



DUCHY *of* LANCASTER

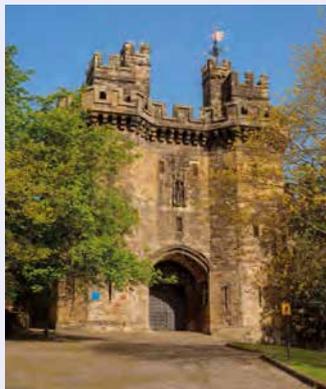


Report and accounts of the Duchy of Lancaster
for the year ended 31 March 2014

The Duchy seeks to achieve a balance between long-term commitments to the environment, social responsibility, and commercial objectives. This approach helps to protect the interests of those individuals living in, working on and visiting the Duchy's land and buildings while safeguarding the estate for future generations.

I would like to welcome Nathan Thompson who joined the Duchy as Chief Executive Officer in 2013. Nathan has a wealth of experience in senior property roles and will certainly make a very valuable contribution. I would also like to thank both Council and all the Duchy staff for their continued loyalty, hard work and enthusiasm over the year.

Shuttleworth
Chairman



Cover story

Cover photograph: John O'Gaunt Gate, Lancaster Castle.

The John O'Gaunt Gate was opened to the public in 2013 for the first time in centuries.



DUCHY *of* LANCASTER

Annual Report

Report and accounts of the Duchy of Lancaster
for the year ended 31 March 2014



Goathland Moors
Yorkshire

Introduction

The Duchy of Lancaster is a private estate owned by Her Majesty The Queen, as Duke of Lancaster. The rural estate consists of 18,454 hectares of land in England and Wales.

History

Henry Grosmont succeeded his father Henry, 3rd Earl of Lancaster, to the Lancastrian earldom in 1345. One of the most celebrated noblemen of his day, Henry was also a diplomat, administrator and soldier who took part in many of Edward III's military campaigns on the continent. To reward him for his chivalric achievements Edward III created Henry 1st Duke of Lancaster on the 6th March 1351 "in recognition of astonishing deeds of prowess and feats of arms".

In the same charter, Edward III raised Lancaster to a County Palatine for Henry's lifetime. This meant that the new Duke had sovereign rights in the county in the spheres of justice and administration. The law courts in Lancashire were under the Duke's administration and he appointed the sheriff, judges, justices of the peace and other senior officials. In medieval England Palatinate powers were devolved royal powers for use in regions where central government was difficult. Some of these powers still exist today.

In 1399 Henry Bolingbroke succeeded as Duke of Lancaster and returned from exile in France to claim his inheritance and shortly afterwards, the Crown. One of his first actions as Henry IV was to promote a Charter, dated 14th October 1399, the object of which was to keep separate the estates of the Crown from those of the Duchy. This Charter, granted in Parliament, established the Duchy as a separate inheritance of the Monarch which it continues to be to this day. In 1461 a further Charter was granted which remains the authority for the powers which the Duchy has to administer itself and to deal with its assets.

The Estate

The rural estate comprises commercial, agricultural and residential property the majority of which are in Lancashire, Yorkshire, Cheshire, Staffordshire and Lincolnshire. Additionally the Duchy has a significant commercial property portfolio largely in the Savoy precinct off the Strand in London, a portfolio of financial investments and a small urban residential portfolio.

Our Values

The Duchy of Lancaster is an ancient organisation with a firm commitment to the future. The management of the Duchy's assets is undertaken with the objective of providing a sustainable and growing income to Her Majesty, Duke of Lancaster, while preserving capital for the benefit of future Dukes, and conserving the land for tenants and visitors.

As a landlord, the Duchy aspires to the highest standards of sustainability. The partnership between the Duchy and its agricultural tenants extends beyond the contractual and experienced advice is available for individual tenants from local managing agents, the Rural Surveyor of Lands and other members of the Duchy's London-based office.

Duchy lands include areas of outstanding natural beauty and the Duchy endeavours to protect the quality of its land while respecting the commercial needs of tenants. Land use is monitored by the Duchy's managing agents to ensure that activities will not impair soil quality and a number of farms have adopted organic farming methods. Sustainability in energy and resources is encouraged by the Duchy.

As a major owner of agricultural land, the Duchy of Lancaster has a long-term commitment to the rural community. Although the strategy and asset allocation of the Duchy's portfolio are subject to continual review, the Duchy remains committed to supporting its core rural

Introduction continued

estates at all times. It actively seeks ways in which it can support diversification to create sustainable rural estates.

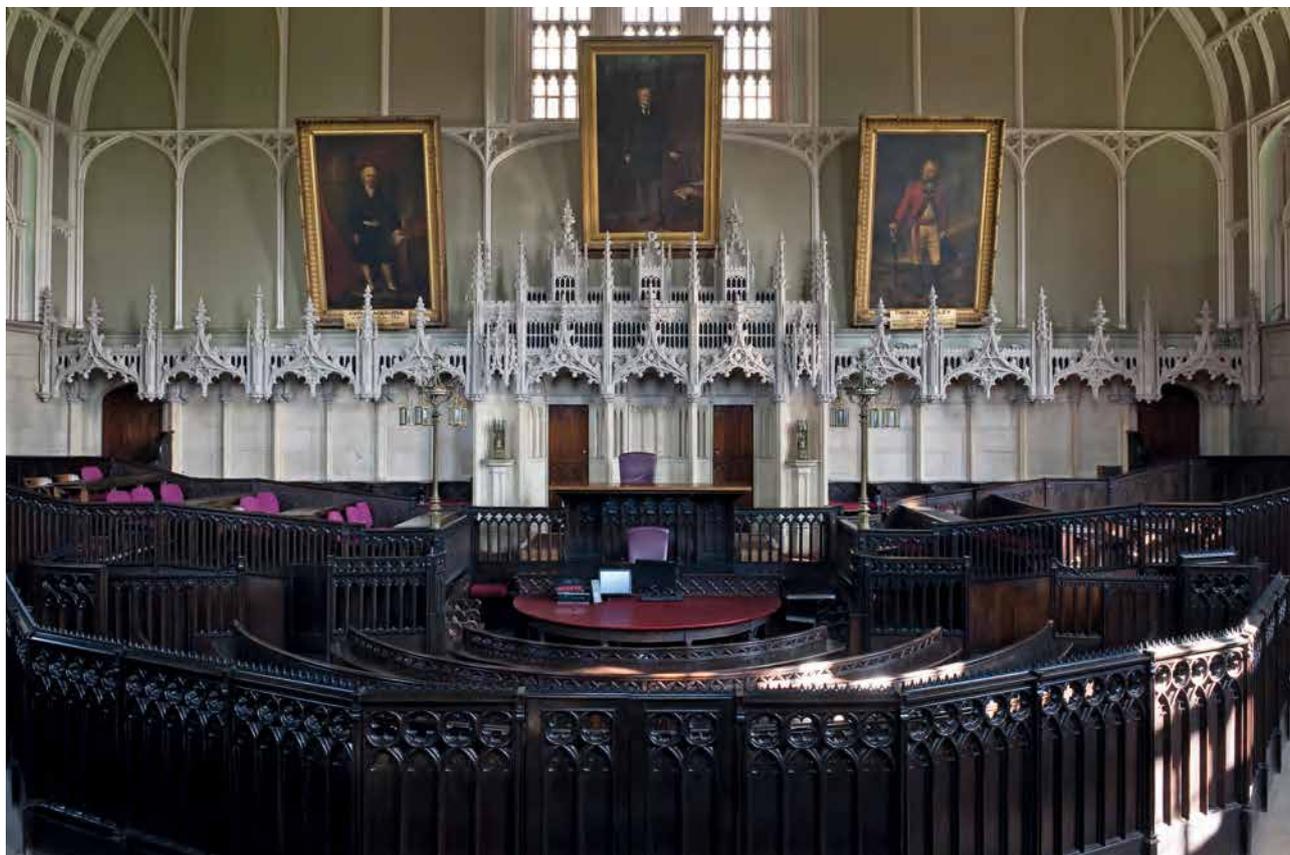
The Duchy includes many historic properties. Most of its ten castles are leased or entrusted to guardians responsible for managing visitor access. On rural holdings, tenants are aware of their statutory responsibility for maintaining public footpaths and keeping bridleways open for public access.

Today

The Duchy's management of its property portfolio, financial investments and the discharge of its administrative duties associated with the Duchy's Palatine rights and responsibilities in Lancashire, Merseyside and Greater Manchester is subject to the supervision of the Chancellor of the Duchy of Lancaster and the Council although the

present Duke retains a keen interest. The net revenues of the estate are paid to the Keeper of the Privy Purse for Her Majesty, The Queen. The Duchy is not subject to corporation tax because it is not a separate legal entity for tax purposes. However, Her Majesty The Queen voluntarily pays income tax on the income which She receives from the Duchy.

Seven centuries after it began, today's Duchy is a modern, landed estate looking confidently towards the future with the aim of ensuring that this unique and historic institution remains in existence for centuries to come.



Shire Court, Lancaster Castle

The Surveys

Within the Duchy of Lancaster there are five rural surveys, an urban survey as well as commercial foreshore and mineral interests.

Lancashire

The Duchy of Lancaster has ancient and extensive associations with the County Palatine of Lancashire, with the historic Lancaster Castle at its heart.

The Lancashire Survey extends to 3,900 hectares in total, comprising four rural estates.

Myerscough, north of Preston, has been owned since the 13th century. Wyreside, Salwick and Whitewell were purchased by the Duchy of Lancaster a little later.

Whitewell is the largest estate by area (2,400 hectares) and lies within the Forest of Bowland and is recognised as an Area of Outstanding Natural Beauty. The Inn at Whitewell Hotel lies on the estate, and the Duchy's first holiday cottage in Lancashire has recently been completed at Root Farm, Dunsop Bridge.

The Lancashire Estates include livestock-based farms as well as over 50 houses and cottages.

Yorkshire

The Yorkshire Survey covers 6,800 hectares across four main estates, Goathland, Cloughton, Pickering and Pontefract.

Goathland which covers approximately 4,100 hectares includes a large area of internationally important heather moorland, the majority of which is a Site of Special Scientific Interest (SSSI). Upland grazing and grouse shooting form the majority of the tenanted interests. The moors are also featured in several films and television productions including Harry Potter and Heartbeat.

