

Presented pursuant to C.55, s.2(5) of the Crown Estate Act 1961.

The Crown Estate Account 2004-2005

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Foreword to the Financial Statements

Background information

The Crown Estate Act 1961 was enacted by Parliament in pursuance of the recommendations of the Report of the Committee on Crown Lands which visualised the role of The Crown Estate Commissioners as analogous to that of trustees of a trust fund. The Act charged the Commissioners with the management of The Crown Estate.

The Crown Estate may be traced back to the reign of King Edward the Confessor and, until the accession of King George III, the Sovereign received its rents, profits and expenses. However, since 1760 the annual surplus, after deducting management costs, has been surrendered by the Sovereign to Parliament to help meet the costs of civil government. In return, the Sovereign receives the civil list and the Government meets other official expenditure incurred in support of the Sovereign.

The duties of the Commissioners are to maintain The Crown Estate as an estate in land (with such cash or investments as may be required for the discharge of their functions) and to maintain and enhance its value and the return obtained from it, but with due regard to the requirements of good management.

By the Civil List Act 1952, the net income from The Crown Estate, after defraying costs of collection and management, is required to be paid into the Exchequer and made part of the Consolidated Fund (general government revenues).

The Commissioners have authority to act on behalf of the Crown in relation to The Crown Estate, all such acts as belong to the Crown's right of ownership, subject only to the detailed restrictions set out in the Act. The Commissioners must comply with such directions, as to the discharge of their functions under the Act, as may be given to them by the Chancellor of the Exchequer and the Secretary of State for Scotland. The Commissioners submit annually to the Treasury a forecast of their activities in a corporate plan covering the following and two ensuing years.

The Crown Estate is not the property of the Government, nor is it the Sovereign's private estate. It is part of the hereditary possessions of the Sovereign in right of the Crown.

The Crown Estate Commissioners are a statutory corporation, they are not a company for the purposes of the Companies Act.

The Crown Estate may not be held other than in land, gilts or cash. Investment in equities or outside the United Kingdom is not permitted.

The Crown Estate has no general powers to borrow, either for capital purposes or for working balances, and there is thus no external indebtedness in the balance sheet.

Under The Crown Estate Act 1961 (First Schedule, para. 5) monies are provided by Parliament (Resource Finance) towards the cost of the Commissioners' salaries and the expense of their office.

Crown Estate Commissioners

The composition of the Board of Commissioners during 2004-2005 was

Ian Grant CBE, FRAgS, Chairman of the Board

Roger Bright MA, Chief Executive and Accounting Officer, Deputy Chairman of the Board

Sir Donald Curry KB, CBE, FRAgS

Hugh Duberly CBE, DL

Jenefer Greenwood BSc, FRICS

Martin Moore MRICS

Dinah Nichols CB

Ronald Spinney CBE, FRICS

Statement of The Crown Estate Commissioners' and Accounting Officer's responsibilities

The Commissioners are responsible for ensuring that The Crown Estate has in place a system of controls, financial and otherwise, and under section 2(5) of The Crown Estate Act 1961 are required to prepare a statement of accounts in the form and on the basis determined by the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of The Crown Estate's surplus, state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Commissioners are required to

- i observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii make judgements and estimates on a reasonable basis;
- iii state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- iv prepare the financial statements on the going concern basis.

The Treasury has appointed the Second Commissioner as the Accounting Officer for The Crown Estate. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Statement on Internal Control

The purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Crown Estate's policies, aims and objectives as set out in The Crown Estate Act 1961; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. It is designed to manage risk down to an acceptable level rather than to eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control has been in place in The Crown Estate for the year ended 31 March 2005 and up to the date of approval of the annual report and financial statements, and accords with Treasury guidance.

Capacity to handle risk

The Main Board, Audit Committee, Chief Executive and Management Board provide leadership on risk management in The Crown Estate. The Management Board review risk as part of the ongoing business planning and control cycle and are 'risk owners' for strategic risks, as well as for the risks that relate to those functions, projects and change programmes that they directly manage.

During 2004-2005, a number of developments have been made to The Crown Estate's internal control environment

- a revised risk management policy, and associated guidelines, was established and approved by the Management Board in May 2004;
- further embedding of the risk framework throughout the organisation;
- risk registers were re-established to reflect the revised guidelines for all departments during 2004-2005;
- revised internal control statements (ICS) were established for all departments during 2004-2005; and
- formal staff training on risk management took place during 2004-2005.

Risk management is embedded within all key processes of The Crown Estate, with which staff are familiarised during induction processes and via 'on the job' training. All project and business managers received formal training on risk management during 2004-2005.

Risk assessment and management will form an intrinsic part of departments' business plans for 2005-2006. Identified mitigation actions will, where possible, be linked to key result areas (KRAs) within corporate plans.

The Crown Estate's risk management policy and guidelines are held within its intranet which is accessible to all staff. The risk management procedures include appropriate metrics designed to both provide support to staff in the tasks involved and also to derive consistency of results across all departments. The Crown Estate's Risk Manager, the Director of Finance and Information Systems, is responsible for the implementation, co-ordination and monitoring of the risk management process across The Crown Estate and administers the strategic risk register.

The risk and control framework

The Crown Estate's risk framework, policy and processes are consistent with the best practices as defined in the Office of Government Commerce's Management of Risk (MoR): Guidance for Practitioners and with the contents of Annex 2 of DAO(Gen) 09/03. The framework adopts the strategic, programmes, projects and operational model that this guidance contains and aligns this with The Crown Estate's corporate planning cycle that is well developed and embedded.

Strategic risks and their assessment is the responsibility of the Management Board. Programme and project risks and their assessment is the responsibility of individual project managers. These risks are discussed on a quarterly basis at departmental team meetings. The risk manager and the central risk function assist in the facilitation of this process with the support of external consultants.

Strategic risks are reviewed by the Management Board on a quarterly basis, by exception. The risk manager reviews departmental risks to identify links between departments and projects where the impact of one or more risks could affect others. Serious departmental risks are escalated as and when necessary to the Management Board for consideration for inclusion onto the strategic risk register.

