

**The Grant-in-aid for  
Royal Travel by Air and Rail**

*Annual Report 2007-08*



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# INCOME AND EXPENDITURE ACCOUNT

<b><i>Year to 31st March</i></b>	<b>Note</b>	<b>2008 £m</b>	<b>2007 £m</b>
<b>Amount of Grant-in-aid Voted by Parliament</b>		<b>6.4</b>	6.0
		=====	=====
<b>Grant-in-aid drawn down</b>		<b>6.4</b>	5.5
		=====	=====
<b>Air travel</b>			
Helicopters		2.2	2.2
Fixed wing (civil operators)		2.2	1.9
Fixed wing (32 Squadron)		0.4	0.4
		4.8	4.5
		=====	=====
<b>Sea travel</b>		<b>0.2</b>	—
		=====	=====
<b>Rail travel</b>		<b>0.9</b>	0.7
		=====	=====
<b>Administration and other</b>		<b>0.3</b>	0.4
		=====	=====
<b>Total net expenditure</b>	5	<b>6.2</b>	5.6
<b>Net funding for/(from reduction in) fixed assets and working capital</b>	10	<b>0.2</b>	(0.1)
		=====	=====

The results shown above relate to continuing activities. Total net expenditure in 2007-08 includes £0.2 million in respect of VAT (2006-07: £0.2 million).

The accounting policies are summarised on pages 108 to 109. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and Cash Flow Statement on pages 105, 106, and 107 respectively.

Grant-in-aid not drawn down amounted to £nil (£0.5 million in 2006-07, which was retained by the Department for Transport).

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st March</i>	Note	2008	2007
		£m	£m
<b>Net funding for/(from reduction in) fixed assets and working capital</b>		<b>0.2</b>	(0.1)
Actuarial gain for the year	4	0.2	0.1
<b>Total recognised gains relating to the year</b>		<b>0.4</b>	—
		<b>=====</b>	=====

# BALANCE SHEET

<i>As at 31st March</i>		<b>2008</b>	<b>2007</b>
	Note	<b>£m</b>	<b>£m</b>
<b>Fixed assets</b>	7	—	—
<b>Current assets</b>			
Debtors	8	<b>0.1</b>	0.1
Cash at bank and in hand		<b>0.5</b>	0.2
		<b>0.6</b>	0.3
<b>Creditors: amounts falling due within one year</b>	9	<b>(0.5)</b>	(0.3)
<b>Net current assets</b>		<b>0.1</b>	—
<b>Creditors: amounts falling due after more than one year</b>	9	—	—
<b>Net assets excluding pension scheme liability</b>		<b>0.1</b>	—
<b>Pension scheme liability</b>	4	<b>(0.1)</b>	(0.4)
<b>Net liabilities</b>		<b>—</b>	<b>(0.4)</b>
<b>Funds contributed by or (required from) the Department for Transport</b>		<b>—</b>	<b>—</b>
Fixed asset reserve		—	—
Pension scheme deficit	4	<b>(0.1)</b>	(0.4)
Amount funding net current assets		<b>0.1</b>	—
	10	<b>—</b>	<b>(0.4)</b>
		<b>—</b>	<b>—</b>

**Sir Alan Reid**

Keeper of the Privy Purse

5th June 2008

## CASH FLOW STATEMENT

<i>Year to 31st March</i>	2008 £m	2007 £m
<b>Reconciliation of total net expenditure to Grant-in-aid</b>		
Total net expenditure	(6.2)	(5.6)
Depreciation charges	—	0.1
Decrease in debtors	—	0.1
Increase in creditors	0.2	—
(Excess)/deficit of pension scheme contributions over service cost	(0.1)	0.1
<b>Net cash outflow from activities and before financing</b>	<b>(6.1)</b>	<b>(5.3)</b>
Grant-in-aid drawn down	6.4	5.5
<b>Increase in cash</b>	<b>0.3</b>	<b>0.2</b>
<b>Reconciliation of cash balances</b>		
Cash at bank as at start of year	0.2	—
Net increase in cash	0.3	0.2
<b>Cash at bank as at 31st March</b>	<b>0.5</b>	<b>0.2</b>

# 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 have been prepared in accordance with UK Generally Accepted Accounting Practice and under the historical cost accounting rules.

### b) Income

Grant-in-aid from the Department for Transport is taken to the Income and Expenditure Account in the year it is received.

All other income is accounted for on a receivable basis.

### c) Pension costs

The Household operates the Royal Households Group Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Grant-in-aid. Contributions to the scheme 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 Household.

FRS 17: Retirement Benefits is applicable to this 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 recognised in the pension scheme for the year (shown within the statement of total recognised gains and losses), and the balance sheet includes the deficit in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted at year-end AA corporate bond index.

The Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Grant-in-aid 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.

### d) Leases

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

**e) Cost of capital**

The Treasury requires Non-Departmental Public Bodies (NDPB) to make a notional charge in their accounts for the cost of capital employed in their activities. Since the Royal Household is not an NDPB and on grounds of materiality, it is not considered appropriate to include such a charge in the accounts.

**f) Foreign currencies**

Transactions denominated in foreign currencies are converted into sterling at the exchange rates on the dates of the transactions. Debtors and creditors denominated in foreign currencies are translated at year end exchange rates, unless the terms of the transaction include contracted rates when those rates are used.

**g) Fixed assets**

Fixed assets costing over £1,000 are capitalised in the balance sheet. They are depreciated on a straight-line basis starting in the month following that of purchase, at the following rates:

• Information technology equipment	Over 3 years
• Helicopter operation equipment	Over 5 years

**h) Reserves**

A fixed asset reserve was set up when the Grant-in-aid was established, anticipating the requirements of Government Resource Accounting. The net annual movement is the difference between fixed assets acquired, disposals and depreciation.

The pension scheme deficit reserve represents the amount of the pension scheme deficit at the year end. This will need to be settled from future Grant-in-aid funding over time.

Amount required to meet net liabilities represents the net liability at the year end payable to third-party creditors, net of amounts receivable. This will be settled from future Grant-in-aid funding.

## 2. SEGMENTAL ANALYSIS

<i>Year to 31st March</i>	Fixed costs		Variable costs		Total costs	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
<b>Air travel</b>						
Helicopters	1.6	1.5	0.6	0.7	2.2	2.2
Fixed wing (civil operators)	—	—	2.2	1.9	2.2	1.9
Fixed wing (32 Squadron)	—	—	0.4	0.4	0.4	0.4
	<u>1.6</u>	<u>1.5</u>	<u>3.2</u>	<u>3.0</u>	<u>4.8</u>	<u>4.5</u>
<b>Sea travel</b>	—	—	0.2	—	0.2	—
<b>Rail travel</b>						
Royal Train and other	0.4	0.4	0.5	0.3	0.9	0.7
<b>Administration and other</b>	<b>0.3</b>	<b>0.4</b>	<b>—</b>	<b>—</b>	<b>0.3</b>	<b>0.4</b>
<b>Total net expenditure</b>	<b><u>2.3</u></b>	<b><u>2.3</u></b>	<b><u>3.9</u></b>	<b><u>3.3</u></b>	<b><u>6.2</u></b>	<b><u>5.6</u></b>

## 3. STAFF NUMBERS AND COSTS

### Establishment

Staff paid from the Grant-in-aid are as set out below.

<i>As at 31st March</i>	Number of staff	
	2008	2007
Royal Travel Office	3	3
The Queen's Helicopter Flight	9	9
Administration and Accounting	1	1
	<u>13</u>	<u>13</u>

Where staff work part-time or have part of their salary charged to the Civil List or to the Property Services Grant-in-aid (in each case according to time spent) they are recorded according to the proportion of their time paid for by the Royal Travel Grant-in-aid. Those who work for less than 10% of their time on royal travel matters are not included in the above table.

### Payroll Costs

<i>Year to 31st March</i>	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Salaries	<b>0.7</b>	0.7
National insurance	<b>0.1</b>	0.1
Pension contributions	<b>0.2</b>	0.1
	<hr/>	<hr/>
	<b>1.0</b>	0.9
	<hr/> <hr/>	<hr/> <hr/>

## 4. PENSION ARRANGEMENTS

Until 31st March 2002, all full-time permanent employees were entitled to be members of a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme). The pension scheme provides benefits based on final pay and is non-contributory for employees. 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 Households Group Pension Scheme

All full-time permanent employees who joined before 31st March 2002 were 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 costs 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 Grant-in-aid was set at 27.6% from 1st January 2007 (previously 22.8%), plus an index-linked annual payment of £24,000 (previously £98,000 index linked annual payment from 1st January 2004 shared by both the Royal Travel and Property Services Grants-in-aid) and the benefit accrual rate was reduced from 1/60 to 1/70 for each year of service from 1st April 2007. It is believed that these measures will be sufficient to eliminate Royal Travel's share of the past service deficit of £0.4 million over fifteen years and meet the current service cost.

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 Grant-in-aid of the scheme at 31st March 2008. Scheme assets in respect of the Grant-in-aid are stated at their market values at 31st March 2008.