Arable land which extends to 1,000 hectares on the beautiful Yorkshire coast, makes up the majority of the Cloughton Estate. Properties on the estate include pubs, a restaurant and residential. The Pickering Estate is home to a mix of arable and



Inn at Whitewell, Lancashire

livestock farming and also has the largest area of woodland on the Yorkshire Survey. The Pontefract Estate lies on the edge of town and consists of a single large farm and several commercial properties.

Historic properties on the Yorkshire Survey include Pickering and Pontefract Castles which are both open to the public.

The Duchy has recently invested in a substantial renovation programme at Scalby Lodge, converting existing farm buildings to create eleven new luxury holiday lets. Set on the North Yorkshire coastline, they complement Scalby Lodge's four existing holiday cottages.

The Surveys continued

Crewe and South

The Crewe and South Survey encompasses a diverse range of properties extending from the Peak District in the North, across to Lincolnshire and to the Vale of Glamorgan in South Wales.

The principal estate at Crewe in Cheshire extends to 1,380 hectares. The estate is centred on historic Crewe Hall and in addition to farms and cottages retains commercial properties including Crewe Hall Farm offices which were converted by the Duchy from traditional farm buildings.

The second largest estate is centred on Higham Ferrers in Northamptonshire and consists mainly of arable farms. Higham Ferrers was part of the original inheritance, given by Henry III to his son Edmund in 1266. The estate was subsequently extended by the purchase of two additional farms. It also includes an 18-hole golf course and a Vocational Skills Academy. This was developed jointly by the Duchy and Moulton College and offers education in plumbing and bricklaying.

In South Wales, the Ogmere Estate consists of more than 1,500 hectares and includes an active limestone quarry, a Castle and a golf course.

At Castleton in the Peak District the Duchy owns 114 hectares of grazing land as well as Peveril Castle, the Peak Cavern tourist attraction and historic mineral rights under a wide area.

The survey also includes the historic Bolingbroke Castle.

Needwood

The Needwood Survey covers 3,000 hectares in Staffordshire.

Needwood Forest was originally a large area of ancient woodland with extensive stocks of wolf, wild boar and fallow deer until, in 1803, an Act of Parliament allowed the Forestry Commissioners to enclose land and deforest it. Much deforestation took place between 1805 and 1811 as the area became subject to the new practice of enclosure of common lands for the improvement of agriculture.



Tutbury Castle, Needwood

The Survey today comprises a mix of arable, dairy, sheep and beef farms with some residential and commercial property.

There are currently over 60 let houses on the estate, whilst the commercial activity encompasses a diverse mix of uses including a saw mill, equestrian centres, offices and a private airfield.

The Duchy is carrying out a programme of works to improve the quality of the existing 500 acres of woodland, parts of which are open to the public. Areas of the estate also form part of the National Forest designation and have been planted with new woodland in conjunction with the National Forest.

Areas of historic interest include Tutbury Castle where Mary Queen of Scots was briefly imprisoned, which is open to the public during the summer.

The Surveys continued

Eastern

The Eastern Survey currently consists of 737 hectares of prime agricultural farm land in Lincolnshire. Over the course of the last year this has increased through the acquisition of Quadring Fen Farm. This is part of a Duchy policy to diversify its agricultural holdings by investing in high quality cereal and root crop farms in the Lincolnshire area. All the farms are operated by significant potato and salad/root crop producers. The current survey is based around the town of Donington, to the west of Spalding.

The survey comprises Park Farm, Donington, Quadring Fen Farm, Quadring and Drayton House Farm, Swineshead.

Urban

The Duchy of Lancaster has a substantial portfolio of commercial properties in England and Wales. These assets provide a significant proportion of the Duchy's income.

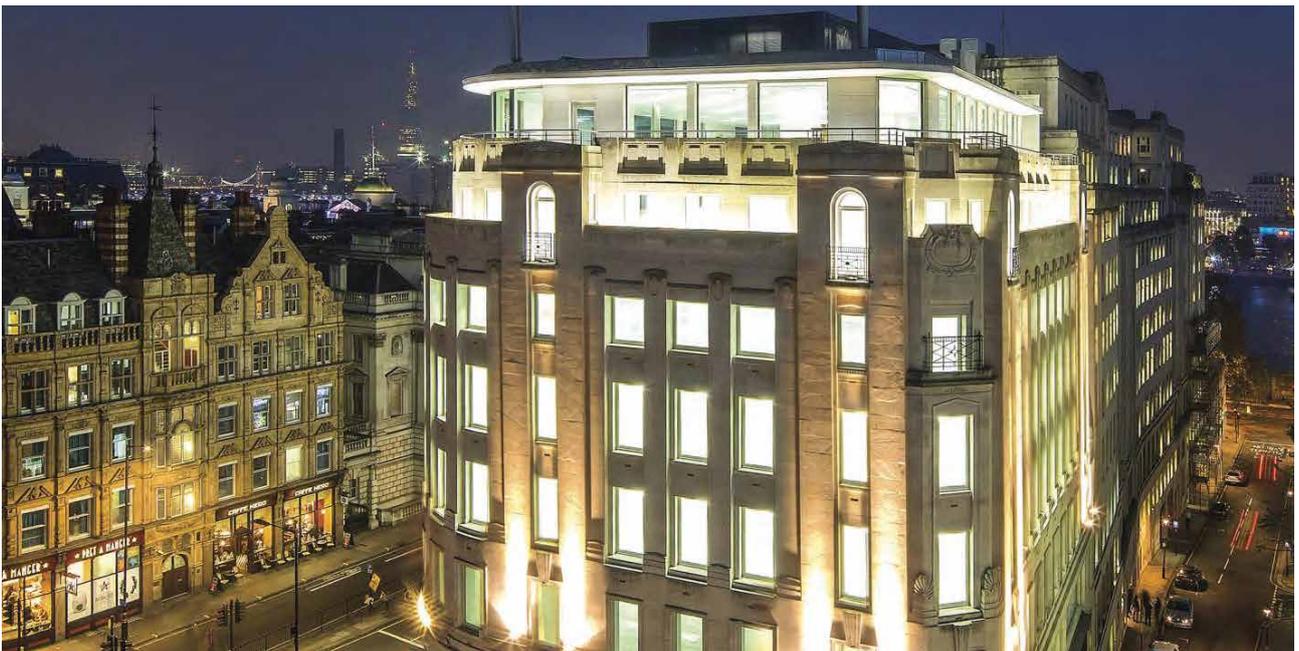
The Savoy Estate in London is the largest asset in the urban portfolio, comprising mainly office and retail accommodation along with The Queen's Chapel of the Savoy.

To the north and south there is the Strand and Embankment and to the west and east the Savoy Hotel and Somerset House. The estate includes Wellington House which has recently undergone a major refurbishment and let within three months of practical completion.

The Harrogate Estate in the north includes a care home, hotel and a school together with The Stray, 103 hectares of open space, which will accommodate part of the Tour de France route in summer 2014.

A new residential development is due for completion in Harrogate later this year following the conversion of an 18th century property and the building of a new apartment complex. The two buildings will be named Granville and Villiers House in honour of 19th century Duchy Chancellors Sir Granville George Leveson-Gower and George Villiers, 4th Earl of Clarendon.

The Urban portfolio is carefully monitored for asset management opportunities to enhance income.



Wellington House, London

The Surveys continued

Foreshore

The Duchy of Lancaster's Foreshore runs between the mid-point of the River Mersey in the south, to Barrow in Furness in the north.

The Lancashire Foreshore forms part of the Duchy of Lancaster's ancient inheritance. Extensive interests were sold during the 19th century, including the River Mersey Docks and land along the famous Blackpool Promenade.

There are 98 individual lettings in total, the most recent being a lease as part of the Mersey Gateway Project to build a six-lane road toll bridge across the River Mersey.

The rest of the Duchy's Foreshore Survey comprises moorings, pipe bridges and outfall structures, wild fowling licences, sheep and cattle grazing on coastal marshes, sub-sea pipelines and fibre-optic cables.

Minerals

The Duchy has an extensive mineral portfolio extending from South Wales to North Yorkshire. The portfolio consists of limestone and sandstone quarries, which supply material to the UK construction sector; and a mine supplying gypsum to the cement industry.

Whilst the previous four years had seen a decrease in activity in part due to the remote locations of the limestone and sandstone quarries the portfolio enjoyed a recovery in the year.

The Duchy of Lancaster's only landfill site was disposed of in 2013, while the completion of the Duchy's Manorial Minerals Registration Project secured its extensive manorial mineral interests in perpetuity.



Pant Quarry, Ogmore

Scalby Lodge Holiday Cottages

Scalby Lodge Holiday Cottages are situated on the coast south of Whitby and north of Scarborough, the largest holiday destination on the Yorkshire coast.

Part of the Duchy of Lancaster's Yorkshire Survey, Scalby Lodge has recently benefited from a substantial renovation programme.

Following a significant investment by the Duchy, nine existing farm buildings have been renovated and two new cottages built to create eleven new luxury holiday lets. These self-catering properties complement the existing four holiday cottages, bringing the total to fifteen.

The cottages benefit from an outstanding location, sea views, wide areas of open countryside, easy access to the coastal path, and being close to nearby towns and popular tourist attractions.

The properties, which range from two to five bedrooms, adhere to the Duchy's high specification design code and feature traditional, sustainable and locally-sourced building materials. The new properties have been fitted with ground source heat pumps which, together with log burning stoves, provide an efficient and attractive sustainable form of heating.



Lancaster Castle

Lancaster Castle occupies a city-centre hilltop location on the site of three successive Roman forts. It consists of an extensive group of historic structures, including the c12th Keep, the c14th Witches' Tower, the c15th Gatehouse, and the Female Penitentiary, which dates from the early years of the c19th. It is a Grade I Listed Building, which together with the area to the north of it is designated as a Scheduled Ancient Monument.

The Castle has witnessed scenes of significant historical, cultural and political impact throughout the centuries. These include incidents of religious persecution, the trials of the 'Pendle Witches' and 200 executions for crimes from murder to stealing cattle. Roman Catholic priests were also imprisoned and executed there during the Reformation. In addition to its role as a fortress and a prison, the castle has also been used as a court. High-profile trials included the Birmingham Six in 1975 and the "Headless and Handless Corpse" Trial of 1981.

