingham Palace and Windsor Castle. It is anticipated that these exhibitions will generate considerable interest from the domestic market, which should help to offset some of the anticipated reduction in overseas visitors.

### **Windsor Castle**

There has been a gradual improvement in visitor numbers over the year, with the independent visitor sector showing the most growth. Admissions by organised groups were 14,000 (4%) up on the previous year whereas the number of independent visitors improved by 64,000 (11%), resulting in an overall increase in visitor numbers of 78,000 (9%) to 958,000.

One of the highlights of the year was the opening of the Jubilee garden on Castle Hill by The Queen in June 2002. The opening of the garden, which has transformed the approach to the Castle, coincided with the broadcast of a programme on the design and development of the garden on BBC2 and Radio 4's Gardeners' Question Time from Windsor Castle.

Later in the year, the installation of an 18ft Christmas tree in the State Apartments, accompanied by the choir of St George's Chapel singing carols, was covered by GMTV. The Christmas tree was greatly appreciated by visitors during the Christmas holidays and the retail performance was enhanced by strong sales of Christmas decorations.

# Royal Collection Enterprises Limited

## Directors' report (*continued*)

### Business review (*continued*)

#### Buckingham Palace

##### The Summer Opening of the State Rooms

One of the highlights of this year's Summer Opening proved to be the exhibition of gifts made to The Queen to mark the occasion of State Visits to foreign governments and formal visits by Heads of State to Britain, since her accession to the throne in 1952. The exhibition, which was shown in the magnificent Ball Supper Room, open in its entirety for the first time, proved to be extremely popular with both adults and children and helped increase visitor numbers by 25,000 (8%) to an average of 6,000 per day in 2002-3.

##### The Queen's Gallery

The re-development of The Queen's Gallery was completed in March 2002 and the new gallery opened to the public on 22 May 2002. The inaugural exhibition *Royal Treasures: A Golden Jubilee Celebration* proved extremely popular and the gallery operated at close to full capacity throughout the Summer and into the Autumn. Visitor numbers ended the year at 229,000, which is more than double the attendances at The Queen's Gallery in any of the five years preceding its closure for re-development in 1999.

The exhibition programme for 2003-4 will see much of the Royal Treasures exhibition retained in the Nash and Pennethorne gallery spaces and a changing exhibition in the Chambers gallery space, commencing with *Leonardo da Vinci: Divine and the Grotesque* followed by *Fabergé* in the Autumn. Both of these exhibitions will previously have been shown at The Queen's Gallery, Palace of Holyroodhouse.

##### The Royal Mews

Changes in the opening arrangements whereby the Royal Mews opened every day between March and October and closed November to February compared with the previous opening arrangements of four days a week contributed to a 59,000 (78%) increase in visitor numbers to 135,000 in 2002-3.

The Gold State Coach which is normally housed in the State Carriage House in the Royal Mews was a key element in the Golden Jubilee celebrations, carrying The Queen and Duke of Edinburgh to St Paul's Cathedral for the Service of Thanksgiving on 4 June 2002. As a result many visitors came to see the Gold State Coach during the Summer.

#### The Palace of Holyroodhouse

After a difficult year in 2001 the Scottish Tourist Board reported that Scottish tourism had experienced growth across most sectors during 2002. It is therefore encouraging to report a recovery in visitor numbers at the Palace of Holyroodhouse which increased by 23,000 (11%) to 232,000.

The new Queen's Gallery at the Palace of Holyroodhouse was opened by The Queen on 30 November 2002 with the exhibition *Leonardo da Vinci: The Divine and the Grotesque*. The opening exhibition attracted 28,000 visitors and it is envisaged that subsequent exhibitions planned for the coming year, *Fabergé*, which opened on 11 April and *Padshahnama* opening on 24 October 2003, will be equally popular.