Risk registers are held centrally in the Intranet for all departments. Risk reporting, based around internal control statements (ICS), has been implemented to provide additional assurance that risks are being actively managed.

Risk appetites and tolerances are assessed and delegated by The Crown Estate management, reflecting experience and past history of effective risk management. Impact metrics and regular monitoring and review ensure that delegated approval limits are consistently applied throughout the business.

To date, public stakeholders' input to The Crown Estate's risk management framework has been achieved indirectly, through risk mitigation activities such as attitude surveys and feedback on planning consultations. This may well change as part of a revitalised focus on the customer.

Review of effectiveness

The Audit Committee is responsible for reviewing the effectiveness of the system of internal control, which is informed by the work of the internal auditors and the executive managers who have responsibility for the development and maintenance of the internal control framework, together with comments made by the external auditors in their management letter.

Furthermore, during 2004-2005 an audit was conducted of the risk management process within The Crown Estate by internal audit. The findings of this audit were reported to the Audit Committee in January 2005 and no significant failings were found.

A further review of the effectiveness of the system of internal control is planned to be undertaken during 2005.

This review will conclude with a risk 'health check' drawing on the quarterly internal control statements produced for the strategic risk register. The findings of this risk health check will be reported to the Audit Committee for review and approval. This report will give a view of the status of risk management at the end of the year, events causing concern within the year and details of planned action.

The Audit Committee have reviewed the effectiveness of the system of internal control. A plan to address weaknesses and ensure continuous improvement of the system is in place. This plan covers the coming financial year and concludes with further healthchecking prior to the issue of the next statement of internal control.

Significant internal control problems

For the financial year 2004-2005, the preparation of statutory accounts and the risk management framework show that there are no significant internal control problems to report.

Review of activities

The Crown Estate's aim is to continue to enhance the value of the Estate and return obtained from it, in accordance with The Crown Estate Act 1961.

During the year ended 31 March 2005, the capital value of the property portfolio increased by £403 million to £4,812 million, with capital released of £166.7 million. The revenue surplus increased by 4.5 per cent to £184.8 million.

A full review of the activities of The Crown Estate is given in the preface by the First Crown Estate Commissioner (the Chairman) and the operational and financial review by the Second Crown Estate Commissioner (the Chief Executive) in The Crown Estate Annual Report and Financial Statements.

Auditors

The financial statements of The Crown Estate are audited by the Comptroller and Auditor General in accordance with section 2(6) of The Crown Estate Act 1961. The audit certificate appears on pages 7 and 8. No fees have been incurred in respect of non-audit services. The audit fee for work performed in the year of account was £90,000.

Results and appropriations for the year

The results are set out in the revenue account on page 9. The surplus for the year amounted to £184.8 million (£176.9m at 31 March 2004), and the contribution to the Consolidated Fund was £185.7 million (£173.0m at 31 March 2004). The retained revenue reserve at 31 March 2005 was £4.6 million (£5.5m at 31 March 2004).

Valuation of land and buildings

The valuation of The Crown Estate land and buildings as at 31 March 2005 was £4,812 million. This represents an increase of £403 million on the 2004 valuation.

Fixed assets

During the year to 31 March 2005, The Crown Estate expenditure on other fixed assets was £2.1 million (£1.2 million during the year to 31 March 2004), as shown in Note 15 to the accounts.

Charitable donations

The Crown Estate provided donations to a range of bodies, including charities, totalling £25,405 in 2004-2005 (£10,450 in 2003-2004), as permitted by The Crown Estate Act 1961, section 4(2).

Supplier payment performance

The Crown Estate's payment policy is to pay all suppliers within 30 days of receipt of a correctly documented invoice, or on completion of service where a fee is recoverable from a third party, or according to contract where a shorter payment period is agreed. During the year, The Crown Estate paid 81 per cent of invoices from suppliers within this period. This percentage includes invoices under dispute and amounts recoverable from third parties. On average, invoices from suppliers are paid within 23 days of receipt. The Crown Estate observes the principles of the 'Better Payment Practice Code'.

Corporate responsibility

The Crown Estate publishes an annual corporate responsibility (CR) report setting out its approach to CR in relation to key economic, environmental and social responsibilities. The organisation's commitment to enhancing the unique assets of The Crown Estate through its core values of commercialism, integrity and stewardship are reflected in the specific objectives which are set each year, and the report sets out progress and achievements in relation to these objectives and performance targets.

Equal opportunity

The Crown Estate is an equal opportunity employer and is committed to ensuring that no employee, or applicant, is treated less favourably on the grounds of race, religion, ethnic origin, disability or sexual orientation.

Employee involvement

The Crown Estate is accredited as an 'Investor in People' and has adopted a formal rolling review programme where different parts of the organisation will be assessed each year in order to retain IiP recognition, reflecting the importance of its employees.

The Crown Estate has established new employee Forums to ensure the engagement of its employees and the opportunity to discuss issues affecting the business and people's employment and working environment. A corporate Forum has been established chaired by the Chief Executive with separate Forums for London, Windsor and Scotland. The Forums are formally constituted and comprise trade union representation, elected staff representatives and others.

Other means of communication with employees have also been maintained through an office magazine, team briefings, a new intranet and organisational briefings by the Chief Executive. In addition, employees receive information on the corporate plan and other management information. They also receive copies of the annual and CR reports and financial statements.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 9 to 27 under The Crown Estate Act 1961. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 14 to 16.

Respective responsibilities of the Commissioners, the Accounting Officer and Auditor

As described on page 3, the Commissioners and the Accounting Officer are responsible for the preparation of the financial statements in accordance with The Crown Estate Act 1961 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Commissioners and the Accounting Officer are also responsible for the preparation of the other contents of the Commissioners' Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Crown Estate Act 1961 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 Foreword is not consistent with the financial statements, if the Commissioners and the Accounting Officer have not kept proper accounting records, or if I have not received all the information and 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 financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies within the financial statements.

