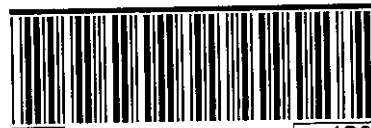


Royal Collection Enterprises Limited

Directors' report and financial statements

31 March 1996

Registered number: 2778486



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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 1996.

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 Exhibition of The Queen's Presents
and Royal Carriages, Windsor Castle (closed 19 September 1995)
The Education Centre, Windsor Castle (opened 24 January 1996)
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*)

During the 56 days of the third Summer Opening of the State Rooms at Buckingham Palace, (*Summer 1994: 57 days*) nearly 413,000 people visited the Palace, an average of 7,375 per day (*Summer 1994: 7,368 per day*). The composition of visitors was broadly similar to that in Summer 1994: 64% were from the United Kingdom, 17% from the United States and 12% 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. While the range of merchandise in the Garden Shop was not as successful as the previous year's range, overall profits from the Summer Opening increased to £2,977,000 (*Summer 1994: £2,894,000*), representing 39% (*1994/95: 43%*) of the company's total profit of £7,647,000 (*1994/95: £6,659,000*). The State Rooms at Buckingham Palace will be open again from 8 August to 30 September 1996.

The strong growth in tourism to the United Kingdom in 1995/96 was evident at Windsor Castle where the number of people visiting increased to 1,224,000 from 1,115,000 in 1994/95. The combination of increased visitors and new ranges of merchandise helped shop sales rise to £1,665,000 (*1994/95: £1,421,000*), an increase of 17%.

The opening of a new and well-equipped Education Centre at Windsor Castle in January 1996, providing greatly enhanced facilities for teachers and school children, has been widely welcomed and is already proving a popular addition to the attractions of a visit to the 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 223,000 visitors compared with 159,000 in 1994/95. The exhibitions during the year, *Fabergé* and *Leonardo da Vinci: 100 Drawings from the Collection of Her Majesty The Queen* (from 1 March 1996), have both proved to be especially popular. Visitors to the Royal Mews are able to see the collection of carriages and state harness, pictures and photographs as well as the horses and day-to-day operations of a working Mews. One of the highlights of the current year has been the completion of the restoration of the painting by R.B. Davis, *The Coronation Procession of William IV*, and its installation in the main carriage house of the Royal Mews.

The new visitor arrangements at the Palace of Holyroodhouse, which included the opening of the garden to visitors between April and September, were well received and the number of visitors increased to 260,000 from 254,000 in 1994/95. The growth in visitor numbers was however lower than expected, in part due to major reconstruction works in Edinburgh's Royal Mile.

Royal Collection Enterprises Limited

Directors' report *(continued)*

Business review *(continued)*

The increase in profit from £6,659,000 to £7,647,000 reflects the growth in profits from all locations. The development of new merchandise and the continuation of the publishing programme are expected to contribute to future profitability. While the current year has started more quietly than 1995/96, 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 £7,829,000 (1994/95 : £6,778,000).

The directors do not recommend any further distribution.

After distributions, the loss for the year retained in the company is £182,000 (1994/5:£119,000).

Directors and directors' interests

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

Major Sir Shane Blewitt (Chairman)
Sir Geoffrey de Bellaigue (retired 11 March 1996)
Michael Peat
John Parsons (resigned 31 October 1995)
Christopher Lloyd
Hugh Roberts
Jonathan Marsden (appointed 12 March 1996)
Oliver Everett
Edward Hewlett
Michael Stevens (appointed 3 May 1995)
Richard Arbiter
Gail Johnson

None of the directors who held office at 31 March 1996 had any disclosable interest in the shares of the company.

Royal Collection Enterprises Limited

Directors' report *(continued)*

Directors and directors' interests *(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

A handwritten signature in black ink, appearing to read "S. J. S. Blewitt", with a long horizontal stroke extending to the right.

Major Sir Shane Blewitt
Chairman

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

6 June 1996

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.



PO Box 695
8 Salisbury Square
London EC4Y 8BB

Auditors' report to the members of
Royal Collection Enterprises Limited

We have audited the financial statements on pages 7 to 18.

