



Inside this year's integrated Annual Report and Accounts 2015

Overview

Highlights of our performance	03
Chairman's statement	04
Chief Executive's review	06
Our business at a glance	10

What we've been doing

Review of activities	12
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Our markets

Our markets	34
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How we create value

Business model	38
Resources and relationships	40
What is Total Contribution?	42
Strategic objectives	44
Key performance indicators	46
Material issues	48

About our performance

Finance Director's review	50
---------------------------	----

Managing the business

Governance	56
Board Members	58
Management Board	60
Governance report	61
Principal corporate risks and opportunities	78
Statement of The Crown Estate Commissioners' and Accounting Officer's responsibilities	81
Remuneration report	82

The detailed financials

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	88
Consolidated statements of comprehensive income	89
Consolidated balance sheet	90
Consolidated cash flow statement	91
Consolidated statement of changes in capital and reserves	92
Notes to the consolidated financial statements	93
Ten-year record (unaudited)	117
Glossary	118

Building an integrated approach

Three years ago we began to work towards a new vision, which would integrate sustainability across our business. In order to communicate this we produced our first integrated report and set out a three-year plan to improve our approach.

In the first year we outlined our business model and identified the material issues that impact our performance. In the second year we looked more deeply at our markets and improved our understanding of the resources and relationships that sustain our business and contribute to our success. In this, our third integrated report, we have focused on developing robust measurement indicators and exploring the broader impact of what we do and how we can inspire change.

What's next

Although we have come a long way, the three year plan is not the end. It has helped us to see how much more we can do to improve our business and become more successful. Therefore going forward we intend to:

- Demonstrate how our conscious commercialism leads to a positive impact for us, our partners, customers and other stakeholders.
- Continue to explore how we can measure our Total Contribution to inform our decision-making.

An integrated report is aligned with the Companies Act 2006 (Strategic report and Directors report Regulations 2013).

In the opinion of the Audit Committee, our 2015 Integrated Annual Report and Accounts is in alignment with the International Integrated Reporting Council (IIRC) Framework. We will continue to evolve our approach to integrated reporting.

The Crown Estate is an independent commercial business, created by Act of Parliament.

Our role is to make sure that the land and property we invest in and manage are sustainably worked, developed and enjoyed to deliver the best value over the long term. At the heart of how we work is an astute, considered, collaborative approach that helps us create success for our business and for those we work with.

Our vision is to be a progressive commercial business creating significant value beyond financial return. We will work with partners and stakeholders to grow our business, outperforming the market whilst delivering sustainable long-term returns. In everything we do, we are guided by our values – commercialism, integrity and stewardship.

To The Queen's Most Excellent Majesty

May it please Your Majesty, The Crown Estate Commissioners take leave to submit this their fifty-ninth Report and Accounts, in obedience to sections 2(1) and 2(5) of the Crown Estate Act 1961.

i **Integrated reporting at The Crown Estate**
<http://www.thecrownestate.co.uk/our-business/integrated-reporting/>

i **The Crown Estate's Total Contribution**
<http://www.thecrownestate.co.uk/our-business/how-we-measure-value/>

i **International Integrated Reporting Council**
www.theiirc.org

PwC has provided limited assurance against ISAE 3000 and ISAE 3410 standards for selected key data in 2015. Where you see the **A** in this report it indicates data has been externally assured. For the full limited assurance opinion and our reporting criteria see <http://www.thecrownestate.co.uk/pwc-statement>

At the heart of how we work is an astute, considered, collaborative approach that helps us create success for our business and those we work with.

We call this conscious commercialism.

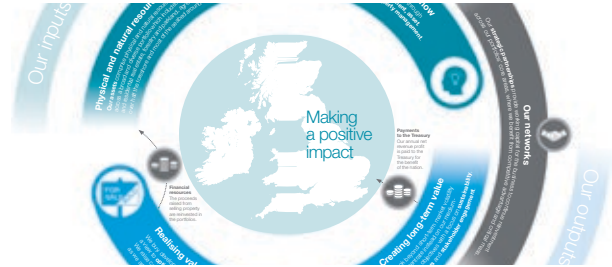
This is our challenge to ourselves and our commitment to our partners, customers and the community. It challenges us to be enterprising, creating opportunities, finding new and better ways of building success and inspiring change.



Our integrated approach to business...

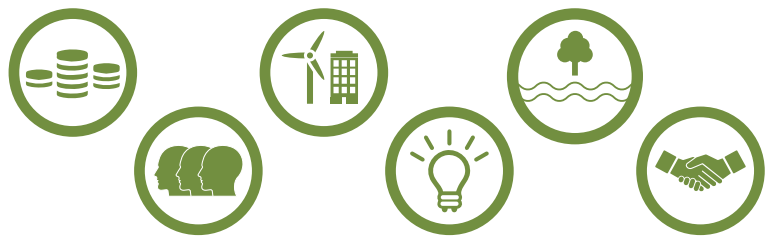
Working together to create value

Our business model shows the flow between the resources and relationships we draw upon



What we draw on to create value

Our resources and relationships are increased, decreased and transformed through our activity



A strategy to maximise performance

Our strategic objectives guide us in setting and assessing business priorities against our Vision

1 Actively manage our assets

2 Secure access to capital through selective use of strategic partnerships

3 Create a great place to work with a high performance culture

4 Deliver customer service excellence

5 Deliver value beyond purely financial return

6 To be respected for our approach and delivering conscious commercialism

Measuring our success

Our key performance indicators show our progress each year against our strategic objectives

£285.1 million

Net revenue profit
+6.7% compared to 2013/14

Key factors affecting our performance

Our material issues are the factors we identify that could potentially influence our ability to deliver our strategic objectives

Reputation and trust	Sustained and profitable growth in response to our markets	Governance
Resources and relationships affected 	Resources and relationships affected 	Resources and relationships affected
What we're doing Inspiring trust through leadership, and demonstrating how seriously we take our responsibility for the long-term management of	What we're doing Continuing to grow our revenue surplus and so increase our contribution to Treasury, outperforming our peer group at a total	What we're doing We work with our stakeholders and need to be transparent

i To read about our integrated approach to business
See pages 38–49

...achieves great results

Highlights of our performance

Net revenue profit

up 6.7 per cent compared to
£267.1 million in 2014

£285.1 million
+6.7%

Capital value

up 16.1 per cent compared
to £9.9 billion in 2014

£11.5 billion
+16.1%

Property value

up 16.7 per cent compared
to £9.4 billion in 2014
(including share of joint venture properties
and other property investments)

£11 billion
+16.7%

The Crown Estate total return

Outperforming our target 18.4 per cent
(IPD bespoke benchmark)

20.8%

Carbon intensity improvement

+4%

Renewable energy

Offshore operational capacity to date

4.6 GW

Building Public Trust Award

for sustainability reporting

2014

Another record-breaking year

Chairman's statement The bar has been raised again by this year's results.



As we celebrated another year of record profits in our 2014 Annual Report, we recognised the challenge of the targets this was setting for the year ahead. Yet this year we've gone beyond those targets and delivered £285.1 million revenue profit to the Treasury, up from £267.1 million in the previous year. At the same time, the value of our property portfolio has grown from £9.4 billion to £11 billion, an increase of 16.7 per cent.

Right across our diverse portfolio – from London's West End, prime regional retail around the UK, offshore energy, our rural and coastal estates, to Windsor Great Park – active management of our assets in line with our investment strategy has driven a significant increase in returns. Full credit goes to our Chief Executive, Alison Nimmo, and to her talented team, whose consistent energy, determination and ingenuity are at the heart of figures which outperform the market. On behalf of the Board I take this opportunity to thank them for another great year.

These results speak for themselves, but it's not just what we do, it's how we do it. The Crown Estate has established a strong reputation for delivering quality and taking a long-term view – investing through normal market cycles.

Our hallmark is a responsible approach to business, driven by an enduring set of values.

Our hallmark is a responsible approach to business, driven by an enduring set of values. Without prejudicing our mandate to be commercial, we're guided by our instinctive commitment to integrity and stewardship. This values-driven approach and focus on sustainability not only makes The Crown Estate a great place to work, but also earns us the respect of the people and communities with whom we interact, and provides resilience to sustain our financial track record.

Success is a team game. We work closely with a very wide range of business partners, including some of the world's leading international investors, strategic suppliers, customers, wider political and civic stakeholders, and local communities where we hold assets. Our strong working relationships with these partners, and with our sponsor department, HM Treasury, enable us to deliver efficiently and effectively.

We see good governance and transparency as an essential part of delivering excellence.

In common with other progressive commercial organisations, we see strong governance and transparency as an essential part of delivering excellence. Once again this year we received much external praise and recognition for the quality of our integrated reporting and have been recognised as one of the leading companies in this field. We shall continue to work with other organisations to develop and promote this broader picture of business performance.

Although the Crown Estate Act established us as an independent commercial business, our activities come within the ambit of Parliamentary scrutiny. During the year, members of our Management Board gave evidence before the Treasury Select Committee as part of its routine examination of organisations under the Chancellor of the Exchequer's remit. The Committee covered a range of topics flowing from our Annual Report, including how we measure performance and our commercial role. They were complimentary about the performance of the business, and this was a very welcome endorsement for the team and for our record of contributing strong returns to the nation's finances.

The Committee also showed particular interest in the governance changes I highlighted in our report last year and which are covered in my introduction to Governance on page 56. Continuing to enhance our strong governance principles and practices is a key part of our commitment to keep modernising the business and to make sure that the Board is best placed to drive our strategic ambitions as part of our Vision 2022 programme.

We welcomed Paula Hay-Plumb to join the Main Board at the beginning of 2015. An experienced finance professional and director with a strong background in both the public and private sectors, Paula brings a wealth of knowledge and has become Chair of the Audit Committee. Ian Marcus has been appointed as our Senior Independent Board Member and Chair of the Remuneration Committee. I'm pleased to report that Tony White and Dipesh Shah have been re-appointed to the Board for a second term, with Tony taking over the position of Board Member with responsibility for Wales. Chris Bartram completed his second term as a Main Board member, but we have retained his real estate and investment expertise as he became a Board Counsellor in January.

As well as their regular Board and Committee meetings, Members engage in an active programme of briefings and visits to assets across our portfolios. Particular highlights this year have included a visit to Coliseum Shopping Park in Cheshire on our Regional Retail portfolio, Tabley (one of our rural estates in the North West), and regular site visits to our extensive development programme in London's West End. Strong relationships are central to our approach across our business, and we were pleased to host well-attended annual receptions in Wales and Scotland.

It's a privilege to work with such an enthusiastic and broadly experienced Board, and I record here my thanks for their unstinting support for The Crown Estate.

This year marks a significant milestone in the history of The Crown Estate, with the Scottish Referendum and the subsequent Smith Commission on the devolution of powers, to which we submitted published evidence. The recommendations of the Commission are now being implemented, and for us this means the transfer of the management of the economic assets we manage in Scotland to the Scottish

Government. We're working closely with officials from the UK and Scottish Governments to inform and facilitate a swift and smooth transfer. We're committed to putting at the forefront of that process the interests of our staff, tenants, customers and the communities where we work. Although our Scottish assets represent less than three per cent of the total value of our business, the political activity in Scotland has taken a great deal of time and resource this year. My deep-felt thanks go to our Scottish Commissioner, Gareth Baird, and our team in Scotland for their professionalism and commitment throughout this time of great uncertainty and change.

Looking ahead, the bar has been raised again by this year's results. We've reaped the rewards of past decisions and a clear strategy. Equally, we've continued to lay solid foundations for the future. It's a steep challenge to continue meeting our twin targets of growth in revenue and asset value whilst also delivering significant value beyond our financial return. With the economy showing signs of continued growth I know that our talented team will be determined to maintain positive momentum and meet that challenge.



Sir Stuart Hampson
Chairman

Inspiring performance

Chief Executive's review We continue on a path of success, once again outperforming the market.



At the heart of our success is the talented team I have at The Crown Estate.

As a business that can't borrow, a core part of our strategy includes securing access to capital through the formation of strategic partnerships with global investors. Our reputation, vision and track record in active asset management have helped us forge new partnerships and deepen existing ones this year. For example, our new joint venture with Ginkgo Tree Investment Ltd enabled us to make the largest single asset acquisition in our history – the £345.5 million purchase of Fosse Shopping Park in Leicester. We continued to grow our existing relationships through developments in both the West End and in our Regional portfolio, for example our acquisition of a share in the Pollen Estate and Westgate in Oxford. We now manage strategic joint ventures containing over £1.5 billion of our partners' funds.

Our Regional portfolio continues to go from strength-to-strength, underpinned by the critical mass and high level of expertise we have in the sector and helped by some great joint venture partners. Achievements this year include the leisure extension to MK1 shopping park in Milton Keynes, work starting at Banbury Gateway and record levels of occupancy.

In the West End we are witnessing the most significant period of redevelopment in The Crown Estate's history. Landmark blocks in our Regent Street portfolio – 10 New Burlington Street and W5 South – are right next to our HQ. And our St James's Market development, a joint venture with Oxford Properties Group, is rapidly taking shape as a new

Performance

This has been another immensely busy and rewarding year for The Crown Estate, both in respect of our financial return and the significant progress we've made in delivering our core business strategy. It's all part of our ongoing transformation from a traditional landed estate to a modern, progressive business.

As the Chairman highlights, we continue on a path of success, once again outperforming the market. Our annual contribution to the Treasury and our capital value both stand at record levels. This is clear evidence of a track record of strong year-on-year performance. Over the past ten years we have nearly doubled the capital value of our property portfolio to £11 billion and delivered over £2.3 billion to Treasury. And over the past five years we have outperformed our IPD bespoke benchmark, returning an impressive 17 per cent (the benchmark figure is 14.4 per cent). Our balance sheet is healthy and the business is strong and well positioned for the year ahead.

I highlight below some of the specifics of our strategy and the factors that are driving our long-term sustainable performance.

Delivering our strategy

In 2012 we set out Vision 2022, a ten-year roadmap for The Crown Estate's progress as a modern, commercial business, based around six key strategic objectives. The objectives we set were ambitious – both in scope and reach. We wanted to stretch the performance of the business, inspiring change through our commitment to conscious commercialism. At the heart of our success is the talented team I have at The Crown Estate. And this year all parts of the business have worked hard so that a third of the way through our Vision 2022 programme we are making significant progress across all six of our objectives.

Turning first to our core financial targets, we have delivered a record profit of £285.1 million to Treasury this year and delivered a total return of 20.8 per cent, outperforming our IPD bespoke benchmark of 18.4 per cent.

The Crown Estate's developments "exude quality".

West End landmark. The scale and quality of our development programme and our commitment to placemaking were recognised earlier this year when we were absolutely delighted to win 'Developer of the Year' at the Property Week Awards. The judges remarked that The Crown Estate's developments "exude quality" and then went on to say "what they're doing in the West End is exceptional: the way they've transformed poor pieces of real estate and turned them into wonderful pieces of public realm is incredible".

Construction of a different kind has also been driving our business forward offshore in the form of Gwynt Y Môr, the world's second largest offshore wind farm, off the coast of North Wales. We have now reached a landmark of 4.6 GW of renewable energy operational capacity in UK waters – making us a true world-leader in this emerging technology. The scale of this investment is transformational, breathing new life into ports like Mostyn (North Wales) and Green Port (Hull) and in the wider regions through supply chain benefits. Our work facilitating new international interconnectors and marine minerals is also an important contribution to the UK's energy security, economy and competitiveness.

We have continued to reshape our Rural and Coastal portfolio, selling non-core underperforming assets into a strong market. Throughout the year we've worked with and supported farmers, aquaculture businesses, house builders and marine leisure users. This year we've generated £11 million in bringing strategic land to the market for residential development. At Windsor Great Park we welcomed Paul Sedgwick as our new Deputy Ranger to lead an exciting programme to transform and modernise the Estate.

This year once again we've taken advantage of a favourable market to be active traders, taking profits through the disposal of non-core assets such as the Four Seasons Hotel in London, Apsley

Mills retail park in Hemel Hempstead, and Crown Industrial Estate in Taunton, thereby both reshaping and strengthening our core portfolio and replenishing our balance sheet. Capital trading over the year has amounted to nearly £1 billion.

One business, one team

Our third strategic objective is to encourage a high performance culture and to be known as a great place to work. Our people have been a particular focus for us this year as a very buoyant commercial property market has made attracting and retaining talent one of our most significant business challenges. We have strengthened and deepened the expertise in our HR team and improved our employee proposition, with a real focus on pay and reward, succession planning and training. In addition, a comprehensive staff survey was undertaken to help track progress, benchmark performance and signal areas for continued development and improvement.