# Royal Collection Enterprises Limited

## Directors' report (*continued*)

### Business review (*continued*)

#### Retail

The range of china commemorating The Queen's Golden Jubilee continued to prove popular with visitors to all sites and has contributed to the growth in spend per visitor which increased by 28% to £4.48. Following on this success, a range of china has been developed to commemorate the 50th anniversary of The Queen's Coronation. Further commemorative ranges will be launched early in 2003-4.

The expansion of off-site sales continued with a broadening of the retail outlets offering Golden Jubilee commemorative china, some of which are now selling the Coronation commemorative china. Net income from these outlets amounted to £155,000 (2001-2: £139,000). Sales growth through the internet shop has been steady with sales increasing by £88,000 (65%) to £223,000 in 2002-3, of which £30,000 was due to growth in sales through a US based distributor.

#### Photographic Services

Reproduction and related fees for the right to use images from the Royal Collection in books, television programmes etc., generated income of £302,000, an increase of £92,000 (44%) on the previous year. Attendance at the Frankfurt Book Fair in 2002-3 has again proved to be valuable in marketing the Royal Collection's Picture Library to publishers worldwide and generating new sources of income.

Revenue from a licensing agreement with Medici to produce stationery and related gift items generated £32,000 compared with £21,000 in 2001-2, the first year of the agreement. Further income is anticipated under this arrangement following the development of a second product range, which was launched in early 2003. Fees were also generated from a number of television filming projects which were broadcast during the year.

The digital imaging programme made good progress with more than 5,000 digitised images being provided for the e-Gallery displays which accompany the exhibitions in the two new galleries in London and Edinburgh. In addition to new photography being provided for various publishing, retail and press and marketing projects, a significant amount of photography was undertaken at both Clarence House and Royal Lodge, for historical records.

#### Publishing

The catalogue to accompany the opening exhibition at The Queen's Gallery, Palace of Holyroodhouse, *Leonardo da Vinci: The Divine and the Grotesque*, was published in October 2002 and the catalogue for the next exhibition at the new gallery in Edinburgh, *Fabergé* was published in March 2003. The catalogue accompanying a special exhibition planned for the 2003 Buckingham Palace Summer Opening celebrating the 50th anniversary of The Queen's Coronation in 1953 titled *Ceremony and Celebration* was published in February 2003.

# Royal Collection Enterprises Limited

## Directors' report (*continued*)

### Business review (*continued*)

Major revisions to the guidebooks for Buckingham Palace and Windsor Castle have been made and new editions were published in 2002-3. Good progress has been made in producing two new general guidebooks *Kings & Queens* and *Royal Lines of Succession* which are due to be published in the first half of 2003-4.

Other titles published during the year include *France & Marianne*, a book chronicling the story of the two dolls presented to King George VI and Queen Elizabeth during the State Visit to France in 1938 as gifts for Princess Elizabeth and Princess Margaret Rose and which are now on display at Windsor Castle.

### Education

Resources for children visiting Windsor Castle either with families or with a school group, have been expanded to include a set of activity trails: *Castles Long Ago*, *The Tudors at Windsor Castle* (for children aged 7-11) and *A Royal Home* (for children aged 5-7).

Westminster primary schools were invited to The Queen's Gallery, Buckingham Palace for an introductory talk on *Royal Treasures: A Golden Jubilee Celebration*. These interactive sessions took place in front of the works of art and were led by education and curatorial staff. Teachers' notes were produced for children at Key Stage 2 to support self-guided visits to *Royal Treasures: A Golden Jubilee Celebration*. An exhibition in focus in The Queen's Gallery, Buckingham Palace of William Powell Frith's *Ramsgate Sands: 'Life at the Seaside'*, 1852-4 was accompanied by a programme of talks for schools. In order to broaden awareness of the schools programme and to present future educational opportunities a Twilight Evening was held at The Queen's Gallery in October 2002 for over 50 primary school headteachers. Further twilight evenings are planned in the coming year.

