

**The Queen's Civil List**  
*Annual Report 2007*



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# INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>		<b>2007</b>	<b>2006</b>
	Note	<b>£m</b>	<b>£m</b>
<b>Civil List funding received:</b>			
Annual Civil List		<b>7.9</b>	7.9
Draw-down from reserve		<b>4.9</b>	4.1
		<u><b>12.8</b></u>	<u>12.0</u>
<b>Salaries</b>	3	<b>9.1</b>	8.8
<b>Other expenditure</b>			
Catering and hospitality		<b>1.2</b>	1.1
Executive and administrative		<b>1.2</b>	1.0
Housekeeping and furnishings		<b>0.6</b>	0.5
Ceremonial functions		<b>0.2</b>	0.3
Other		<b>0.4</b>	0.5
<b>Total net expenditure</b>	5	<u><b>12.7</b></u>	<u>12.2</u>
<b>Net surplus/(deficit) taken to/(from) reserves</b>		<u><b>0.1</b></u>	<u>(0.2)</u>

Total net expenditure in 2007 includes approximately £0.6 million in respect of VAT (£0.6 million in 2006).

The accounting policies are summarised on pages 45 and 46. The Income and Expenditure Account should be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and Cash Flow Statement on pages 41, 42 and 43 respectively.

The results shown above relate to continuing activities.

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st December</i>		<b>2007</b>	2006
	Note	<b>£m</b>	£m
<b>Net surplus/(deficit) taken to/(from) reserves</b>		<b>0.1</b>	(0.2)
Actuarial gain for the year		<b>0.2</b>	0.3
Total recognised gains relating to the year		<b>0.3</b>	0.1

# BALANCE SHEET

<i>As at 31st December</i>		<b>2007</b>	<b>2006</b>
	Note	<b>£m</b>	<b>£m</b>
<b>Fixed assets</b>	6	<b>2.1</b>	<b>2.0</b>
<b>Current assets</b>			
Stock	7	<b>0.4</b>	<b>0.4</b>
Debtors	8	<b>1.1</b>	<b>1.0</b>
Cash at bank and in hand		<b>0.6</b>	<b>0.6</b>
		<b>2.1</b>	<b>2.0</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(1.7)</b>	<b>(1.6)</b>
<b>Net current assets</b>		<b>0.4</b>	<b>0.4</b>
<b>Total assets less current liabilities excluding pension scheme liability</b>		<b>2.5</b>	<b>2.4</b>
<b>Pension scheme liability</b>	4	<b>(1.0)</b>	<b>(1.2)</b>
<b>Net assets</b>		<b>1.5</b>	<b>1.2</b>
		<b>=====</b>	<b>=====</b>
<b>Represented by:</b>			
<b>Reserves</b>	10	<b>1.5</b>	<b>1.2</b>
		<b>=====</b>	<b>=====</b>

**Sir Alan Reid**

Keeper of the Privy Purse

5th June 2008

# CASH FLOW STATEMENT

<i>Year to 31st December</i>	2007	2007	2006	2006
	£m	£m	£m	£m
<b>Reconciliation of total net expenditure to Civil List funding</b>				
Total net expenditure		(12.7)		(12.2)
Depreciation	0.5		0.4	
Net excess of pension service costs over contributions	–		0.2	
Decrease in stock	–		0.1	
Increase in debtors	(0.1)		(0.2)	
Increase in creditors due within one year	0.1		0.3	
		0.5		0.8
<b>Net cash outflow from activities</b>		(12.2)		(11.4)
Capital expenditure – fixed assets acquired		(0.6)		(0.5)
<b>Net cash outflow before funding</b>		(12.8)		(11.9)
Civil List funding received		12.8		12.0
<b>Net increase in cash</b>		–		0.1
<b>Reconciliation of cash balances</b>		2007		2006
		£m		£m
Cash at bank as at 1st January		0.6		0.5
Net increase in cash		–		0.1
<b>Cash at bank as at 31st December</b>		0.6		0.6

## CIVIL LIST RESERVE

The Civil List Act 1972 provides that, when the annuity payable under the Act exceeds Civil List expenditure for the year, the excess should be paid to the Royal Trustees to be accumulated by them and applied to meet deficiencies in future years. The Royal Household Investment Committee was established by a Treasury Minute of 30th December 1990 to invest such surpluses on behalf of the Royal Trustees.