The influence of our people comes through in our customer focus objective. We pride ourselves in our high standards in all our customer relations, working to share best practice and learn from other leading companies. Throughout the year customers have continued to endorse the high quality of our work as we have welcomed many new world-class tenants – retailers, businesses and restaurateurs – to our portfolio. For example, 10 New Burlington Street, delivered in summer 2014, was fully let within ten months of completion at record rental levels.

Understanding the value we deliver

The business delivers significant value to the UK, going well beyond purely the financial. Our fifth strategic objective is about our commitment to being a sustainable business – delivering long-term value. Our 2014 Annual Report won the prestigious PwC Building Public Trust award for Sustainability Reporting and we continue to develop our approach to integrated reporting and Total Contribution. We believe this makes us stronger and more sustainable, creating real competitive advantage and

future-proofing our business. Once again we have improved our carbon emissions intensity, whilst growing the business. This is a real testament to the commitment of the team, but we know we need to do more.

During the year we developed a new cross-business Stewardship Programme. This builds on a successful Marine Stewardship Programme which has invested more than £10 million in community projects and scientific research over the past decade. Our new Stewardship Programme is a great example of our final strategic objective of conscious commercialism in action. This demonstrates how we consider the bigger picture. For example, our Recruit West End programme has now placed over 1,000 young unemployed people into jobs in the West End and we have an active apprenticeship programme as part of our development projects. We are also very proud to have recently been accredited as the first UK-wide property company to sign up to the Living Wage.

Looking ahead

This year we are preparing for the smooth transfer of the management of our economic assets in Scotland to the Scottish Government. I have made a commitment that we will manage this transition as effectively and smoothly as possible, working collaboratively with officials from the UK and Scottish Governments. We will also manage the wider impacts that this has on our business model and team.

I'm really proud of what we've achieved this year. Our financial results are strong, our strategy sound and my team is delivering beyond expectations. We will continue to modernise the business, focusing on our core sectors and keep investing in a team with proven capability and deep expertise. The months ahead will doubtless not be without their challenges, but guided by our values and commitment to conscious commercialism, the business is in a strong and resilient position.



Alison Nimmo CBE
Chief Executive



With our trusted
reputation



and expert
knowledge



we deliver
world-class projects
with global partners

Inspiring investment

Our partnerships are built on transparency, shared values and taking a long-term view. Through establishing strategic partnerships, we can access additional capital and make investments in major projects to drive our business forward.

Our expertise and successful track record inspire trust in our role as a developer and manager of funds in joint ventures. They ensure partners understand we're a business that's capable of delivering excellence across a range of schemes.

i For more on this story
www.thecrownestate.co.uk/investment

One business, one team

Our business at a glance Across The Crown Estate we work with partners and stakeholders to grow our business, outperforming the market whilst delivering sustainable long-term returns.

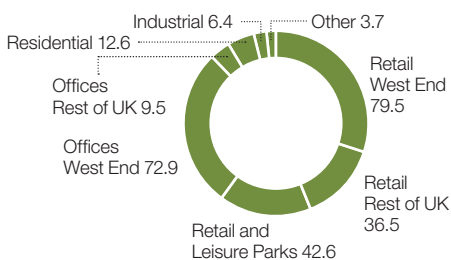


Urban

As active asset managers we invest in sectors where we are specialists and have critical mass. We are successful placemakers, working in partnership with substantial global investors to lead and implement projects that make the most of our assets. As owners of the whole of Regent Street and much of St James's, we are currently delivering a £1.5 billion investment and redevelopment plan in the heart of London's West End, as well as being one of the largest owners of major retail schemes outside of the capital.

Revenue* £m		Property valuation** £m	
2015	263.7	2015	8,196
2014	248.9	2014	6,867
2013	239.5	2013	5,928
2012	225.3	2012	5,480
2011	226.9	2011	5,246

Revenue by activity £m



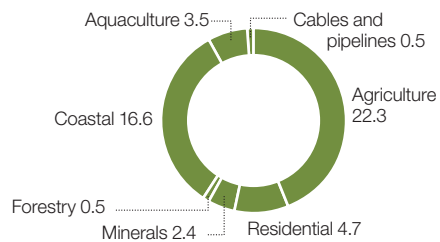
* Excluding service charge income.
 ** Including share of joint property and other property investments.

Rural and Coastal

We are one of the UK's largest rural and coastal landowners, managing and investing in a hugely diverse range of assets and interests. These include around 138,000 hectares (340,000 acres) of agricultural land and forests, residential and commercial property, mineral rights, renewable energy, aquaculture, marinas, ports and harbours, and around half of the UK's shoreline. We actively manage these assets, applying our experience, skills and understanding to generate revenue and build value.

Revenue £m		Property valuation £m	
2015	50.5	2015	1,653
2014	48.5	2014	1,559
2013	46.5	2013	1,437
2012	43.3	2012	1,393
2011	43.0	2011	1,243

Revenue by activity £m



i Review of our activities
 See pages 12–33

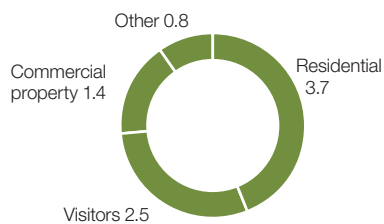


Windsor

We are responsible for managing the whole of the Windsor estate, encompassing some 6,400 hectares (15,800 acres) stretching across 10 miles from north to south and from Berkshire into Surrey. Our role is to manage and maintain this historic estate, combining progressive commercial management with careful stewardship, looking after both our own interests as a business, and those of the many different people and organisations we work with.

Revenue £m		Property valuation £m	
2015	8.4	2015	261
2014	7.9	2014	225
2013	7.1	2013	204
2012	7.4	2012	196
2011	6.8	2011	186

Revenue by activity £m

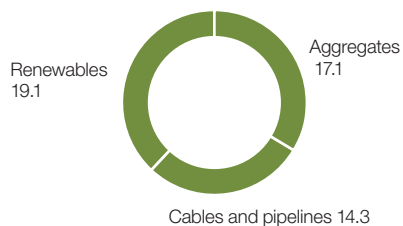


Energy and Infrastructure

As owners of the UK's seabed out to the 12 nautical mile limit, we have a unique role to play in developing and helping sustain the UK's energy supply and infrastructure by working in partnership with a wide range of organisations. Our interests include wind, wave and tidal power, carbon capture and storage, gas storage, marine aggregates and minerals, cables and pipelines.

Revenue £m		Property valuation £m	
2015	50.5	2015	868
2014	45.5	2014	759
2013	39.1	2013	564
2012	38.2	2012	521
2011	30.1	2011	393

Revenue by activity £m



What we've been doing this year

Review of activities This has been a year of inspiring change for The Crown Estate, once again outperforming the market whilst delivering sustainable long-term returns.

We have delivered a net revenue profit of £285.1 million to Treasury...

...undertaken a number of landmark acquisitions and activities...

...built, refurbished, funded and supported developments across the UK...

...bought and sold offices, residential properties, retail parks and land...

...negotiated new leases and renewals, lettings and rent reviews...

...created new public spaces and new opportunities for leisure as well as business...

...facilitated innovation in cities and across the UK foreshore, in the sea and in the countryside...

...worked with third parties to establish new partnerships with tenants to improve businesses, and with political stakeholders from national to local level...

...and in all our activities looked to deliver upon our core proposition of conscious commercialism.

As expressed through our business model, none of these activities would have been possible without the resources and relationships that lie at the heart of The Crown Estate, bringing together our natural, physical and financial resources, and our people, know-how and networks.

Over the following pages you can discover more about our activities during the year, which are broken down into four key areas:

- Investment management
- Asset management
- Development management
- Property management

Investment management

Investment management includes activities associated with buying and selling assets, not only to enhance financial returns but also to increase our focus on those sectors where we have critical mass and extensive knowledge. These include the West End of London, regional retail and leisure, and rural and strategic land. In the Energy and Infrastructure portfolio, we also use our investment management skills to de-risk the sector and facilitate the development of the UK's offshore low-carbon energy and infrastructure industries in order to support our investments and improve returns.

During the year we invested £506 million in property (acquisitions, capital expenditure and indirect investments), whilst realising £451 million through disposals and other capital receipts.



Resources and relationships
See pages 40–41

Urban

Our strategy is to focus on sectors where we can outperform the market. For the Urban portfolio, those key areas are in the West End and in regional retail parks. We also seek to ensure that we continue to recycle capital through the sales of non-core or ex-growth assets as well as through strategic partnerships.

Our strategy is to focus on sectors where we can outperform the market.

In terms of activity levels, the first half of the year saw significant acquisitions and disposals across both our West End and prime Regional portfolios. In the second half of the year, as these markets become increasingly fully priced, our primary emphasis was on sales while at the same time ensuring that we sustained our income targets. The central London capital markets have been strong for a number of years but 2014 saw yields across our Regional portfolio also harden significantly, based on an increasing confidence in the broader UK economy and continuing very low bond yields.

In August, we completed the largest single asset acquisition in the history of The Crown Estate, the £345.5 million purchase of Fosse Shopping Park in Leicester through a 50/50 joint venture with Ginkgo Tree Investment Ltd. Fosse Park attracts over eight million shoppers a year and at 560,000 sq ft it is not only one of the largest parks in the UK but also attracts the highest rents. Current tenants include M&S, Gap, New Look, Next, Argos and DFS. This deal established us as the fourth largest direct owner of regional retail parks in the UK.



£345.5 million
Purchase of Fosse Shopping Park in Leicester, the largest single asset purchase in our history.

What we've been doing

Central London capital markets have been strong for a number of years but 2014 saw yields across our Regional portfolio also harden significantly.

Drawing on our critical mass and specialist knowledge of the retail park sector, the Fosse Park deal means we now manage strategic joint ventures containing over £1.5 billion of our partners' funds, reflecting our growing reputation as a strategic partner of choice. In the West End, we operate successful partnerships with Norges Bank Investment Management (NBIM), the Healthcare of Ontario Pension Plan (HOOPP) and Oxford Properties Group. Under the Crown Estate Act we are unable to borrow capital, and therefore joint ventures enable us to fund larger investments that would otherwise not be practical. Joint ventures also reduce our exposure to risk, spreading our investments across a greater number of schemes.

Other notable purchases included a 10 per cent share of the £381 million deal to buy the Church Commissioners' 64 per cent holding in the Pollen Estate, which includes Savile Row and Cork Street adjoining our core holding of Regent Street. This purchase was made alongside our existing Regent Street partners, NBIM, and represents an extension of our successful relationship.

In St James's, where we are investing £500 million through a structured programme to enhance and refine this historic part of London, we continued to consolidate our ownership with the £6.7 million purchase of 113 Jermyn Street, home to Rowley's restaurant.

In addition to improving the cohesion of our holdings, our investment plans are also protecting St James's future as a distinct niche in the West End, and a world-renowned destination for shops, restaurants and offices. Major projects such as St James's Gateway and St James's Market are delivering contemporary business space while reflecting the character of the area through our commitment to architectural excellence.

We exploited buoyant market pricing to make a number of sales of non-core assets in London and the regions.

In terms of disposals, we exploited buoyant market pricing to make a number of sales of non-core assets in London and the regions. These included the Apsley Mills retail park in Hemel Hempstead as well as our 50 per cent share in a Leamington Spa retail park which set a new pricing benchmark for that sector. We also sold our interest in the Four Seasons Hotel on Park Lane and an industrial estate in Taunton, together with certain London residential holdings where we took advantage of opportunities to profit from the high prices in the capital's housing market.

Rural and Coastal

In common with the Urban portfolio, our Rural and Coastal business acquires and disposes of assets in order to take advantage of market pricing while pursuing our long-term strategic objectives.

Throughout the year the capital raised from the portfolio was £57 million, with acquisitions at a further £14 million. We continue to look for opportunities in our core sectors, but with land prices at historically high levels throughout the year we have capitalised on opportunities to dispose of non-core assets. In general terms, the market for farms is becoming increasingly stratified, with large holdings of prime arable land trading more readily and at significantly higher prices than smaller acreages of grassland. Part of this programme was the sale of Hungerford Farm on our Dunster estate for almost £2.7 million to the existing Farm Business Tenancy tenant. Following a significant fire at the farmhouse in 2013, the tenants approached us with a purchase proposal. Given a longer-term interest in the holding, they were eager to invest in both the development of the land and the house, and with our interests perfectly aligned the sale represented a natural and mutually beneficial outcome.

During the year, we raised over £31 million through the sale of 141 of our approximately 740 direct-let residential properties, as part of our focus on rebalancing the portfolio away from non-core assets. Our emphasis is on strategic rural land, an area where we have extensive experience and a thriving network, and where our expertise can deliver improved yields and lower costs. These residential properties were in the main non-performing assets, originally built as farm or estate workers' cottages and attracting low rent. The cottages also



We're powering
new industries



that benefit the
UK energy mix



and its local economies

Inspiring energy

Through our investments and ongoing support we are inspiring the collaboration, knowledge, and skills-base needed for long-term growth across the energy and infrastructure sectors.

We're playing a part in the UK becoming a world-leader in renewables, which brings large scale projects, skilled employment and a changing, more sustainable energy mix.

i For more on this story
www.thecrownestate.co.uk/energy



Our marine aggregates business continues to generate strong returns. In London, our key market, volumes have now recovered to pre-recessionary levels of 7 million tonnes per annum and are forecast to continue growing.

typically achieve poor energy efficiency levels and therefore place a greater burden on us as landlords.

In common with the Urban portfolio our Rural and Coastal business acquires and disposes of assets in order to take advantage of market pricing.

Sales of our direct-let properties will continue over the coming years and we are committed to helping tenants manage the change by granting extended notice periods and returning deposits early. All tenants are given first refusal at independent valuation figures and in 2014/15 just over 20 per cent of those affected bought their properties.

Windsor

We invest capital and expertise into maintaining the reputation of our Windsor estate as one of the country's most scenic and cherished estates: 6,400 hectares (15,800 acres) of parkland and forest where three million local, national and international visitors come each year to relax, walk, ride, eat, play and explore.

The estate includes commercial businesses and farms, visitor attractions and extensive forestry assets as well as over 600 residential properties. During the year we took advantage of market pricing to dispose of a non-core house in Sunningdale for £4.4 million. At the same time, we continued to roll out our plans to provide an extra 40 residential properties for rent. We have now added a total of 15

additional homes to the portfolio through a combination of new purchases and the refurbishment of empty properties.

Energy and Infrastructure

Through the Energy and Infrastructure portfolio, we invest in areas that directly address one of the most fundamental challenges that face the UK: the energy trilemma, ensuring that the UK's energy is secure, affordable and sustainable. Our investment activities are aimed at de-risking the offshore renewables sector to unlock its potential and thereby support and enhance our revenue stream for the long term.

This has been another important year for offshore wind, with continued strong growth in returns while our enabling actions have furthered innovation and encouraged the sharing of best practice and guidance. Our investments in the industry have helped reduce costs as demonstrated by the Cost Reduction Monitoring Framework (CRMF) which revealed an 11 per cent reduction in the cost of offshore wind over the last three years, putting the sector ahead of schedule to deliver the Government's target of £100 per MW hour by 2020. The report, which was commissioned by the Offshore Wind Programme Board (OWPB) and delivered by the Offshore Renewable Energy Catapult in collaboration with The Crown Estate, underpins the long-term material contribution the sector can make to the UK's energy mix and therefore our revenue return.

During the year we played a key role in helping the emerging tidal current and wave sectors by providing leases for offshore sites and supporting the development of major projects. We have committed to invest £10 million to fund construction of the Meygen Inner Sound tidal power development in the Pentland

Firth, alongside co-investors including Atlantis Resources, DECC, Highlands and Islands Enterprise (HIE) and Scottish Enterprise. Our commitment to this investment is part of our strategy to explore the potential of tidal stream energy on a commercial scale. The Meygen project represents a crucial stepping stone on the path to unlocking tidal energy potential.

We also invest in enabling actions to support the Carbon Capture and Storage (CCS) sector, where the UK has the opportunity to play a major role in the sustainability of Northern European industry by storing carbon dioxide beneath the seabed. Projects in the North Sea at the depleted Goldeneye gas field and at an offshore saline aquifer made good progress during the year. We are supporting both, not only by granting leases but also by applying our expertise and knowledge of how to de-risk offshore developments and generate revenue. We are actively encouraging the European Commission to embrace CCS, and in 2014 were congratulated by the UK Government for the quality and depth of our support.

This has been another important year for offshore wind, with continued strong growth in returns.

Our minerals business generates significant income and we commissioned a study by Ernst & Young to assess the long-term market for marine aggregates and thereby increase confidence in the sector. Marine aggregates are likely to



We continued to enhance the retail mix in St James's with new tenants including Joseph Cheaney & Sons, La Martina and The Bike Rooms.

What we've been doing

become more important as pressure on land-won resources increases, with London volumes recovering to pre-recessionary levels of seven million tonnes per annum. The study predicts that demand will continue to grow for the foreseeable future. The report highlighted wharf infrastructure, consolidation and new dredgers as key factors and we will be working with the industry to help the management of these issues in the future.