I review whether the statement on pages 4 to 6 reflects The Crown Estate's compliance with HM Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Commissioners' and Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of The Crown Estate's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Commissioners and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to The Crown Estate's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, 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. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of The Crown Estate at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with The Crown Estate Act 1961 and with the directions made thereunder by the Treasury; and
- 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 have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

21 June 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Revenue account for the year ended 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
Turnover	2	245,444	237,779
Direct operating costs	2	(31,953)	(30,201)
Gross surplus	2	213,491	207,578
Administrative expenses	3	(11,746)	(11,031)
Indirect operating expenses	4	(2,007)	(887)
Recovery of capital expenditure	8	(24,279)	(23,707)
Operating surplus		175,459	171,953
(Loss)/profit on sale of fixed assets		(31)	19
Income from gilt-edged investments		846	1,934
Bank interest receivable	9	14,752	9,912
FRS 17 retirement benefits – Net financing cost	7	(126)	(97)
Surplus on ordinary activities		190,900	183,721
Parliamentary resource finance	10	2,024	1,981
Statutory transfers	11	(8,113)	(8,772)
Net revenue surplus		184,811	176,930
Consolidated Fund payment	12	(185,700)	(173,000)
Residue carried to revenue reserve		(889)	3,930
Revenue reserve brought forward		5,529	1,599
Revenue reserve carried forward		4,640	5,529

The notes (including accounting policies) on pages 14 to 28 form part of these accounts.

Statement of Total recognised gains and losses for the year ended 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
Net revenue surplus		184,811	176,930
Actuarial gain FRS 17 retirement benefits	7	605	703
Gilt-edged security dealings		423	967
Unrealised increase in investment property portfolio valuation	13	465,223	336,327
Unrealised increase in antiques & paintings		983	0
Unrealised increase in owner occupied properties	14	981	5,208
Other (losses)		(1,018)	(3,691)
Total recognised gains and losses in the year		652,008	516,444

The notes (including accounting policies) on page 14 to 28 form part of these accounts.

Balance Sheet at 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
Fixed assets			
<i>Tangible assets</i>			
Investment properties	13	4,738,516	4,336,371
Owner occupied properties	14	73,508	72,501
Other fixed assets	15	3,209	2,236
		4,815,233	4,411,108
Investments			
Mortgages and loans	16	64	42
Other investments	17	5,042	4,059
		5,106	4,101
Current assets			
Stocks and work in progress	18	186	196
Debtors and prepayments	19	30,825	30,677
Gilt-edged securities	20	33,205	32,460
Cash at bank		242,515	150,801
		306,731	214,134
Creditors: due within one year	21	(33,281)	(31,884)
Pension fund provision	7	(3,364)	(4,236)
Net current assets		270,086	178,014
Total assets less current liabilities		5,090,425	4,593,223
Capital and reserves			
General capital reserve	27	1,817,355	1,769,907
Revaluation reserve	27	3,272,065	2,822,027
Revenue reserve	27	4,640	5,529
Pensions reserve	27	(3,635)	(4,240)
		5,090,425	4,593,223

The notes (including accounting policies) on pages 14 to 28 form part of these accounts.

Roger Bright
Second Commissioner Accounting Officer

13 June 2005

Cash Flow Statement for the year ended 31 March 2005

	2004-2005 £000	2003-2004 £000
Net cash inflow from operating activities	198,229	188,219
Returns on investments less Consolidated Fund payment		
Interest from gilt edged-securities	2,347	2,187
Interest received	15,003	9,294
Consolidated Fund payment – Revenue surplus	(183,400)	(172,300)
Net cash decrease from returns on investments less Consolidated Fund payment	(166,050)	(160,819)
Capital income/(expenditure)		
Purchase of property	(25,417)	(4,163)
New works and improvements and other capital outlay on properties	(78,249)	(59,493)
Sale of properties	160,344	60,813
Other capital receipts	6,374	2,944
Mortgage repayment	42	0
Mortgage advance	(64)	0
Purchase of fixed assets and antiques	(2,102)	(1,528)
Sale of fixed assets and antiques	67	33
Other cash flows and investing activities	(2,192)	(2,306)
Net cash increase/(decrease) from capital income and expenditure	58,803	(3,700)
Management of liquid resources		
Purchase of gilt-edged securities	(49,307)	(8,244)
Sale of gilt-edged securities	48,015	6,057
Net (decrease) from management of liquid resources	(1,292)	(2,187)
Financing		
Parliamentary resource finance	2,024	1,981
Increase in cash	91,714	23,494

Notes to cash flow statement**1 Reconciliation of operating profit to net cash inflow from operating activities**

	2004-2005 £000	2003-2004 £000
Operating surplus	175,459	171,953
Recovery of capital expenditure	24,279	23,707
Increase in debtors	(223)	(3,641)
Decrease in creditors	(1,296)	(3,797)
Decrease/(increase) in stocks and work in progress	10	(3)
	198,229	188,219

2 Analysis of change in cash as shown in balance sheet

	2004-2005 £000	2003-2004 £000
Balance at 1 April 2004	150,801	127,307
Net cash inflow	91,714	23,494
Balance at 31 March 2005	242,515	150,801

The notes (including accounting policies) on pages 14 to 28 form part of these accounts.

Notes to the Financial Statements

1 Accounting policies

a Accounting basis

The accounts are prepared on a going concern and an accruals basis under the historic cost convention, modified to include the revaluation of investment properties. They are prepared in accordance with section 2(5) of The Crown Estate Act 1961 and with the directions made thereunder by the Treasury and, where appropriate, with the Companies Act 1985 and Accounting Standards in the United Kingdom.

b Crown Estate Act 1961 – Statutory provisions

The Crown Estate is a body corporate regulated by statute. The provisions of The Crown Estate Act 1961 specify certain distinctions between capital and revenue. Section 2(4) of the Act requires capital and revenue to be distinguished in the accounts and for provision to be made for recovering capital expenditure from revenue where appropriate. The section then specifies that

- i any sum received by way of premium on the grant of a lease shall be carried to revenue account if the lease is for a term of 30 years or less and to capital account if the lease is for a term exceeding 30 years; and
- ii net earnings from mineral workings shall be carried one half to capital account and one half to revenue account.

c Treasury agreements

By agreement with the Treasury the capital account is charged with

- i the purchase of leaseholds which are recoverable from revenue over 40 years or the unexpired term of the lease if less;
- ii the cost of all new works and improvements of a wasting nature to investment properties which are recovered from revenue over 25 years; and
- iii the cost of purchasing other assets e.g. office equipment, plant and machinery, which is recoverable from revenue over the expected life of the asset category.