	2008 (pa)	2007 (pa)	2006 (pa)
Actuarial assumptions adopted as at 31st March			
Discount rate	<b>6.9%</b>	5.4%	4.9%
Rate of general long-term increase in salaries	<b>5.2%</b>	4.7%	4.5%
Rate of price inflation	<b>3.7%</b>	3.2%	3.0%
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>3.6%</b>	3.2%	2.9%

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 March 2008.

	2008	2007	2006
Average annual expected long-term rate of return/total fair value of assets	<b>7.04%</b>	7.07%	6.66%

	Value as at 31st March		
	2008	2007	2006
	£m	£m	£m
Fair value of scheme assets	<b>1.3</b>	1.2	1.0
Present value of funded defined benefit obligations	<b>(1.4)</b>	(1.6)	(1.4)
Net pension liability recognised on the balance sheet	<b>(0.1)</b>	(0.4)	(0.4)

There is therefore a net pension liability of £0.1 million as at 31st March 2008 (£0.4 million as at 31st March 2007). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31st March	2008	2007
	£m	£m
Current service cost	<b>(0.1)</b>	(0.2)
Expected return on scheme assets	<b>0.1</b>	0.1
Interest on pension scheme liabilities	<b>(0.1)</b>	(0.1)
Expense recognised in income and expenditure account	<b>(0.1)</b>	(0.2)

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

	<b>2007-08</b>	2006-07
	<b>£m</b>	<b>£m</b>
Defined benefit obligations as at 1st April	1.6	1.4
Movement in year:		
Current service cost	0.1	0.2
Interest cost	0.1	0.1
Actuarial gains on scheme liabilities	(0.4)	(0.1)
Defined benefit obligations as at 31st March	<u>1.4</u>	<u>1.6</u>

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

	<b>2007-08</b>	2006-07
	<b>£m</b>	<b>£m</b>
Fair value of scheme assets as at 1st April	1.2	1.0
Movement in year:		
Expected return on scheme assets	0.1	0.1
Contributions by the employer	0.2	0.1
Actuarial losses on scheme assets	(0.2)	—
Fair value of scheme assets as at 31st March	<u>1.3</u>	<u>1.2</u>

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

	<b>2007-08</b>	2006-07
	<b>£m</b>	<b>£m</b>
Deficit as at 1st April	(0.4)	(0.4)
Movement in year:		
Current service cost	(0.1)	(0.2)
Contributions	0.2	0.1
Actuarial gains	0.2	0.1
Deficit as at 31st March	<u>(0.1)</u>	<u>(0.4)</u>

The actual return on scheme assets comprises:

	2008	2007
	<b>£m</b>	<b>£m</b>
Expected return on scheme assets	0.1	0.1
Actuarial losses on scheme assets	(0.2)	(0.1)
Actual return on scheme assets	<u>(0.1)</u>	<u>—</u>

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

Year to 31st March	2008	2007
	<b>£m</b>	<b>£m</b>
Total actuarial gains	0.2	0.1
Total gains in STRGL	0.2	0.1
Cumulative amount of gains recognised in STRGL	<u>0.3</u>	<u>0.1</u>

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

Year to 31st March	2008	2007	2006
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Fair value of scheme assets	1.3	1.2	1.0
Defined benefit obligations	(1.4)	(1.6)	(1.4)
Deficit in scheme	<u>(0.1)</u>	<u>(0.4)</u>	<u>(0.4)</u>

The history of experience gains and losses is as follows:

	2008	2007	2006
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Experience gains/(losses) on scheme assets	(0.2)	—	—
Experience gains/(losses) on scheme liabilities	—	—	—

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:

<i>Year to 31st March</i>	<i>2009</i>
	<i>£m</i>
Current service cost	0.1
Expected return on scheme assets	(0.1)
Interest on pension scheme liabilities	0.1
Total estimated pension expense	<u>0.1</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:

<i>Year to 31st March</i>	<i>2008</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>
Helicopter operating lease	0.5	0.5

The auditors' remuneration for the audit was £16,000 (2006-07: £25,000). During 2007-08 and 2006-07 no additional fees were paid to the auditors.

## 6. RELATED PARTY TRANSACTIONS

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

	2008 £m	2007 £m	2008 £m	2007 £m
	Balance due to:		Charged by:	
The Civil List	—	—	0.1	0.1

The Civil List is regarded as a related party. Charges to Royal Travel 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.

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

## 7. FIXED ASSETS

	Helicopter operation equipment	£m
<b>Cost</b>		
At 1st April 2007		0.2
At 31st March 2008		<u>0.2</u>
<b>Depreciation</b>		
At 1st April 2007		0.2
Charge for the year		<u>—</u>
At 31st March 2008		<u>0.2</u>
<b>Net book value</b>		
At 31st March 2008		<u>—</u>
At 1st April 2007		<u>—</u>

Helicopter operation equipment principally comprises additional navigation equipment, an auxiliary fuel tank and safety upgrade fitted to the Sikorsky S76 C+, and helicopter landing site improvements.