Asset management

We strive to be best-in-class asset managers across our business. This includes a range of activities where we work closely with our tenants to help achieve their business objectives while, at the same time, increasing the value of our portfolio. Such activities include tenant selection, building relationships with stakeholders, marketing, letting, lease re-gears and renewals, rent reviews and small scale refurbishments.

i Resources and relationships
See pages 40–41

Urban

We continued to improve returns from our holdings in the West End and across the Regional portfolio. Effective asset management coupled with healthy demand for our developments ensured that voids remained at record low levels across both portfolios during 2014/15.

On our Regent Street portfolio, the development at 10 New Burlington Street generated strong tenant interest both prior to and following completion, with this scheme now fully let at rents which have set new benchmarks for Regent Street office space. Extremely well received by tenants and praised for its

high quality design, construction and finish, the development received a 2015 RIBA London Award for architecture excellence and is now home to blue chip financial organisations, including Capstone Investment Advisors, Finisterre Capital and Tudor Capital Europe. Beyond London, the FTSE 250 technology developer CSR established an expanded 100,000 sq ft global headquarters building at our Cambridge Business Park in the largest office letting in Cambridge in over a decade.

Across our core retail assets in the West End we aim to establish an appropriate tenant mix that reflects the character or theme of particular areas and further promotes their distinct appeal to visitors. Regent Street, for example, has an enduring reputation for premium brands and during 2014 we welcomed British luxury brands Hunter and GOAT, as well as Spanish jeweller Uno de 50, endorsing the street's global position as a prime retail destination.

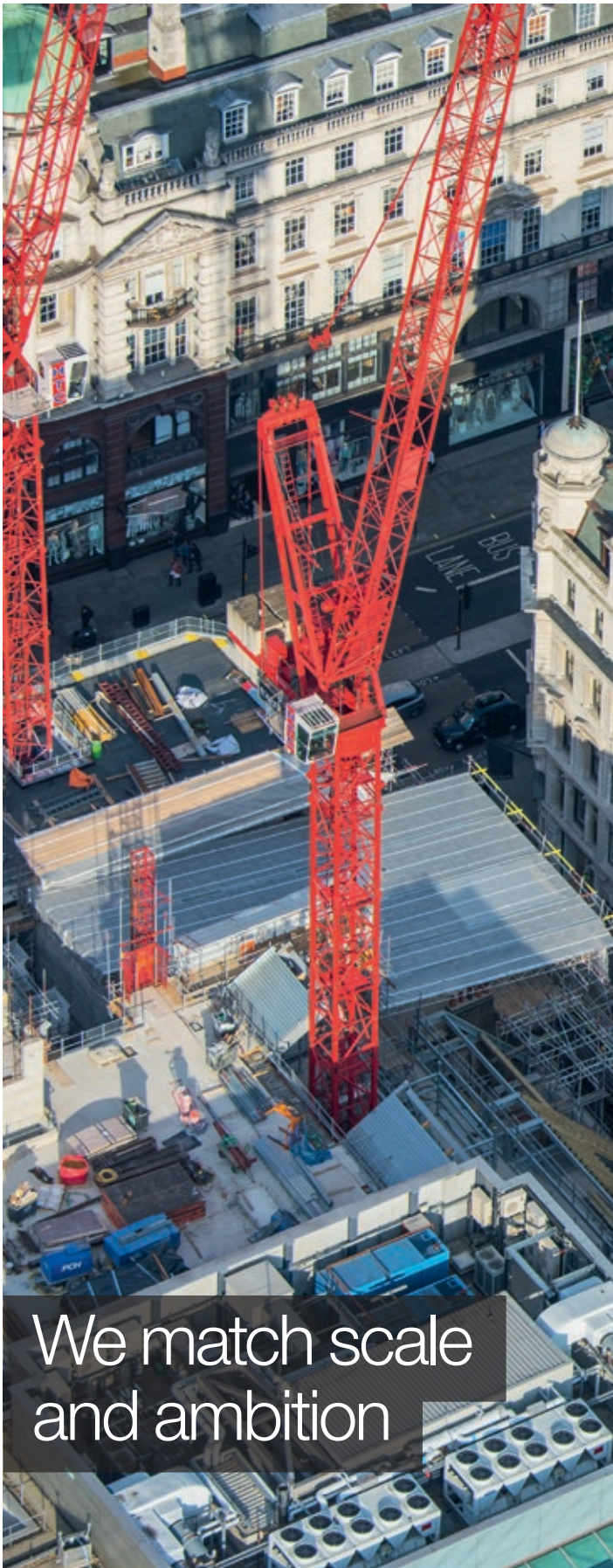
Across the West End we aim to establish an appropriate tenant mix that reflects the character or theme of particular areas.

Our retail strategy for St James's seeks to further endorse its position as a world-class shopping and dining destination while maintaining its sense of heritage, tradition, elegance and luxury. This style is reflected not only in the distinctive architecture of the St James's buildings but also in the high quality and eclectic nature of the area's retailers. Quintessential English shoemaker

Joseph Cheaney & Sons moved into the St James's Gateway development during the year, while Argentine polo lifestyle brand La Martina opened its first UK flagship store in the same building on the corner of Eagle Place and Jermyn Street. Towards the end of the financial year, specialist high-end cycle and accessory retailer The Bike Rooms announced that it will be opening its first London flagship store in Regent Street St James's. These top names join a St James's Gateway retail portfolio that already includes Tiger of Sweden's first UK store, as well as globally renowned brands such as Barbour International, Osprey, Sunspel, and Royal Warrant holder Grosvenor Shirts.

Across the West End restaurants form an integral part of the tenant mix, with the food quarter on Heddon Street a natural destination for local office workers as well as visitors. We welcomed two Michelin-starred chefs to the portfolio this year, Gordon Ramsay opened Heddon Street Kitchen, while Mitsuhiro Araki has taken space for his new restaurant, The Araki, in the nearby 10 New Burlington Street development. In St James's we secured a UK first with a pre-let to Greek seafood restaurant Milos, and also reached agreement for Jamie Oliver to bring his flagship Barbecoa restaurant to Piccadilly.

Our expertise and growing reputation for forging partnerships and managing third party capital is already well-established in London. During 2014/15, we demonstrated the same know-how and experience across the Regional portfolio, through our new role at the Princesshay Shopping Centre in Exeter, where we are now the asset managers as well as part owners, and particularly through the joint venture with Gingko Tree at Fosse Park. We believe that Fosse Park offers great potential for active management and intend to bring a new vision and



We match scale
and ambition



with expertise



Inspiring development

As part of the most extensive development pipeline in our history, we are in the process of delivering inspiring new construction, refurbishment and public realm projects across our Urban portfolio.

Our schemes match quality and craftsmanship with sustainability and keep placemaking at their heart. This successful development approach is creating highly desirable spaces for tenants and visitors alike.

i For more on this story
www.thecrownestate.co.uk/development

to create
high-quality
places people love



We entered an innovative variable rate Farm Business Tenancy agreement with leading farm operator Velcourt to manage the majority holding at our Ellington Estate, Northumberland and drive better commercial returns from the estate.

progressive approach to the park, in line with the strategies that have proved so successful in the West End and elsewhere in the Regional portfolio.

Across the Regional portfolio we welcomed a range of new retailers to our shopping parks during the year, including Debenhams and H&M at the Coliseum Shopping Park in Ellesmere Port, M&S Simply Food at the South Aylesford Retail Park in Maidstone and TK Maxx and M&S at the Victoria Retail Park, Nottingham.

On Tyneside, we have been granted outline planning permission for a £29 million redevelopment which will see the former Travelodge site opposite our Silverlink Park converted into a new 106,000 sq ft retail scheme, comprising four retail units. This will further enhance opportunities for retailers seeking to move to this successful location, with Next already confirming its intention to relocate to the new development. As well as new retail units, the plans include additional car parking, enhanced landscaping, improvements to access routes and the widening of footpaths around the site.

Rural and Coastal

We actively manage our assets, working with tenants on a wide range of initiatives designed to maximise long-term returns for all parties. Active asset management enables investments to be made on commercial terms whether we are upgrading facilities, enabling a diversification project or supporting the aquaculture businesses which provide so many jobs and economic opportunities to rural and coastal communities, particularly in Scotland.

Last year we acquired an extensive agricultural farming estate in Northumberland from Rio Tinto, which we have since renamed as the Ellington Estate. We have recently entered into

a variable rate FBT with leading farm operator Velcourt to manage the majority of our holding at Ellington. Under this innovative three-year agreement, rent will be directly related to the profitability of the farm, with a base rent supplemented by an additional sum based on performance. This requires an approach more akin to a joint venture with total transparency and trust between the parties. In addition, we let the grassland areas of the estate to a local farming family on a more conventional seven-year FBT lease, recognising the need for expert local knowledge and the importance of a longer term occupation on a grassland-based enterprise.

One of our challenges is to ensure that as farm practices evolve, our holdings are of a size and nature suitable for efficient commercial operations.

One of our challenges is to ensure that as farm practices evolve, our holdings are of a size and nature suitable for efficient commercial operations. To help achieve this, we regularly review, renegotiate and reorganise tenancy agreements to give our tenants greater clarity and security, and to facilitate investment. This is particularly important for farm tenants with multiple leases or where there are issues relating to succession and/or retirement. Indeed, through the year we have seen significant reorganisation on nine of our rural estates, ranging from assisted retirements and re-lettings through to consolidation of multiple leases

on FBTs. Clearly, a successful outcome depends on the alignment of the interests of both parties, but our experience is that reorganisations not only meet the needs of agriculture but also comply with our commercial mandate.

We regularly review, renegotiate and reorganise tenancy agreements to give our tenants greater clarity and security.

In the broader portfolio we have supported a range of innovative arrangements including a lease to Dorset County Council for an area of seabed for an artificial diving reef and habitat creation, and to the Royal Southern Yacht Club for a marina on the River Hamble, the first such development for many years. We have also granted a new lease at the popular information centre at Portland Bill as well as a lease for the former fish processing facility, which is being converted into a marina workshop, storage units and holiday apartments.

None of our asset management activity would be possible without good communications with our tenants, both directly through our in-house asset management team and also via our network of managing agents.

Windsor

Although Windsor Great Park is a well-loved visitor attraction, it is first and foremost a working estate. To safeguard it for the enjoyment of future generations, the portfolio needs to operate on a sound and sustainable financial footing.



On our Regional portfolio this year our development work has included the £80 million Banbury Gateway fashion park and a £440 million joint venture to develop Westgate Centre, Oxford.

There has been excellent progress in reducing the annual gross deficit, which is down from £1.6 million in 2006 to £0.5 million in 2015. Windsor is enjoyed by more people year-on-year, with improvements to our facilities and car parks around Virginia Water proving popular. Now the challenge is to take the next step, and we have set a target of further improving our asset management in order to return a surplus on our operations at Windsor in the next financial year.

To reach that ambitious goal, in 2014 we carried out an extensive re-evaluation of all our Windsor assets. The aim was to understand the latent value of the whole estate and lay the foundations for a long-term sustainable business model.

Although Windsor Great Park is a well-loved visitor attraction, it is first and foremost a working estate.

Creating initiatives that attract visitors into the park remains at the heart of how we work at Windsor. For example, in 2014 we again hosted the Lapland UK Christmas event and received extremely positive feedback from visitors and organisers. Visitor numbers rose by 10 per cent to 47,000 and plans are already underway for Lapland 2015.

Filming is an increasingly important revenue stream. Our location within half an hour of Pinewood and Shepperton Studios, together with the networks we have established with leading production companies, saw a number of films and programmes shot at Windsor during the

year, with several more films and BBC dramas planned for 2015/16.

The estate covers 3,440 hectares (8,500 acres) of forestry where, in addition to over 24 kilometres of bike trails enjoyed by thousands of people every year, we operate a profitable and sustainable timber business. We produce some 12,000 tons of timber annually for the commercial marketplace, with revenue up 15 per cent, including £130,000 from sales of Christmas trees.

Energy and Infrastructure

We use our knowledge and skills to manage the nation's natural assets for the benefit of our stakeholders, customers and partners, and to underpin our strategy to improve revenue.

During 2014/15, we worked towards streamlined terms of agreement with the Round 3 offshore wind development partners, focusing on projects rather than zones. This process is supporting the industry's maturation as it concentrates on those projects which are most viable in the near term, while also helping reduce costs and providing greater transparency on the location and size of future wind farms for consenting bodies, investors and the supply chain.

The year also saw our System Performance, Availability and Reliability Trend Analysis (SPARTA) project successfully complete its pilot phase. SPARTA gathers and reports anonymised data to enable owners of offshore wind farms to compare their own performance against that of their peers. Along with the Offshore Renewable Energy Catapult, we have supported the project in order to achieve further cost reductions for the sector and secure continued growth from this revenue stream. SPARTA is attracting international attention and from spring 2015 will be funded by its participants.

The UK leads the world in offshore expertise and in 2014/15 that reputation was underlined by our successful letting of the world's largest consented wind testing site at Blyth in Northumberland, to EDF Energy Renewables. The site will enable EDF Energy Renewables to develop and trial innovative technologies, such as larger turbines, in realistic conditions before commercial operation.

Our wave and tidal team concluded an important leasing round during the year, agreeing seabed rights for six new demonstration zones for potential developers as well as for five new sites, each with the potential to deliver a project of 10–20 MW. The demonstration sites will for the first time enable locally-based organisations to manage and sub-let parts of the seabed to developers. We have responded to market interest in tidal lagoon projects with a leasing process that may grant rights to the first of these projects. If there is continuing market interest and policy support for tidal lagoons we will consider how best to facilitate progress.

In the minerals sector, we reorganised the licencing regime to give long-term visibility and security to businesses and announced that we are considering granting rights which would enable exploration for tin in a specific area off the coast of Cornwall. If tin is found to be present, this could lead to commercial extraction and the creation of a new revenue stream for the business, as well as economic activity for the South West.

We are responsible for granting rights for sub-sea cables and pipelines, and currently have around 160 active assets under management. During 2014 we clarified arrangements for the seabed rights for telecom cables, developed a set of guidelines on consenting for offshore cables and worked alongside DECC to create a framework for granting seabed



Our commitment
to teamwork



and customer
service



make us a great
place to work

Inspiring people

We manage a diverse range of assets but work together as one business, one team with a common sense of purpose – and we're all committed to a set of behaviours that unite our working approach.

Encouraging a high performance culture and being known as a great place to work are key parts of our Vision, helping us inspire the best people to join, stay and thrive at The Crown Estate.

i For more on this story
www.thecrownestate.co.uk/people



£320 million
 Landmark redevelopment
 of St James's Market is set
 for completion in early 2016.

rights for electricity interconnectors. In addition, we granted licences to BT for the subsea elements of rural broadband projects to the Isles of Scilly and the Scottish Highlands and Islands. Broadband is fundamental to sustainable and commercially viable economic activity in rural and coastal areas.

Development management

This includes activities related to the planning, construction and refurbishment of our assets. Within the Energy and Infrastructure portfolio, development management primarily covers activities carried out by third party developers, with our active support.

i Resources and relationships
 See pages 40–41

Urban

As the capital markets have become increasingly fully priced we have concentrated more of our efforts on our development activities and currently have the largest development pipeline in our history. Our current development commitment in the West End is scheduled to come to an end early in 2016 with the completion of St James's Market, and we will use that pause to reassess the strength of our core occupier markets. Outside London, we believe the initial stages of the recovery in occupier markets indicate that this is a good time to commence selective, high quality developments in our Regional portfolio.

Our landmark scheme to redevelop St James's Market remains on track for completion early in 2016. This £320 million development is a 50/50 partnership with Oxford Properties Group and is

set to provide 210,000 sq ft of offices and 50,000 sq ft of retail and restaurant space, bringing together world-class contemporary architecture and preserved historic façades. Sustainability is a key differentiator, with buildings designed to be resource efficient, both in construction and operation, and resilient to future climate change. Part of our broader St James's strategy that will see us invest over £500 million over the next decade, St James's Market will revitalise half an acre of public realm and create a unique new home for business, shopping and dining in the West End.

Our £250 million development at 10 New Burlington Street was completed during the year and is now fully let. Meanwhile, its sister scheme block W5 South is progressing well and is expected to be completed towards the end of 2015. The retail space has already been pre-let to world-class names including Michael Kors, which will open its first branded retail store in Europe, in 15,000 sq ft of premises across three floors.

Across the West End our strategy is to refurbish as well as develop our portfolio.