Expected lives are as follows

Vehicles	4-10 years depending on nature of vehicle
Plant and equipment	4-10 years
Computer equipment	4 years
Office equipment	4 years

The total of such repayments from revenue to capital is limited to 15 per cent of gross income (as defined in agreement with the Treasury). Also by agreement with the Treasury, earnings on dated gilt-edged stocks are carried one half to capital and one half to revenue. 'Earnings' are defined as interest plus or minus gains or losses on disposal. Interest on non-dated securities and short term balances is carried to the revenue account alone.

d Valuation

The portfolio of land and buildings and other property assets has been valued at 31 March 2005 by professionally qualified external valuers. The valuations have been carried out in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuation has been carried out as follows

Investment properties

Investment properties and those held for development are valued on the basis of market value. Properties in the course of development are valued at either the market value of the partially built development or the market value of the land, plus development costs expended to date.

Marine and mineral assets are valued only where a letting or licence exists, where entry has occurred, or where an interest is expected to provide either a revenue cashflow or a capital receipt within the foreseeable future. Wind farm sites where an option has been granted within round 1 and round 2 of the wind farm tender process have been included. Mineral bearing land, including marine dredged aggregates, is valued on the basis of existing use value.

All investment properties in the designated area of the Windsor Estate have been valued.

Owner occupied properties

Properties occupied by The Crown Estate are valued on the basis of existing use value, this includes dwellings occupied by The Crown Estate employees and pensioners at Windsor.

e Disposal of freehold properties

Revaluation reserve released on disposal of a property is transferred to a general capital reserve. In accordance with The Crown Estate Act, capital and revenue is required to be distinguished in the account; book profit or loss on disposal (i.e. the amount by which sales proceeds exceed the property valuation at the last accounting date prior to sale) is therefore not taken to the revenue account, but is also carried to general capital reserve.

f Depreciation and amortisation

In accordance with Statement of Standard Accounting Practice No.19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties. The Commissioners consider that this accounting policy is necessary to provide a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Other fixed assets are not revalued each year as the effect of the revaluation is immaterial.

Depreciation as such is not provided in respect of any Crown Estate asset. However, as stated in Note 1(c) above, certain expenditure on properties and fixed assets is recovered from revenue and is treated in the accounts as an operating expense.

g Operating lease incentives

UITF28 requires landlords in the property sector to treat any incentive for lessees to enter into a lease agreement as a revenue cost and also account for rental income from the commencement and not, as was The Crown Estate's practice, the expiry date, of any rent free period. The cost of all lease incentives (such as rent free periods) is offset against the total rent due and the net rental income is then spread evenly over the shorter of the period from the rent free or rent commencement date as appropriate, to the date of the next rent review or the lease end date. Contributions made towards tenant's fit out costs and other costs are charged to capital as new works and improvements and are recovered from revenue over 25 years.

h Stocks

Stocks comprise estate produce on hand for resale at the year end and stores of supplies held at various estate yards. Produce is valued at the lower of cost and net realisable value. Stores are carried at Commissioners' valuation.

i Gilt-edged securities

Gilts are individually valued each year at the lower of cost and middle market price at the balance sheet date.

j Grants

The Crown Estate is entitled to apply for government grants available to landowners generally e.g. for agricultural improvements, forestry planting etc. In the year a grant is received, it is credited to revenue or capital depending on the classification of the related expenditure.

k Turnover

Turnover is recorded net of VAT and represents the total value of

- i rent, royalty and similar payments falling due within the year excluding service charges collected from tenants and held to meet specific expenses;
- ii premiums on leases granted for a term of less than 30 years;
- iii sales of produce; and
- iv miscellaneous fees etc.

l Taxation

The Crown Estate is not subject to corporation, income or capital gains tax. The revenue surplus is paid annually to the Exchequer and will be used for the benefit of the taxpayer.

m Revaluation reserve

The investment portfolio was valued at 31 March 1987 and this value is shown in the first published balance sheet as the 'original cost' of properties. The revaluation reserve reflects changes in the value of properties owned at 31 March 1987 and of properties which have been purchased since that date.

2 Analysis of gross surplus

	Urban Estate	Rural Estate	Marine Estate	Windsor Estate	Crown Estate HQ	2004-2005 Total Crown Estate £000	2003-2004 Total Crown Estate £000
Turnover							
Rent and royalties	179,267	20,177	36,046	3,255	0	238,745	232,936
Premiums on leases	3,913	0	0	0	0	3,913	2,068
Sale of produce	0	430	0	310	0	740	713
Other	141	104	42	1,340	419	2,046	2,062
Total	183,321	20,711	36,088	4,905	419	245,444	237,779
Operating costs							
Management fees and costs	4,990	2,926	1,427	3,913	160	13,416	12,369
Repair and maintenance	3,544	1,787	30	1,416	0	6,777	5,940
Other expenditure	8,637	553	1,168	862	540	11,760	11,892
Total	17,171	5,266	2,625	6,191	700	31,953	30,201
Gross surplus	166,150	15,445	33,463	(1,286)	(281)	213,491	207,578

Other expenditure included in respect of irrecoverable income

	2004-2005 £000	2003-2004 £000
Provision at the beginning of the year	5,327	5,138
Income written off during the year	(937)	(1,208)
Reduction/(addition) in provision for the year	(142)	1,397
Provision at the end of the year	4,248	5,327

3 Administrative expenses

Administrative expenses comprise

	2004-2005 £000	2003-2004 £000
Salaries, N.I. and pension costs	6,321	6,647
Commissioners' remuneration	370	362
Management and administration expenses	4,965	3,937
Auditor's remuneration	90	85
	11,746	11,031

4 Indirect operating expenses

Indirect operating expenses comprise additional costs incurred by The Crown Estate from the re-organisation of its operations, which includes early retirement costs, redundancy payments and associated costs and have been separately disclosed because of their significance and impact.