English Heritage has described the castle as being "not only the North-West's most important historic and archaeological monument but it is also of international importance".

The Castle ceased to be a fully functioning Category C Prison in January 2011 and in May 2013, Lancaster Castle opened its gates to the public for the first time in 900 years. The



Lancaster Castle

Constable of the Castle, who is responsible for the security of the Castle on behalf of The Queen, opened The John O' Gaunt gates to allow the public access for the Spring Bank Holiday.



Lancaster Castle opens its gates to the public

Lancaster Castle continued

In the medium term Lancaster Castle will continue to promote itself as a visitor attraction via its brand new interactive website, informative guided tours, live actor walk through experiences and a calendar of events.

Following the completion of the removal of the remaining modern pre-fabricated buildings in Castle Yard and Kitchen Yard the focus has moved to the repair and maintenance of the castle to protect and preserve it in a sound condition.

The next phase of early works has been prioritised by the key determining factors of prominence, location and existing condition. The main areas of works will be the roofs to the Female Penitentiary, Hospital, Debtors Prison and Workshops.

The Duchy will look to use locally-sourced materials and labour to carry out the planned works wherever possible.

The Duchy is in the process of investigating the appropriate regeneration and re-use of this Grade I Listed and nationally significant monument and its associated buildings. No decisions have yet been made as to the long-term future of Lancaster Castle.

Duchy of Lancaster Benevolent Fund

In the last financial year the Duchy made charitable donations amounting to £420,000 through its Benevolent Fund.

Formed in 1993 at the request of Her Majesty, The Duchy of Lancaster Benevolent Fund makes financial donations to charities and voluntary groups in support of local causes within the County Palatine. Over the course of the year, the Benevolent Fund supported many charities and local causes mainly within the County Palatine and other Duchy Surveys.



Lord Shuttleworth presenting a cheque for £15,000 to the SPACE Multi-Sensory Centre in Preston

Strategic Report

Financial and Risk Review

Net Operating Income has increased in the year by 14.7% to £14.7m (2013: £12.8m), the highest level ever recorded. The Net Surplus delivered to the Keeper of the Privy Purse also increased 8.5% to £13.6m (2013: £12.5m). The performance for the year has been strong as major redevelopment and refurbishment projects have been completed, such as Wellington House which is now fully let.

The underlying results remain solid across all the portfolios, with the unitisation process showing a particularly good performance from the agricultural portfolio.

Capital has increased in Net Asset Value by 3.2% to £442.0m (2013: £428.3m), which is another record high. The capital performance has been shared across all assets classes with a particularly strong contribution from the agricultural portfolio.

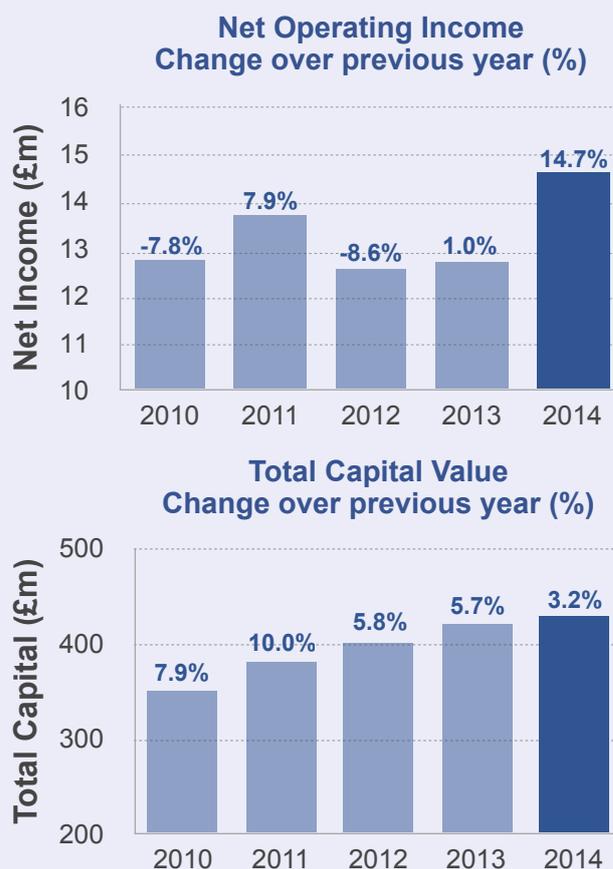
The year has seen a significant amount of structural change within the Duchy and the focus has been on examining the cost base, exploring opportunities to create additional value and improve efficiency throughout the business. Significant progress has been made and, as can be seen from the results, tangible benefits have already been delivered this year.

Over the year, the Duchy sold £7.1m of its property portfolio, the bulk of the sales being peripheral residential properties and purchased £7.3m. In addition, it invested £2.0m in capital improvements and £549k in repair costs to its properties.

Liquidity and the Financial Portfolio

The Duchy consistently remains fully invested. Although long term strategic asset allocation targets and quality improvement objectives are the main drivers of the sales and purchases programme, we take advantage of any opportunistic purchases if they are deemed appropriate.

A summary of the performance over the last five years is shown below



The Duchy has maintained its borrowing levels at £31m and has continued to benefit from historically low floating rates throughout the period. The level of gearing is continually under review and Council has approved borrowing up to £100m. However, in accordance with the revised borrowing policy and risk mitigation, about one third of current debt remains on a fixed rate for the remaining duration of the loan.

The financial portfolio, as well as providing a significant income for the Duchy, remains the major source of liquidity. The management of the quoted portfolio has been placed in the hands of a single manager, Newton Investment Management Limited, which has helped to enhance accountability and reduce administration.

Strategic Report continued

In addition, Stanhope Capital continue to act as our investment consultants to maintain an independent watch over the whole of the financial portfolio.

This arrangement works well with a total return of 4.9%. In addition to the good performance during the year, the financial portfolio provides a depository for surplus funds as well as liquidity.

Principal risks and uncertainties

The Duchy seeks to ensure that the risks are identified, quantified where possible, understood and managed appropriately. A comprehensive risk register has been prepared and is reviewed by Council annually and any actions required are taken. In addition, an annual risk review is presented to Council which considers the key areas of property income risk across the Duchy portfolio.

The principal risks faced by the Duchy are shown below.

Strategic risk

The Duchy carries out a five year strategic review and budget and prepares rolling forecasts on a quarterly basis. In addition, a 2020 rural vision document has been prepared to review long term trends and assess options for continued and ongoing viability of Duchy operations.

Property risk

The principal property risk is the loss of income. A full annual review of tenants and sectors is performed to ensure a well-diversified tenant base and to assess the target of improving the covenant strength and diversification across the Duchy portfolios.

Development risk

The Duchy has a robust evaluation process and seeks to manage the development cycle including obtaining planning consents and controlling the construction process. Construction risk is managed in-house using external advisors and contractors as appropriate.

Investment risk

The Duchy employs an investment consultant to advise and an investment manager to manage the financial portfolio. The portfolio is reviewed quarterly to ensure that it remains in line with the risk and return objectives as set by the Duchy.

Interest rate risk

The Duchy has an approved debt policy and hedging strategy in place in order to maintain interest rate risk at an agreed and manageable level.

Liquidity risk

The Duchy seeks to maintain liquidity within its financial portfolio to satisfy short term cash requirements and in addition looks to maintain headroom within its borrowing covenants. Long term liquidity is reviewed and addressed as part of the five year budgeting process.

Environmental risk

The comprehensive risk register highlights the key environmental risks which are reviewed annually along with the mitigating controls and actions.

The Proper Officers are responsible for ensuring that an effective system of internal financial controls is maintained and operated by the Duchy. The Proper Officers' review of the system of these controls is informed by comments made by the external auditors in their management letter and other reports.

Shuttleworth
Nathan Thompson
3 July 2014

Report of Council

Review of Governance

Duchy Capital and Revenue

The Duchy of Lancaster is governed by a number of statutes which place constraints and controls upon the management and administration of the Duchy and its assets. The principal Acts are:

- The Crown Lands Act of 1702
- The Duchy of Lancaster Act 1817
- The Duchy of Cornwall and Duchy of Lancaster Act 1838
- The Duchy of Lancaster Lands Act 1855
- The Duchy of Lancaster Act 1920
- The Duchy of Lancaster Act 1988
- The Trustee Act 2000

The Sovereign is entitled neither to the Duchy's Capital nor to Capital profits.

Church Livings

Her Majesty The Queen is Patron of 42 Church Livings in Right of Her Duchy of Lancaster.

The Duchy of Lancaster charitable funds

The Duchy of Lancaster charitable funds comprise separate registered charities set up with The Queen's consent. The Duchy of Lancaster Benevolent Fund, formed in 1993, makes donations to a wide range of charitable causes primarily within the County Palatine. The Duchy of Lancaster Jubilee Trust was formed in 2001 to benefit charitable causes in all areas associated with the Duchy. The Duke of Lancaster Housing Trust was incorporated in 2007 to provide affordable rural housing initially within estates in the ownership of the Duchy. The accounts of these charities are published separately and are available from the Charity Commission and from the Duchy Office.

Political and charitable donations

Charitable donations were made from the net income from the bona vacantia and Palatinate account credited to Duchy of Lancaster charitable funds, as described above. There were no political donations.



Drayton House Farm, Lincolnshire

Report of Council continued

Administration

The Duchy of Lancaster is administered on behalf of the Sovereign by the Chancellor of the Duchy, and by the Clerk of the Council. The current Chancellor is The Rt Hon the Lord Hill of Oareford.

The accounts are prepared in compliance with the Treasury Direction set out on pages 45-46. The Chancellor has designated the members of the Council of the Duchy of Lancaster as the Proper Officers and that the Chairman of Council and Clerk of the Council are authorised to sign the accounts on behalf of Council.

The Proper Officers are responsible for the preparation of accounts which are required to be submitted to the Treasury and presented to both Houses of Parliament by Section 2 of the Duchies of Lancaster and Cornwall (Accounts) Act 1838.

Council of the Duchy of Lancaster

The Chancellor is responsible to Her Majesty The Queen in connection with the affairs of the Duchy of Lancaster separate from his or her Parliamentary role. On 1 July 2000 the Chancellor revocably delegated certain functions, particularly those relating to asset management, to Council. The revocable Delegation has been reaffirmed by successive Chancellors.