Across the West End our strategy is to refurbish as well as develop our portfolio and two major schemes were completed during the year, including the listed building formerly known as British Columbia House at 1–3 Regent Street. The Quadrant 2 scheme involves the refurbishment of 48,000 sq ft of occupier space behind listed façades and includes extensive features to reduce energy

consumption and carbon emissions. Due for completion in 2015, Quadrant 2 is set to achieve the highest possible BREEAM outstanding rating, the world's foremost environmental assessment method and rating system for buildings. This is not only a first for The Crown Estate but a first for an office refurbishment in the whole of the West End.

As our West End pipeline moves towards completion, we are placing renewed focus on opportunities in our Regional portfolio. For example, we have commenced major redevelopment and extension work at the Westgate Centre in Oxford, in a joint venture with development managers Land Securities. Targeted for opening towards the end of 2017, this will create what we believe will be the pre-eminent shopping centre in the UK. We also completed a leisure extension to the MK1 Shopping Park in Milton Keynes, where visitors can now enjoy an enhanced leisure element including an 11-screen ODEON Cinema and IMAX, as well as restaurants Prezzo, Chimichangas, Frankie & Benny's, TGI Friday's, Nando's, Bella Italia and Pizza Express.

In November, development work commenced at the £80 million Banbury Gateway fashion park, which we are funding. The scheme is already 90 per cent let to retailers including M&S, Primark, Next and River Island, plus a range of top food and drink operators. Completion is anticipated by the end of 2015.

We were recognised for the quality of our development work throughout the year at the 2015 Property Awards where we were awarded 'Developer of the Year', an award that was particularly pleasing in that it applied to activity across our Urban portfolio.



Windsor Great Park attracts around three million visitors each year. Our focus is to safeguard it for the enjoyment of future generations while operating on a sound financial footing.

Rural and Coastal

Strategic rural land plays a key role in our portfolio. Against the backdrop of a more encouraging planning environment, we work hard to identify sites suitable for development. Our own knowledge lies at the heart of our competitive advantage in this area, but so too do our close relationships with national and regional housebuilders, land agents and land owners. Opportunities to acquire sites with significant potential are rare and much sought after, but through our extensive networks we are now seeing them ahead of others. We have transformed our reputation as a buyer and are respected industry-wide as an organisation that works fast but fairly.

During the year, sales from the strategic land portfolio realised more than £11 million.

During the year, sales from the strategic land portfolio realised more than £11 million, and we expect to see continuing strong performance in the year ahead. Sales included a site with planning permission for 54 new homes at Dunster and one at Skirlaugh in Yorkshire which will deliver 87 houses, 15 per cent of which will be affordable properties. We also disposed of Westwick Farm in Hemel Hempstead and a parcel of land in Fochabers.

At a regional level, development land prices mirror the housing market. We look across the board but with a greater emphasis on areas characterised by high demand, specifically sites close to urban areas in the south of England. The year saw us acquire a number of greenfield sites, including 96 acres at Luton together with land forming part of a mixed-use extension comprising 650 houses at Axminster in Devon.

We continue to actively promote our strategic rural land through the planning system, culminating in outline planning permissions being secured for residential and commercial uses on a number of sites in 2014. Consent was secured for 180 homes in Delamere, Cheshire and for 230 homes in Devizes, Wiltshire. In addition, urban extensions at Thetford and Northampton, where we hold a part share of the freeholds, await planning permission. Combined, these urban extensions will deliver 7,000 homes as well as significant areas of employment land with the associated financial and environmental benefits.

Our aim at each strategic site is to deliver a commercially viable scheme that will be an attractive place to live, work and play. When selecting a developer partner we pay particular regard to the developer's sustainability credentials, quality of design and community approach, in addition to their financial offer. We will continue to explore setting baseline sustainability standards on each development, although in a competitive land market we recognise that viability will always drive purchaser demand.

Windsor

Our biomass heat generation plant is now fully operational and delivering heat and hot water to 65 residential properties and all offices and workshops in the estate village. The plant was completed for £2.4 million, and is fuelled by wood chip from our own forestry assets.

We completed several refurbishments during the year in order to return empty properties to the rental market and support our drive towards greater profitability. As these properties typically achieved poor EPC values, all refurbishments are carried out to high environmental standards, with most incorporating renewable technologies such as air source heating and solar panels.

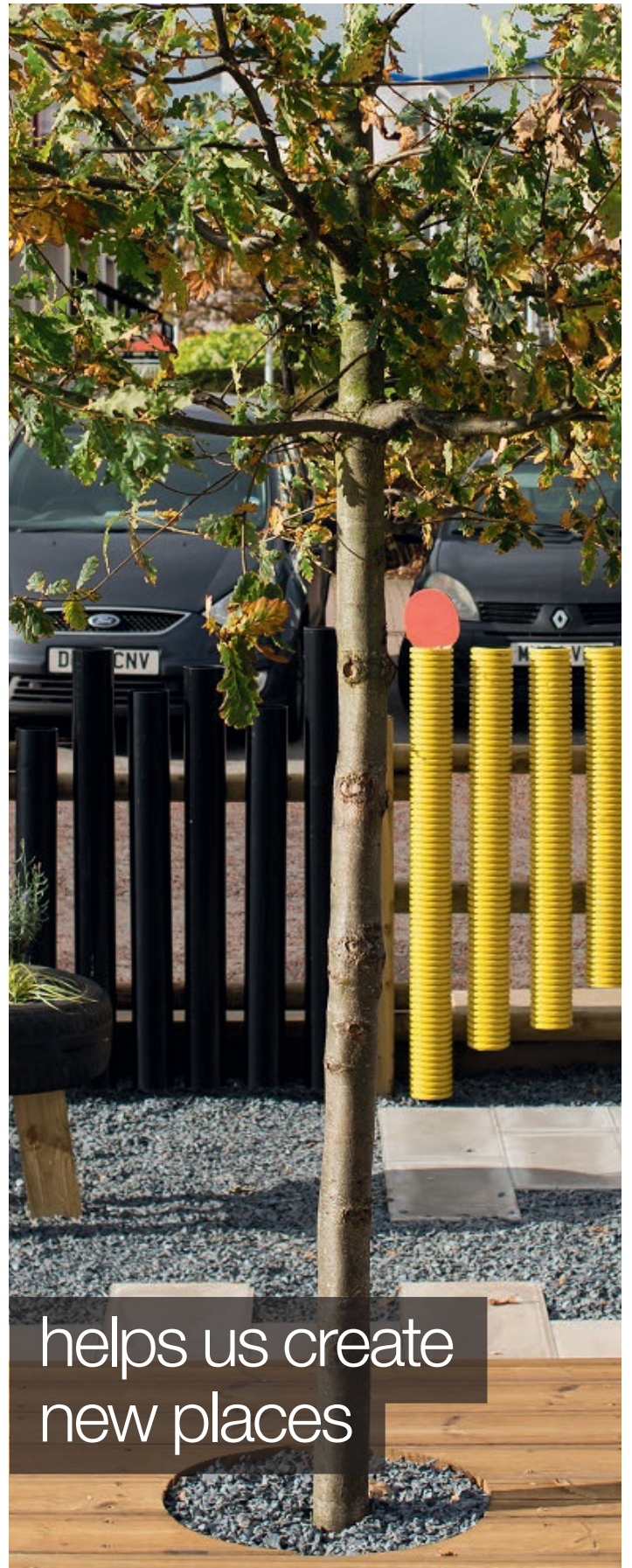
Energy and Infrastructure

The offshore wind sector has continued to expand and mature, with some 1,336 turbines currently generating electricity and a further 196 under construction. From its start in 2000, offshore wind is now responsible for generating around 4 per cent of the UK's electricity. On a particularly windy day in February, onshore and offshore wind turbines were producing a record 20.9 per cent of the nation's energy needs.

Offshore wind is now responsible for generating around 4 per cent of the UK's electricity.



Our cohesive approach



helps us create new places



that draw people in

Inspiring places

We are successful placemakers, taking a cohesive approach to the planning, design and development of public spaces in a way that addresses the needs of everyone who uses them, from international visitors to local residents.

Our role is to lead and implement projects that maximise returns from our assets, responding to our commercial mandate while unifying the interests of our partners, customers and the wider community to create inspiring new destinations.

i For more on this story
www.thecrownestate.co.uk/places



400,000 homes

Potentially powered by Gwynt Y Môr, the world's second largest offshore wind farm, off the coast of Wales.

The UK is the largest global marketplace for offshore wind and this is underpinned by our activities. Towards the end of the financial year we saw the allocation of the first Contracts for Difference (CfDs) established by the 2013 Energy Act. The CfDs give Government-backed contracts to renewable power developers, providing them with certainty on funding levels to enable a project to be developed. The result is an increase in the material contribution that offshore wind can make to the UK's energy mix over the long term as well as a corresponding uplift in our revenue stream.

The year featured a number of other landmarks for offshore wind, which have further supported the capital value of our portfolio. For example, we have seen significant progress on the construction of the Gwynt y Môr wind farm off the north coast of Wales. Capable of powering 400,000 homes, this is the second-largest offshore wind farm in the world. Further megaprojects are in the pipeline, such as the Creyke Beck project on the Dogger Bank in the North Sea, which was consented early in 2015. This is the largest renewable energy development ever to receive planning consent in the UK and the largest offshore wind project to receive consent globally, and could feature up to 400 turbines with a generating capacity of 2.4 GW.

Further highlights of the year included consents for the Hornsea Project One wind farm off the coast of Yorkshire, approval for an extension to the Burbo Bank wind farm in Liverpool Bay and the construction of the Westernmost Rough project with financial investment from the Green Investment Bank. We secured further rental income streams through

signing new leases for two wind farms on the East coast, the 50 MW Kentish Flats Extension and the 402 MW Dudgeon East project.

Our actions also bring jobs, development and growth to local communities such as Mostyn in North Wales, the port which services many of the requirements of nearby Gwynt y Môr. Similarly, the Green Port Hull development facilitated by us in the previous year broke ground in 2014. This project, which is based on an investment agreement between Siemens and Associated British Ports, is expected to create 1,000 direct jobs in the local community, primarily in the area of turbine fabrication and manufacture. This year we also welcomed Global Energy and MORL entering into a Memorandum of Understanding (MoU) that could see Nigg Energy Park supply a range of work, facilities and services for offshore wind projects in the Moray Firth. In addition, our marine minerals team licensed extraction works at Southampton docks so that dredging could take place to allow larger ships to use the port. We also granted rights for a new transatlantic telecoms cable as well as agreeing commercial terms for interconnector projects to Belgium and Norway.

The UK is the largest global marketplace for offshore wind and this is underpinned by our activities.

As our knowledge and understanding of the resource around the UK coastline deepens, we have seen developers focus on those projects most viable in the near term and therefore the discontinuation of others, with seabed rights returned to The Crown Estate. For example, the Celtic Array project in the Irish Sea ceased during the year, due to the discovery of ground conditions that made the project economically unviable with current technology.

Property management

Property management embraces placemaking, the enhancement of the public realm and other activities that add value to tenants' businesses and the visitor experience, as well as the lives of local communities. This includes activities that support the broader objectives of our tenants, such as research and health and safety initiatives.

i Resources and relationships
See pages 40–41

Urban

Placemaking activities have a major impact on tenants and visitors across our portfolios, enhancing the day-to-day experience and boosting footfall which, in turn, leads to increased rents.

In the West End, we continued to enhance the public realm, concentrating our efforts in 2014 on Haymarket, Regent Street and, notably, Waterloo Place which is now included in the Regent Street lighting scheme. We were also pleased to see the southernmost end of Regent Street, south of Piccadilly Circus, renamed as Regent



On our Regent Street portfolio we welcomed Gordon Ramsay's Heddon Street Kitchen and the three Michelin starred Mitsuhiro Araki to New Burlington Street.

What we've been doing

Street St James's. This is only the fourth time a street in this part of the city has been renamed in the last 20 years, and it reflects the emergence of this particular street and of Haymarket as distinctive destinations in their own right.

We again hosted a wide range of events to attract visitors and raise the profile of the West End portfolio throughout the year.

The annual Summer Streets programme saw Regent Street closed to traffic every Sunday in July, encouraging shoppers to experience London's finest retail destination in a traffic-free, spacious and amiable environment. Events included a garden party, food and fashion themed activities and a party to mark Magnum ice cream's 25th birthday. In 2014 Regent Street welcomed the NFL for its annual block party with a parade that brought the sounds and colours of American Football to Regent Street, including appearances by Miami Dolphins and Oakland Raiders players ahead of their game at Wembley. For the annual RIBA Regent Street Windows Project, architects joined forces with flagship retailers to create stunning architectural installations in the windows of shops, restaurants and cafés. In November, we held the 10th Regent Street Motor Show and at the end of that month welcomed Take That and Union J to the stage for the switch-on of the famous Regent Street Christmas lights.

Also on Regent Street, we celebrated a decade of public art and held a free public exhibition featuring original artwork by stars such as Kylie Minogue, Shakira, John Hurt, Mo'Nique and Sir Tom Jones. The event raised funds for the Willow charity, which works with seriously ill adults aged 16–40.

Placemaking activities have a major impact on tenants and visitors across our portfolios.

Initiatives at St James's included a series of festive pop-ups showcasing luxury brands. These ranged from festive wine master classes and tastings to readers' events for Tatler and Harper's Bazaar, as well as a men's winter grooming lodge and a wine and perfume pairing tutorial with renowned Jermyn Street perfumer Floris.

Sustainability is not only an inherent part of our approach to business, it is also a key competitive advantage for The Crown Estate and our tenants. For example, our 'Underneath the Big Green Leaf' campaign drew large crowds to several of our retail parks during the summer, including Morfa Shopping Park in Swansea, Silverlink Shopping Park in Newcastle, MK1 in Milton Keynes and Ocean Retail Park in Portsmouth. These events embraced a wide range of interactive sustainability and eco-friendly activities to encourage youngsters to help look after the environment. At the Coliseum Shopping Park in Ellesmere Port, we created a new play area as well as a new sensory garden, and enhanced the public areas with new exterior building façades and covered walkways to create a more modern and welcoming environment for visitors. We also upgraded the public realm at Nottingham's Victoria Retail Park.

Since 2009, we have worked alongside our tenants and stakeholders in London, such as Westminster City Council, to help unemployed people find full-time work. To date, our Workplace Contractor scheme has placed over 1,000 individuals in employment within West End retailers, over 300 of them in the last year. Building on that experience, we will be rolling out the initiative across the Regional portfolio during 2015 and look forward to achieving a similarly high degree of success.

We are committed to using our skills and knowledge to support our tenants and in 2014/15 introduced a number of innovative technology-led initiatives to improve our promotional approach. A new website for St James's features social media feeds, news on local events and a behind-the-scenes look at our work in the area, while a new app enables Regent Street shoppers to access the latest deals from stores via their smart phones. Regent Street is the first shopping street in Europe to pioneer this technology, which uses beacons in each store to send alerts about offers and events to shoppers during their visit. In recognition of the global appeal of Regent Street we also launched a website and social media presence dedicated to Chinese visitors.



Our sustainability-themed Big Green Leaf event was a major success across our Regional Retail portfolio, visiting nine of our retail parks to engage with communities and help drive footfall to our tenants.

Rural and Coastal

Our maintenance responsibilities on the Rural portfolio vary considerably from other Crown Estate holdings. The landlord is required to pursue a more interventionist role on the Rural portfolio, with good tenant communications playing a vital part in helping us to fulfil this obligation efficiently and in a timely manner. We also look to invest in new equipment on our holdings where appropriate and where a commercial return can be obtained. To this end, in 2014 we carried out two significant projects, each requiring investment in excess of £500,000. We funded dairy improvements on one of our farms on the Stapleford Abbots estate in Essex, as well as a modern grain storage facility on one of our larger farms on our Wingland estate in Norfolk. In both cases, the tenants provided project management while we provided the finance.

We aim to extend soil management guidance to all tenants in the coming years.

On a more modest scale, but nevertheless of vital importance to our tenants, we launched a drainage repair fund of up to £250,000 per annum, which is available to tenants who have suffered drainage problems as a result of flooding or severe weather incidents, particularly over the last two years. This practical but extremely helpful approach has been greatly appreciated, notably on our eastern estates and in our more low-lying areas where good drainage is fundamental to healthy crops.

On agricultural land, soil is a basic resource but perhaps one of the least understood and the most vulnerable to abuse. With this in mind, and conscious of the stress that volatile commodity prices can have on farming practices, particularly the soil, we have introduced strict new soil management criteria in all of our new farm tenancy agreements. While this is a modest start to our ambitions, it illustrates our concern to bring greater sustainability to this most vital of our rural assets. We aim to extend soil management guidance to all tenants in the coming years. On all re-lettings concluded in the last year, the successful tenant has been chosen on the basis of their soil management proposals rather than the rent bid, although it is fair to say that each of the successful tenants not only displayed extremely good soil management skills but also demonstrated a sound commercial approach.

Sustainability is not only an inherent part of our approach to business, it is also a key competitive advantage.