	2004-2005 £000	2003-2004 £000
Re-organisation expenses	2,007	887
	2,007	887

5 Employee information

- a The total cost of Crown Estate employees (including Commissioners) included in direct operating costs, indirect operating expenses, and administrative expenses during the year was as follows

	2004-2005 £000	2003-2004 £000
Wages and salaries	10,314	10,214
Social security costs NI (employer's contribution)	909	872
Pension accrued liability	2,200	2,052
Pension payments	767	198
Capitalised staff costs	(2,049)	(1,530)
	12,141	11,806

b The average number of employees during the year was 386 made up as follows

	2004-2005	2003-2004	Parliamentary resource a/c	Crown Estate revenue a/c	Parliamentary resource a/c	Crown Estate revenue a/c
Commissioners	8	0	8	0	8	0
General administration	31	148	30	155	0	194
Operating activities	0	199	0	194	0	194

c The Remuneration and pension entitlements of the Board were as follows

Board	2004-2005	2003-2004	Real increase in pension at 60	Total accrued pension at 60	Cash equivalent transfer value as at 31 March 2005	Cash equivalent transfer value as at 31 March 2005	Real increase in cash transfer value
	Total remuneration including bonus	Total remuneration including bonus	at 60	at 31 March 2005	as at 31 March 2004	as at 31 March 2005	equivalent transfer value
Ian Grant, <i>Chairman</i>	46,699	45,783	0	0	0	0	0
Roger Bright, <i>Chief Executive</i>	214,614	210,141	15,451	76,813	979,503	1,303,276	307,607
Sir Donald Curry	18,084	17,729	0	0	0	0	0
Hugh Duberly	18,084	17,729	0	0	0	0	0
Jenefer Greenwood	18,084	4,432	0	0	0	0	0
Martin Moore	18,084	17,729	0	0	0	0	0
Dinah Nichols	18,084	17,729	0	0	0	0	0
Ronald Spinney	18,084	17,729	0	0	0	0	0

d The remuneration and pension entitlements of the members of the Management Board were

Management Board	2004-2005	2003-2004	Real increase in pension at 60	Total accrued pension at 60	Cash equivalent transfer value as at 31 March 2005	Cash equivalent transfer value as at 31 March 2005	Real increase in cash transfer value
	Salary*	Salary*	at 60	at 31 March 2005	as at 31 March 2004	as at 31 March 2005	equivalent transfer value
Anthony Bickmore (appointment concluded 5 November 2004)	120,200	116,699	1,265	13,379	187,883	219,950	30,536
Christopher Bourchier	86,537	81,570	1,023	26,940	331,263	366,786	34,263
Giles Clarke (appointed 5 November 2004)	81,269	64,850	1,733	6,586	40,591	55,083	13,863
Mal Dillon (appointment concluded 23 July 2004)	75,283	70,961	671	31,292	508,277	518,934	10,262
John Ford	75,283	70,961	881	33,626	545,216	585,439	39,126
Martin Gravestock	86,537	81,570	831	37,183	565,446	612,871	46,171
David Harris (appointed 1 February 2005)	87,707	85,513	0	0	0	0	0
John Lelliott	92,200	86,907	1,081	40,315	600,478	654,171	52,358
Elspeth Miller (appointed 23 July 2004)	75,283	70,961	594	5,624	57,408	64,186	6,165
Frank Parrish	86,537	81,570	1,007	43,545	730,163	787,189	55,766

- * In addition to a salary, non-pensionable bonuses are payable to the Chief Executive and members of the Management Board. Roger Bright, the Chief Executive, received a bonus of £56,260 (£50,126 in 2003-2004). The level of his annual bonus is geared to specified targets and is approved by the Treasury. Members of the Management Board received a total of £86,537 (£55,468 in 2003-2004) in non-pensionable bonuses and £6,912 (£4,542 in 2003-2004) in leave converted to salary. Anthony Bickmore, the former Director of Urban Estates is entitled to a bonus up to 15%; all other members of the Management Board are entitled to a bonus up to 8.5% which is performance related. Christopher Bourchier, as Head of Rural Estates, received a car mileage allowance of £6,000 in 2004-2005 (£6,000 in 2003-2004).
- e The Crown Estate board members with the exception of Roger Bright, Chief Executive, are non-executive Commissioners and are not members of either The Crown Estate Pension Scheme or the Principal Civil Service Pension Scheme.
- f Pension benefits are provided to Roger Bright, Chief Executive and members of the Management Board through the Principal Civil Service Pension Scheme or The Crown Estate Pension Scheme with the exception of David Harris who has his own personal pension scheme. Roger Bright, Martin Gravestock and Giles Clarke are members of the Principal Civil Service Pension Classic Scheme. The remaining members of the Management Board are ordinary members of The Crown Estate Pension Scheme. Roger Bright's bonus is non-pensionable.
- g Both schemes provide benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. Pensions payment increase is in line with the retail price index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, a lump sum benefit of four times pensionable pay is payable to Crown Estate Pension Scheme members and also to Roger Bright, Martin Gravestock and Giles Clarke to whom this benefit has been extended. Both schemes provide a service enhancement in computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.
- h The table below shows the number of employees (excluding the Chief Executive and Board Members) of The Crown Estate whose remuneration during the year was within the bands stated

	2004-2005	2003-2004
£60,000 – £69,999	6	4
£70,000 – £79,999	2	5
£80,000 – £89,999	5	3
£90,000 – £99,999	7	2
£110,000 – £119,999	0	1
£130,000 – £139,999	1	1
£210,000 – £219,999	1	0

6 Staff pensions

Two pension schemes operate within The Crown Estate providing retirement and related benefits to all eligible employees based on individual final emoluments. The total pension costs and benefits paid were £1,316,057 in 2004-2005 (£1,620,425 in 2003-2004).

The schemes are as follows

a The Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme but The Crown Estate is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004-2005, employers' contributions of £902,239 were payable to the PCSPS (£822,348 in 2003-2004) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

b The Crown Estate Pension Scheme

The Crown Estate Pension Scheme is a defined benefit scheme. The assets of the Scheme are held separately from those of The Crown Estate, in an independently administered fund. In accordance with FRS 17 the current service costs of the Scheme is charged to the revenue account. The current service cost and contributions are determined by the Scheme Actuary on the basis of triennial valuations using the projected unit method. At 30 September 2002 the value of the scheme's assets was £9.14 million and the actuarial value of the liabilities exceeded these assets by 41 per cent. The principal actuarial assumptions for the valuation are that the pre-retirement investment yield would in the long term exceed earnings increases by 4.5 per cent per annum and the post-retirement investment yield would exceed pension increases by 2.5 per cent per annum.