Certain powers have been excluded from the Delegation which relate to senior Duchy appointments and such powers conferred upon the Chancellor by Statute. The Clerk of the Council is a member of Council and reports to that body, with Council being responsible to the Chancellor.

The members of Council who served since 1 April 2013 were:

- Lord Shuttleworth KCVO (Chairman of the Council)
- Mr Nathan Thompson (Chief Executive and Clerk of the Council), appointed 1 August 2013
- Sir Paul Clarke KCVO (Chief Executive and Clerk of the Council), retired 31 July 2013
- Sir Alan Reid GCVO (The Receiver General)
- Mr Robert Miles QC (The Attorney General)
- Ms Anne Richards CVO
- Mr Hugh Seaborn CVO, retired 31 December 2013
- Mr Mark Hudson
- Mr Christopher Adcock
- Mr Martin Beaumont
- Mr Ian Coull, appointed 1 January 2014

Council is a body to which appointments are made by Her Majesty The Queen on the advice of the Chancellor.



Crewe Hall Farm Buildings

Report of Council continued

Responsibilities of the Proper Officers

The Proper Officers are responsible for ensuring that proper accounting records are maintained with respect to the affairs of the Duchy and for preparing the annual Report and Accounts in accordance with applicable law and International Financial Reporting Standards and for submitting the Report and Accounts annually to the Lords' Commissioners of the Treasury in an agreed form. The Proper Officers are also responsible for safeguarding the Duchy's assets and for maintaining a satisfactory system of control over transactions affecting Duchy property in accordance with the statutes.

In preparing the accounts the Proper Officers will:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and prepare the accounts on a going concern basis.

The Proper Officers are responsible for the maintenance and

integrity of the corporate and financial information included on the Duchy's website.

So far as the Proper Officers are aware, there is no relevant audit information of which the Duchy's auditors are unaware. The Proper Officers have taken all the steps that they ought to have taken as Proper Officers in order to make themselves aware of any relevant audit information and to establish that the Duchy's auditors are aware of that information.

The Council believes that it is good practice periodically to tender the external audit function.

Environmental Policy

The Duchy of Lancaster is committed to being environmentally responsible in the way it is run. The key components of the policy are addressing climate change, reducing waste and encouraging biodiversity.

The evaluation and operation of the policy and associated procedures is monitored and reviewed by the Management Committee, with overview by Council, to ensure that they remain effective and appropriate to the activities of the Duchy.



Agardsley Park Farm and Agardsley Court, Needwood

Report of Council continued

Statement on corporate governance

The Combined Code on Corporate Governance (the UK Corporate Governance Code) issued by the Financial Reporting Council is widely acknowledged as representing best practice in governance. Although the Duchy is not obliged to comply with the requirements of the Code, Council nevertheless supports the principles and provisions set out in the code, and seeks to comply with the code in so far as it is applicable to the circumstances of the Duchy. A full compliance statement is produced internally and annually reviewed by Council. The only subcommittee of Council is the Audit Committee.

Internal control and risk

The Duchy of Lancaster operates within a control framework appropriate for its size. This incorporates:

- a defined management structure with the appropriate delegation of authority to operational management;
- setting detailed annual budgets and reporting annual results against them;
- setting targets to measure financial and other performance;
- regular reviews of reports which indicate performance against budgets;
- physical and computer security procedures and contingency planning; and
- risk assessment reviews.

Information on the use of financial instruments by the Duchy and its management of financial risk is described on page 13

Going Concern

The Duchy's financial projections show that it has considerable financial resources and is forecast to operate within its available cash flows for a period of at least twelve months. The Proper Officers report that, following a review of the relevant financial information, they have a reasonable expectation that the Duchy has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Shuttleworth
Nathan Thompson
London
3 July 2014

Duchy of Lancaster

Independent Auditors' Report to the Council of the Duchy of Lancaster

We have audited the financial statements of the Duchy of Lancaster for the year ended 31 March 2014 which comprise the Revenue Account Statement of Comprehensive Income, the Capital Account Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the related notes. These accounts have been prepared under the accounting policies set out therein.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied to the Duchy of Lancaster by the Accounts Direction given by the Treasury dated May 2014.

This report is made solely to the Council, as a body. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Proper Officers and auditors

As explained more fully in the Proper Officers' Responsibilities Statement on page 16, the Proper Officers are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Duchy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Proper Officers; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of Council to identify material inconsistencies with the audited financial statements and to identify any information

that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Duchy as at 31 March 2014 and of the Duchy's result for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied to the Duchy of Lancaster by the Accounts Direction given by the Treasury dated May 2014; and
- have been prepared in accordance with the requirements of the Accounts Direction given by the Treasury dated May 2014.

Opinion on other matter

In our opinion the information given in the Strategic Report and the Report of Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Duchy, or returns adequate for our audit have not been received from branches not visited by us; or
- the Duchy financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Proper officers' remuneration as specified by the Accounts Direction given by the Treasury dated May 2014 are not made; or
- we have not received all the information and explanations we require for our audit.

Nicholas Kelsey
For and on behalf of
Saffery Champness
Chartered Accountants
Statutory Auditors
London
3 July 2014

Duchy of Lancaster

Revenue Account Statement of Comprehensive Income

	Note	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Revenue	2	18,206	15,859
Operating costs	3	(3,714)	(3,551)
Administrative expenses		(1,365)	(1,313)
Operating surplus		13,127	10,995
Finance income	5	2,518	2,805
Finance costs	6	(960)	(992)
Net operating income		14,685	12,808
Development expenditure		(350)	(492)
Development expenditure recovered from Capital		229	389
Net proceeds of bona vacantia	9	842	1,345
Payable to the Duchy of Lancaster charitable funds		(842)	(1,345)
Net surplus for the year		14,564	12,705
Other comprehensive income:			
Actuarial loss on retirement benefit obligations	20	(187)	(363)
Total comprehensive income on Revenue account		14,377	12,342

Capital Account Statement of Comprehensive Income

	Note	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Gain on disposal of investment property		902	1,437
Loss on disposal of property held for sale		(488)	(258)
Repayments to capital:			
Proportion of mineral royalties	3	206	117
Less recovery of Capital valuation fees		(43)	(58)
Net income/(expenditure) from escheats		15	(4)
Surplus for the year		592	1,234
Total comprehensive income on Capital account		592	1,234

The notes to the accounts on pages 23 to 42 are an integral part of these financial statements.

Duchy of Lancaster

Balance sheets

	Note	31 March 2014 £'000	31 March 2013 £'000
Assets			
Non-current assets			
Investment property	12	417,635	402,676
Property, plant and equipment	13	3,253	3,024
Financial assets	14	57,278	58,385
Total non-current assets		478,166	464,085
Current assets			
Investment property assets held for sale	15	4,934	6,033
Trade and other receivables	16	2,885	2,067
Cash and cash equivalents		9,871	7,895
Total current assets		17,690	15,995
Total assets		495,856	480,080
Liabilities			
Current liabilities			
Trade and other payables	17	(49,550)	(15,362)
Total current liabilities		(49,550)	(15,362)
Non-current liabilities			
Borrowings	18	–	(31,000)
Provisions	19	(3,026)	(4,110)
Retirement benefit obligations	20	(1,234)	(1,273)
Total non-current liabilities		(4,260)	(36,383)
Total liabilities		(53,810)	(51,745)
Net assets		442,046	428,335
Capital and reserves			
Capital Account		441,952	429,058
Revenue Account		1,487	483
Retirement benefit reserve		(1,393)	(1,206)
Total reserves		442,046	428,335

Shuttleworth
Nathan Thompson

3 July 2014

The notes to the accounts on pages 23 to 42 are an integral part of these financial statements.

Duchy of Lancaster

Statement of Changes in Capital and Reserves

		Capital account	Revenue account		Total
		Capital reserve	Revenue reserve	Retirement benefit reserve	
	Note	£'000	£'000	£'000	£'000
Balance as at 31 March 2012		405,902	279	(843)	405,338
Net surplus for the year		1,234	12,705		13,939
Other comprehensive income:					
Net gain from fair value adjustment on investment property		16,321			16,321
Net gain from fair value adjustment on other property		534			534
Net gain on the revaluation of financial assets		5,302			5,302
Net loss from impairment on property held for sale		(235)			(235)
Actuarial loss on retirement benefit obligations	20			(363)	(363)
Less amounts payable to the Privy Purse			(12,501)		(12,501)
Balance as at 31 March 2013		429,058	483	(1,206)	428,335
Net surplus for the year		592	14,564		15,156
Other comprehensive income:					
Net gain from fair value adjustment on investment property	12	12,040			12,040
Net gain from fair value adjustment on other property	13	131			131
Net gain on the revaluation of financial assets	14	181			181
Net loss from impairment on property held for sale	15	(50)			(50)
Actuarial loss on retirement benefit obligations	20			(187)	(187)
Less amounts payable to the Privy Purse			(13,560)		(13,560)
Balance as at 31 March 2014		441,952	1,487	(1,393)	442,046

Duchy of Lancaster

Statement of Cash Flows

	Note	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Cash generated from operating activities	22	13,305	9,658
Interest paid		(960)	(992)
Net cash from operating activities		12,345	8,666
Cash flows from investing activities			
Purchase and improvement of investment property		(7,724)	(15,194)
Purchase of owner occupied property		(1,556)	–
Purchase of property held for sale		(38)	–
Purchase of financial investments		(68)	(283)
Purchase of property, plant and equipment		(42)	(9)
Proceeds from disposal of investment properties		3,602	4,303
Proceeds from disposal of property held for sale		4,174	1,997
Proceeds from disposal of financial investments		1,265	895
Financial investment income		2,518	2,805
Net cash inflow/(outflow)from investing activities		2,131	(5,486)
Cash flows from financing activities			
Payments made to the Privy Purse		(12,500)	(13,165)
Increase in cash in the year		1,976	(9,985)
Cash and cash equivalents at start of year		7,895	17,880
Cash and cash equivalents at end of year		9,871	7,895

Duchy of Lancaster

Notes to the accounts

Separate Statements of Comprehensive Income are presented for the Revenue account and the Capital account which represents a departure from the requirements of IFRS. IFRS require the presentation of a single Statement of Comprehensive Income. This departure is necessary due to the separate nature of the Duchy Revenue and Capital accounts, and because only the surplus of the Revenue account may be distributed to the Privy Purse and no distribution may be made of the proceeds from the disposal of capital assets or the gains or losses on their revaluation. The Statement of Changes in Capital and Reserves is also analysed between the Revenue and Capital accounts. These variations to IFRS are as specified in the Accounts Direction given by HM Treasury set out on pages 45-46.