## 8. DEBTORS

<i>As at 31st March</i>	2008	2007
	£m	£m
Recharges	0.1	0.1
	<hr/>	<hr/>
	0.1	0.1
	<hr/>	<hr/>

## 9. CREDITORS

<i>As at 31st March</i>	2008	2007
	£m	£m
<b>Amounts falling due within one year:</b>		
Suppliers	0.5	0.3
	<hr/>	<hr/>
	0.5	0.3
<b>Amounts falling due after one year:</b>		
Other creditors	—	—
	<hr/>	<hr/>
	0.5	0.3
	<hr/>	<hr/>
<b>Analysis of creditors:</b>		
In one year or less	0.5	0.3
Between two and five years	—	—
	<hr/>	<hr/>
	0.5	0.3
	<hr/>	<hr/>

## 10. RESERVES

	Fixed	For net	Pension	Total
	asset	current	scheme	
	reserve	assets	deficit	
	£m	£m	£m	£m
As at 1st April 2007	—	—	(0.4)	(0.4)
Net movement in year on pension scheme deficit	—	—	0.2	0.2
Depreciation	—	—	—	—
Excess pension cost over income	—	—	—	—
Net funding for working capital	—	0.1	0.1	0.2
As at 31st March 2008	—	0.1	(0.1)	—
	<hr/>	<hr/>	<hr/>	<hr/>

## 11. COMMITMENTS

At 31st March 2008, there were commitments in respect of the fixed costs of the Royal Train and the helicopter safety system, amounting to £0.3 million, which will be paid from the Grant-in-aid during 2008-09 (£0.3 million at 31st March 2007).

In addition, annual commitments under the helicopter operating lease and associated contracts are as follows:

<i>As at 31st March</i>	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Expiring in less than one year	<b>0.5</b>	—
Expiring in 2-5 years	—	0.8

## 12. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2006-07: nil).

# FIVE YEAR INFORMATION

## INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Amount of Grant-in-aid Voted by Parliament	6.4	6.0	5.9	5.7	5.9
<b>Grant-in-aid drawn down</b>	<b>6.4</b>	<b>5.5</b>	<b>5.2</b>	<b>5.4</b>	<b>4.7</b>
<hr/>					
<b>Air travel</b>					
Helicopters – fixed costs	1.6	1.5	1.5	1.5	1.6
Helicopters – variable costs	0.6	0.7	0.7	0.6	0.7
Fixed wing (civil operators) – variable costs	2.2	1.9	1.6	1.2	0.8
Fixed wing (32 Squadron) – variable costs	0.4	0.4	0.8	0.7	0.5
	<hr/> 4.8	<hr/> 4.5	<hr/> 4.6	<hr/> 4.0	<hr/> 3.6
<b>Sea travel</b>	0.2	–	–	–	–
<b>Rail travel</b>					
Royal Train – fixed costs	0.4	0.4	0.3	0.3	0.4
Royal Train – variable costs	0.5	0.3	0.3	0.4	0.4
	<hr/> 0.9	<hr/> 0.7	<hr/> 0.6	<hr/> 0.7	<hr/> 0.8
<b>Administration and other</b>	0.3	0.4	0.3	0.3	0.3
<b>Total net expenditure</b>	<hr/> 6.2	<hr/> 5.6	<hr/> 5.5	<hr/> 5.0	<hr/> 4.7
<b>Net funding (from)/for fixed assets and working capital</b>	<hr/> 0.2	<hr/> (0.1)	<hr/> (0.3)	<hr/> 0.4	–
	<hr/> <hr/> <hr/> <hr/> <hr/>				

## PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
<b>Funding</b>					
Movement in total net expenditure in:	%	%	%	%	%
• absolute terms	+10.7	+1.8	+10.0	+4.8	+11.9
• real terms	+7.2	-2.0	+7.7	+2.0	+9.6
<b>Mileage Cost</b>					
Total cost per mile travelled:					
• by air	£15	£12	£13	£12	£14
• by rail	£40	£54	£41	£49	£48
<b>Supplier Payments</b>					
Invoices paid within:	%	%	%	%	%
• 30 days	90	93	95	93	93
• 40 days	98	97	97	97	97
• 50 days of receipt of invoice	99	99	99	99	99
<b>Staff Numbers</b>	13	13	13	13	13

# REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for Royal Travel by Air and Rail (“the Grant-in-aid”) which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These accounts have been prepared using the accounting policies set out on pages 108 to 109.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

## **Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP**

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Transport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our 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 financial regularity of financial transactions included within the accounts. It also includes an assessment of the significant estimates and judgements made by the Keeper of the Privy Purse in preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Grant-in-aid and are 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 accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understandings. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

### **Opinion**

In our opinion:

- the accounts give a true and fair view in accordance with UK GAAP of the state of affairs of the Grant-in-aid at 31st March 2008 and the total surplus for the year then ended;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understandings and the financial transactions conform to the authorities which govern them.