7 FRS 17 retirement benefits

a Balance sheet and notes

The valuation of The Crown Estate Pension Scheme used for FRS17 disclosures has been based on a fair value of the assets of the Scheme measured at 31 March 2005. The principal actuarial assumptions are

	31 March 2005	31 March 2004
Discount rate	5.5%	5.5%
Rate of increase in salaries	4.0%	4.0%
Rate of increase to pensions in payment	3.0%	3.0%
Rate of increase to pensions in deferment	3.0%	3.0%
Inflation assumption	3.0%	3.0%

For 2004-2005 employer contributions were £413,818 (£483,686 in 2003-2004) and the agreed contribution rate for the coming year is 18.5% of pensionable pay.

The assets in The Crown Estate Pension Scheme and the expected rates of return were

	Long-term rate of return expected 31 March 2005	Value at at 31 March 2005	Long-term rate of return expected 31 March 2004	Value at at 31 March 2004
Equities	7.5%	6,850	7.5%	6,055
Bonds	5.0%	6,343	5.0%	5,324
Other	5.0%	96	5.0%	76
Total market value of assets		13,289		11,455
Present value of scheme liabilities		(16,653)		(15,691)
Deficit in scheme		(3,364)		(4,236)
Net pension liability		(3,364)		(4,236)

b Analysis of amount charged to operating profit

	31 March 2005 £000	31 March 2004 £000
Current service cost	535	594
Past service cost	106	0
Total operating charge	641	594

c Analysis of amount credited to other finance income

	31 March 2005 £000	31 March 2004 £000
Expected return on pension scheme assets	737	675
Interest on pension scheme liabilities	(863)	(772)
Net return	(126)	(97)

d Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	31 March 2005 £000	31 March 2004 £000
Actual return less expected return on pension scheme assets	605	1,483
Experience gain arising on the scheme liabilities	0	78
(Loss) arising from changes in assumptions underlying the scheme liabilities	0	(858)
Actuarial gain recognised in statement of total recognised gains and losses	605	703

e Movements in surplus during the year

	31 March 2005 £000	31 March 2004 £000
(Deficit) in scheme at beginning of the year	(4,236)	(4,726)
Movement in year		
Current service cost	(535)	(594)
Contributions	1,034	478
Past service costs	(106)	0
Other finance income	(126)	(97)
Actuarial gain	605	703
Deficit in scheme at the end of the year	(3,364)	(4,236)

f History of experience gains and losses

	31 March 2005	31 March 2004
Difference between expected and actual return on scheme assets		
Amount (£000)	605	1,483
Percentage of scheme assets	5%	13%
Experience gain on scheme liabilities		
Amount (£000)	0	78
Percentage of the present value of the scheme liabilities	0%	0%
Total amount recognised in statement of total recognised gains and losses		
Amount (£000)	605	703
Percentage of the present value of the scheme liabilities	4%	4%

8 Recovery of capital expenditure

	2004-2005	2003-2004
	£000	£000
Purchase of leaseholds	6,720	7,968
New works and improvements	16,483	14,698
Depreciation of fixed assets	1,076	1,041
	24,279	23,707

9 Financial instruments

This disclosure excludes short term debtors and creditors. The Crown Estate may not be held other than in land, gilts or cash. Investment in equities or outside the United Kingdom is not permitted.

The cash holdings not needed for operational purposes are maintained in overnight 'on call' accounts with major United Kingdom clearing banks, thereby avoiding liquidity risks. These deposits are on a variable interest basis. There is no currency risk as it is only permitted to hold funds in sterling and there are no significant transactions in currencies other than sterling. The Crown Estate monitors the rates offered by the banks and transfers deposits as appropriate to maximise returns. As The Crown Estate is not permitted to place money for periods longer than overnight there is no maturity profile in respect of cash deposits.

The Crown Estate's non-cash financial assets comprise solely of gilts managed on its behalf by the Commissioners for the Reduction of National Debt. Investment in and sale of these assets is made on the basis of advice given by the CRND and the funding requirements of the capital programme.

10 Parliamentary Resource finance

The Crown Estate Act 1961 provides that monies are provided by Parliament in respect of Commissioners' salaries and the expense of their Office. The total of such expenses chargeable to the resource account for the current year is shown on the face of the revenue account and the detail is reported separately to Parliament as a resource account.

11 Statutory transfers

	2004-2005 £000	2003-2004 £000
Moieties		
Mineral dealings	7,690	7,805
Gilt-edged securities dealings	423	967
To general capital reserve (Note 27)	8,113	8,772

12 Consolidated Fund payment

In accordance with section 1 of the Civil List Act 1952, the revenue surplus is due to the Consolidated Fund. As The Crown Estate is not permitted by statute to borrow, the payment to the Consolidated Fund in respect of the net surplus for the year is agreed with the Treasury, taking into account The Crown Estate's short term financing requirements.

13 Tangible assets – investment properties

	Urban estate £000	Rural estate £000	Marine estate £000	Windsor estate £000	2004-2005 Total Crown estate £000	2003-2004 Total Crown estate £000
Valuation at 1 April 2004	3,427,331	521,759	301,462	85,819	4,336,371	3,997,437
Completed properties	3,271,071	521,759	301,462	85,819	4,180,111	3,923,687
Properties under development	156,260	0	0	0	156,260	73,750
Additions						
Freeholds	7	7,032	0	0	7,039	749
Leaseholds	18,264	114	0	0	18,378	3,414
New works	66,955	3,871	248	3,670	74,744	56,965
Other	2,876	466	126	11	3,479	2,528
	88,102	11,483	374	3,681	103,640	63,656
Proceeds from disposals						
Freeholds	(18,990)	(7,376)	(287)	(349)	(27,002)	(29,669)
Premiums	(132,808)	(8)	(48)	(478)	(133,342)	(28,436)
Other	(5,569)	(737)	(68)	0	(6,374)	(2,944)
	(157,367)	(8,121)	(403)	(827)	(166,718)	(61,049)
Surplus/(deficit) on valuation	413,414	47,241	(1,436)	6,004	465,223	336,327
Valuation at 31 March 2005	3,771,480	572,362	299,997	94,677	4,738,516	4,336,371
Completed properties	3,697,755	572,362	299,997	94,677	4,664,791	4,180,111
Properties under development	73,725	0	0	0	73,725	156,260

Agricultural land currently valued at £46.0 million (£42.8m in 2003-2004) is included within the valuation of the urban estate.