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of property investments and in accordance with all applicable accounting standards. The accounts are in compliance with the Treasury Direction set out on pages 45-46 and, except as disclosed above, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as adopted by the European Union and as modified by HM Treasury.

At the date of approval of these financial statements the following standards and guidelines relevant to the Duchy of Lancaster were in issue but not effective for the current financial period:

IFRS 9 Financial Instruments (amended)	1 January 2015
IFRS 15 Revenue from contracts with customers	1 January 2017
IAS 16 Property, Plant and Equipment (amended)	1 January 2016
IAS 32 Financial Instruments: Presentation (amended)	1 January 2014

These are not expected to have a material impact on the Duchy of Lancaster's Financial Statements.

(b) Significant judgements, key assumptions and estimates

Operating leases

The Council have exercised judgement in determining that in all material respects, where the Duchy of Lancaster is the lessor, all such leases are accounted for as operating leases. In exercising this judgement consideration has been given to the nature and economic life of the buildings (which are all accounted for within investment properties), and whether substantially all the risks and rewards of ownership remain with the Duchy.

Retirement benefit obligations

The Duchy recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19, 'Retirement Benefit Obligations.' The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the increase in salaries, and life expectancy, amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. Further details of the assumptions are set out in note 20.

Bona Vacantia late claims fund

The Late Claims Fund is a provision for legitimate claims on Estates declared to be bona vacantia and whose assets have already been distributed. The provision is based on 30% of the Bona Vacantia account, this is a significant judgement based on the anticipated level of late claims (see note 19).

Duchy of Lancaster

Notes to the accounts (continued)

Financial instruments valuations

The Duchy discloses the fair value of its financial instruments in a hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The three levels are as follows:

- Level 1 financial instruments are valued at unadjusted quoted prices in active markets for identical instruments, these require no judgement.
- Level 2 financial instruments are valued based significantly on observable market data. Inputs other than quoted prices, are directly or indirectly observable for the asset or liability.
- Level 3 financial instruments use valuation techniques which incorporate at least one input (with a potentially significant impact on valuation) which is based on unobservable market data.

Classification within the hierarchy and the valuation techniques applied require judgement and further details are set out in note 21.

(c) Operating leases

The Proper Officers have exercised judgement in determining that in all material respects, where the Duchy of Lancaster is the lessor, all such leases are accounted for as operating leases. In exercising this judgement consideration has been given to the nature and economic life of the buildings (which are all accounted for within investment properties), the split of lease rentals between the land and buildings elements, and whether substantially all the risks and rewards of ownership remain with the Duchy.

(d) Valuation of property

Investment property, investment property assets held for sale and owner occupied property are all held at fair value. The policy of the Duchy is to have the investment and operational property assets independently valued at least every five years. In the current year, the commercial properties and land held for development were mainly valued externally.

All the valuations are in accordance with the principles of the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors as follows :

- (i) Investment properties including land held for development and properties occupied by the Duchy are valued on the basis of Market Value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. Mineral bearing land is valued on the basis of Existing Use Value.
- (ii) Mineral and foreshore assets are only valued where a letting exists, where entry has occurred, or where an interest is likely to be sold in the next year for a capital premium.
- (iii) Castles and other historical properties which are not commercially let are valued at the lower of depreciated replacement cost and net realisable value, or, where there is no market in assets of that type and the property could not be physically reconstructed, a nil value is applied.

The indirect property investment is shown at latest formal independent valuation.

The aggregate surplus or deficit arising from revaluation is transferred to the Capital Account, which is not distributable.

The purchase or sale of property is recognised from the date on which an unconditional contract is entered into or the last substantive condition in a conditional contract is satisfied. The profit or loss on disposal of property is taken to the Capital Account Statement of Comprehensive Income. Investment properties held for sale are shown in the Balance Sheet as investment property within current assets.

(e) Owner occupied property

Properties occupied by the Duchy of Lancaster are valued on the basis of fair value. The properties are included within property, plant and equipment. Any surplus or deficit arising on revaluation is taken directly to the Capital Account Statement of Comprehensive Income.

Duchy of Lancaster

Notes to the accounts (continued)

(e) Owner occupied property (continued)

No depreciation is provided in respect of these properties. The residual value of the property at the point where the Duchy would cease to use it, or would dispose of it, is expected to be materially in line with fair value. As such, any depreciation (between fair value and residual value) at any point would be immaterial.

(f) Valuation of financial assets

Financial assets are classified as available for sale. Quoted investments are shown at fair value, determined on market value based on quoted prices. Unquoted investments are shown at latest independent valuation. Any profit or loss is taken to the Capital Account Statement of Comprehensive Income.

(g) Depreciation

(i) In accordance with IAS 40 no depreciation is provided on investment properties.

(ii) Revenue fixed assets are depreciated over their estimated useful lives on a straight line basis, applying the following rates:

Motor vehicles	20% per annum
Plant and equipment, including computers	20 - 25% per annum

(h) Woodlands

Sales of timber and expenditure relating to the upkeep of the woodlands are included in the Revenue Account.

(i) Recognition of income

Income from property and interest income is accounted for on an accruals basis. Dividends and income from bona vacantia are accounted for when received.

(j) Mineral rents and royalties

The receipts from mineral royalties are apportioned on the basis of one half to Capital and one half to Revenue.

(k) Pension liabilities and post retirement benefits

Defined benefit pension scheme current service costs relating to the year, together with the scheme interest cost less the expected return on the scheme assets for the year, are recorded in administrative expenses within the Revenue account. Actuarial gains and losses are recognised in the Revenue Account Statement of Comprehensive Income.

The scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit liability is presented within the provisions for liabilities in the balance sheet.

Contributions by the Duchy to personal pension arrangements of 10% of salaries up to age 50 and 13% of salaries thereafter are charged to the Revenue account as they fall due.

(l) Development expenditure (Development site and other project expenditure)

Legal and professional costs incurred in bringing forward land for development and other potential Capital projects are charged to Revenue. These costs can be recovered from Capital only when there is a disposal for a Capital sum of an interest in the land concerned, or when the potential Capital projects are commenced.

Internal costs relating to staff time spent working on Capital projects are also charged to Capital on completion of the project.

Duchy of Lancaster

Notes to the accounts (continued)

(m) Bona vacantia

Proceeds of bona vacantia comprise the residue of assets and liabilities which have fallen to be dealt with by the Solicitor for the Affairs of the Duchy of Lancaster acting as a Corporation Sole under the Administration of Estates Act 1925, the Companies Act 2006, and other relevant legislation.

Net income from bona vacantia and the sale of escheated property, after allocations for future liabilities and the costs of administering bona vacantia, is applied to the costs of Palatinate administration and historical obligations, and, at the direction of the Council, the balance is transferred to the Duchy of Lancaster Jubilee Trust a separate registered charity.

The proceeds from bona vacantia are accounted for by the Duchy in the year in which they are received and represent the proceeds received from estates settled by the Solicitor for the Affairs of the Duchy of Lancaster in the year ended 30 September 2013. The accounts of the Solicitor for the Affairs of the Duchy of Lancaster for the year ended 30 September 2013 are, for the purposes of information, set out on page 44.

(n) Heritage assets

There is no International Financial Reporting Standards equivalent to the UK GAAP Heritage Assets standard, FRS 30. However the Duchy continues to refer to those assets previously treated as Heritage Assets as such. Heritage assets are a collection of assets that the Duchy has held over the centuries. These assets are considered to be of historic and artistic importance and cover a range of items including paintings, furniture and works on paper. Certain Heritage Assets of the Duchy are held by museums, galleries or other institutions open to the public, where they are on loan and managed as part of their permanent collections.

The Duchy's Heritage Assets are managed by the Assistant Keeper of the Records who reports to the Keeper of the Records, being the Chief Executive of the Duchy. In addition, a register of the Duchy's Heritage Assets is maintained on a database and there are a number of paper records which relate to individual collections. All objects are subject to regular reviews to verify location and any change in conservation status. Where appropriate specialist conservation and curatorial advice is sought from relevant experts.

It is the intention that the Duchy's Heritage Assets will be held for the long term. In exceptional circumstances, Council may consider a disposal of objects and there are no current plans to add further to the collection.

The assets hold no material value except to the extent that they add to the cultural and historical wealth of the country and accordingly they are not shown as assets within these financial statements.

(o) Trade and other receivables

Trade and other receivables are stated at amortised cost less appropriate allowances for estimated irrecoverable amounts. Such allowances are based on an individual assessment of each receivable.

(p) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

(q) Borrowings

Borrowings are initially recognised at fair value and subsequently measured at amortised cost.

Duchy of Lancaster

Notes to the accounts (continued)

2. Revenue

	2014 £'000	2013 £'000
Income from Property		
Commercial	11,622	10,094
Agricultural	3,777	3,310
Residential	1,846	1,937
Mineral rents and royalties	490	381
Indirect property investment income	471	137
Total	18,206	15,859

3. Operating costs

	Repairs and other direct costs £'000	Repayments to Capital £'000	Total 2014 £'000	Total 2013 £'000
Expenditure on property				
Commercial	981	–	981	877
Agricultural	277	–	277	331
Residential	348		348	366
Mineral rents and royalties	–	206	206	117
	1,606	206	1,812	1,691
Staff costs, administration and professional fees	1,902	–	1,902	1,860
Total	3,508	206	3,714	3,551

4. Leasing: Operating leases with tenants

The Duchy of Lancaster leases out all of its investment properties under operating leases with, on average, 25 years remaining to expiry. The aggregate minimum rentals, excluding contingent rents, receivable under non-cancellable leases are as follows:

	2014 £'000	2013 £'000
Less than one year	12,282	10,730
Between two to five years	36,314	34,506
After five years	150,144	129,518
	198,740	174,754

The value of the assets generating this rental income is detailed in notes 12 and 15.