**KPMG LLP**  
Chartered Accountants

London  
5th June 2008

## APPENDIX 1: JOURNEYS COSTING £10,000 OR MORE

The journeys listed in this appendix are only those undertaken by air or rail and funded from the Royal Travel Grant-in-aid. They account for approximately 15% of all royal engagements in 2007-08. The appendix does not detail journeys which cost less than £10,000 for the whole party, or include journeys by car. It should also be noted that the costs shown below for The Queen's Helicopter and the Royal Train are the variable costs only. Fixed costs are not included because they are payable irrespective of whether The Queen's Helicopter or Royal Train is used and do not result from undertaking specific journeys. Costs for chartered and scheduled air and rail represent the total cost of the journey (because all costs are variable). For some overseas tours, in-theatre charter aircraft are used due to the lack of local scheduled flights which fit the timings of the programmes. The costs of journeys include those relating to positioning, where applicable. A key to the abbreviations is given on page 129.

Household	Method of travel	Date	Itinerary	Cost (£)
The Queen and The Duke of Edinburgh	Royal Train	4-5 Apr	Windsor - Manchester	18,460
	BAe146	5 Apr	Manchester - NHT	2,537
<i>Attend Maundy Thursday Service</i>				
The Duke of York	Scheduled flight	11-18 Apr	LHR - Sao Paulo - LHR	19,473
	Charter flight	11-18 Apr	Sao Paulo - various destinations in Brazil - Sao Paulo	57,670
<i>UKTI visit to Brazil</i>				
The Prince of Wales	Royal Train	22-24 Apr	Aberdeen - Liverpool - Euston	40,513
<i>Receive Honorary Fellowship, deliver Roscoe lecture, open restored St George's Hall, visit Toxteth Town Hall, and other engagements</i>				
The Duke of York	Charter flight	25 Apr	NHT - Moscow - NHT	19,100
<i>Attend State Funeral and Requiem Mass for President Boris Yeltsin of the Russian Federation (cost £38,200 less reimbursements of £19,100)</i>				
The Queen and The Duke of Edinburgh	Charter flight	3-8 May	LHR - Richmond. Norfolk - Lexington - Andrews Airforce Base - LHR	381,813
	Charter helicopter	5 May	Lexington - Louisville - Lexington	22,849
Staff (The Queen)	Scheduled flight	3-8 May	LHR - Washington - LHR	9,380
<i>State Visit to United States of America</i>				

<b>Household</b>	<b>Method of travel</b>	<b>Date</b>	<b>Itinerary</b>	<b>Cost (£)</b>
The Queen and The Duke of Edinburgh	Royal Train	23-24 May	Euston - Bradford	16,656
The Queen	S76	24 May	Huddersfield - EDI - ABZ	5,452
<i>Open Bradford Hindu Temple and Bradford South Divisional Police Headquarters, visit Media Centre and Primrose Hill Eco Housing Project, and other engagements</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	28-29 May	Kemble - Edinburgh	21,460
<i>Visit Edinburgh College of Art, HM Young Offenders Institution Polmont and Hollybrook School, and other engagements at the start of a four day Holyroodhouse visit</i>				
The Duke of York	Scheduled flight	28 May - 4 Jun	LHR - Tokyo. Beijing - LHR	19,453
<i>UKTI visit to Japan and Mongolia</i>				
The Queen, The Duke of Edinburgh, The Prince of Wales and The Duchess of Cornwall	Royal Train	4-5 Jun	Euston - Bristol - Cardiff	16,862
The Queen and The Duke of Edinburgh	BAe146	5 Jun	Cardiff - NHT	2,732
<i>Attend opening of National Assembly for Wales and attend Reception at National Museum Cardiff to mark Centenary of National Museum Wales, and other engagements</i>				
The Prince of Wales	Royal Train	6-9 Jun	Mid-Glamorgan - Bangor - Powys - Welshpool - Kemble	43,258
<i>Visit Llynnon Mill and Leighton Farm, launch Volunteer Mentoring Scheme, hold Cambrian Mountains Project Meeting, host dinner on board Royal Train to discuss North West Wales Economic Development, and other engagements</i>				
The Prince of Wales	Royal Train	2-4 Jul	Kemble - Glasgow - Doncaster	35,625
<i>Attend British Asian Trust India vs Pakistan One Day International Charity Cricket Match, visit Prince's Trust Scotland Offices and RACE Engineering, and other engagements</i>				
The Princess Royal	Scheduled flight	3-14 Jul	LHR - Guatemala. Rio de Janeiro - LHR	21,553
<i>FCO visit to Latin America</i>				
The Princess Royal	Charter flight	7-13 Jul	Guatemala - Lima - Iquitos - Lima - Brasilia - Sao Paulo - Rio de Janeiro	141,150
<i>Visit HM Prison Greenock, attend Townswomen's Guilds Annual General Meeting, open Easterhouse Fire Station and Antonine Shopping Centre, and other engagements (costs increased by £10,400 due to 32 Squadron short-notice cancellation)</i>				