During the last ten-year period to December 2000 a surplus of £35 million was accumulated, and is invested by the Royal Household Investment Committee. It was agreed that the Civil List would remain at an annual amount of £7.9 million for the following ten-year period to December 2010, and there would be a transfer of additional expenditure to the Civil List with effect from 1st April 2001. To the extent that Civil List annual expenditure exceeded the £7.9 million payment, amounts could be withdrawn from the reserve each year rather than being paid into it.

The Civil List expenditure exceeds the annual £7.9 million payment and amounts are therefore now withdrawn from the reserve each year.

The annual amount to be withdrawn is determined when the Civil List budget is prepared towards the end of the preceding year.

	2007	2006
	£m	£m
Net expenditure for the year	(12.7)	(12.2)
Net increase in fixed assets	(0.1)	(0.1)
Net decrease in stock	—	0.1
Net excess of pension service costs over contributions	—	0.2
Total cash received	<u>(12.8)</u>	<u>(12.0)</u>
<b>Civil List reserve</b>	<b>2007</b>	<b>2006</b>
	£m	£m
Balance brought forward	29.4	32.2
Interest received	1.5	1.3
Draw-down	<u>(4.9)</u>	<u>(4.1)</u>
Balance carried forward	<u>26.0</u>	<u>29.4</u>

The reserve is invested in money market deposits.

The draw-down for 2008 is expected to be £6.5 million for revenue and capital expenditure.



# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

### a) Basis of preparation

The accounts are prepared in accordance with the direction given by the Treasury under Section 9 of the Civil List Audit Act 1816 and have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The accounts have been prepared on an accruals basis.

### b) Recharges

All recharges are accounted for on a receivable basis.

### c) Leases

Operating lease rentals are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

### d) Fixed assets and depreciation

Expenditure of £2,000 or more to acquire or improve assets which should last for at least a year is capitalised as fixed assets. Depreciation is charged on a straight-line basis at the following rates:

- |                                |                |
|--------------------------------|----------------|
| • Information systems hardware | 3 years        |
| • Information systems software | 3 to 5 years   |
| • Furnishings                  | 10 to 20 years |
| • Other equipment              | 3 to 10 years  |
| • Horses                       | 12 years       |
| • Liveries                     | 7 to 20 years. |

Assets held in right of the Crown are not capitalised within these accounts although expenses relating to their use and maintenance are included.

### e) Stock

Stock is valued at the lower of cost and market value.

### f) Pensions

The Civil List participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Civil List. Contributions to the schemes are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Royal Household. One of these pension schemes, managed by the

Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Civil List and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

However, FRS 17: Retirement Benefits is applicable to the second scheme, the Royal Households Group Pension Scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time. The actuarial gain/(loss) recognised in the pension scheme for the year is shown within the statement of total recognised gains and losses and the balance sheet includes the liability in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15-year AA rated corporate bond index at the year end.

The Civil List also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Civil List in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in note 4.

#### g) Reserves

The reserves represent funds drawn down from the Royal Household Investment Committee to fund the acquisition of fixed assets and stock and which have not been included in the Income and Expenditure Account. Following the implementation of FRS 17: Retirement Benefits the deficit on the Royal Households Group Pension Scheme is included in the reserves.

## 2. SEGMENTAL ANALYSIS

	Salaries		Other costs		Total	
	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m
Catering and hospitality	1.5	1.4	1.2	1.1	2.7	2.5
Executive and administrative	3.4	3.4	1.2	1.0	4.6	4.4
Housekeeping and furnishings	2.7	2.4	0.6	0.5	3.3	2.9
Ceremonial functions	1.5	1.4	0.2	0.3	1.7	1.7
Other costs	–	0.2	0.4	0.5	0.4	0.7
Total	9.1	8.8	3.6	3.4	12.7	12.2

Other costs - salaries relates to non cash pension costs.

### 3. STAFF NUMBERS AND COSTS

#### Establishment

The number of staff paid from the Civil List as at 31st December was as set out below.

	Number of staff	
	2007	2006
Lord Chamberlain	1	1
Private Secretary's Office	47	47
Privy Purse and Treasurer's Office	26	26
Master of the Household's Department	175	174
Lord Chamberlain's Office	62	63
Establishment for whom costs borne by Civil List	<u>311</u>	<u>311</u>

This figure is shown net of staff time recharged to other funding sources. Where staff work part-time they are recorded according to the proportion of their time devoted to, and paid by, the Civil List.