	2014 £'000	2013 £'000
Contingent rents receivable	604	240

Duchy of Lancaster

Notes to the accounts (continued)

5. Finance income

	2014 £'000	2013 £'000
Interest on other fixed interest stocks and unit trusts	569	709
Income from financial assets	1,905	1,906
Bank and other interest	77	223
Investment management fees	(33)	(33)
	2,518	2,805

6. Finance costs

	2014 £'000	2013 £'000
Loan interest	960	992

7. Total comprehensive income for the year

	2014 £'000	2013 £'000
Total comprehensive income for the year is arrived at after charging:		
Staff costs (note 8(a))	1,602	1,575
Depreciation of Property, Plant and Equipment	29	27
Auditors' remuneration		
– audit services	23	21
– non-audit services	4	7

Duchy of Lancaster

Notes to the accounts (continued)

8. Employee information

- (a) The total cost of employees (excluding fees paid to the Chancellor and non-executive Council members) during the year was as follows:

	2014	2013
	£'000	£'000
Wages and salaries	1,064	1,085
Social security costs	132	114
Pension contributions	406	376
	1,602	1,575

- (b) The average number of employees (excluding the Chancellor and non-executive Council members) during the year was 16 (2013:16).

- (c) The full details of the Chancellor and each Council member's remuneration package for the financial year are set out below. These individuals are the key management personnel.

	Basic salary and fees £'000	Performance payments £'000	Taxable benefits and allowances £'000	Total 2014 £'000	Total 2013 £'000
Rt Hon The Lord Hill of Oareford	–	–	–	–	–
Lord Shuttleworth KCVO	68	–	–	68	68
Mr Nathan Thompson (Appointed on 1 August 2013)	147	–	–	147	–
Sir Paul Clarke KCVO (Retired 31 July 2013)	67	50	1	118	218
Mr Christopher Adcock	132	33	1	166	147
Sir Alan Reid GCVO	–	–	–	–	–
Mr Robert Miles QC	12	–	–	12	12
Ms Anne Richards CVO	17	–	–	17	17
Mr Hugh Seaborn CVO (Retired 31 December 2013)	13	–	–	13	17
Mr Mark Hudson	17	–	–	17	17
Mr Martin Beaumont	17	–	–	17	17
Mr Ian Coull (Appointed on 1 January 2014)	4	–	–	4	–

In addition pension contributions paid by the Duchy for the financial year are set out below:

	2014	2013
	£'000	£'000
Sir Paul Clarke KCVO	9	22
Mr Christopher Adcock	17	14

Where an executive Council member is released to serve as a non-executive Director outside the Duchy of Lancaster, the executive Council member does not receive any earnings from that appointment.

Duchy of Lancaster

Notes to the accounts (continued)

9. Net proceeds from bona vacantia

	2014 £'000	2013 £'000
Proceeds from bona vacantia	3,385	3,489
Provisions for late claims transferred to Late Claims Fund	(1,016)	(923)
	2,369	2,566
Costs of palatinate administration and historical obligations (note 10)	(1,527)	(1,221)
	842	1,345

10. Palatinate administration and historical obligations

	2014 £'000	2013 £'000
Administration of bona vacantia – costs met directly by the Duchy	102	102
Upkeep of castles and historic monuments	942	39
Rental and other income from castles	(3)	(2)
Savoy Chapel – stipends, running costs and repairs	263	865
Ceremonial, ancient stipends, charitable annuities and preservation of historic records	181	175
Administration of Duchy of Lancaster charitable funds	42	42
	1,527	1,221

Rental income from castles has been mainly receivable under short term agreements. Where agreements have been translated into long term agreements the income and expenditure are included in income from property.

Duchy of Lancaster

Notes to the accounts (continued)

11. Analysis of balance sheet

	Revenue		Capital	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Assets				
Non-current assets				
Investment property	–	–	417,635	402,676
Property, plant and equipment	47	35	3,206	2,989
Financial assets	4,016	4,110	53,262	54,275
Total non-current assets	4,063	4,145	474,103	459,940
Current assets				
Investment property assets held for sale	–	–	4,934	6,033
Trade and other receivables	2,870	2,052	15	15
Cash and cash equivalents	7,735	6,707	2,136	1,188
Balances due from Capital	7,816	6,561	–	–
Total current assets	18,421	15,320	7,085	7,236
Total assets	22,484	19,465	481,188	467,176
Liabilities				
Current liabilities				
Trade and other payables	(18,130)	(14,805)	(31,420)	(557)
Balances due to Revenue	–	–	(7,816)	(6,561)
Total current liabilities	(18,130)	(14,805)	(39,236)	(7,118)
Non-current liabilities				
Borrowings	–	–	–	(31,000)
Provisions	(3,026)	(4,110)	–	–
Retirement benefit obligations	(1,234)	(1,273)	–	–
Total non-current liabilities	(4,260)	(5,383)	–	(31,000)
Total liabilities	(22,390)	(20,188)	(39,236)	(38,118)
Net assets	94	(723)	441,952	429,058
Capital and reserves				
Revenue Account	1,487	483	–	–
Capital Account	–	–	441,952	429,058
Retirement benefit reserve	(1,393)	(1,206)	–	–
Total reserves	94	(723)	441,952	429,058

Duchy of Lancaster

Notes to the accounts (continued)

12. Investment Property

	Commercial and indirect property investment £'000	Agricultural woods minerals foreshores £'000	Residential £'000	Land held for development £'000	Total £'000
Value at 1 April 2013	192,311	148,222	58,627	3,516	402,676
Purchases at cost	485	5,905	1,334	–	7,724
Transfers from Owner Occupied Property	–	–	1,470	–	1,470
Transfers from investment property held for sales	–	7	560	–	567
Transfers to investment property held for sale	–	(1,836)	(2,306)	–	(4,142)
Disposals	–	(8)	(2,692)	–	(2,700)
Change in fair value	6,135	8,769	(2,651)	(213)	12,040
Value at 31 March 2014	198,931	161,059	54,342	3,303	417,635

The change in fair values are recognised in the Capital Account Statement of Comprehensive Income. The figures disclosed in the Capital Account have been reanalysed to show the profit on disposal of investment properties and properties held for sale on a consistent basis as the 2014 figures.

All landed property is situated in England and Wales. Purchases at cost include expenses of purchases and expenditure on permanent improvements of £2,041,000 (2013: £11,156,000). Sales proceeds are net of expenses of sale and development costs charged from Revenue.

At 31 March 2014 most of the commercial property portfolio was valued externally by professionally qualified valuers. The rural property portfolio was valued externally by professionally qualified valuers. The breakdown of the external valuations at 31 March 2014 by valuer is as follows:

Smiths Gore	52%
Knight Frank	41%
Others	7%

13. Property, plant and equipment

	Owner Occupied Property £'000	Motor Vehicles £'000	Plant & Equipment £'000	Total £'000
Cost or valuation				
Balance at 1 April 2013	2,989	12	355	3,356
Additions during the year	1,556	17	25	1,598
Change in fair value	131	–	–	131
Less: disposals during the year	–	(12)	(76)	(88)
Less: transfers to Investment property	(1,470)	–	–	(1,470)
Balance at 31 March 2014	3,206	17	304	3,527
Accumulated depreciation				
Balance at 1 April 2013	–	12	320	332
Charged during the year	–	2	28	30
Less: disposals during the year	–	(12)	(76)	(88)
Balance at 31 March 2014	–	2	272	274
Net Book Value				
31 March 2014	3,206	15	32	3,253
31 March 2013	2,989	–	35	3,024

Duchy of Lancaster

Notes to the accounts (continued)

14. Financial assets

	Value at 1 April 2013 £'000	Additions at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2014 £'000
Capital Financial Assets					
Fixed interest unit trust	5,234	–	–	(1,027)	4,207
Equities	40,895	–	–	(139)	40,756
Private equity fund	8,146	49	(1,243)	1,347	8,299
	54,275	49	(1,243)	181	53,262
Other Financial Assets					
Fixed interest unit trust	4,110	19	(22)	(91)	4,016
	4,110	19	(22)	(91)	4,016
Total	58,385	68	(1,265)	90	57,278

The changes in market values are recognised in the Capital Account Statement of Comprehensive Income.

All financial assets except the private equity funds are listed on recognised stock exchanges, are authorised unit trusts, or are authorised open ended investment companies. Other financial assets are investments held to cover late claims liabilities (note 19).

15. Investment property assets held for sale

	Commercial and indirect property investment £'000	Agricultural woods minerals foreshores £'000	Residential £'000	Land held for development £'000	Total £'000
Value at 1 April 2013	375	1,809	1,869	1,980	6,033
Purchases at cost	–	–	11	27	38
Transfers to investment property	–	(7)	(560)	–	(567)
Transfers from investment property	–	1,836	2,306	–	4,142
Disposals	(375)	(1,502)	(778)	(2,007)	(4,662)
Impairment	–	(50)	–	–	(50)
Value at 31 March 2014	–	2,086	2,848	–	4,934

At the year end the Duchy was actively marketing properties for sale at the fair values less costs to sell stated above and these are expected to be sold within 12 months of the balance sheet date.

16. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables (rents)	846	989
Other receivables	306	25
Prepayments and accrued income	1,733	1,053
	2,885	2,067

All receivables are denominated in Sterling.

Duchy of Lancaster

Notes to the accounts (continued)

16. Trade and other receivables (continued)

As of 31 March 2014 trade receivables of £846,000 (2013: £989,000) were past due but not impaired.

The ageing analysis of these trade receivables is as follows:

	2014 £'000	2013 £'000
Under 3 months	830	976
3 to 12 months	16	13
Over 12 months	–	–

As of 31 March 2014 trade receivables of £338,000 (2013: £312,000) were impaired and provided for. The impaired receivables mainly relate to tenants who are in financial difficulty.

There is no significant concentration of credit risk with respect to trade receivables as the Duchy has a large number of tenants.

Movements in the provision for impairment of trade receivables are as follows:

	2014 £'000	2013 £'000
At 1 April	312	344
Provision for receivables impairment	34	(28)
Receivables written off	(8)	(4)
At 31 March	338	312

The creation and release of the provision for impaired receivables has been included in the Revenue Account Statement of Comprehensive Income.

The other classes within trade and other receivables do not contain impaired assets.