<b>Household</b>	<b>Method of travel</b>	<b>Date</b>	<b>Itinerary</b>	<b>Cost (£)</b>
The Queen and The Duke of Edinburgh	Royal Train	19-20 Jul	Euston - Yatton	18,548
<i>Visit Yeo Valley Farms Limited, "For All Healthy Living Centre" and Knightstone Island, open Ashcombe Children's Centre, and other engagements</i>				
Staff (The Queen)	Scheduled flight	3-11 Aug & 12-15 Oct	LHR - Entebbe - LHR	33,309
<i>Reconnaissance for State Visit to Uganda</i>				
The Duke of York	Scheduled flight	26 Aug - 3 Sep	LHR - Singapore - LHR	33,990
	Charter flight	29 Aug - 3 Sep	Singapore - Johor Bahru - Kuala Lumpur - Singapore	43,170
<i>UKTI visit to Singapore and Malaysia</i>				
The Queen, The Duke of Edinburgh and The Prince of Wales	Royal Train	30-31 Aug	Aberdeen - Euston	27,428
The Queen and The Duke of Edinburgh	BAe146	31 Aug	NHT - ABZ	5,660
<i>Attend Service of Thanksgiving for the Life of Diana, Princess of Wales</i>				
Staff (The Prince of Wales)	Scheduled flight	2-14 Sep	LHR - Entebbe - Nairobi - Istanbul - Ankara - Izmir - Istanbul - LHR	17,222
<i>Reconnaissance for official visit to Uganda and Turkey</i>				
The Prince of Wales	Royal Train	13-15 Sep	Euston - Scarborough. Malton - Andover	33,653
<i>Visit restored Rotunda Museum, St Catherine's Hospice and Institute of Naval Medicine, and other engagements</i>				
The Duke of York	Charter flight	30 Sep - 4 Oct	NHT - Baku - Almaty - Astana - Almaty	57,400
	Scheduled flight	4-5 Oct	Astana - Almaty - LHR	1,782
<i>UKTI visit to Baku, Almaty and Astana</i>				
The Queen, The Duke of Edinburgh, The Prince of Wales and The Duchess of Cornwall	Royal Train	11-13 Oct	Euston - Rugeley - Slough	22,187
<i>Attend service of Dedication Ceremony for Armed Forces Memorial at the National Memorial Arboretum, and other engagements</i>				
The Princess Royal	BAe146	14-16 Oct	LYN - Pareubice, Prague - LYN	12,100
<i>FCO visit to Czech Republic</i>				
The Duke of York	Scheduled flight	23-26 Oct	LHR - Abu Dhabi - LHR	12,699
<i>UKTI visit to United Arab Emirates</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales and The Duchess of Cornwall	Royal Train	24-25 Oct	Ayr - Euston	23,949
<i>Conduct Investiture and other engagements</i>				
The Duke of York	BAe146	1-10 Nov	NHT - Casablanca, Rabat - Algiers - Tripoli - Benghazi - El Beida - Tobruk - Tripoli - NHT	32,658
<i>UKTI visit to North Africa (cost £35,325 less reimbursements of £2,667)</i>				
The Prince of Wales	Royal Train	6-7 Nov	Euston - Cardiff	19,776
<i>Open Royal British Legion's Field of Remembrance, attend Business Summit on climate change and present Joe Calzaghe with lifetime achievement award</i>				
Staff (The Queen)	Scheduled flight	18-24 Nov	LHR - Entebbe - LHR	79,360
<i>Fly in advance of The Queen and The Duke of Edinburgh</i>				
The Queen and The Duke of Edinburgh	Charter flight	20-24 Nov	LHR - Malta - Entebbe - LHR	135,200
The Duke of Edinburgh	Charter flight	23 Nov	Kajansi - Kasese - Kajansi	2,168
<i>State Visit to Uganda and attend Commonwealth Heads of Government Meeting</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	22-29 Nov	LYN - Entebbe - Ankara - Konya - Ankara - Izmir - Ankara - Istanbul - Ankara - LYN	316,061
<i>FCO visit to Uganda and Turkey (cost £327,801 less reimbursements of £11,740)</i>				
The Queen and The Duke of Edinburgh	Royal Train	3-4 Dec	Windsor - Liverpool - Euston	23,750
<i>Attend Royal Variety Performance</i>				
Staff (The Prince of Wales)	Scheduled flight	7-18 Jan	LGW - Kingston - Port of Spain - St Lucia - Antigua - Monserrat - Antigua - LGW	19,927
<i>Reconnaissance for official visit to Trinidad, Tobago, St Lucia, Monserrat and Jamaica</i>				
The Duke of York	Scheduled flight	9-19 Jan	LHR - Cairo - Abu Dhabi - LHR	13,606
<i>UKTI visit to Egypt and United Arab Emirates</i>				
The Prince of Wales	Royal Train	21-23 Jan	Ayr - Malton - Harrogate - Kings Lynn	33,894
<i>Visit Dunfries House, Hill Top Farm, Grange Farm, reopen Harrogate's Royal Hall, and other engagements</i>				