As part of a strategy to improve education services at all locations the ground floor rooms within the old coach house at the Palace of Holyroodhouse were decorated for use as an Education Centre. This dedicated education space is designed for introductory talks, handling sessions and practical workshops. The new centre has been well used by schools over the winter and the school visits have attracted favourable feedback from both children and teachers.

Plans for the further development of educational services within the Royal Collection include the appointment of two Schools Coordinators, one at Buckingham Palace and one at the Palace of Holyroodhouse, bringing the Education section up to a complement of four.



# Royal Collection Enterprises Limited

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

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

#### **Distributions**

During the year, distributions payable under deed of covenant amounted to £6,375,000 (2001-2: £3,891,000).

The directors do not recommend any further distribution.

After distributions, the loss for the year retained in the company is £140,000 (2001-2: £166,000).

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

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

Alan Reid (Chairman appointed 25 July 2002)  
Sir Michael Peat (Chairman resigned 25 July 2002)  
Sir Hugh Roberts  
Michael Stevens  
Michael Bourke (appointed 1 July 2002)  
Frances Dunkels  
Christopher Lloyd  
Jonathan Marsden  
Nuala McGourty  
Jane Roberts  
Edward Hewlett (resigned 17 June 2002)  
Frances Mossman (Non executive director)  
Joanna Oswin (Non executive director)

None of the directors who held office at 31 March 2003 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

Alan Reid  
Chairman



Stable Yard House  
St James's Palace  
London  
SW1A 1JR  
12 June 2003

# 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.

# Royal Collection Enterprises Limited

## **Independent Auditors' report to the members of Royal Collection Enterprises Limited**

We have audited the financial statements on pages 10 to 21.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors***

The directors are responsible for preparing the directors' report and, as described on page 7, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### ***Basis of audit 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.

# Royal Collection Enterprises Limited

## **Independent Auditors' report to the members of Royal Collection Enterprises Limited (continued)**

### *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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*W. M. W. P.*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

12 June 2003  
London

# Royal Collection Enterprises Limited

## Profit and loss account

for the year ended 31 March 2003

	Note	2003 £000	2002 £000
<b>Turnover</b>	1,2	<b>24,246</b>	16,146
Direct costs, including cost of sales	2	(17,654)	(12,072)
		<hr/>	<hr/>
<b>Gross profit</b>	2	<b>6,592</b>	4,074
Administrative expenses		(534)	(527)
Other operating income		176	177
		<hr/>	<hr/>
<b>Operating profit</b>		<b>6,234</b>	3,724
Interest receivable and other similar income	6	1	1
		<hr/>	<hr/>
<b>Profit on ordinary activities before and after taxation</b>	3	<b>6,235</b>	3,725
Distributions by deed of covenant		(6,375)	(3,891)
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>	11	<b>(140)</b>	(166)
		<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 2003

	Note	2003		2002	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	7		1,734		1,086
<b>Current assets</b>					
Stock		1,830		1,442	
Debtors	8	536		919	
Cash at bank and in hand		2,898		979	
		5,264		3,340	
<b>Creditors: amounts falling due within one year</b>	9	(6,361)		(3,649)	
<b>Net current liabilities</b>			(1,097)		(309)
<b>Total assets less current liabilities</b>			637		777
<b>Net assets</b>			637		777
<b>Capital and reserves</b>					
Called up share capital	10		-		-
Capital reserve	11		181		239
Profit and loss account	11		456		538
<b>Equity shareholders' funds</b>			637		777

These financial statements were approved by the board of directors on 12 June 2003 and were signed on its behalf by:



**Alan Reid**  
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 United Kingdom 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 details 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 the occupied Royal Palaces, the sale of goods and reproduction rights and the receipt of royalties from publications and merchandise.

#### ***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 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.

No depreciation 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 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

# Royal Collection Enterprises Limited

## Notes (*continued*)

### 1 Accounting policies (*continued*)

#### *Capital Reserve*

The assets and liabilities of the company, which were acquired from the Royal Collection on 31 March 1993 for no consideration, are recorded at their fair value on date of acquisition; the surplus arising on the acquisition has been credited to the Capital Reserve.