Over the next three years we are investing around £300,000 on our Ellington estate in Northumbria to improve drainage in an area where the soils are essentially productive but have been damaged by subsidence caused by coal mining. Drainage schemes do already exist at Ellington, and the challenge will be to integrate new schemes with the older ones in order to create a comprehensive approach. This initiative should not only improve drainage but extend the window for cropping and working the land, leading to enhanced crop yields and therefore profitability. On our Sunk Island estate near Hull, we recently completed a £325,000 flood defence project to protect the areas as high grade agricultural land. A new 40 metre rock sea wall has been constructed to address concerns that a repeat of the 2013 tidal surges could threaten farmland and homes.

We continue to explore the possibilities for renewable energy installations across our rural and coastal estate. A desktop review of solar PV opportunities has identified several areas suitable for investment, subject to gaining the appropriate



We celebrated 15 years of the Marine Stewardship Programme, which has invested over £10 million in research and community projects. The programme will now form part of our organisation-wide Stewardship Programme.

What we've been doing

connections to the electricity distribution network. Although the lack of connectivity has slowed down this project overall, we have been able to progress a planning application for a significant solar PV installation in a disused quarry on our Portland estate. The energy produced will be sold to the quarry operator, a Crown Estate tenant, and this will significantly reduce their costs as well as providing an attractive commercial return.

Windsor

We aim to build on our reputation as an important part of the local community and are looking to increase the commercial use of our buildings where appropriate, encouraging small businesses to the estate. Local youth employment is another area where we can have a positive impact, and we currently have seven apprentices and students working in various trades on the estate.

We were pleased to host our biennial Schools Open Day during 2014. With all our Windsor staff being involved in some capacity, this is a huge commitment from the estate but a very worthwhile experience for all, especially the 1,700 children who learnt about the day-to-day workings of a rural estate.

It is always good to see our efforts gain external recognition and during the year we were delighted to accept a Civic Trust Award for the simplicity, elegance and clean lines of our Virginia Water Pavilion.

Energy and Infrastructure

We produce extensive research on the renewables industry, backed by a wealth of data. We provide this knowledge to stakeholders in order to bring clarity and visibility to their decision-making processes, and therefore support our offshore renewables revenue stream.

We again produced several industry-leading reports during the year.

Keen to draw on our skills and experience to ensure best practice in offshore wind, we again produced several industry-leading reports during the year. These included safety guidelines for construction vessels and a report that aims to reduce maintenance costs by improving the ways in which jack-up vessels are chartered and used. The year also saw us collaborate with the Energy Institute (EI) to bring together over 100 offshore wind reports and publications and make them available through the EI Knowledge Service.

As a result of our offshore wind leasing programme, we gathered significant seabed data associated with the former Atlantic Array offshore wind project in the Bristol Channel. We have now brought this data together and made it available via our Marine Data Exchange, an online resource which aims to promote offshore research and innovation, sharing best practice and

reducing industry costs. Data covering the UK continental shelf and beyond is available, including over 1,000 surveys from 70 offshore wind farm, wave and tidal developments.

We continued to demonstrate our commitment to health and safety within the offshore wind industry during the year. We empowered the G9 group of wind farm owners and operators with industry data gathering and reporting responsibilities, and again supported the Renewable Energy Health and Safety Award.

Our minerals business provided the natural resources to replenish beaches at Colwyn Bay, Clacton and along the Lincolnshire coastline during the year. Our commitment to innovation was also a key quality at Boulby potash mine, which operates beneath the Yorkshire coast and the adjacent seabed. Through our Marine Stewardship Fund, we have worked with the mine operators to co-fund a project to investigate how sensors developed for space exploration could be used to scan the mining face, examine rock conditions and identify the presence of gas.



By valuing
stewardship



and supporting
communities



we're helping
Britain bloom

Inspiring change

As one of our three core values, stewardship lies at the heart of what we do. Our new organisation-wide Stewardship Programme will help us continue to inspire change in the years ahead.

It connects our approach to stewardship by focusing on four key areas of education, employment, environment and skills. Through each of these areas we are able to drive real business benefits across our portfolios, while also supporting our environment, communities, stakeholders and supply chain.

i For more on this story
www.thecrownestate.co.uk/stewardship

Our markets have huge potential

Our markets The diversity of our business means that our markets are influenced by a wide variety of economic, social, political and technological factors.

In this section, we introduce our investment strategy before outlining the principal factors and trends that shape it and therefore have the potential to have an impact on our continuing success.

These range from the health of the property market and the reputation of London as a global destination, to the price for farmland and Government support for a low carbon economy. The most significant of these factors are classed as our Material Issues, and we review these annually.

Our investment strategy

Our investment strategy underpins our business performance. It outlines our medium- to long-term objectives and acts as a framework for how we deliver our financial objectives and reach our corporate targets.

Our strategy continues to focus investment in our core sectors of the West End, dominant regional retail and leisure, rural strategic land, and offshore wind.

As in previous years, our strategy continues to focus investment in our core sectors of the West End, dominant regional retail and leisure, agricultural and strategic land, and offshore wind. By concentrating on these areas, where we have critical mass and specialist skills, we are able to gain competitive advantage and outperform the market. Our strategy also guides how we manage The Crown Estate's principal commercial constraint – our restricted access to capital. We do this through a combination of active capital market trading and by entering into a limited number of strategic partnerships.

This ensures we not only have sufficient capital reserves to fund our ambitious development pipeline, but are also able to deploy capital in our core sectors as appropriate.

We execute our strategy within the context of the macroeconomic, demographic and political environment, as outlined below.

Occupier demand

The strength of occupier demand for our office, retail and residential space is a key factor in determining the success of our Urban portfolio. The last 12 months have seen improved conditions across all the major commercial markets. In the West End, we have seen robust demand for retail and office space for some time. However, a key feature of the last year has been the improvement in the demand for our prime regional retail schemes on the back of an improved outlook for domestic consumption.

A key feature of the last year has been the improvement in demand for our prime regional retail schemes.

The balance between supply and demand is a crucial dynamic across all our sectors because it drives rental growth in the medium term. As you would expect, the strength of the economy is fundamental to this and the improving occupier markets of the last year should be seen against the backdrop of an improved economy.

To date, healthier regional occupier markets have not been met by a corresponding increase in development. In the West End the occupational supply and demand dynamics are particularly robust. However, this is as much driven by a continual relatively constrained supply of new stock as it is by improving demand.

Investment markets

The success of the UK in general, and London in particular, to attract cross-border commercial property investment has had a great influence on our business in recent years. The UK is recognised worldwide as a transparent, stable and liquid investment market, factors which have supported our capital market activities and helped drive capital growth in recent years.



London is the world's top ranked destination city with an estimated 18.7m international visitors in 2014 – an 8% growth¹

While we do not anticipate any immediate change of fortune for the capital markets, some risks remain. Property markets and economies are cyclical by nature, and we therefore monitor and evaluate a range of factors which could adversely affect the capital markets. The low interest rate environment continues to support real estate pricing particularly on a relative value basis. However, any unanticipated shift in property's income yield relative to other asset classes will inevitably influence pricing and valuations. Changes in the political, constitutional, regulatory, taxation or social environment could also lead to market repricing. In addition, constitutional risks are also beginning to feature in assessments of the future strength of some markets, notably central London. Reduced constitutional stability and uncertainty over the UK's commitment to long-standing international treaty obligations could undermine the UK's position as a perceived safe haven.

A global London

London's West End represents a significant proportion of the Urban portfolio, and The Crown Estate overall. As such, the continued strength and resilience of London is of paramount importance to the future success of our business. In recent years, we have benefited from the increasingly international role London has played in the global economy, tourism and investment markets. This has had a broad and positive impact on our business. A growing range of international retailers continue to establish flagship stores in our world-class retail destinations, while we are also seeing national and global businesses keen to establish HQs and operate their businesses in the West End.

Although the attractiveness of London to businesses is clear, it is not without challenges. For example, the shortage of affordable housing and high living costs, with their knock-on effects on quality of life and social stability, are particularly relevant at the moment. Similarly, infrastructure plays an important role both within London and in its links to the world beyond. The Crossrail project is addressing some of these issues; however, given the current growth forecasts for London's population, failure to deal strategically with issues such as energy, water, housing and transport could restrict London's attractiveness in future years.

The continuing evolution of retail

Technological advances continue to be the chief factors behind the ever-changing nature of consumer shopping habits. Understanding how and when these change remains a key challenge for retailers. As the owner and landlord of a large, varied and geographically diverse retail portfolio, the structural changes currently underway in the retail sector play key roles in our performance.

We have benefited from the increasingly international role London has played in the global economy, tourism and investment markets.

'Click and Collect' was a big driver in changing the way people shopped in the UK last year. It moved footfall towards out-of-town locations, a trend that will continue as consumers choose how, where and when they want to obtain goods. At the same time, retail continues to move towards a multi-channel world, with the consumer shopping via a combination of mobile, online and physical store visits. The most successful retailers will be those best placed to deliver great service across all of these platforms. The physical store will continue to be an integral part of the overall brand experience and will be critical in developing sales as well as brand loyalty.

We are continuing to see consolidation of retail stock across the UK's high streets, and difficulties still remain in retail locations considered to be of lower quality. The upcoming review on business rates and planning use conversion will help shape the future of the high street. Until then, prime high street pitches and dominant regional schemes will continue to attract the highest rents and therefore the greatest percentage of investor money. Within this context we expect the continued international appeal of our West End retail offering to retailers and shoppers alike to endure.

Against this backdrop of a highly competitive retail environment, it is more important than ever for our assets to meet certain criteria. Outside central London, these assets must be high quality, dominant regional schemes with a strong

¹ Source: MasterCard Global Destination Cities Index 2014.



London has more international retailers than any other city in Europe.¹

local catchment. An A3 leisure offering is an increasingly important part of the tenant line up and crucial for attracting customers to our assets. Our approach to active asset management prioritises placemaking in public areas. We believe this is central to generating strong, sustainable returns for the long term and ensures that our portfolio is ideally placed to capture the consumer of tomorrow.

Our approach to active asset management prioritises placemaking in public areas.

Agriculture

Agricultural land values have increased by more than 200 per cent in the last decade. In a market characterised by a scarcity of available land, capital growth continues to be sustained by its attractiveness to lifestyle buyers and institutional investors, as well as a favourable tax regime and increasing pressure on domestic food supply as a result of population growth.

The investment market for the agricultural sector is becoming increasingly polarised.

At the same time, the investment market for the agricultural sector is becoming increasingly polarised, with prime arable land appreciating exponentially compared to poorer quality grassland. Looking forward, it is important to acknowledge the inevitably cyclical nature of markets in the context of the sustained outperformance of the last decade.

Furthermore, the sector is characterised by affordability issues because profitability is extremely sensitive to external factors such as exchange rates, global commodity prices and subsidies.

Strategic land within the planning system

The National Planning Policy Framework has now been in force for over three years. Coupled with increasing pressure on land uses and supply, the Framework continues to influence investment decisions. As the UK is currently building just over half the number of houses required to keep up with the nation's needs, we expect demand for well-located strategic land to continue to rise. As a consequence, our appetite to make additions to our strategic land portfolio remains strong.

To ensure we maintain our position in the strategic land market, we continue to develop relationships with the public and private sectors so that we are well positioned to take advantage of new opportunities.

Government Energy Policy

Electricity Market Reform brought welcome clarity to the renewables sector over the course of the last year and the procurement of over 2 GW of capacity in February's first allocation round for Contracts for Difference (CfD) is evidence of significant progress. Within this context, a number of new agreements this year have provided much greater certainty over the delivery of our 2020 pipeline.

Electricity Market Reform brought welcome clarity to the renewables sector over the course of the last year.

While considerable efforts within the industry continue to drive down the cost of offshore wind, we still expect delivery of some projects to prove too challenging, which means that the healthy attrition within our long-term pipeline over the course of the last year is likely to continue.

¹ Source: JLL Destination Europe 2015.

We are a diverse organisation applying a clear and focused business strategy to deliver our objectives. We look to apply the same approach in reporting how we create value, and how it is measured.

Working together to create value

Our inputs

Physical and natural resources

Our assets comprise physical and natural resources that range across a broad and diverse portfolio which includes commercial and residential real estate, forestry and parkland, agricultural land, over half the foreshore and most of the seabed around the UK.



Business model Our business model demonstrates how we draw upon six different resources and relationships (also known as 'the capitals') in the process of growing our business and outperforming the market



Financial resources

The proceeds raised from selling property are reinvested in the portfolios.



Realising value

We buy, develop and sell property with a view to **optimising the value** of the estate. We raise capital principally by selling property, as we are unable to borrow.



- i Resources and relationships**
See pages 40–41
- i Total Contribution**
See pages 42–43
- i Strategic objectives**
See pages 44–45
- i Key performance indicators**
See pages 46–47
- i Material issues**
See pages 48–49

Our people and know-how
We actively manage our portfolios through our core activities of: **investment, asset, development and property management.**



Our **strategic partnerships** provide working capital for the business to continue re-investment across our portfolios, core areas, where we benefit from competitive advantage and critical mass.

Our networks



Our outputs

Payments to the Treasury
Our annual net revenue profit is paid to the Treasury for the benefit of the nation.



Creating long-term value
We look beyond short-term market volatility and concentrate instead on our medium-to-long-term objectives with a focus on **sustainability, customer focus and stakeholder engagement.**



Making a positive impact



What we draw on to create value

Resources and relationships We have identified six different resources and relationships which are constantly being increased, decreased and transformed through our activity.

We draw upon these as vital inputs to our business model and are constantly transforming them through our business activities. In this way we deliver significant value beyond financial return for ourselves, our stakeholders and the communities in which we operate. This is shown graphically in our business model and defined in more detail below.

Financial resources

The financial resources that are available to us to grow our business.

We are restricted from borrowing as a consequence of the Crown Estate Act 1961. Our clear investment strategy gives direction to our business activity, and focuses us on being agile and enterprising in how we access capital. We recycle capital through the sale of assets, and, through the use of strategic partnerships, we are able to secure access to capital via third party funds. This approach has enabled us to invest in more major development schemes to continue to drive our total return outperformance and deliver strong returns to the Treasury.

Physical resources

The land and property that we own and utilise.

Our land and property are fundamental to our business, providing the raw materials, infrastructure and physical assets that we actively manage. Our portfolio is diverse, ranging from core West End retail and office space to thousands of hectares of agricultural land and seabed. Focused and active asset management of these resources drives our business forward and has impacts on our other resources and relationships. For example, within our Regional Retail portfolio we invest financial resources to improve the physical environment of our retail parks in order to create more attractive destinations for visitors and value for tenants.

Natural resources

The natural resources that we nurture, harness and harvest to sustain our business.

We depend on many natural resources in our business, some of which are finite and others renewable. In most cases the resources form part of the land managed by ourselves and our tenants, for example soil, forestry, minerals and aggregates. Other natural resources are harnessed for energy, such as wind power within our Offshore Wind portfolio. We are working on enhancing the sustainability of our natural resources, such as improving the quality of soil on our Rural portfolio through clauses in the commercial leases we agree with our tenants.

Our people

The individual skills, competencies and experience of our people which collectively create value and deliver our business objectives.

Our talented, professional and experienced people help maintain our reputation as a high performance business. They are driven by a strong set of values – commercialism, integrity and stewardship – and behaviours, embedded across the business. As an organisation we invest financial resources in our people through the salaries they earn and the training and development they receive, thereby increasing their know-how, wellbeing and job satisfaction, which contribute to their, and our, overall performance.



We are developing a range of case studies centred on our resources and relationships with the aim of illustrating how a sustainable approach to business can create greater value for ourselves, our partners and our stakeholders. The results of these will be available via our website in due course.

Our know-how

Our collective expertise and processes, which provide us with competitive advantage.

Much of our success is dependent on our collective know-how and the way in which we deploy our capabilities to best effect in the active management of our assets. We also realise that our know-how can be optimised through collaboration, both across our diverse business and with those in our supply chain and wider networks. As an outsourced business, the expertise of our wider network, such as our managing agents and development partners, is critical to our success.

Our networks

The relationships we have with customers, colleagues, communities, business partners and Government that are central to our business.

Relationships with our stakeholders are a vital component of our day-to-day activity. We have a diverse range of stakeholders, including investors, customers, tenants, suppliers, staff, HM Treasury, local authorities, national Government, the Monarch and the community in the areas where we work. We have to manage the competing interests and expectations of these stakeholders and ensure that our role and contribution is understood.

We engage with our stakeholders through a variety of formal and informal means in order to take their views and priorities into account in the delivery of our strategic objectives and to communicate the value we create. Our strategic partnerships allow us to invest in our core holdings and grow our business, whilst using our know-how to manage those assets for everybody's mutual benefit. We listen and learn from our customers, their customers, and communities to enhance our customer service, allowing us to retain goodwill and trust.