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 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
*Chartered Accountants
Registered Auditors*

6 June 1996

Royal Collection Enterprises Limited

Profit and loss account for the year ended 31 March 1996

	<i>Note</i>	1996 £000	1995 £000
Turnover	<i>1,2</i>	17,397	15,280
Direct costs, including cost of sales	<i>2</i>	(9,497)	(8,438)
		<hr/>	<hr/>
Gross profit	<i>2</i>	7,900	6,842
Administrative expenses		(572)	(491)
Other operating income		130	164
		<hr/>	<hr/>
Operating profit		7,458	6,515
Interest receivable and other similar income	<i>6</i>	235	170
Interest payable and other similar charges	<i>7</i>	(46)	(26)
		<hr/>	<hr/>
Profit on ordinary activities before and after taxation	<i>3</i>	7,647	6,659
Distributions by deed of covenant		(7,829)	(6,778)
		<hr/>	<hr/>
Retained loss for the financial year	<i>14</i>	(182)	(119)
		<hr/>	<hr/>

The results shown above relate to continuing activities.

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

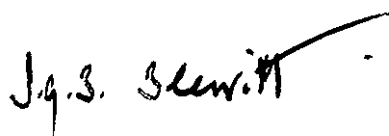
The profit on ordinary activities before and after taxation is measured under historical cost accounting rules.

Royal Collection Enterprises Limited

Balance sheet at 31 March 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		1,817		2,004
Current assets					
Stocks		980		781	
Debtors	9	746		1,205	
Cash at bank and in hand		1,057		505	
		<u>2,783</u>		<u>2,491</u>	
Creditors: amounts falling due within one year	10	<u>(2,887)</u>		<u>(2,685)</u>	
Net current liabilities			(104)		(194)
Total assets less current liabilities			1,713		1,810
Creditors: amounts falling due after more than one year	11		(284)		(199)
Net assets			<u>1,429</u>		<u>1,611</u>
Capital and reserves					
Called up share capital	13		-		-
Capital reserve	14		706		913
Profit and loss account	14		723		698
			<u>1,429</u>		<u>1,611</u>

These financial statements were approved by the board of directors on 6 June 1996 and were signed on its behalf by:


Major Sir Shane Blewitt
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.

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	-	10 years
Plant and machinery	-	10 years
Furniture and equipment	-	3 to 5 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.

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.

Royal Collection Enterprises Limited

Notes (continued)

1 Accounting policies (continued)

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	10,658	6,493	246	17,397
Direct costs, including cost of sales	(4,636)	(4,676)	(185)	(9,497)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit	6,022	1,817	61	7,900
	<hr/>	<hr/>	<hr/>	<hr/>

Salaries totalling £82,000 (1995: £70,000), previously included in administrative expenses, have now been included in cost of sales and the comparative figures restated.

Admission numbers at each location were as follows:

	1996	1995
Windsor Castle	1,224,422	1,114,918
Buckingham Palace State Rooms	412,677	420,222
The Queen's Gallery, Buckingham Palace	143,099	77,822
The Royal Mews, Buckingham Palace	79,431	81,278
The Palace of Holyroodhouse	260,294	253,714
Exhibition of The Queen's Presents and Royal Carriages (until 19 September 1995)	19,563	40,014
Windsor Castle Education Centre (from 24 January 1996)	1,850	-
Frogmore House	11,190	7,725
	<hr/>	<hr/>
	2,152,526	1,995,693
	<hr/>	<hr/>

Royal Collection Enterprises Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	20	20
Other services	3	19
Depreciation and other amounts written off tangible fixed assets:		
Owned	354	280
Leased	145	91
Finance charges in respect of finance leases	42	26
	<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:

	1996 £000	1995 £000
Admissions	1,667	1,399
Shop	1,161	1,385
Net interest receivable	149	110
	<u> </u>	<u> </u>
	2,977	2,894
	<u> </u>	<u> </u>

Also included in profit on ordinary activities is a surplus of £1,908,000 (1995 : £1,616,000) arising from charges for entry to the precincts of Windsor Castle. The legal position as to whether this is income of the company or Hereditary Revenue remains to be confirmed; however as the income is treated in the accounts of the company's parent company, The Royal Collection Trust, as a Restricted Fund which goes toward the restoration of Windsor Castle, there is, in effect, no practical difference.