#### Payroll Costs

	2007	2006
	£m	£m
Salaries	7.1	6.7
Temporary staff	0.2	0.3
National Insurance	0.6	0.6
Pension contributions	1.2	1.2
	<u>9.1</u>	<u>8.8</u>

The above payroll costs are stated net of housing abatements and charges (in respect of the provision of residential accommodation) and services charges and recharges to related organisations and third parties (in respect of management, facilities and support provided by Civil List staff).

### 4. PENSION ARRANGEMENTS

Until 31st March 2002, all full-time permanent employees were entitled to be members of:

- (a) a scheme managed by the Government analogous to the Civil Service pension scheme (the Royal Household Pension Scheme); or
- (b) a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme).

Both pension schemes provide similar pension benefits based on final pay and are non-contributory for employees (except in respect of widows'/widowers' benefits for the Government managed scheme). Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme. Information about the schemes is set out below.

### **Royal Household Pension Scheme**

The scheme is managed by the Government and has terms analogous to the Principal Civil Service Pension Scheme. Eligible employees are those paid from the Civil List who joined the Royal Household prior to 1st April 2001. Pension contributions are paid directly to the Consolidated Fund; in turn, pension benefits are paid directly from the Consolidated Fund on a defined benefit basis. The contribution rate during the year was 19.7% of pensionable pay based on the latest valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees.

The pension scheme, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Civil List.

### **Royal Households Group Pension Scheme**

All full-time permanent employees who joined before 31st March 2002 and are not members of the Royal Household Pension Scheme are entitled to be members of the Royal Households Group Pension Scheme, which is managed by trustees on behalf of the Royal Household. The scheme provides benefits which are based on final pay and is non-contributory for employees.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit method. As the scheme is closed to new entrants, under the projected unit method the current service cost will increase as the members approach retirement. The most recent completed valuation was as at 1st January 2006. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the real investment return would be 1.7% per annum post-retirement and 3.2% per annum pre-retirement, that real salary increases would average 1.5% per annum and that pensions would increase at the rates specified in the scheme rules.

The most recent actuarial valuation showed that the total market value of the assets of the scheme was £24.5 million and that this value of the assets was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rate in respect of staff employed by the Civil List increased to 25.1% from 1st January 2007 (previously 17.6%), plus an index-linked annual payment of £59,000 (previously £23,000).

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 1st January 2006 updated by an independent qualified actuary, Hewitt, to take account of the requirements of FRS 17: Retirement Benefits in order to assess the liabilities in respect of the Civil List section of the scheme at 31st December 2007. Scheme assets in respect of the Civil List section of the scheme are stated at their market values at 31st December 2007.

Actuarial assumptions adopted as at 31st December	<b>2007</b>	2006	2005
	<b>(pa)</b>	(pa)	(pa)
Discount rate	<b>5.8%</b>	5.1%	4.7%
Rate of general long-term increase in salaries	<b>4.9%</b>	4.6%	4.4%
Rate of price inflation	<b>3.4%</b>	3.1%	2.9%
Rate of increase to pensions in payment (pre-1993 service)	<b>5.0%</b>	5.0%	5.0%
Rate of increase to pensions in payment (post-1993 service)	<b>3.4%</b>	3.1%	2.7%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.6 years if they are male and for a further 23.7 years if they are female. For a member who retires in 2025 at age 65 the assumptions are that they will live on average for a further 23.4 years after retirement if they are male and for a further 24.8 years after retirement if they are female.

The Royal Household employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme as at 31st December 2007.

	<b>2007</b>	2006	2005
Average annual expected long-term rate of return/total fair value of assets	<b>6.89%</b>	6.91%	6.45%

	Value as at 31st December		
	2007	2006	2005
	£m	£m	£m
Fair value of scheme assets	2.4	1.9	1.6
Present value of funded defined benefit obligations	(3.4)	(3.1)	(2.9)
Net pension liability recognised on the balance sheet	<u>(1.0)</u>	<u>(1.2)</u>	<u>(1.3)</u>

There is therefore a net pension liability of £1.0 million as at 31st December 2007 (2006: £1.2 million). The amount of this net pension liability has a consequential effect on reserves.