Summary

An increased understanding of these six resources and relationships and their inter-connections is increasingly integrated into our thinking and decision-making processes. All of them are intrinsically linked and we recognise how important it is to assess them in the round and not to focus on maximising one of them at the expense of another. Working examples of our resources and relationships can be found throughout the report. More specifically, our Finance Director's review on pages 50 to 55 is structured around them and highlights their importance in the creation of strong financial returns over the long term.

For more information visit our website: www.thecrownestate.co.uk/our-business

Defining value beyond financial return

What is Total Contribution? Total Contribution is the way we measure and communicate the significant value we create beyond financial return.

Our Total Contribution

The preceding pages of this report explain how we use the resources and relationships we depend upon to create value beyond financial return. In broad terms, Total Contribution covers our economic, social and environmental contributions to the UK and takes account of material issues affecting our performance. Measurement of value is a further step in the best practice of integrated reporting.

Evolution of our approach

Since the launch of Our Contribution in 2013 we have developed Total Contribution in the following ways:

- Deepened the classification of our data falling under the headings of Economic, Social and Environmental to align with all six of our resources and relationships.
- Increased the number of performance indicators from 12 to 40 and so enhanced our understanding of the impact we have, and improved the balance of data across each of the resource and relationships. For the first time we have included data on ecosystem services.
- Asked consultants PwC to provide insight into the maturity of the performance indicators underpinning the resources and relationships, their preparation and reporting.
- Put a value on each performance indicator to provide some means of comparison between the positive and negative impacts. Drawing on this we are developing Total Contribution internally as a decision-making tool, enabling us to better understand the effects of our choices and value the resources and relationships beyond the pure financial.

- Developed a methodology called Adjusted Gross Value Added (aGVA). This goes beyond economic contribution (GVA) by encompassing the contributions from all of our resources and relationships and so providing a fuller picture of the contribution that we make to the UK – our Total Contribution. Please go to our website (<http://www.thecrownestate.co.uk/our-business/how-we-measure-value/>) for our methodology and to find out more.

What's next

We have taken a leading edge position in the development of the Total Contribution approach to measuring value and have developed the model significantly since the publication of Our Contribution – but we know there is still work to be done. We will be sharing our progress online. Over the coming year we will be focusing on two main activities:

- Work to improve the relevance, quality and scope of the data. In this way Total Contribution will become a robust tool for measuring positive impact and decision-making.
- Produce case studies for each business area showing the Total Contribution of key projects or activities. These will help to bring Total Contribution to life as we publish them online. The first case study will be on one of our major developments in the West End of London.

“The most forward-thinking companies are taking a holistic approach to value creation within their businesses, placing an emphasis on the more intangible societal and environmental value alongside economic. Total Contribution is our route to deepening our business model in this way. As a responsible business, it is enabling us to recognise and respond to a greater set of opportunities, influenced by sustainability considerations, for long-term value creation.”

Vivienne King
Director of Business Operations
and General Counsel



Demonstrating how you create value, and the issues that affect your business, is relevant to any organisation.



There is a growing realisation that a wide range of factors determine the value of an organisation – some of these are easy to account for in financial statements (e.g. property, cash), while many, such as intellectual know-how and ecosystem services, are not.

Using the concept of **Total Contribution**, The Crown Estate is clearly articulating how it is drawing on the resources and relationships it uses, capturing the longer-term consequences of the decisions it is making, to show how it is creating and sustaining value.

But it has gone much further than simply tallying up its own direct impacts – it has also identified the impacts brought about through its supply chain and by

the different activities taking place on its portfolios. This is providing greater insight on performance, going above and beyond traditional financial metrics. What is more, The Crown Estate is going about this in an open and transparent way, sharing the methodology used, so that others can both learn from their work in this area, and help advance it too.

As organisations, alongside their stakeholders and their investors, are still grappling with the concept of integrated reporting, it is great that The Crown Estate has just got on and done it. Others would do well to follow suit. Demonstrating how you create value, and the issues that affect your business, is relevant to any organisation, be it public or private, and The Crown Estate should be applauded for its leadership in this area.

Emma Howard Boyd
Independent Sustainability Investment Advisor and
Chair of Trustees of Share Action

A strategy to maximise performance

Strategic objectives In 2012 we drew up Vision 2022, our roadmap to how we wanted the business to develop over the next decade. Our strategic objectives were formed to help us achieve this Vision by guiding us in setting business priorities.

1

To actively manage assets in our core sectors to drive total return and a strong income stream to Treasury.

Our ongoing activity towards this objective

- For the fifth consecutive year we have delivered a record net revenue profit to Treasury.
- The £285.1 million profit delivered this year builds on the £267.1 million in 2013/14.
- In addition, we have continued to outperform our IPD total return benchmark, meaning we are outperforming our peers based on the assets we actively manage.
- Our focus on core sectors will continue, leveraging our critical mass and expertise while disposing of non-core assets, to drive a strong income stream.

2

To secure access to capital via third party funds under management through the selective use of strategic partnerships.

Our ongoing activity towards this objective

- Given our limitations of being unable to borrow, our ability to access capital through selective strategic partnerships is a key tactic in achieving our strategic aims.
- We now manage strategic joint ventures containing over £1.5 billion of our partners' funds following this year's purchase of Fosse Shopping Park with Gingko Tree Investment Ltd.
- This builds upon partnerships we have established with Oxford Properties Group, HOOP and NBIM in recent years, globally recognised investment partners who trust in our active management approach and long-term vision.
- Our aim is to continue to develop our reputation as a partner of choice for third party capital through the delivery of key projects and ongoing successful management of partnership-held assets.

3

To encourage a high performance culture and be known as a great place to work, so the best people want to join, stay and thrive.

Our ongoing activity towards this objective

- Our message of 'One business, one team, one common sense of purpose' in order to realise our Vision 2022 programme continues to resonate.
- Last year, people across the business helped define and agree a set of behaviours that we believe are required to meet our strategic objectives.
- This year we continued to ensure we are geared up to foster a high performance culture and attract and retain talent by reorganising our HR function to give a stronger focus on skills, recruitment and development.
- Feedback and sentiment of staff is essential in meeting this strategic objective and to this end we have also introduced a 'One Voice' survey for staff to share their thoughts on all aspects of the business.

On an annual basis, we have KPIs to track how we've performed against each objective over the course of the year, and below we detail the ongoing activity around each strategic objective.

4

To ensure high levels of customer satisfaction through the value we deliver and a commitment to excellence in how we do business.

Our ongoing activity towards this objective

- A cross-business steering group has been formed, chaired by our Chief Executive, to oversee practical ideas to enhance our customer service performance as well as work towards developing a business-wide customer strategy.
- We joined The Institute of Customer Service (ICS) in 2013, to support our pursuit of customer focus excellence. In 2014 we assessed colleagues' views on how our strategy, organisation, culture and processes enable us to deliver excellent customer service through the ICS ServCheck survey. We now have an action plan to help us address the gaps identified in our approach.
- Across the business, independent customer satisfaction surveys have been completed in the Urban, Rural and Coastal, and Energy and Infrastructure portfolios.

5

To measure, report and improve our Total Contribution to ensure that we create value beyond our financial return, acting responsibly, with sustainability built into everything we do.

Our ongoing activity towards this objective

- Following on from our first Total Contribution report in May 2013, we have continued to refine our approach to measuring, reporting and improving the value we deliver beyond financial return.
- One practical way that will look to improve the value we deliver over the next year will be through our new organisation-wide Stewardship Programme, which will support a wealth of stewardship projects that benefit our estate.
- We are focusing on increasing our knowledge of the value and inter-dependence of our resources and relationships in order to improve business decisions.
- Our progress in integrated reporting over the past three years, where we are now recognised as a leader in the field, is a demonstration of how we integrate sustainability into everything we do.

6

To be recognised and respected for delivering conscious commercialism, and for operating as one business, one team, with a common sense of purpose.

Our ongoing activity towards this objective

- Having set out our core proposition of conscious commercialism we have undergone an engagement exercise so this vision is fully shared with our partners, stakeholders and consultants so that our purpose is understood and appropriately represented throughout our supply chain.
- We have revised our brand and visual identity as well as developed our digital communications to enhance the way we communicate our message.
- Regular pulse surveys have been rolled out to ensure staff feel aligned with the core proposition and we are developing a reputational survey to better understand sentiment among our key stakeholders.

Measuring our success

Key performance indicators Our key performance indicators measure annual performance against our strategic objectives and cover both financial and non-financial indicators.

1

To actively manage assets in our core sectors to drive total return and a strong income stream to Treasury.

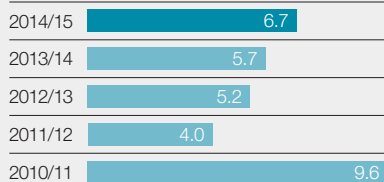
Year-on-year increase in net revenue profit

Target

To increase our net revenue profit year-on-year

Performance over five years (%)

£285.1 million up 6.7%



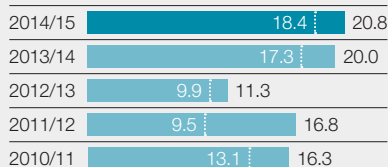
Three-year rolling total return

Target

Outperform our three-year rolling total return bespoke IPD benchmark

Performance this year (%)

20.8% compared to three-year annualised IPD bespoke benchmark of 18.4%



IPD Benchmark

2

To secure access to capital via third party funds under management through the selective use of strategic partnerships.

Third party funds are available when required from appropriate partners

Target

Draw in third party funds as appropriate in support of outperforming our three-year annualised total return bespoke IPD benchmark

Performance this year

Money invested by partners have totalled £212 million this year, including the formation of a new partnership for the acquisition of Fosse Shopping Park

3

To encourage a high performance culture and be known as a great place to work, so the best people want to join, stay and thrive.

Staff survey rating

Target

To consistently outperform the benchmark for sustainable staff engagement

Performance this year

Sustainable staff engagement score of 86% compared to the UK National normal rating of 78%*

* Source: Towers Watson

Number of health and safety incidents

Target

400,000 hours working without a reportable incident

Performance this year

490,916 **A** hours working without a reportable incident

There were two reportable employee incidents in 2014/15

Future KPI

For next year we intend to change the target for health and safety incidents

Future target

10 per cent improvement in incidence performance year-on-year

i These are our key performance indicators, but there are other ways we measure performance which can be found throughout this report and on our website. www.thecrownestate.co.uk

How we create value

4

To ensure high levels of customer satisfaction through the value we deliver and a commitment to excellence in how we do business.

Customer satisfaction surveys

Target

Increase in customer satisfaction rating against the baselines established in the first year of completing customer satisfaction surveys

Performance this year

Customer satisfaction surveys have been completed for the Coastal and Energy and Infrastructure portfolios and a baseline for future performance has been established

5

To measure, report and improve our Total Contribution to ensure that we create value beyond our financial return, acting responsibly, with sustainability built into everything we do.

Carbon emissions

Target

Improve carbon emissions intensity performance by 50% against the 2012/13 baseline for property under our direct control by 2022

Performance this year

4% improvement in emissions intensity

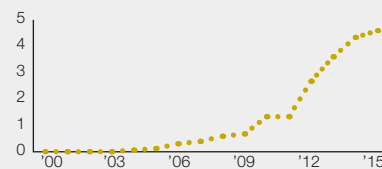
Renewable energy operational capacity

Target

Facilitate installation of 5–8 GW of offshore operational renewable energy generation capacity on our portfolio by 2015/16

Performance this year

4.6 GW operational and 0.8* GW new operational in 2014/15



Future KPI

We are continuing to develop metrics for all our resources and relationships

Future target

To provide evidence that we are making a positive impact beyond our financial return

* Operational equates to capacity that has been installed and is now operational. Previous years' performance showed installed capacity.

6

To be recognised and respected for delivering conscious commercialism, and operating as one business, one team, with a common sense of purpose.

Independent media analysis of key messages delivery

Target

Achieve key message delivery at levels above public relations industry standard for 'excellent message delivery' (41%)

Performance this year

Average 42%* key message delivery across our portfolios

* Source: Gorkana

Staff survey of The Crown Estate delivering on its core proposition of conscious commercialism

Target

Consistently high positive sentiment among staff that The Crown Estate is delivering conscious commercialism

Performance this year

69%* favourability among staff that The Crown Estate delivers on its core proposition of conscious commercialism

* Source: Towers Watson

Future KPI

We have commissioned a comprehensive independent reputational survey of our key stakeholders

Future target

Establish a framework and benchmark in order to improve year-on-year awareness of our approach to business

Key factors affecting our performance

Material issues Our material issues are factors that have the potential to most significantly influence our ability to deliver our strategic objectives. They are reviewed on an annual basis through a cross-business workshop facilitated by an external third party. The results are endorsed by the Management Board.

Reputation and trust

Resources and relationships relevant to the issue

What it's about
A good business is a responsible business. Society expects that businesses should be managed responsibly

What we're doing
Inspiring trust through leadership, and demonstrating how seriously we take our responsibility for the long-term management of the assets we look after on behalf of the nation

Performance measures

- Being the partner of choice so that third party funds are available, when required, from appropriate partners (KPI)
- Improvements in the awareness and recognition of how we deliver conscious commercialism as indicated by key message delivery (KPI) and staff understanding (KPI)

Strategic objective

Sustained and profitable growth in response to our markets

Resources and relationships relevant to the issue

What it's about
Our response to changing market conditions will have a direct impact on the delivery of the growth of the business

What we're doing
Implementing our investment strategy and tactical decision-making together with keeping costs under control and so continuing to grow our revenue surplus and outperform our peer group at a total return level

Performance measures

- Annual revenue profit year-on-year growth (KPI)
- Total return compared to our IPD bespoke benchmark (KPI)

Strategic objective

Government policy

Resources and relationships relevant to the issue

What it's about
Changes in Government policy can have a significant impact on the business and our customers' investment and operational strategies

What we're doing
We work with the grain of Government and need to anticipate and be responsive to changes in policy that may impact on our business

Performance measures

- Active participation in key policy reviews, openly communicated through corporate channels

Strategic objective

Health of the economy

Resources and relationships relevant to the issue

What it's about
Our performance is influenced by the UK's economy – as economic conditions improve so do the opportunities for us

What we're doing
Increasing our contribution to the UK economy. Our performance is influenced by the economy – as economic conditions improve so does our performance

Performance measures
Our Total Contribution

Strategic objective

Customer focus

Resources and relationships relevant to the issue

What it's about
Our ability to provide appropriate service to our customers and tenants in order to satisfy their needs

What we're doing
Following the results of our first ServCheck (Institute of Customer Service) survey we are developing a business-wide customer focus strategy. We are rolling out customer satisfaction surveys across the business

Performance measures
Customer satisfaction survey (KPI). A second ServCheck survey is under consideration for 2016 and then every other year thereafter

Strategic objective

Technological change

Resources and relationships relevant to the issue







What it's about
Technological innovation has rapidly changed the way information is shared and managed by organisations

What we're doing
Technological advancements mean that we are responding to changing customer demands for flexibility with how spaces are used
We encourage flexible working
We take positive steps to safeguard our data and the security of our systems

Performance measures

- Compliance with ISO 27001 Information Security Standard achieved
- Our response to technological change so far as it affects demand for different types of spaces is reflected in our performance against total return and capital growth benchmarks (KPIs)

Strategic objective

-  Financial resources
-  Physical resources
-  Natural resources
-  Our people
-  Our know-how
-  Our networks

i Resources and relationships
See pages 40–41

i Material issues
<http://www.thecrownestate.co.uk/our-business/material-issues/>

Power of strategic counter-parties

Resources and relationships relevant to the issue



What it's about

Strategic partnerships need to be aligned to our core values and investment strategy

What we're doing

Creating strategic partnerships and attracting investors who share our values to provide capital that enables us to continue to reinvest

Performance measures

- The amount of third party funds under our management
- Percentage of capital value held in joint arrangements

Strategic objective



Attraction, development and retention of best talent

Resources and relationships relevant to the issue



What it's about

Attraction, development and retention of the best people are vital to the successful delivery of our strategic objectives

What we're doing

Ensuring that we attract and retain the best people, encourage a high performance culture and are recognised as a great place to work

Performance measures

- Employee turnover
- Training hours per employee
- Employee salary by gender and grade
- Salary packages marked to market
- Working hours without a reportable incident (KPI)
- Health and safety incident performance year-on-year improvement
- Performance for sustainable staff engagement against the National UK Normal rating (KPI)

Strategic objective



Governance

Resources and relationships relevant to the issue



What it's about

A governance structure appropriate for the business allows us to respond effectively to the competitive and statutory environment in which we operate

What we're doing

Ensuring that we have the right culture, organisational structure and management processes in place to achieve our strategic objectives and vision

Performance measures

See our Governance report pages 56–87

Strategic objective



Natural resources

Resources and relationships relevant to the issue



What it's about

Whilst some natural resources are abundant and create commercial opportunities for us and our stakeholders, other natural resources are finite and need to be managed responsibly if supply chains are to be secured and costs controlled

What we're doing

We have mapped the natural resources we depend on, together with the functions they fulfil, to better understand where specific risks and opportunities may lie with regard to their ongoing availability and value to us and to society

Performance measures

- Operational and development waste diverted from landfill
- Absolute water consumption

Strategic objective



Successful placemaking

Resources and relationships relevant to the issue



What it's about

Placemaking enhances our buildings and the spaces around them, creating environments where people choose to live, work or spend their leisure time

What we're doing

We have developed principles for successful placemaking, which are embedded into all of our new developments

Performance measures

- Number of projects achieving BREEAM 'excellent' rating; visitor numbers/footfall
- Public realm projects undertaken
- Awards for excellence

Strategic objective



Review of our activities See pages 12–33

Climate change

Resources and relationships relevant to the issue



What it's about

Climate change presents physical, financial and regulatory risk and opportunity to our business and society as a whole

What we're doing

Managing and responding to the physical, financial and regulatory risk and opportunity that climate change presents to our business

Performance measures

- Greenhouse gas emissions intensity indexed trend (KPI)
- GW of operational renewable energy capacity (KPI)
- Absolute emissions

Strategic objective



Delivering sustainable results

Finance Director's review Creating value, not only from a financial perspective, but also social and environmental, is woven into the fabric of our organisation.