<b>Household</b>	<b>Method of travel</b>	<b>Date</b>	<b>Itinerary</b>	<b>Cost (£)</b>
The Duke of York	BAe146	23 -25 Jan	NHT - Zurich - NHT	6,831
	Charter helicopter	25 Jan	Davos - Zurich	4,940
<i>UKTI visit to Davos</i>				
The Duke of York	Scheduled flight	5-15 Feb	LHR - Miami. New York - LHR	25,866
	Charter flight	6-13 Feb	Miami - Lake Charles - Los Angeles - Santa Ana - San Diego - Phoenix - Atlanta - New York	118,440
<i>UKTI visit to United States of America</i>				
The Prince of Wales	Royal Train	20-21 Feb	Euston - Burnley - Carmarthen	28,368
<i>Visit Burnley Town Hall, Lancashire Digital Technology Centre, and Burnley Youth Theatre, and other engagements</i>				
The Queen and The Duke of Edinburgh	Royal Train	27-28 Feb	Euston - Manchester	14,921
	BAe146	28 Feb	Manchester - NHT	2,537
<i>Open Manchester Civil Justice Centre and other engagements</i>				
The Prince of Wales and The Duchess of Cornwall	Scheduled flight	2-14 March	LGW - Tobago. Kingston - LGW	56,125
	Charter helicopter	4 Mar	Savannah - various locations - Chaguaramas	9,500
	Charter yacht	6-8 Mar	Trinidad - various locations in the Caribbean - Jamaica	210,000
<i>FCO visit to Trinidad, Tobago, St Lucia, Monserrat and Jamaica</i>				
The Duke of York	Scheduled flight	2 -15 Mar	LHR - Singapore - Mumbai - LHR	36,725
	Charter flight	3-14 Mar	Singapore - Jakarta - Biak - Singapore. Delhi - Mumbai - Pune - Bangalore - Mumbai	212,880
<i>UKTI visit to Singapore, Indonesia and India</i>				
The Queen and The Duke of Edinburgh	Royal Train	6-7 Mar	Euston - Swansea	17,133
	BAe146	7 Mar	Swansea - NHT	2,928
<i>Visit Swansea Leisure Centre and St Thomas Community Primary School, and other engagements</i>				
The Queen and The Duke of Edinburgh	BAe146	18-20 Mar	NHT - Aldergrove - NHT	13,467
<i>Attend Maundy Thursday service and other engagements</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Duke of York	Scheduled flight	28 Mar-4 Apr	LHR - Doha, Abu Dhabi - LHR	12,916
	Charter flight	30 Mar-1 Apr	Doha - Amman Marka - Kuwait - Dubai	49,870
			<i>UKTI visit to Qatar, Jordan, Kuwait, Dubai, and United Arab Emirates (costs increased by £14,700 due to 32 Squadron unavailability)</i>	
The Prince of Wales	Royal Train	30-31 Mar	Kemble - Penrith	18,916

*Visit Black Swan Pub as part of "Pub is the Hub" Initiative, visit Booths supermarket and Howe Bank rural housing scheme, present The Blamire Memorial Trust Award, and other engagements*

**Summary of other journeys by scheduled air and rail costing less than £10,000 each**

S76	Various	Various (140 journeys)	366,521
Charter helicopter	Various	Various (47 journeys)	203,007
Charter flight	Various	Various (13 journeys)	72,699
BAe 146	Various	Various (36 journeys)	159,734
HS 125	Various	Various (74 journeys)	166,535
Scheduled flight	Various	Various	143,461
Scheduled rail	Various	Various	48,893
			<b>3,931,221</b>