17. Trade and other payables

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade payables	94	123
Other taxes and social security	1,017	487
Other payables	9,123	8,275
Bank borrowings	31,000	–
Accruals and deferred income	4,413	4,231
Due to the Privy Purse	3,061	2,001
Due to Duchy of Lancaster charitable funds	842	245
	49,550	15,362

A bank loan of £31 million is repayable on 6 October 2014. Interest for the year was at a combination of fixed and floating rates over the agreed margin of between 1.4% and 2%.

18. Borrowings

	2014 £'000	2013 £'000
Long term borrowings	–	31,000

Duchy of Lancaster

Notes to the accounts (continued)

19. Provisions for liabilities and charges

The Late Claims Fund was established to provide a form of insurance against legitimate claims on estates declared to be bona vacantia and whose assets have already been distributed. Income earned on the assets of the fund is retained to meet claims. Any surplus on the fund is payable to the Duchy of Lancaster charitable funds. The fund is separately invested in a unit trust (note 14). The movements of the fund are as follows :

	2014	2013
	£'000	£'000
Provisions for late claims received from the bona vacantia account met directly by the Duchy	1,016	923
Provisions for late claims received from the bona vacantia account	–	7
Increase in value of investments	(91)	179
Claims paid during the year	(1,009)	(1,078)
Surplus for the year	(84)	31
Late Claims Fund balance at 1 April	4,110	4,079
Late Claims Fund balance at 31 March	4,026	4,110
	2014	2013
	£'000	£'000
Shown as:		
Included in Trade and other payables	1,000	–
Included in Non-current liabilities - provisions	3,026	4,110

20. Retirement benefit obligations

A full actuarial valuation was carried out at 31 March 2012 and has been updated to 31 March 2014 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March	31 March	31 March	31 March	31 March
	2014	2013	2012	2011	2010
	% pa	% pa	% pa	% pa	% pa
Rate of increase in pensionable salaries	4.8	4.8	4.8	5.1	5.3
Rate of increase in pensions in payment	2.3	2.3	2.5	2.8	3.8
Discount rate	4.3	4.0	4.7	5.6	5.6
Inflation assumption (RPI)	3.3	3.3	3.3	3.6	3.8
Inflation assumption (CPI)	2.3	2.3	2.5	2.8	n/a

The mortality assumptions used by the actuary (and resulting life expectancies) were:

	Mortality assumption	Life expectancy
Pensioners now aged 60		
Males	S1PA YOB with CMI 2011	27.2
Females	projection and a long term rate of improvement of 1.25%	29.7
Future pensioners from age 60 but currently aged 40		
Males	S1PA YOB with CMI 2011	29.2
Females	projection and a long term rate of improvement of 1.25%	31.7

At 31 March 2014, the weighted-average duration of the Scheme's liabilities was approximately 16 years.

Duchy of Lancaster

Notes to the accounts (continued)

20. Retirement benefit obligations (continued)

The assets in the Duchy of Lancaster Staff Pension Scheme and the expected rate of return were:

	Value at 31 March 2014 %pa £'000	Value at 31 March 2013 %pa £'000	Value at 31 March 2012 %pa £'000	Value at 31 March 2011 %pa £'000	Value at 31 March 2010 %pa £'000
Equities	3,453	3,517	2,723	2,251	2,183
Gilts	872	916	4,742	5,124	4,822
Corporate Bonds	3,878	3,834	–	–	–
Cash	14	172	356	76	326
Total market value of assets	8,217	8,439	7,821	7,451	7,331
Present value of Scheme liabilities	(9,451)	(9,712)	(8,935)	(8,131)	(9,196)
Deficit in the Scheme	(1,234)	(1,273)	(1,114)	(680)	(1,865)

Analysis of the amount charged to operating profit:

	2014 £'000	2013 £'000
Current service cost	49	38
Past service cost	–	–
Scheme administrative cost	20	32
Total operating charge	69	70

Analysis of the amount credited to other finance income:

	2014 £'000	2013 £'000
Expected return on assets	333	361
Interest on pension scheme liabilities	(377)	(406)
Net return	(44)	(45)

Remeasurement of net defined benefit liability/(asset) to be shown in other comprehensive income (OCI)

	2014 £'000	2013 £'000
Net remeasurement (gain)/loss - financial	(341)	541
Net remeasurement (gain)/loss - demographic	–	232
Net remeasurement (gain)/loss - experience	210	118
Return on assets, excluding interest income	318	(528)
Total remeasurement of net defined benefit liability to be shown in OCI	187	363

Duchy of Lancaster

Notes to the accounts (continued)

20. Retirement benefit obligations (continued)

Movement in scheme liabilities during the year

	2014 £'000	2013 £'000
Liabilities at start of year	9,712	8,935
Movement in year:		
Current service cost	49	38
Interest cost	377	406
Contributions paid by scheme members	3	3
Benefits paid	(559)	(561)
Net remeasurement (gain)/loss - financial	(341)	541
Net remeasurement (gain)/loss - demographic	–	232
Net remeasurement (gain)/loss - experience	210	118
Liabilities at end of year	9,451	9,712

Movement in scheme assets during the year

	2014 £'000	2013 £'000
Assets at start of year	8,439	7,821
Movement in year:		
Interest income on scheme assets	333	361
Return on assets, excluding interest income	(318)	528
Contributions (total paid by employer and scheme members)	342	322
Benefits paid	(559)	(561)
Scheme administrative cost	(20)	(32)
Assets at end of year	8,217	8,439

Characteristics of the Scheme and the risks associated with the Scheme

(a) Information about the characteristics of the Scheme

- (i) The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary and their length of service.
- (ii) The Scheme is a registered scheme under UK legislation and the Salaried Staff Section is contracted out of the State Second Pension.

The Scheme is subject to the scheme funding requirements outlined in UK legislation. The last scheme funding valuation of the Scheme was at 31 March 2012 and revealed a deficit of £2,714,000. In the recovery plan dated 7 November 2012 the Duchy agreed to pay contributions of £261,600 per annum (increasing annually at 3% per annum) with the view to eliminating the shortfall by 31 March 2022.

Under rule 23 of the Scheme's trust deed and rules dated 31 March 1995, the Duchy has a right to a refund of any surplus in the Scheme if the Scheme winds up, although the Trustees do have the power to augment benefits before any surplus is paid to the Duchy. However, given the power to wind up the Scheme lies with the Duchy, there is no additional liability recognised on the balance sheet as a result of the recovery plan dated 7 November 2012.

- (iii) The Scheme was established from 1 April 1995 under trust and is governed by the Scheme's trust deed and rules dated 31 March 1995. The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in conjunction with the Duchy.

Duchy of Lancaster

Notes to the accounts (continued)

20. Retirement benefit obligations (continued)

(b) Information about the risks associated with the Scheme

The ultimate cost of the Scheme to the Duchy will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the Scheme may be higher (or lower) than disclosed.

In general, the risk to the Duchy is that the assumptions underlying the disclosures, or the calculation of contribution requirements are not borne out in practice and the cost to the Duchy is higher than expected. This could result in higher contributions required from the Duchy and a higher deficit disclosed. This may also impact the Duchy's ability to grant discretionary benefits or other enhancements to members.

More specifically, the assumptions not being borne out in practice could include:

- (i) The return on the Scheme's assets being lower than assumed, resulting in an unaffordable increase in the required Duchy contribution rate.
- (ii) Falls in asset values (particularly equities) not being matched by similar falls in the value of liabilities.
- (iii) Unanticipated future changes in mortality patterns leading to an increase in the Scheme's liabilities. Future mortality rates cannot be predicted with certainty. This is especially so bearing in mind that the youngest Plan members could be expected to still be alive in 60 years or more and it is not possible to reliably predict what medical advances may or may not have occurred by this time.
- (iv) The potential exercise (by members or others) of options against the Scheme.
- (v) The relatively small number of Scheme members is likely to lead to particular volatility in the deficit and the Duchy contributions as the future demographic experience of such a group is more uncertain than would be the case for a larger group.

The Employer may also wish to consider the risk that the assumptions underlying the disclosures are not borne out in practice and the cost to the Duchy is lower than expected. This could lead to a surplus in the Scheme which is not recoverable by the Duchy.

(c) Information about any amendments, curtailments or settlements

There have been no amendments, curtailments or settlements over the financial year.

The Scheme's investment strategy

The Scheme's investment strategy is to invest broadly 40% in return seeking assets and 60% in matching assets (mainly government bonds). This strategy is overweight in (well diversified) return seeking assets when compared to the Scheme's liability profile, but is consistent with the Trustees' and Duchy's attitude to risk.

Sensitivity analysis

The results in the disclosures are inherently volatile, particularly the figures shown on the balance sheet. The results disclosures are dependent on the assumptions chosen by the Trustees. The following table sets out the sensitivity of the balance sheet position to changes in assumptions.

Change in liabilities	31 March 2014
Discount rate +1.0%	-11%
Inflation rate (CPI) + 0.2%	+3%
Mortality (increase life expectancy by 1 year)	+4%

Duchy of Lancaster

Notes to the accounts (continued)

20. Retirement benefit obligations (continued)

Expected future cashflows to and from the Plan

In accordance with the schedule of contributions dated 7 November 2012 the Duchy is expected to pay contributions of £317,969 over the next accounting period. This includes £271,469 for payments under the recovery plan and a fixed annual amount of £46,500 for the accrual of benefits and insurance premiums for death in service lump sums for active members.

In addition, the Duchy is expected to meet the cost of administrative expenses and Pension Protection Fund levies for the Scheme.

The liabilities of the Scheme are based upon the current value of expected benefit payment cashflows to members of the Scheme over the next 60 years or so. The average duration of the liabilities is approximately 16 years.

21. Fair value measurements

The following table sets out the Duchy's assets and liabilities that are measured and recognised at fair value at 31 March 2014.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Available-for-sale equity securities	48,979	8,299	–	57,278
Total recurring financial assets	48,979	8,299	–	57,278
Non-financial assets:				
Investment properties	–	–	417,635	417,635
Owner occupied properties	–	–	3,206	3,206
Total recurring non-financial assets	–	–	420,841	420,841
Non-financial assets:				
Property held for sale	–	–	4,934	4,934
Total non-recurring assets	–	–	4,934	4,934

The Duchy has measured land at fair value on a non-recurring basis as a result of the reclassification of the land as held for sale.

There have been no transfers between levels 1 and level 2 recurring fair value measurements during the year.