This has been another strong year for The Crown Estate, with excellent progress on all fronts. Not only have we delivered record profits for the fifth consecutive year, but we have also continued to expand our integrated reporting capability, further demonstrating the links between sustainability and financial performance.

We have delivered a record net revenue profit of £285.1 million for the year ended 31 March 2015, up £18 million or 6.7 per cent on the previous year. We have generated a total of £2.3 billion for the Treasury over the last decade and have consistently outperformed our IPD bespoke benchmark.

However, there is more to The Crown Estate than those figures demonstrate. We are amongst a growing number of organisations leading the way in integrated reporting. This is the third year of our three-year plan to adopt and implement the principles of integrated reporting in order to show how creating value, not only from a financial perspective, but also social and environmental, is woven into the fabric of our organisation.

Our approach has earned respect and praise from the reporting community for which we are proud. It is also extremely pleasing to see how our commitment to integrated reporting has inspired others to follow suit: businesses, their stakeholders and society in general are increasingly concerned with the creation of value beyond financial return.

We began our own journey in the 2012/13 annual report by outlining our business model, discussing our material issues and integrating sustainability into the body of the report instead of adding it as a separate section. Last year, we expanded our focus by setting out our strategic objectives, adding a new section on Our Markets and setting out how our business is driven by our six resources and relationships. This year, we have provided more explanation of the contribution to the overall value creation made by our different resources and relationships. How the resources and relationships create value over and above financial is continuing to evolve and our website provides further details of our Total Contribution approach. We have asked consultants PwC to provide insight into the maturity of the performance

indicators underpinning the resources and relationships, their preparation and reporting.

There is exciting work underway that aims to demonstrate how sustainability initiatives, such as soil improvement practices, translate directly into increased asset value for ourselves and improved performance for our tenants. Details on this project, among others, will be posted on our website in due course.

Scottish devolution

The findings of The Smith Commission, published in November 2014, recommended that the management of The Crown Estate's economic assets in Scotland be devolved to the Scottish Parliament. Legislation is required to give effect to this recommendation. On 28 May 2015 a Scotland Bill was introduced to the UK Parliament, which contains provisions setting out how devolution of The Crown Estate's management responsibility will be achieved.

We are working with the Government officials and Scottish Government to help inform how this recommendation can work in practice as it moves through the various stages of legislation. We have established a dedicated project team who are working over and above business as usual to inform and facilitate a swift and smooth transfer of the management of the economic assets to the Scottish Government.

No adjustment for the devolution of the Scottish assets has been made in these financial statements, as until the legislation is passed, the exact details and timing of the transfer are unknown. At 31 March 2015 the value of our assets in Scotland were £261.5 million, which represents 2.6 per cent of the value of The Crown Estate's wholly owned property.



We are amongst a growing number of organisations leading in integrated reporting.

Financial resources

Annual revenue profit

Our revenue profit for the year was £285.1 million, which represents a 6.7 per cent increase on last year – a record profit for The Crown Estate.

The main contributors to this have been strong and early lettings from our developments that came on stream during the year. The Fosse Shopping Park investment with Ginkgo Tree has also provided a valuable contribution. The Energy and Infrastructure business increased its income following the early commissioning of wind farm sites and an increased contribution from marine minerals. On the downside, the current low interest rate regime has resulted in reduced investment income this year.

Net assets

The capital value of The Crown Estate at 31 March 2015 was £11.5 billion, an increase of 16.1 per cent over the previous year's value. The majority of this increase is as a result of property valuation gains of over £1.5 billion. The review of the property valuation below provides further details of this movement.

Cash flow

At the end of the year our cash balance stood at £552.5 million, a similar figure to the end of last year. Total capital activity in the year amounted to nearly £1 billion, a similar figure to the previous year.

Our capital spend (including amounts invested through joint ventures and other property investments) totalled £506 million. Of this, £173 million relates to our share of the acquisition of Fosse Shopping Park. We also acquired a 6.4 per cent interest in the Pollen Estate for £38.1 million.

Development spend totalled over £140 million in the year, with developments in Regent Street, particularly W5 South, accounting for the majority.

Disposals realised £419 million: among the disposals were the Four Seasons Hotel, Park Lane, London, Apsley Mills Retail Park in Hemel Hempstead and the Crown Industrial Estate in Taunton.

Overall our capital activity led to an outflow of funds of £63.3million compared with an outflow of £61.7 million in 2013/14.

Physical resources

Strategic joint ventures

We now manage strategic joint ventures containing over £1.5 billion of our partners' funds, up 61 per cent on last year's figure of £968 million. Acquisitions, the appointment of The Crown Estate to the management of the Princesshay Shopping Centre in Exeter on our Regional portfolio, as well as the uplift in value of Regent Street have been the main contributors to this increase.

Property valuation

The total property value of the estate, including the share of joint venture and other property investments, increased to £11 billion at 31 March 2015, an increase of 16.7 per cent over the figure of £9.4 billion at 31 March 2014.

The key highlights include:

- The Urban portfolio has grown by over 19 per cent and is now valued at £8.2 billion, driven by strong commercial property values in central London.
- The Rural and Coastal portfolio is now valued in excess of £1.6 billion.
- The Energy and Infrastructure portfolio has grown to £868 million, driven by an increase in the value of offshore renewables.

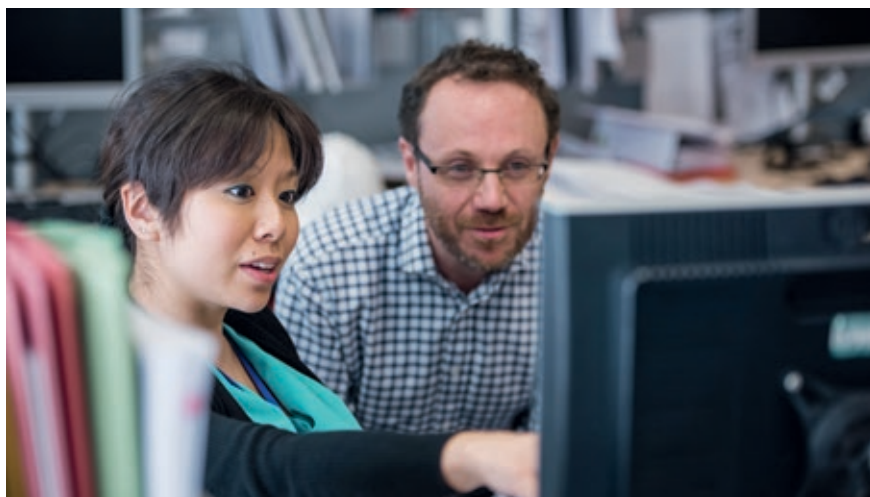
- Windsor has grown by 16 per cent to £261 million.

Performance this year has been driven by our West End portfolio. Capital growth from standing investments was 18 per cent, driven in equal part by yield compression and rental value growth. However, after transactions and development activity are taken into account, the underlying capital growth increased to 25 per cent. Particularly strong contributions came from our development programme, associated lettings ahead of forecast, plus planning permissions to return listed office properties to their former residential use.

Outside of London, capital growth was more muted at 5.2 per cent. Principally through acquisitions, the value of the Regional portfolio has grown by 19.6 per cent to £2.2 billion. However, with 85 per cent concentrated on the prime end of the retail sector it did not benefit from the increased investment appetite and associated yield compression experienced in the South East office and industrial sectors.

Nevertheless, the total Urban Commercial portfolio delivered an exceptional Total Return of 23.8 per cent, beating the IPD Quarterly Index by 5.8 per cent. Of that outperformance, 3.5 per cent came from held investments, 0.9 per cent from transactions and 1.4 per cent from development activity – a strong vindication of our active approach to asset management.

The combined Rural and Coastal portfolio has increased in value by a more muted 6.1 per cent to £1.6 billion. However, after taking account of net receipts of £29 million the underlying capital growth was 8.1 per cent. The fundamental driver of values across the portfolio was the increase in value of prime agricultural land with vacant possession,



Our talented, professional and experienced people are critical to the delivery of Vision 2022.

although the market continues to be characterised by diverging values across the UK. Growth has been stronger on commercial arable farms in East Anglia and the East Midlands and weaker on the estates with smaller livestock farms and a higher residential weighting. Significant contributions also came from planning permissions gained on strategic land which, on a like-for-like basis, increased in value by around 10.5 per cent. The coastal element of the portfolio saw capital values increase by 2.7 per cent to £224 million.

The Energy and Infrastructure portfolio has grown in value by 14.4 per cent to £868 million, although after net capital receipts of nearly £12 million the underlying capital growth was 15.9 per cent. The principal growth area was offshore wind, which increased by 18 per cent due to a combination of physical progress and an inward movement of yields as the industry matures. There is now 4.6 GW of operational capacity, 1.1 GW under construction and 12.5 GW consented. Elsewhere, the offshore aggregates valuation increased by 16 per cent to £137 million in recognition of higher levels of forecast extraction and the inclusion of multiple one-off projects within the valuation.

Our principal valuers remain DTZ on our core West End holdings, JLL on our Regional and Residential properties and Savills on the Rural portfolio. JLL also value the Offshore Wind portfolio.

Natural resources

Accounting for natural resources

We recognise that we not only have responsibility for natural resources on our land but also that we are reliant upon natural resources in our supply chain, particularly for our development activity. We have mapped the natural resources we depend on, together with the functions they deliver to better understand where specific risks and opportunities may lie with regard to their ongoing availability and their value to us and to society.

During the year we have worked with the Natural Capital Committee on its Corporate Natural Capital Accounting project, which enabled us to show the wider societal value generated by the Windsor estate from its natural capital. We also worked with The Prince's Accounting for Sustainability (A4S) team to produce an introduction for finance teams on natural and social capital accounting and its influence in decision-making. This work will continue over the coming year as we have committed to being a pilot in the development of the Natural Capital Protocol (being overseen by the Natural Capital Coalition) to help build consensus on a harmonised framework for natural capital accounting.

Internally we have driven a number of initiatives across our portfolios. As well as introducing soil quality clauses into our agricultural leases, we have been building upon our own supply chain standards. We have developed guidance for occupiers of our buildings who are carrying out fit-out work to help them to make more informed decisions on the materials they use. Also, we have developed an Ecological Masterplan for the West End of London which is set to develop an ecological corridor connecting

St James's Park with Regent's Park, along Regent Street. In order to increase the impact of this we are working in partnership with adjacent landowners.

We continue to have a proactive programme for the good management of our natural resources. This includes working to bring 50 per cent of our 8,500 hectares (21,000 acres) of Sites of Special Scientific Interest (SSSIs) in England into 'favourable' condition by 2020, in line with the Government target. Currently 42 per cent are in 'favourable' condition with 98 per cent being in 'favourable or recovering' condition. As part of this work we have cleared another 92 hectares (227 acres) of the invasive rhododendron at Windsor and Dunster and undertaken scrub control work on 15 hectares (37 acres) of Hopcott Common at Dunster to benefit the endangered Heath Fritillary butterfly. Given the programme we have in place, Natural England expects us to exceed the 50 per cent target. Our 10,000 hectares (24,700 acres) of forestry is managed under a multi-purpose policy, integrating the conservation of wildlife, timber production and public access and all is Forest Stewardship Council (FSC) certified.

Climate change

Climate change is a material issue for The Crown Estate as it presents physical, financial and regulatory risk and opportunity to our business. In response to this our focus is on mitigation, adaptation and enabling the development of low carbon energy. We continue to reduce our impact by addressing climate change in our decision-making, using tools for investments, development and property fit-out. On our Rural and Coastal portfolio we address climate change adaptation in our forest resilience



We consider a shared purpose, vision and core values, alongside great leadership to be key drivers of sustainable performance.

programmes by recognising and incentivising good soil management.

We are working to further reduce our carbon impact and achieve our carbon emissions intensity target. Through our managed improvement programme we are exceeding the Energy Savings Opportunities Scheme (ESOS) requirements by not only undertaking the required audits but implementing the recommendations from these. With regard to Minimum Energy Efficiency Standards (MEES) we are anticipating forthcoming changes and identifying an agreed strategy across all business areas on addressing impacts on EPCs.

Our carbon emissions intensity (kgCO₂e/m² weighted and indexed to baseline 2012/13) improved by 4 per cent over the past financial year. Considerable improvements of 22 per cent have been made on our St James's portfolio, and we expect these to be accompanied by improvements on other parts of the Urban portfolio where there is huge potential with the roll-out of significant energy efficiency initiatives. Our carbon emissions intensity now stands at 94 index points against our 2012/13 baseline of 100. Our target is to reach 50 index points by 2022/23. Due to the fluid nature of our portfolio, our performance is measured against carbon emissions intensity rather than absolute carbon emissions.

We will continue to find ways to reduce our direct impact but we recognise that most of the emissions from our business are created by others and are therefore outside of our direct control and not included in the table above. Through our Total Contribution we are measuring the emissions produced, averted through renewables and sequestered by trees and plants over our entire portfolio, to help identify action to improve our overall carbon budget.

GHG Emissions Data – 1 April 2014 – 31 March 2015

	2012/13 Emissions (tCO ₂ e)	2013/14 Emissions (tCO ₂ e)	2014/15 Emissions (tCO ₂ e)
Scope 1			
Direct emissions from fleet and the heating of buildings	5,789	6,169 ¹	6,443
Scope 2			
Emissions from generated electricity usage	20,054	21,201	13,548
Gross Scope 1 and Scope 2 emissions	25,843	27,370¹	19,991
Emissions intensity (indexed kg CO₂e)²	100	98	94 ▲

Data note: We have used the GHG Protocol Corporate Accounting and Reporting Standard to calculate our emissions. This includes reporting all sources of emissions that are under our operational control. For more detail on the breakdown of emissions please see online.

- 1 Improved data management identified over-reported Scope 1 emissions at Charles House (St James's) by 927 tCO₂e in 2013/14. This is now restated.
- 2 We have updated our intensity calculation methodology this year. However, we have not restated our baseline (2012/13) or previous year (2013/14) due to the extent of change. Please see online for detail.

Our understanding and measurement of indirect Scope 3 emissions from energy used exclusively by our tenants has improved. As a result emissions previously classed in Scope 1 and 2 have been moved into Scope 3. Previous years have not been restated. Overall Scope 3 emissions have increased from 3,768 tCO₂e (2013/14) to 15,995 tCO₂e (2014/15). Scope 3 emissions also include business travel, car hire, electricity transmission and distribution losses.

Therefore our total gross Scope 1, 2 and 3 emissions for 2014/15 were 35,986 tCO₂e ▲ compared to 31,138 tCO₂e in 2013/14. See our website for more details.

Our people

Our talented, professional and experienced people are critical to the delivery of Vision 2022 and we are focused on providing the best environment and leadership so that we continue to be successful in retaining and inspiring our people to deliver on our strategic objectives. We continue to aspire to be a great place to work and attract key talent.

We consider a shared purpose, vision and core values, alongside great leadership to be key drivers of sustainable performance; for stimulating innovation, creativity and growth in our business. We invest heavily in our people and look to all employees to embody our core values of commercialism, integrity and stewardship.

This year we formalised our shared corporate behaviours with metrics integrated into our performance management system across the organisation. Our people's united commitment to these behaviours is helping to further embed our core values within the culture of the organisation.

Diversity and inclusion

At The Crown Estate we are committed to equality and diversity amongst our workforce.