Leasehold properties

The valuation of Crown Estate properties at 31 March 2005 includes £108.6 million (£92.0m at 31 March 2004) in respect of leasehold properties analysed as follows

	2004-2005 £000	2003-2004 £000
Leaseholds with less than 50 years to run	0	50
Leaseholds with 50 or more years to run	108,650	91,985
	108,650	92,035

The leasehold additions figure includes £17.6 million in respect of leasehold interests on Crown Estate freeholds bought back in the course of the year ended 31 March 2005 (£0.5m in 2003-2004).

14 Tangible assets – owner occupied properties

	Urban estate £000	Rural estate £000	Marine estate £000	Windsor estate £000	2004-2005 Total Crown estate £000	2003-2004 Total Crown estate £000
Valuation at 1 April 2004	12,370	171	0	59,960	72,501	70,001
Additions						
Improvements	26	0	0	0	26	0
Other	0	0	0	0	0	0
	26	0	0	0	26	0
Proceeds from disposals	0	0	0	0	0	(2,708)
Surplus/(deficit) on valuation	1,723	72	0	(814)	981	5,208
Valuation at 31 March 2005	14,119	243	0	59,146	73,508	72,501

15 Tangible assets – other fixed assets

	Plant and machinery £000	Office equipment £000	Motor vehicles £000	Total £000
Cost/valuation at 1 April 2004	1,162	10,129	1,557	12,848
Additions	183	1,763	156	2,102
Disposals	(7)	(1,239)	(139)	(1,385)
Gross value at 31 March 2005	1,338	10,653	1,574	13,565
Depreciation at 1 April 2004	957	8,556	1,099	10,612
Charge	90	838	150	1,078
Disposals	(6)	(1,191)	(137)	(1,334)
Total depreciation at 31 March 2005	1,041	8,203	1,112	10,356
Net book value				
At 31 March 2005	297	2,450	462	3,209
At 1 April 2004	205	1,573	458	2,236

16 Mortgages and loans

The mortgage advance is secured. Interest is payable quarterly.

17 Other investments

Other investments comprise

	2004-2005 £000	2003-2004 £000
Antiques and paintings	5,042	4,059

Antiques and paintings are valued by recognised experts every 5 years on a rolling basis. During 2004-2005 these assets were valued by an independent valuer and held in the balance sheet at their estimated auction value.

18 Stocks and work in progress

Stocks and work in progress comprise

	2004-2005 £000	2003-2004 £000
Stocks for resale	93	98
Stores	93	98
	186	196

19 Debtors

Debtors comprise

	2004-2005 £000	2003-2004 £000
Rent receivable	8,187	7,782
Other debtors	13,986	11,195
Accrued income	8,652	11,700
	30,825	30,677

20 Gilt-edged securities

	2004-2005 Cost £000	2004-2005 Nominal £000	2003-2004 Cost £000	2003-2004 Nominal £000
At 1 April 2004	33,752	31,145	31,818	29,180
Additions	49,307	48,586	8,244	8,019
Disposals	(48,015)	(46,358)	(6,057)	(6,054)
Loss on realisation	(1,722)	0	(253)	0
	33,322	33,373	33,752	31,145
Write down to lower market value	(117)	0	(1,292)	0
Book value at 31 March 2005	33,205	33,373	32,460	31,145

The market value of gilt-edged securities held at 31 March 2005 was £33.2 million (£32.5m at 31 March 2004).

21 Creditors: due within one year

Creditors and accrued charges comprise

	2004-2005 £000	2003-2004 £000
Trade creditors	2,570	2,387
Rents received in advance	12,108	16,528
Taxes and social security	5,392	4,399
Other creditors	2,497	3,477
Consolidated Fund	3,300	1,000
Accruals and deferred income	7,414	4,093
	33,281	31,884

22 Subsidiary undertakings

Several Crown Estate properties are managed by management companies under the control of The Crown Estate Commissioners. These subsidiary undertakings are not material by value in the context of The Crown Estate financial results and therefore consolidated statements have not been prepared.

The companies concerned, all of which are registered in England, are as follows

Fitzgeorge and Fitzjames Management Company Ltd
 RM Site Management Ltd
 Urbanlease Property Management Company Ltd

23 Capital commitments

At 31 March 2005 The Crown Estate had committed to make capital expenditure of £101 million (£89m at 31 March 2004) and had authorised additional expenditure of £5 million (£46m at 31 March 2004).

24 Contingent liabilities

At the balance sheet date The Crown Estate had no contingent liabilities.

25 Related party transactions

During the year, none of the Commissioners, members of the key management staff or other related parties have undertaken any material transactions with The Crown Estate.

26 Third party deposits

At 31 March 2005 The Crown Estate held on deposit on behalf of third parties £16,565,278 (£15,351,172 at 31 March 2004).