#### Analysis of amounts charged against income and expenditure

Year to 31st December	2007	2006
	£m	£m
Current service cost	0.3	0.4
Expected return on scheme assets	(0.2)	(0.1)
Interest on pension scheme liabilities	0.2	0.1
Expense recognised in Income and Expenditure Account	<u>0.3</u>	<u>0.4</u>

Changes to the present value of the defined benefit obligations during the year are as follows:

	2007	2006
	£m	£m
Defined benefit obligations as at 1st January	3.1	2.9
Movement in year:		
Current service cost	0.3	0.4
Interest cost	0.2	0.1
Actuarial gains on scheme liabilities	(0.2)	(0.3)
Defined benefit obligations as at 31st December	<u>3.4</u>	<u>3.1</u>

Changes to the fair value of scheme assets during the year are as follows:

	2007	2006
	£m	£m
Fair value of scheme assets as at 1st January	1.9	1.6
Movement in year:		
Expected return on scheme assets	0.2	0.1
Contributions by the employer	0.3	0.2
Actuarial gains/(losses) on scheme assets	—	—
Fair value of scheme assets as at 31st December	<u>2.4</u>	<u>1.9</u>

An analysis of the movement in the deficit of the scheme over the year is as follows:

	2007	2006
	£m	£m
Deficit as at 1st January	(1.2)	(1.3)
Movement in year:		
Current service cost	(0.3)	(0.4)
Contributions	0.3	0.2
Actuarial gains	0.2	0.3
Deficit as at 31st December	<u>(1.0)</u>	<u>(1.2)</u>

The actual return on scheme assets comprises:

	2007	2006
	£m	£m
Expected return on scheme assets	0.2	0.1
Actuarial gains/(losses) on scheme assets	—	—
Actual return on scheme assets	<u>0.2</u>	<u>0.1</u>

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) were as follows:

	2007	2006
	£m	£m
Total actuarial gains	0.2	0.3
Total gains in STRGL	0.2	0.3
Cumulative amount of gains recognised in STRGL	0.5	0.3

The history of assets values, defined benefit obligations and the deficit in the scheme is as follows:

	2007	2006	2005
	£m	£m	£m
Fair value of scheme assets	2.4	1.9	1.6
Defined benefit obligations	(3.4)	(3.1)	(2.9)
Deficit in scheme	<u>(1.0)</u>	<u>(1.2)</u>	<u>(1.3)</u>

The history of experience gains and losses is as follows:

	2007	2006	2005
	£m	£m	£m
Experience gains/(losses) on scheme assets	–	–	0.2
Experience gains/(losses) on scheme liabilities	(0.1)	0.2	–

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the income and expenditure account for the next year is explained as follows:

Year to 31st December	2008
	£m
Current service cost	0.3
Expected return on scheme assets	(0.2)
Interest on pension scheme liabilities	0.2
Total estimated pension expense	<u>0.3</u>

### **Royal Household Defined Contribution (Stakeholder) Pension Scheme**

Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme (“the Stakeholder Scheme”), which is a stakeholder arrangement administered by Legal & General. The Stakeholder Scheme is non-contributory for employees and the Royal Household pays contributions into the fund for each employee. The current rate of contribution is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can, if they wish, make their own contributions up to the Inland Revenue limits.



## 5. TOTAL NET EXPENDITURE

Total net expenditure is stated after charging/(crediting):

	2007	2006
	£m	£m
Depreciation	0.5	0.4
Rentals under operating leases	0.1	0.1
Service charges and recharges	(3.1)	(2.7)

The remuneration of the Civil List Auditor was £nil (£nil in 2006). There were no additional fees paid to the Auditor during 2007 or 2006.

## 6. FIXED ASSETS

	Information Systems £m	Furnishings & Equipment £m	Horses & Liveries £m	Total £m
<b>Cost</b>				
At 1st January 2007	2.5	1.8	0.4	4.7
Additions	0.2	0.3	0.1	0.6
At 31st December 2007	<b>2.7</b>	<b>2.1</b>	<b>0.5</b>	<b>5.3</b>
<b>Depreciation</b>				
At 1st January 2007	1.9	0.7	0.1	2.7
Charge for the year	0.3	0.1	0.1	0.5
At 31st December 2007	<b>2.2</b>	<b>0.8</b>	<b>0.2</b>	<b>3.2</b>
<b>Net book value</b>				
At 31st December 2007	<b>0.5</b>	<b>1.3</b>	<b>0.3</b>	<b>2.1</b>
At 1st January 2007	0.6	1.1	0.3	2.0

## 7. STOCK

	2007	2006
	£m	£m
Wine and spirits	0.4	0.4
	<b>0.4</b>	<b>0.4</b>

Wine is held in stock to age.

