

Presented to Parliament pursuant to section 9(4) of The
Crown Estate Transfer Scheme 2017

Statement of income and capital accounts
in relation to Paragraph 9(1) of The Crown Estate
Transfer Scheme 2017

Ordered by the House of Commons to be printed on 26 June
2017

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Statement of the Crown Estate Commissioners' responsibilities

Under the terms of paragraph 9(1) of The Crown Estate Transfer Scheme 2017 there is a specific requirement on the Crown Estate Commissioners to produce a statement of account in respect of the transfer of the Crown Estate Commissioners' management responsibilities in Scotland to Crown Estate Scotland (Interim Management) (the "**Completion Statement**").

This obligation is as set out below:

"9(1) In relation to the relevant matters¹ and for the period starting on 1st April 2016 and ending immediately before the transfer date, the Commissioners must prepare in such form as the Treasury may direct-
(a) A statement of income account, and
(b) A statement of capital account."

In connection with this the Commissioners have received a direction from the Treasury as set out on page 6 (the "**Accounts Direction**").

The Completion Statement is set out on page 4. I confirm that the Completion Statement has been prepared in accordance with the Accounts Direction.

In addition, so far as I am aware, I confirm that there is no relevant audit information of which the auditors are unaware, in respect of the attached completion statement set out on page 4. I have also taken all steps necessary in order to make myself aware of all relevant information and have established that the auditor is aware of that information.

Alison Nimmo CBE
Chief Executive of the Crown Estate Commissioners and Accounting Officer

21 June 2017

¹ Paragraph 2 of The Crown Estate Transfer Scheme 2017 defines the relevant matters as—

- (a) in relation to any period before the transfer date, the existing Scottish functions,
- (b) in relation to any period on or after the transfer date, the manager's functions relating to the Scottish assets,
- (c) the Scottish assets, and
- (d) the designated rights and designated liabilities;

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT

Opinion

In my opinion, the financial statements are prepared, in all material respects, in accordance with The Crown Estate Transfer Scheme 2017 and the HM Treasury direction thereunder.

Basis for Opinion

I certify that I have audited the accompanying statement of income account and statement of capital account, for the period starting on 1st April 2016 and ending immediately before the transfer date, and a summary of significant accounting policies and other explanatory information (together “the financial statements”) under The Crown Estate Transfer Scheme 2017 (Statutory Instrument 2017 524).

Basis of accounting

Without modifying my opinion, I draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist The Crown Estate Commissioners to meet the requirements of The Crown Estate Transfer Scheme 2017. As a result, the financial statements may not be suitable for another purpose.

The Commissioner’s responsibility for the financial statements

As set out in the Statement of Crown Estate Commissioners’ Responsibilities, The Crown Estate Commissioners are responsible for the preparation of these financial statements in accordance with The Crown Estate Transfer Scheme 2017 and the HM Treasury direction thereunder. The Second Commissioner and Accounting Officer is responsible for such internal control as the Commissioners determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

My responsibility is to audit, certify and report on the financial statements in accordance with The Crown Estate Transfer Scheme 2017. I conducted my audit in accordance with International Standards on Auditing (UK). Those standards require that me and my staff comply with the FRC’s Ethical Standard and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by the Commissioners, as well as evaluating the overall presentation of the financial statements.

While the financial statements have been prepared on a going concern basis, I have not considered the appropriateness of the use of the going concern assumption under *ISA (UK) 570 – Going Concern* as part of my audit. This is because these financial statements do not relate to a specific entity; *ISA (UK) 570 – Going Concern* was written with specific entities in mind.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
22 June 2017

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

THE COMPLETION STATEMENT (AS AT 1 APRIL 2017)

Statement of capital account	£'m
Investment properties	275.7
Property plant and equipment	0.8
Receivables due after one year	10.2
Current assets - receivables	2.7
Total capital assets transferred	<u>289.4</u>
Statement of income account	
Current assets	
Trade receivables	3.8
Accrued income in respect of rent arrears and unsettled rent reviews	1.4
	<u>5.2</u>
Current liabilities	
Rents received in advance	3.1
Net amount due by Crown Estate Scotland (Interim Management) to the Crown Estate Commissioners in respect of amounts due from debtors, unsettled rent reviews and rent in arrears relating to the period before transfer less rents received in advance by the Crown Estate Commissioners for the period pre transfer	2.1
	<u>(5.2)</u>
Net income account assets transferred	<u>-</u>

Alison Nimmo
Second Commissioner and Accounting Officer

21 June 2017

Note to the Completion Statement

Note 1 Basis of Accounting

The Completion Statement on page 4 has been prepared in line with the accounting policies adopted by The Crown Estate as set out in note 2 of The Crown Estate Integrated Annual Report and Accounts 2016/17 (The Crown Estate accounts).

The most relevant accounting policies in respect of the Completion Statement are in relation to investments properties (note 2b) and recognition of revenue (note 2i).

Note 3 to The Crown Estate accounts sets out significant judgements, key assumptions and estimates. Trade receivables (note 3a), Unsettled rent reviews (note 3b) and Property valuations (note 3e) being the most relevant in respect of the preparation of The Completion Statement.

Investment properties are contained within notes 18 to 20 to The Crown Estate accounts. Note 38 of The Crown Estate accounts provide details of the accounting for the assets transferred to Scottish Government. In line with accounting standards, the assets transferred to the Scottish Government are fully written down in The Crown Estate accounts, as they will not provide any further value to The Crown Estate as an entity following the transfer.

ACCOUNTS DIRECTION GIVEN BY THE TREASURY UNDER PARAGRAPH 9(1) OF THE CROWN ESTATE TRANSFER SCHEME 2017

1. This Direction applies to the Crown Estate, being the property rights and interests under the management of the Crown Estate Commissioners (“the Commissioners”).
2. Terms used in this Direction which are also used in the Crown Estate Transfer Scheme 2017 (“the Scheme”) have the same meaning as in that Scheme.
3. As required by paragraph 9(1) of the Scheme the Commissioners must prepare a statement of income account and a statement of capital account (“the Statements”) in relation to the relevant matters for the period starting on 1st April 2016 and ending immediately before the transfer date of 1st April 2017.
4. The Statements should be prepared so as to:
 - a. provide a summary showing an estimate of the value of the Scottish assets immediately before the transfer date at fair value
 - b. present fairly in all material respects the state of affairs immediately before the transfer date
5. The Statements should recognise the Scottish assets and the designated liabilities valued in line with the accounting and valuation principles applicable to the statements of account to be prepared by the Commissioners under section 2(5) of the Crown Estate Act 1961 for the financial year 2016-17 (“the 2016-17 annual accounts”).
6. The Statements should provide an analysis of the Scottish assets as between non-current assets, current assets and current liabilities (consistent with the format to be adopted in the balance sheet of the 2016-17 annual accounts).

Richard Brown
Treasury Officer of
Accounts
HM Treasury
April 2017

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