Royal Collection Enterprises Limited

Notes (continued)

4 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments including pension contributions	148	131
	<u> </u>	<u> </u>

The emoluments, excluding pension contributions, of the Chairman were £950 (including £534 (1995: £359) in respect of the cost of directors' liability insurance) and those of the highest paid director were £57,565.

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

	Number of directors	
	1996	1995
£0 - £ 5,000	8	7
£25,001 - £30,000	-	1
£30,001 - £35,000	2	1
£40,001 - £45,000	1	1
£55,001 - £60,000	1	-

5 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	
	1996	1995
Buckingham Palace	55	50
Windsor Castle	79	81
Palace of Holyroodhouse	23	15
Photographic Services	6	6
Administration (including directors)	19	17
	<u> </u>	<u> </u>
	182	169
	<u> </u>	<u> </u>

Royal Collection Enterprises Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	2,883	2,583
Social security costs	171	163
Other pension costs (see note 17)	188	142
	<u>3,242</u>	<u>2,888</u>

6 Interest receivable and other similar income

	1996 £000	1995 £000
Bank interest	235	170
	<u>235</u>	<u>170</u>

7 Interest payable and other similar charges

	1996 £000	1995 £000
Finance charges in respect of finance leases	42	26
Loan interest	4	-
	<u>46</u>	<u>26</u>

Royal Collection Enterprises Limited

Notes (continued)

8 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 1995	1,006	121	1,103	418	2,648
Additions	57	2	147	106	312
Transfers	418	-	-	(418)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	1,481	123	1,250	106	2,960
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 April 1995	209	56	379	-	644
Charge for year	151	34	314	-	499
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	360	90	693	-	1,143
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 March 1996	1,121	33	557	106	1,817
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1995	797	65	724	418	2,004
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in tangible fixed assets at 31 March 1996 are the following amounts in respect of assets held under finance leases:

	1996 Net book value £000	1995 Net book value £000
Plant and machinery	4	25
Fixtures and fittings	303	182

Royal Collection Enterprises Limited

Notes (continued)

9 Debtors: due within one year

	1996	1995
	£000	£000
Trade debtors	170	151
Other debtors	128	307
Prepayments and accrued income	287	321
Amounts due from parent undertaking	39	244
Income tax recoverable on overpayment of deed of covenant	122	182
	<u>746</u>	<u>1,205</u>

10 Creditors: amounts falling due within one year

	1996	1995
	£000	£000
Obligations under finance leases (note 11)	118	50
Trade creditors	412	488
Other creditors including taxation and social security		
Income tax on deed of covenant	1,351	1,200
Other creditors	125	387
Accruals and deferred income	881	560
	<u>2,887</u>	<u>2,685</u>

11 Creditors: amounts falling due after more than one year

	1996	1995
	£000	£000
Obligations under finance leases	276	199
Accruals and deferred income	8	-
	<u>284</u>	<u>199</u>

Royal Collection Enterprises Limited

Notes (continued)

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

The maturity of obligations under finance leases is as follows:

	1996 £000	1995 £000
Within one year	150	70
In the second to fifth years	297	221
	<hr/>	<hr/>
	447	291
Less future finance charges	(53)	(42)
	<hr/>	<hr/>
	394	249
	<hr/>	<hr/>

12 Provisions for liabilities and charges

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

	1996		1995	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	71	-	39
Other timing differences	-	15	-	12
	<hr/>	<hr/>	<hr/>	<hr/>
	-	86	-	51
	<hr/>	<hr/>	<hr/>	<hr/>

13 Called up share capital

	1996 £	1995 £
<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)

14 Reserves

	Capital reserve £000	Profit and loss account £000
At beginning of year	913	698
Transfer to profit and loss account	(207)	207
Retained loss for the year	-	(182)
	<hr/>	<hr/>
At end of year	706	723
	<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.

15 Movement on shareholders' funds

	1996 £000	1995 £000
Retained loss for the year	(182)	(119)
Opening shareholders' funds	1,611	1,730
	<hr/>	<hr/>
Closing shareholders' funds	1,429	1,611
	<hr/>	<hr/>

16 Commitments

Capital commitments at 31 March 1996 for which no provision has been made were as follows:

	1996 £000	1995 £000
Contracted	1	49
Authorised but not contracted	119	78
	<hr/>	<hr/>

17 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.

Royal Collection Enterprises Limited

Notes *(continued)*

18 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.