The Duchy's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

Duchy of Lancaster

Notes to the accounts (continued)

21. Fair value measurements (continued)

The following table sets out the total gains or losses for the period included in profit or loss that is attributable to the changes in unrealised gains or loss relating to those assets and liabilities held at the end of the reporting period that is included in gains/(losses) recognised in other income.

	Unlisted equity securities £'000	Investment property £'000	Owner occupied property £'000	Total £'000
Unrealised gains recognised in profit or loss attributable to assets held at the end of the reporting period	–	12,040	131	12,171

The following table sets out the valuation techniques used in the determination of fair values within Level 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value

Item and Valuation approach	Key unobservable inputs	Relationship between unobservable inputs to fair value
<p>Investment property Fair value has been determined by a range of recognised valuation methodologies depending on the nature of the individual properties. As shown in note 12 most of the properties have been valued by external professionally qualified valuers.</p> <p>The methodologies applied by the valuers include the following:</p> <p>Investment Method: An assessment is made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions these are then applied to the property, taking into account size, location, terms, covenant and other material factors.</p>	<p>Market rents are assessed on a tenant by tenant basis taking into account significant variation between location, sector, size and quality.</p>	<p>The higher the discount rate, terminal yield and expected vacancy rate the lower the fair value.</p>

Duchy of Lancaster

Notes to the accounts (continued)

21. Fair value measurements (continued)

Item and Valuation approach	Key unobservable inputs	Relationship between unobservable inputs to fair value
Residual Method: The Market Value of the site in its existing condition is arrived at using the residual method which is a generally accepted method for valuing properties that are considered to have possible development potential. Having formed an opinion of the value of the completed development (Gross Development Value), using the Investment Method described above, it is deducted from the total costs of development and an allowance for developer's profit.	The estimated market value of a completed project, development costs and expected appreciation in the price.	The lower the development costs the greater the anticipated market value.

The fair values of trade receivables and payables, short term investments, unsecured bank overdrafts and cash and cash equivalents are assumed to approximate to cost due to the short term maturity of the instruments and as the impact of discounting is not significant.

The following table sets out the valuation technique used in determination of fair values within Level 2 including the key inputs used.

Item	Valuation approach and inputs used	
Financial Assets	The fair values of financial assets and financial liabilities have been determined with reference to available market information at the balance sheet date.	Level 2

Duchy of Lancaster

Notes to the accounts (continued)

22. Reconciliation of Revenue account operating surplus to net cash inflow from operating activities

	2014 £'000	2013 £'000
Net surplus on Revenue account	14,564	12,705
Adjusted for:		
Depreciation	30	27
Current service costs less contributions to pension scheme	(226)	(204)
Net finance income	(1,558)	(1,813)
Net income/(expenditure) from escheats	15	(4)
Repayments to Capital	163	59
Decrease/(increase) in valuation of other financial investments	91	(179)
Loss on disposal of property, plant and equipment	–	1
(Increase)/decrease in receivables	(818)	472
Decrease/(increase) in payables	1,044	(1,406)
Net cash inflow from operating activities	13,305	9,658

23. Related party transactions

Charitable donations of £842,000 (2013: £1,245,000) and £nil (2013: £100,000) were made to the Duchy of Lancaster Jubilee Trust and the Duke of Lancaster Housing Trust respectively, arising from the surplus receipts of bona vacantia (see note 9). All Council members except the Chief Finance Officer act as trustees of the Duchy of Lancaster Jubilee Trust. Two of the Council members act as trustees of The Duke of Lancaster Housing Trust.

24. Financial risk management

A review of the Duchy's financial risks is set out in the Strategic Report on pages 12 to 13.

Market risk

The Duchy has an interest rate forward for £10,500,000 at a fixed interest rate.

Liquidity risk

The Duchy's financial liabilities all fall due within one year with the exception of the Duchy's Late Claims Fund provision (see Note 19) and its retirement benefit obligations (see Note 20). It is not possible to state the maturity profile of these two exceptions due to the uncertain timing of their potential crystallisation.

Credit risk

The Duchy uses external investment consultants to assess the credit quality of banks and financial institutions based on their financial position, experience of past performance and other factors as deemed relevant. As set out in note 16 there is no significant concentration of credit risk with respect to trade receivables as the Duchy has a large number of tenants.

Capital management

The Duchy continually monitors its financial situation by means of regular management information and accounts. This ensures that the covenants in relation to the bank loan facility are adhered to.

Duchy of Lancaster

Duchy of Lancaster Rural Surveys

The Duchy of Lancaster Rural Surveys totalling 18,454 hectares are located as follows:

	Hectares
The Needwood Survey Staffordshire	2,995
The Crewe and South Survey Cheshire Northamptonshire Derbyshire Lincolnshire Glamorgan Shropshire Leicestershire	4,022
The Lancashire Survey Lancashire	3,906
The Yorkshire Survey Yorkshire	6,794
The Eastern Survey Lincolnshire	737
	18,454



Duchy of Lancaster

Accounts of the Solicitor for the Affairs of the Duchy of Lancaster for the year ended 30 September 2013

The accounts of the Solicitor for the Affairs of the Duchy of Lancaster are not part of the accounts of the Duchy of Lancaster and are included for information. During the year 293 intestate estates (2012: 209) and 1,621 dissolved companies (2012: 1,693) were formally reported.

Income and expenditure account for the year ended 30 September 2013

	2013 £
Income	
Monies received from dissolved companies	2,199,030
Monies received from intestate estates	1,951,280
Interest and other	31,809
Monies received	4,182,119
Expenditure	
Payments to next of kin	(1,353,710)
Company restoration	(607,580)
Ex-gratia payments to claimants	(156,827)
Administration costs	(923,102)
Net income less expenditure	1,140,900
Paid to the Duchy of Lancaster	(1,361,445)
Net expenditure for the year ended 30 September 2013	(220,545)
Cash balances at 1 October 2012	4,243,976
Net expenditure for the year ended 30 September 2013	(220,545)
Cash balances at 30 September 2013	4,023,431

Balance sheet as at 30 September 2013

	2013 £
Current assets	
Cash and deposits	4,023,431
	4,023,431
Current liabilities	
The Duchy of Lancaster	(1,298,233)
Other creditors	(105,254)
	(1,403,487)
Total assets less current liabilities	2,619,944
Representing:	
Estates under administration	2,619,944

Duchy of Lancaster

Accounts direction given by HM Treasury

Operating Review

1. The Duchy of Lancaster shall prepare accounts for the financial year ended 31 March 2014 and subsequent financial years comprising:
 - a Report of Council including a Governance Statement;
 - a revenue account statement of comprehensive income;
 - a capital account statement of comprehensive income, with a reconciliation of movements in the capital account;
 - a balance sheet; and
 - a cash flow statement.

including such notes as may be necessary for the purposes described in the following paragraphs.

2. 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 the state of affairs as at the end of the financial year. Subject to these requirements and the exemptions set out in Schedule 1, the accounts shall be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
3. The application of the accounting and disclosure requirements of the Companies Act 2006 (CA), accounting standards, and other disclosure requirements is given in Schedule 1 attached.
4. This direction supersedes that of March 2012. It shall be reproduced as an appendix to the accounts.

Paula Diggle
Treasury Officer of Accounts

May 2014

Duchy of Lancaster

Schedule 1 – Accounting and disclosure requirements

Companies Act 2006

1. The disclosure exemptions permitted by the CA shall not apply to the Duchy of Lancaster unless specifically approved by the Treasury.
2. The CA requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, information relating to the Duchy shall be contained in the Report of Council for the year, which shall be signed and dated by the Clerk of the Council or other Proper Officer.
3. The Duchy shall take into consideration the CA requirements as they apply to non-listed companies (to the extent that they can be applied in the circumstances of the Duchy).
4. When preparing its revenue account, the Duchy shall take into consideration the requirements of the profit and loss account format 2 prescribed in statutory instruments 2008 No 410 (SI20081410), Schedule 1 Part 1.
5. When preparing its balance sheet, the Duchy shall take into consideration the requirements of the balance sheet format 1 prescribed in Schedule 1 Part 1 of SI20081410, subject to the exceptions listed below. The balance sheet totals shall be struck at "Net Assets" and the balance sheet shall be signed by the Clerk of the Council or other Proper Officer.
6. The Duchy is not required to provide the historical cost information described in paragraph 34(3) of Schedule 1 Part 1 of SI20081410.
7. The Duchy is not required to comply with the requirement specified in paragraph 35 of Schedule 1 Part 1 of SI20081410 to maintain a revaluation reserve.

Accounting standards

8. It is considered that the Duchy should prepare separate statements of comprehensive income for both the revenue and capital accounts rather than one statement of comprehensive income as required by IAS 1.

Other disclosure requirements

9. The Report of Council shall, inter alia:
 - state that the accounts have been prepared in accordance with this Treasury direction;
 - include a brief history of the Duchy and its statutory background, and identify its estates by county and area;
 - include a resume of the powers delegated to the Council and those retained by the Chancellor of the Duchy of Lancaster over and above those delegated to the Council;
 - provide information concerning the Duchy's charitable and other activities and the principles supporting them. The information should also indicate where copies of the accounts of the charities may be obtained.
10. The notes to the accounts shall, inter alia:
 - distinguish between the Capital and Revenue elements of the consolidated statements and disclose amounts owing from Revenue to Capital for permanent improvements (including the repayment profile) and depreciation rates;
 - disclose the names and qualifications of the valuers, both internal and external;
 - where it arises, provide details of the terms of any loan from the capital account for revenue purposes, and the purpose for which it is required, together with explicit assurance that the loan is not being used to inflate the revenue surplus payable;
 - provide details of the remuneration package of the Chancellor of the Duchy of Lancaster and each Council member, together with a note of the pension contributions made in respect of Council members.
11. A formal valuation of the pension scheme was undertaken in 2012 and the contribution rate subsequently adjusted to ensure that the deficit is forecast to be made good within the term recommended by the actuary and agreed by the Council and trustees after discussion with HM Treasury. Accordingly, the pension reserve required by IAS 19 shall be a separate non-distributable reserve within the revenue account balance sheet. The next formal valuation of the pension scheme will be undertaken during 2015.



DUCHY *of* LANCASTER

Annual Report

Report and accounts of the Duchy of Lancaster
for the year ended 31 March 2014

www.duchyoflancaster.co.uk

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