## 8. DEBTORS

	2007	2006
	£m	£m
Recharges	0.6	0.6
Other debtors	0.5	0.3
Prepayments	–	0.1
	<u>1.1</u>	<u>1.0</u>

## 9. CREDITORS: amounts falling due within one year

	2007	2006
	£m	£m
Amounts due to suppliers	0.2	0.3
PAYE and National Insurance	0.7	0.7
Pension contributions	0.1	0.2
Accruals	0.7	0.4
	<u>1.7</u>	<u>1.6</u>

Cash balances not required to fund debtors and creditors at 31st December are payable to the Royal Household Investment Committee, for inclusion in the Civil List reserve.

## 10. RESERVES

	Fixed asset reserve	Stock reserve	Pension scheme deficit	Total reserves
	£m	£m	£m	£m
As at 1st January 2007	2.0	0.4	(1.2)	1.2
Movement in year	0.1	–	0.2	0.3
As at 31st December 2007	<u>2.1</u>	<u>0.4</u>	<u>(1.0)</u>	<u>1.5</u>

## 11. COMMITMENTS

Operating lease commitments are as follows:

	2007 £m	2006 £m
Expiring between 2 and 5 years	<u>0.1</u>	<u>0.1</u>

## 12. RELATED PARTY TRANSACTIONS

Material transactions during the year with other entities controlled by officials or trustees on behalf of The Queen are set out below.

	2007 £m	2006 £m	2007 £m	2006 £m
	<b>Balance due from:</b>		<b>Recoveries from:</b>	
Royal Collection Trust	–	0.1	1.0	0.9
Property Services Grant-in-aid	0.1	0.1	0.7	0.7
Royal Travel Grant-in-aid	–	–	0.1	0.1
Privy Purse	0.1	0.1	0.2	0.2
Other Royal Households	0.1	0.2	0.4	0.3
	<b>Balance due to:</b>		<b>Charged by:</b>	
Privy Purse	–	–	0.1	0.1

The Royal Collection Trust, the Property Services and Royal Travel Grants-in-aid, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Recoveries are mainly management fees charged by the Civil List for various services including accountancy, payroll, personnel, catering, cleaning and the provision of press office, internal audit and information systems services.

Charges to the Civil List are in respect of the purchase of horses and summer grazing and the costs of cleaning and accommodation for official staff at Balmoral and Sandringham.

None of the key staff employed by the Civil List has undertaken any material transaction with the Civil List during the year.

# REPORT OF THE AUDITOR TO THE CHANCELLOR OF THE EXCHEQUER

I have audited the accounts on pages 40 to 55 under the Civil List Audit Act 1816. These accounts have been prepared under the historical cost convention and the accounting policies set out on pages 45 and 46.

## **Respective responsibilities of the Royal Household and the Auditor**

The Royal Household is responsible for the preparation of the accounts for each financial year in the form and on the basis approved by the Treasury. The Royal Household is also responsible for ensuring the regularity of financial transactions. The Royal Household is also responsible for the preparation of the other contents of the Annual Report. My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Civil List Audit Act 1816 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the accounts, if proper accounting records have not been kept or if I have not received all the information or explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounts.

I review the statement on internal controls on pages 33 and 34 and report if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts.

## **Basis of opinion**

I conducted the audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the accounts. It also includes an assessment of the significant estimates and judgements made by the Royal Household in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which is considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts.

## **Opinion**

In my opinion:

- I. the accounts give a true and fair view of the state of affairs at 31st December 2007 and of the net expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Civil List Audit Act 1816 and directions made thereunder by the Treasury; and
- II. in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**Nicholas Macpherson**

Civil List Auditor

Government Offices

1 Horse Guards Road

London

SW1A 2HQ

5th June 2008

## APPENDIX A: ADDITIONAL NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The segmental analysis on page 46 sets out the staff costs for each of the categories below. In accordance with the accounts direction we set out below an analysis of the non-staff costs on a basis consistent with the Royal Trustees Report.