27 Reconciliation of movements in reserves

	Pension provision £000	General capital reserve £000	Revaluation reserve £000	Revenue reserve £000	2004-2005 Total Crown Estate £000
Movements in reserves comprise					
Balance 1 April 2004	(4,240)	1,769,907	2,822,027	5,529	4,593,223
Statutory transfers (Note 11)	0	8,113	0	0	8,113
Capital recovery					
i Leaseholds	0	6,720	0	0	6,720
ii New works	0	16,483	0	0	16,483
Adjustments to book value of gilt-edged securities	0	1,175	0	0	1,175
Other adjustments	0	(1,209)	0	0	(1,209)
Revaluation reserve released on disposal of freehold properties	0	16,166	(16,166)	0	0
Increase in valuation of property portfolio					
i Investment properties	0	0	465,223	0	465,223
ii Owner occupied properties	0	0	981	0	981
Actuarial gain	605	0	0	0	605
Net revenue surplus	0	0	0	184,811	184,811
Consolidated Fund payment	0	0	0	(185,700)	(185,700)
Balance at 31 March 2005	(3,635)	1,817,355	3,272,065	4,640	5,090,425
	Pension provision £000	General capital reserve £000	Revaluation reserve £000	Revenue reserve £000	2003-2004 Total Crown estate £000
Movements in reserves comprise					
Balance 1 April 2003	(4,943)	1,729,144	2,493,294	1,599	4,219,094
Statutory transfers (Note 1)	0	8,772	0	0	8,772
Capital recovery					
i Leaseholds	0	7,968	0	0	7,968
ii New works	0	14,698	0	0	14,698
Adjustments to book value of gilt-edged securities	0	(1,292)	0	0	(1,292)
Other adjustments	0	(2,185)	0	0	(2,185)
Revaluation reserve released on disposal of freehold properties	0	12,802	(12,802)	0	0
Increase in valuation of property portfolio					
i Investment properties	0	0	336,327	0	336,327
ii Owner occupied properties	0	0	5,208	0	5,208
Actuarial gain	703	0	0	0	703
Net revenue surplus	0	0	0	176,930	176,930
Consolidated Fund payment	0	0	0	(173,000)	(173,000)
Balance at 31 March 2004	(4,240)	1,769,907	2,822,027	5,529	4,593,223

Ten year record

Based on the financial statements for the years ended 31 March

	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	*2002-2003	2003-2004	2004-2005
Revenue										
Turnover	143,011	154,039	160,076	173,645	187,202	204,885	223,537	230,039	237,779	245,444
Direct operating costs	(23,854)	(25,452)	(20,732)	(23,064)	(25,130)	(26,661)	(30,176)	(27,320)	(30,201)	(31,953)
Gross surplus	119,157	128,587	139,334	150,581	162,072	178,224	193,361	202,719	207,578	213,491
Administrative expenses	(9,449)	(9,079)	(9,168)	(9,237)	(10,226)	(10,701)	(10,743)	(11,347)	(11,031)	(11,746)
Indirect operating expenses	0	0	0	0	0	0	0	0	(887)	(2,007)
Net revenue surplus	94,583	102,955	113,209	125,774	132,885	147,740	163,339	171,053	176,930	184,811
Consolidated Fund payment	94,600	103,000	113,200	126,000	132,900	147,800	163,500	170,800	173,000	185,700
Investment & owner occupied properties	2,208,112	2,496,693	2,899,586	3,131,177	3,433,612	3,870,938	4,032,640	4,067,438	4,408,872	4,812,024
Other fixed assets	2,054	1,778	1,965	2,565	2,741	2,395	2,133	2,132	2,236	3,209
Investments	4,244	4,027	3,956	3,848	3,856	3,960	3,994	3,976	4,101	5,106
Current assets	134,055	123,720	134,920	188,117	205,450	146,851	167,017	185,371	214,134	306,731
Current liabilities	(23,100)	(22,807)	(20,998)	(21,239)	(19,137)	(20,190)	(25,956)	(39,817)	(36,120)	(36,645)
Capital and reserves	2,325,365	2,603,411	3,019,429	3,304,468	3,626,522	4,003,684	4,179,828	4,219,100	4,593,223	5,090,425

* The above note to the financial statements has been re-stated to take account of the adoption of FRS 17.

Accounts Direction given by the Treasury

- 1 The Treasury, in pursuance of section 2(5) of the Crown Estate Act 1961 hereby gives the following direction.
 - 2 The Commissioners shall prepare accounts for the financial year ended 31 March 2002 and subsequent financial years comprising a
 - a foreword;
 - b statement of Accounting Officer's responsibilities;
 - c statement of internal control;
 - d revenue account;
 - e statement of total recognised gains and losses;
 - f balance sheet; and
 - g cash flow statement,
- including such notes as may be necessary for the purposes referred to in the following paragraphs.
- 3 The accounts shall give a true and fair view of the income and expenditure, total recognised gains and losses, and cash flows for the financial year and of the state of affairs as at the end of the financial year, prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP).
 - 4 The application of the accounting and disclosure requirements of the Companies Act, accounting standards and other disclosure requirements is given in Schedule 1 attached.
 - 5 The revenue account and balance sheet shall be prepared under the historical cost convention modified by inclusion of
 - property fixed assets at their market value of current cost; and
 - investments at their market value.

Under the alternative accounting rules specified in paragraph 31 of Schedule 4 of the Companies Act 1985.

- 6 This direction, which supersedes that dated 27 May 1998, shall be reproduced as an appendix to the accounts.

David Loweth
Head of the Central Accountancy Team,
Her Majesty's Treasury

15 October 2001

Schedule 1

Accounting and Disclosure requirements

Companies Act 1985

- 1 The disclosure exemptions permitted by the Companies Act shall not apply to the Commissioners unless specifically approved by the Treasury.
- 2 The Companies Act required certain information to be disclosed in the Director's Report. To the extent that it is appropriate, information relating to the Commissioners shall be contained in the Foreword, which shall be signed by the Accounting Officer and dated.
- 3 When preparing its Revenue Account, the Commissioners 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 Commissioners 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'; the balance sheet shall be signed by the Accounting Officer and dated.
- 5 The Commissioners are not required to prepare the historical cost information described in paragraph 33(3) of Schedule 4 to the Companies Act.

Accounting Standards

- 6 Historical cost profits and losses as described in FRS 3 do not have to be shown.

Schedule 2

Additional Disclosure requirements

- 1 The Foreword shall, inter alia
 - a include background information about The Crown Estate and the duties of the Commissioners; and
 - b State that the accounts have been prepared in accordance with a direction given by the Treasury in pursuance of section 2(5) of the Crown Estate Act 1961.
- 2 The notes to the accounts shall, inter alia
 - a describe, under 'accounting policies' the statutory provisions contained in section 2 of the Crown Estate Act 1961; and
 - b include and analysis of income, expenditure and gross surplus by estate sector.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
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