Where the net assets acquired are realised during the year, a transfer is made from the Capital Reserve to the profit and loss account, as disclosed in note 11.

#### *Pensions*

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.

#### *Stock*

Stock is 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*

The company fully provides for 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 it has no liability to tax.



# 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 follows:

	<b>Admissions</b>	<b>Retail</b>	<b>Other</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Turnover	<b>13,050</b>	<b>9,756</b>	<b>1,440</b>	<b>24,246</b>	16,146
Direct costs, including cost of sales	<b>(8,992)</b>	<b>(7,141)</b>	<b>(1,521)</b>	<b>(17,654)</b>	(12,072)
Gross profit (loss)	<b>4,058</b>	<b>2,615</b>	<b>(81)</b>	<b>6,592</b>	4,074

Admission numbers at each location were as follows:

	<b>2003</b>	<b>2002</b>
	<b>000</b>	<b>000</b>
Windsor Castle	<b>935</b>	865
Windsor Castle Education Centre	<b>13</b>	10
Frogmore House	<b>10</b>	5
Buckingham Palace State Rooms	<b>335</b>	311
Buckingham Palace Education Centre	<b>1</b>	-
The Queen's Gallery, Buckingham Palace	<b>229</b>	-
The Royal Mews, Buckingham Palace	<b>135</b>	76
The Palace of Holyroodhouse	<b>230</b>	209
The Queen's Gallery, Palace of Holyroodhouse	<b>28</b>	-
The Palace of Holyroodhouse Education Centre	<b>2</b>	-
	<b>1,918</b>	1,476

# Royal Collection Enterprises Limited

## Notes (continued)

### 3 Profit on ordinary activities before and after taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before and after taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	15	15
Other services - tax	3	6
- consultancy	-	12
Depreciation and other amounts written off owned tangible fixed assets	488	456

### 4 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments including pension contributions	287	247

The Chairman received no emoluments during the year in connection with services to the company, other than £71 (2001-2: £96) in respect of the cost of directors' liability insurance. The emoluments, excluding pension contributions, of the highest paid director were £81,562 (2001-2: £71,997).

Contributions to provide defined pension benefits were made for four directors (2001-2: four). The accrued benefits due to the highest paid director at 31 March 2003 amounted to an annual pension of £15,600 and a lump sum of £39,700 (2001-2: £26,800 and £50,700).

# Royal Collection Enterprises Limited

## Notes (continued)

### 5 Staff numbers and costs

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

	<b>Number of employees</b>	
	<b>2003</b>	<b>2002</b>
Windsor Castle	103	104
Buckingham Palace	82	52
Palace of Holyroodhouse	36	25
Central Retail & Warehousing	13	11
Public Relations & Marketing	5	4
Publishing	1	1
Education	1	1
Photographic Services	8	8
Finance & Administration (including directors)	10	10
	<hr/>	<hr/>
	<b>259</b>	<b>216</b>
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	4,847	3,752
Social security costs	273	169
Other pension costs (see note 14)	552	387
	<hr/>	<hr/>
	<b>5,672</b>	<b>4,308</b>
	<hr/>	<hr/>

### 6 Interest receivable and other similar income

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Bank interest	1	1
	<hr/>	<hr/>

# Royal Collection Enterprises Limited

## Notes (continued)

### 7 Tangible fixed assets

	Property improvements	Plant and machinery	Furniture, fittings and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At 1 April 2002	1,155	77	2,286	13	3,531
Additions	-	14	786	336	1,136
Transfers	(300)	-	313	(13)	-
Disposals/write-offs	(47)	-	(204)	-	(251)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2003</b>	<b>808</b>	<b>91</b>	<b>3,181</b>	<b>336</b>	<b>4,416</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 April 2002	602	41	1,802	-	2,445
Charge for year	64	15	409	-	488
Transfers	(230)	-	230	-	-
Disposals/write-offs	(47)	-	(204)	-	(251)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2003</b>	<b>389</b>	<b>56</b>	<b>2,237</b>	<b>-</b>	<b>2,682</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
<b>At 31 March 2003</b>	<b>419</b>	<b>35</b>	<b>944</b>	<b>336</b>	<b>1,734</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	553	36	484	13	1,086
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

To accord with the categories adopted in the current year, transfers have been made where expenditure on shop fittings was previously included in Property Improvements.