**Key**

LHR	London Heathrow
LGW	London Gatwick
ABZ	Aberdeen
EDI	Edinburgh
LYN	Lyneham
NHT	Northolt

## APPENDIX 2: OPERATING STATISTICS

### AIR TRAVEL

#### Flying hours

<i>Year to 31st March</i>	<b>2008</b>	<b>2007</b>
	<b>hours</b>	hours
Helicopters	<b>468</b>	514
Fixed wing	<b>189</b>	178
Total flying hours	<b>657</b>	692

### HELICOPTERS - FLYING HOURS

<i>Year to 31st March</i>	<b>2008</b>	<b>2007</b>
	<b>hours</b>	hours
The Queen's Helicopter	<b>366</b>	395
Charter helicopters	<b>102</b>	119
Total flying hours	<b>468</b>	514

The helicopter forms an integral element of Royal Travel and provides a highly efficient and cost-effective travel option. The flexibility offered by the helicopter enables members of the Royal Family to undertake a number of engagements at different locations on the same day.

The Queen's Helicopter, a Sikorsky S76 C+, is used by the Royal Household under the terms of a ten-year operating lease and related maintenance contracts; it can carry six passengers. The variable cost for The Queen's Helicopter, including VAT, was £1,018 per flying hour (2006-07: £933). Charter helicopters provided additional capacity during the year when more than one helicopter was required.

### FIXED WING (CIVIL OPERATORS)

#### Flying hours

<i>Year to 31st March</i>	<b>2008</b>	<b>2007</b>
	<b>hours</b>	hours
Small fixed wing aircraft charter	<b>119</b>	107
Large fixed wing aircraft charter	<b>70</b>	71
	<b>189</b>	178

### SCHEDULED FLIGHTS

During the year members of the Royal Family travelled 116,000 miles (2006-07: 173,000) on 17 scheduled flights (2006-07: 28).

## FIXED WING (32 SQUADRON)

### Flying hours

<i>Year to 31st March</i>	<b>2008</b>	<b>2007</b>
	<b>hours</b>	hours
BAe 146	<b>121</b>	112
HS 125	<b>173</b>	183
	<hr/>	<hr/>
	<b>294</b>	295
	<hr/>	<hr/>

32 Squadron primarily provides air travel to meet the operational requirements of the Armed Services but is also available for members of the Royal Family and Government Ministers. During 2007-08, 9% (2006-07: 9%) of 32 Squadron's flying hours were in respect of use by members of the Royal Family and their staff.

A BAe 146 is a four-engined jet which is configured to carry 19 or 26 passengers; 32 Squadron had two BAe 146s in 2007-08. The hourly variable cost was £2,342 in 2007-08 (2006-07: £2,478). The decrease in the hourly variable cost for the BAe 146 is due to a reduction in maintenance costs.

The HS 125 is a twin-engined jet which carries seven passengers; 32 Squadron had five HS 125s in 2007-08. The hourly variable cost was £973 in 2007-08 (2006-07: £952).

The Squadron's engagement on their primary operational role in the Middle East, coupled with continuing maintenance and serviceability problems experienced by the aircraft upon return to the UK, has affected aircraft availability. The unavailability of 32 Squadron on 8 occasions (2006-07: 15) resulted in an additional £47,000 spent on fixed wing charter aircraft (2006-07: £109,000).

Hours include both the flight and any pre/post-flight positioning of the aircraft.

## RAIL TRAVEL

### Royal Train

During the year there have been 19 journeys (2006-07: 11), with an average distance of 755 miles per journey (2006-07: 655 miles). During these journeys a total of 27 nights were spent on the Royal Train (2006-07: 11 nights).

The Royal Train comprises nine coaches, including coaches for Household and railway staff, the Police, communications equipment and electricity supply. Five to eight of the coaches are used at any one time. It enables members of the Royal Family to carry out busy schedules over an extended period in a secure environment which minimises disruption and inconvenience to the public and provides accommodation and office facilities. The Train is available for use, on a recharging basis, by Government and for national interest purposes. However, its configuration is for overnight travel and it is not suitable for large scale travel and entertaining.

A review of the future of the Royal Train six years ago concluded that it should continue to be used as an integral part of Royal Travel but that the Household and Department for Transport should actively monitor costs to ensure it is run and maintained in the most cost effective manner possible. During the eleven years of the Grant-in-aid, costs have been reduced (a 56% reduction in absolute terms) through a number of initiatives (including rationalisation of the coach fleet and reviews of costs with the railway companies).

#### **Scheduled rail**

During the year members of the Royal Family made 43 journeys by scheduled rail (2006-07: 49), with an average distance of 146 miles per journey (2006-07: 130 miles).