### Catering and hospitality

	2007	2006
	£m	£m
Garden parties	0.7	0.7
Food and kitchens	0.5	0.4
	<u>1.2</u>	<u>1.1</u>

### Executive and administrative

	2007	2006
	£m	£m
Recruitment and training	0.3	0.2
Depreciation (net of recharges)	0.3	0.3
Stationery	0.1	0.1
Computers and information systems	0.2	0.2
Legal advice and other professional services	0.2	0.1
Travel	0.1	0.1
	<u>1.2</u>	<u>1.0</u>

### Housekeeping and furnishings

	2007	2006
	£m	£m
Housekeeping	0.3	0.3
Furnishings and equipment	0.3	0.2
	<u>0.6</u>	<u>0.5</u>

### Ceremonial functions

	2007	2006
	£m	£m
Carriage processions	–	0.1
Uniforms and protective clothing	0.1	0.1
Motor vehicles	0.1	0.1
	<u>0.2</u>	<u>0.3</u>

## APPENDIX B: FIVE YEAR INFORMATION

### INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Civil List funding received:</b>					
Annual Civil List	7.9	7.9	7.9	7.9	7.9
Draw-down from reserve	4.9	4.1	3.4	2.8	2.6
	<u>12.8</u>	<u>12.0</u>	<u>11.3</u>	<u>10.7</u>	<u>10.5</u>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
<b>Salaries</b>	9.1	8.8	8.3	7.6	7.1
<b>Other expenditure</b>					
Catering and hospitality	1.2	1.1	1.0	0.9	0.9
Executive and administrative	1.2	1.0	0.9	1.0	0.9
Housekeeping and furnishings	0.6	0.5	0.5	0.5	0.5
Ceremonial functions	0.2	0.3	0.3	0.2	0.2
Other costs	0.4	0.5	0.3	0.4	0.3
<b>Total net expenditure</b>	<u>12.7</u>	<u>12.2</u>	<u>11.3</u>	<u>10.6</u>	<u>9.9</u>
<b>Net surplus/(deficit) taken to/(from) reserves</b>	<u>0.1</u>	<u>(0.2)</u>	<u>–</u>	<u>0.1</u>	<u>0.6</u>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

### PERFORMANCE INDICATORS AND OPERATING RATIOS

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Increase in net Civil List expenditure</b>	4.1%	8.0%	6.6%	7.1%	2.0%
<b>Suppliers paid within:</b>					
• 30 days	79%	81%	89%	91%	91%
• 40 days	87%	89%	93%	95%	95%
• 50 days	92%	92%	96%	97%	96%
<b>Establishment</b> (after recharges)	311	311	310	307	303

## APPENDIX C: ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN RESPECT OF THE CIVIL LIST

1. The Royal Household shall prepare accounts for The Queen's Civil List (the Civil List) for the year ended 31st December 2003 and for subsequent financial years comprising :
  - (a) a narrative description of activities and results for the year;
  - (b) an Income and Expenditure Account;
  - (c) a balance sheet;
  - (d) a cash flow statement; and
  - (e) a statement of total recognised gains and losses,including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. The accounts shall give a true and fair view of the income and expenditure, total recognised gains and cash flows for the year, and the state of affairs as at the end of the year, prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP).
3. The application of the accounting and disclosure requirements of the Companies Act, accounting standards and other disclosure requirements is given in Schedule 1 attached.
4. This direction shall be reproduced as an appendix to the accounts.

**Ian Taylor**

The Treasury Accountant

30th March 2004



# SCHEDULE 1: ACCOUNTING AND DISCLOSURE REQUIREMENTS

## **Companies Act**

1. The disclosure exemptions permitted by the Companies Act shall not apply to the Civil List accounts unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, information relating to the Civil List accounts shall be contained in the foreword, which shall be signed and dated by the Keeper of the Privy Purse.
3. When preparing its Income and Expenditure Account, the Civil List accounts shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet, the Civil List accounts shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act. The balance sheet totals shall be struck at "Total assets less current liabilities" and signed and dated by the Keeper of the Privy Purse.
5. The Civil List accounts are not required to provide the historic cost information prescribed in paragraph 33(3) of Schedule 4 to the Companies Act.

## **Accounting Standards**

6. Historical cost profits and losses (as described in FRS3) do not have to be shown.

## **Other disclosure requirements**

7. The accounts shall, inter alia:
  - (a) state that the accounts have been prepared in accordance with this Treasury direction;
  - (b) include a statement on the system of internal controls;
  - (c) include an appendix giving details of Household expenses (excluding salaries) consistent with the categories in 3.3.2 of the Report of the Royal Trustees dated 4th July 2000.