# Royal Collection Enterprises Limited

## Notes (continued)

### 8 Debtors: due within one year

	2003	2002
	£000	£000
Trade debtors	159	209
Other debtors	258	601
Prepayments and accrued income	119	109
	<hr/>	<hr/>
	536	919
	<hr/>	<hr/>

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

	2003	2002
	£000	£000
Trade creditors	615	437
Other creditors including taxation	40	-
Accruals and deferred income	1,294	640
Amount due to parent undertaking	4,412	2,572
	<hr/>	<hr/>
	6,361	3,649
	<hr/>	<hr/>

### 10 Called up share capital

	2003	2002
	£	£
<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)

### 11 Reserves

	Capital reserve £000	Profit and loss account £000
At beginning of year	239	538
Transfer to profit and loss account	(58)	58
Retained loss for the year		(140)
	<hr/>	<hr/>
At end of year	181	456
	<hr/>	<hr/>

### 12 Movement on shareholders' funds

	2003 £000	2002 £000
Retained loss for the year	(140)	(166)
Opening shareholders' funds	777	943
	<hr/>	<hr/>
Closing shareholders' funds	637	777
	<hr/>	<hr/>

### 13 Commitments

Capital commitments at 31 March 2003 for which no provision has been made were as follows:

	2003 £000	2002 £000
Contracted	189	527
Authorised but not contracted	607	1,190
	<hr/>	<hr/>

#### Operating lease commitments

	2003 £000	2002 £000
Amounts payable within one year of the balance sheet date in respect of operating lease commitments on land and buildings expiring:		
- between two and five years	75	41
	<hr/>	<hr/>

# Royal Collection Enterprises Limited

## Notes *(continued)*

### **14 Pension scheme**

As explained in the accounting policies set out on page 13 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.

### **15 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.

### **16 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 2003, the group's overdraft balance amounted to £11,702,000 (2001-2: £10,464,000).

# Royal Collection Enterprises Limited

## Notes (continued)

### 17. 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. The figures in brackets represent the amounts to or from related parties at the balance sheet date.

Related Party	2003 £000	2002 £000	Type of Transaction	Details of Transaction
Property Services Grant-in-aid	1,684 (192)	1,129 (114)	Contribution to general maintenance	Contribution to general maintenance, included in cost of sales.
Property Services Grant-in-aid	186 (nil)	- (nil)	Reimbursement of staff costs	Reimbursement of shop fit out at The Queen's Gallery, Buckingham Palace.
Property Services Grant-in-aid	387 (112)	256 (87)	Maintenance services	Costs of property refurbishment, maintenance services, utilities and staff costs, included in cost of sales.
Civil List	29 (9)	35 (5)	Reimbursement of staff costs	Reimbursement of costs of internal auditors, included in administrative expenses.
Civil List	367 (6)	260 (1)	Management charge	Various services including personnel, payroll and pensions administration and other staff related expenses, included in payroll costs.
Privy Purse Charitable Trust	256 (22)	257 (19)	Cost of sales	Payment 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	894 (nil)	888 (26)	Cost of sales	Payment in respect of the right to charge for admission to St. George's Chapel, Windsor Castle, included in cost of sales.
Historic Royal Palaces	9 1	5 (nil)	Turnover	Charges made to Historic Royal Palaces for the right to reproduce images in the Royal Collection and goods for re-sale.

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.