We recruit for talent, not background, and work hard to attract people who understand and reflect the interests of our customer base, and who will enrich conversations and decision-making.

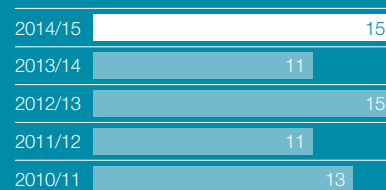
We are developing a number of internal initiatives and starting to partner externally with like-minded networks, such as Stonewall, OUTstanding, Freehold, Real Estate Balance and Leonard Cheshire. We are also members of the Business Disability forum. We recognise we have some way to go to fully integrate diversity and inclusion within our business. But we have the determination to see this through and improve our performance as a result.

The gender diversity of our employees is 32 per cent female as shown above split by salary, whilst 20 per cent of our Main Board, 43 per cent of the Management Board and 21 per cent of our senior managers are female.

Employee salary ratios by gender 2014/15 (68% male, 32% female)



Employee turnover (% of total employees)



Reward

We offer competitive reward packages (salary and performance-related incentives) and these are aimed to be set around the market median for the majority of roles, benchmarked against comparable organisations in the sectors in which we operate. We continue to ensure real alignment between reward and performance.

We also provide a range of core and voluntary employee benefits, including pensions, enhanced maternity and paternity leave, sick pay, season ticket loans, dental and critical illness insurance as well as offers unique to The Crown Estate. During 2015 our benefit offering will be enhanced with the introduction of private medical insurance and a wider range of voluntary benefits.

During the year we worked with the Living Wage Foundation to become accredited as a Living Wage employer and were able to formally announce this accreditation recently, the first national property organisation to do so. The Living Wage commitment will ensure that everyone working for The Crown Estate, regardless of whether they are permanent employees or contractors, receives a minimum hourly wage of £9.15 per hour in London and £7.85 per hour outside of London, significantly above the current national minimum wage of £6.50.

Human rights

We adhere to all applicable laws in the UK including those related to human rights and employment. For our supply chain, which does stretch beyond the UK, we are committed through our contractors and business partners to operate in accordance with the Universal Declaration of Human Rights (UDHR), the International Labour Organisation (ILO) Core Conventions and the Guiding

Principles on Business and Human Rights endorsed by the United Nations Human Rights Council.

We are not aware of any breaches in the last financial year.

Health and safety

The Crown Estate is absolutely committed to the health and safety of our employees and all those affected by our undertakings across all areas of the business.

Our commitment to improve health and safety is clearly demonstrated by the structural changes that have been made during the year. Our overall performance has been good – we exceeded our target of 400,000 working hours without a reportable incident, achieving 490,916 hours. Also, our incident rates demonstrate that our reporting culture is improving while serious incidents are reducing.

We have continued with the implementation of our three-year improvement plan and can demonstrate a positive shift in both attitudes and behaviour. Work undertaken included a range of activities from safety leadership training and safety tours, to managing agents' health and safety forums to share best practice.

Our accident frequency rate (AFR) has continued to fall (see chart). The number of serious incidents that were reportable to HSE has also fallen from three during 2013/14 to two during 2014/15.

Wellbeing

The contribution of our talented group of employees is critical to our success and we support our staff in leading healthy lifestyles that increases their wellbeing and at the same time improves our performance. This is part of our plan to

support an optimal work-life balance and reduce days lost through sickness.

From 1 April 2015, we introduced BUPA health insurance cover for our employees and will offer discounted rates for employees to purchase cover for family members from July 2015.

The new health benefit also enables employees to access a 24/7 medical helpline for advice and support and gives access to discounted online health and wellbeing offers. We continue to provide beneficial rates for dental services as well as a free comprehensive employee assistance facility.

In April we also introduced an on-site occupational health nurse at Windsor to support our employees in managing their health and wellbeing.

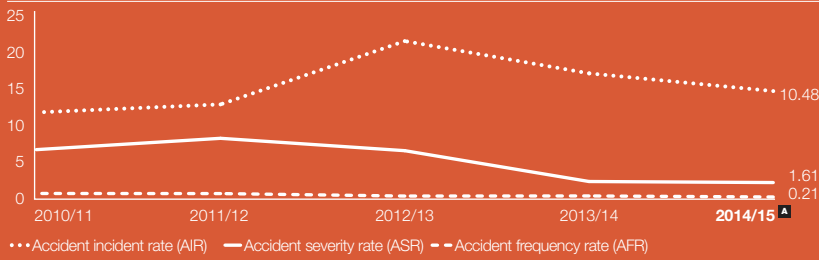
In order to encourage us all to adopt a healthy lifestyle both personally and professionally, we have started to roll out a programme of informative health and wellbeing seminars, and interactive workshops as well as weekly staff-led healthy eating activities.

Employee engagement

During October 2014, we conducted our first bespoke employee engagement survey 'One Voice', achieving an impressive response rate of 84 per cent across the business. One of our key performance indicators is sustainable staff engagement and we are pleased that we outperformed the UK national benchmark in this category.

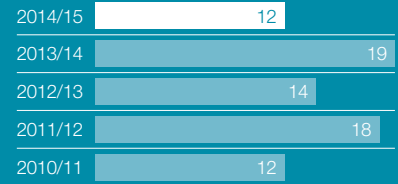
An important indicator from the survey confirmed the pride employees feel in working for The Crown Estate and would recommend it as a good place to work. The survey has given us a focus on those areas where we need to improve and we have agreed priority action areas which each area of the business is now delivering.

Health and safety incidents



AIR – Total number of employee incidents per 100 employees
 ASR – Total number of employee lost days per 1,000 hours worked
 AFR – Total number of reportable incidents per 100,000 employee hours worked

Average hours of training per year per employee



Training

Key areas for training during the course of the year have included diversity, professional development, IT applications, leadership development and compliance/health and safety. Building upon this platform, The Crown Estate will be increasing its focus on succession management, as well as developing our own 'Academy' to enhance overall performance and support career development.

Our know-how

We recognise that a lot of our success can be attributed to our know-how, which we define as our collective expertise and the way in which we deploy our resources, both tangible and intangible, in the way we do business. We have consistently outperformed our IPD bespoke benchmark as a result of our proactive asset management style and collaborative and personal approach. These attributes enhance our reputation and ability to attract partners on a global scale, attract and maintain quality tenants, facilitate due process and command higher returns.

Know-how is hard to measure but is found in all parts of our business. On our Rural portfolio we unlock the potential of strategic land to deliver higher returns. Regent Street and St James's, between them, are now recognised internationally for their high-quality office space, premium retail brands, dining space, quality construction and finish. As managers of the seabed we apply our knowledge and expertise to support the offshore renewables sector, unlocking its potential and contributing to our revenue stream. Our growing collective expertise, extensive experience and stakeholder relationships are helping drive the sector's growth.

Our networks

Supplier payment performance

We observe the principles of the 'Better Payment Practice Code' and our payment policy is to pay all suppliers within 30 days of receipt of a correctly documented invoice, or on completion of a service where a fee is recoverable from a third party or according to contract where a shorter payment period is agreed. During the year to 31 March 2015, we paid 77 per cent of supplier invoices within this period (2013/14: 75 per cent). This includes disputed invoices and amounts recoverable from third parties. On average suppliers are paid within 29 days of receipt of invoice (2013/14: 30 days).

Charitable donations

Under the terms of the Crown Estate Act 1961 we are restricted in our ability to make charitable donations. As permitted by the Crown Estate Act 1961 (Section 4(2)) we made donations of £nil (2013/14 £nil). Instead our focus has been on supporting community projects through our new organisation-wide Stewardship Programme. The programme focuses on four key areas: education, employment, environment and skills.

Education, employment, environment and skills

Actively engaging young people in the communities in which we work remains an important part of our stewardship commitment. Our work experience and mentoring initiative, Project Education, introduces young people to the work we do, broadening horizons that may be limited by their domestic, social or financial circumstances and helping to address the imbalance in the professions

we represent. Sharing our knowledge and abilities in training workshops assists the people recruited through Recruit London, our local employment programme, to build the skills necessary to land long-term employment.

Encouraging understanding of and responsibility for the natural environment is the focus of our marine education work and the activities we host in our forests and at Windsor Great Park. The educational opportunities we help to deliver for children are supported by online resources and teaching resources we provide for schools.

Promoting sustainable thinking and the benefits it brings to communities, our 'Under the Big Green Leaf' roadshow took in nine of our retail parks and offered a range of interactive sustainability and eco-friendly activities. These events offered shoppers a unique and entertaining learning experience, whilst increasing footfall to our tenants: a prime example of The Crown Estate living its core proposition of conscious commercialism.

John Lelliott
Finance Director

Committed to strong governance

Governance The Crown Estate is in an unusual position as both a public body set up to carry out a commercial mandate whilst remaining independent from Government. That structure enables us to draw on best practice corporate governance from both the private and public sectors.

We supplement our statutory requirements under the Crown Estate Act 1961 with the terms of the Code of Good Practice 2011, issued jointly by HM Treasury and the Cabinet Office, and the UK Corporate Governance Code 2014, issued by the Financial Reporting Council – which we have sought to adopt in the current year. The Board supports the principles and provisions set out in both Codes insofar as they are applicable to the circumstances of The Crown Estate and are consistent with the 1961 Act.

I and my fellow Board Members and Counsellors, firmly believe that long-term business performance is built upon foundations of strong corporate governance. Strong governance reinforces conscious commercialism as our way of doing business and our reputation as an ethically accountable and transparent organisation with a culture that encourages debate and contribution from the Board and the executive.

The Crown Estate has carried out a series of activities this year which demonstrate its commitment to strong governance.

- We continue to adopt the ‘going concern’ basis of accounting and we are confident of our continuing ability to do so.
- Our business is designed to promote and encourage the delivery of long-term benefits which enhance capital growth and our revenue returns to the Treasury for the benefit of the UK.
- Our Remuneration Committee has been working closely with reward specialists, Towers Watson. This ensures that our executive remuneration encourages and promotes long-term successful

performance and governance standards from our executive team and that we are able to continue attracting the talented individuals needed to secure this performance.

- The Audit and Risk Committees continuously provide robust assessments of our principal risks, identifying how they are best managed and mitigated, with assessments presented to the Management Board and Main Board on a bi-annual basis. At our half-year strategy Management Board meeting, in October 2014, our Head of Internal Audit also hosted a risk workshop. The workshop was used to define our executive’s risk appetite, identify our key risks, provide a high-level strategic risk evaluation, and outline mitigation steps and actions. The outputs from that workshop were then reported to both the Board and the Audit Committee.
- Last year I reported that, as part of the delivery of our Vision 2022, we recognised that we needed to review our internal structure and governance to ensure it would support our growth over the next ten years and reflect the increased complexity, ambitions and diversity of our business. I am therefore delighted to report that The Crown Estate Board has ensured that we have acted upon the recommendations of the externally facilitated review, conducted by PwC, last year. The changes we have made following that review have allowed us to enhance our strong governance principles and practices.
 - We welcomed our first professionally qualified accountant, Paula Hay-Plumb, to the Board in January 2015. Paula also now chairs our Audit Committee.
 - We also set up a Nominations Committee, which met for the first time in November 2014, and has already set in motion formal succession planning for our Board Members, Board Counsellors and Management Board. The Committee is also assessing the skill-sets needed to maintain a diverse and comprehensive Board, aligned with business needs and best practice requirements. This Committee is a well-supported addition to our Board and Committee structure which will act to ‘future-proof’ our business.
 - The merger of our Energy and Stock Selection Committees into a single Investment Committee has been extremely well received, and has enabled all of our transactional business, from across all of our portfolios, to be assessed and discussed on one level platform. This has ensured that all of our investment decisions are considered with equal weighting and commercial integrity. The Board also extended the delegated financial remit of the Committee which has allowed the Board to operate at a more strategic level.
- Finally, as mentioned in my opening remarks, following the recommendations of the Smith Commission to devolve responsibility of the management of The Crown Estate’s economic assets in Scotland to the Scottish Parliament, the Board and Management Board continue to work on the transition, keeping the interests of our staff, customers, partners, tenants and the communities where we work at the forefront of the process.

As can be seen, it has been an extremely busy year for the Board, and further details of its activities are set out in the monthly Board activity table detailed later in this report.

Our focus for the year ahead will be to embed the work of our Nominations Committee further into the business, continue to develop our executive remuneration and reward programmes to support our long-term goals and aspirations, as well as continuing with the preparation of the transfer of the management of our economic assets in Scotland.

The Board has considered the Annual Report and Accounts and are of the view that taken as a whole they are fair, balanced and understandable and provide the information necessary for our stakeholders to assess The Crown Estate's performance, business model and strategy.

The following section of the report provides more detail on our approach to governance, including the Board's statutory position and composition, as well as delegated authorities, and the work of the committees.



Sir Stuart Hampson
Chairman

Leadership

As a Board, we constantly strive to challenge the strategy and continuing successful performance of the business. As our business continues to develop, we are always evaluating how we lead the business: the delegated authorities of our Boards and Committees, ensure that our reporting structures support the dynamic nature of our business, whilst ensuring that we empower and encourage our talented team of professionals throughout the business to continuously strive to deliver.

i Further information on our leadership
See pages 61–62

Effectiveness

Evaluating our effectiveness as a Board is of utmost importance, ensuring that we always have a full complement of skill-sets and expertise around the boardroom table to sufficiently advise, promote and drive the organisation to deliver the excellent results it reports year-on-year. To ensure an objective approach, we welcome external evaluation, and have reported on our achievements against PwC recommendations, following our review last year.

i Further information on our effectiveness
See page 65

Accountability

As a Board, we are accountable to the business, our stakeholders and the Treasury. We therefore take very seriously our responsibilities of managing the assets that we hold on behalf of the Sovereign. Our decisions take into account those who we are responsible to, but also, in a wider context, the environment in which we operate and the consequences our decisions have. These considerations form the basis of our risk appetite and our approach to risk management. Ensuring our risk management processes are sufficiently robust, and that our reporting is fair, balanced and understandable, ensures we can provide confidence to those we are accountable to.

i Further information about our accountability
See page 76

Remuneration

As a business with a mandate that has been in force for several hundred years, we have always taken a long-term view, and run the business as a 'going-concern'. That means ensuring we have the right people with the right motivation doing the right jobs within our business. Our remuneration packages are currently being evaluated to ensure we are able to attract new talent whilst continuing to incentivise our current team to constantly strive to achieve the best that they can for the benefit of the business with a long-term perspective.

i Further information on remuneration
See page 82

Relations with shareholders

As a statutory corporation with a financial responsibility to the UK taxpayer, we do not have shareholders. However, our business is reliant on the relationships we have with all of our stakeholders and business partners. We take these relationships extremely seriously as they underpin the very essence of our business. You will find key examples of the relationships we build throughout the Annual Report.

Board Members



From left: Ian Marcus, Dr Tony White, Alison Nimmo, Sir Stuart Hampson and Chris Bartram

Sir Stuart Hampson Chairman and First Commissioner

Appointment

Sir Stuart took up the post of Chairman of The Crown Estate on 1 January 2010.

Key strengths

- Leadership
- Strategic overview
- Government relations

Experience

Sir Stuart was educated at St John's College, Oxford. He spent 12 years as a civil servant before joining the John Lewis Partnership where he was Chairman for 14 years. He was a founding member of the Oxford Retail Group on planning law and of London First, the private/public sector partnership aimed at maintaining London's standing as a world-class capital.

External appointments

Sir Stuart has chaired the Business in the Community team tackling economic renewal in deprived communities. Sir Stuart was Chairman of the Royal Society of Arts from 1999 to 2001 and President of the Royal Agricultural Society of England in 2005/2006. He was knighted in 1998 for services to retailing.

Gareth Baird DL, FRAGS Non-Executive Board Member and Scottish Commissioner

Appointment

Appointed to the Board on 1 October 2009.

Key strengths

- Scottish affairs
- Farming
- Enterprise

Experience

Gareth is a third generation tenant farmer involved in arable and beef production near Kelso in the Borders and is a leading figure in Scotland's agricultural and food and drink sectors.

External appointments

Gareth is Chairman of Scott Country Potato Growers Ltd, Vice Chairman of Grainco Ltd, and a Director of Scotland Food and Drink. He has been involved with farming co-operatives for many years, and it was this commitment to co-operation that led to Gareth being Chairman of the Scottish Agricultural Organisation Society (SAOS) for two separate three-year terms. He currently chairs the South of Scotland regional advisory board of Scottish Enterprise. He is a fellow of the Royal Agricultural Society and Deputy Lord Lieutenant for Roxburgh, Ettrick and Lauderdale.

Alison Nimmo CBE, FRICS, MRTPI, FICE Chief Executive and Second Commissioner

Appointment

Alison took up the post of Chief Executive of The Crown Estate on 1 January 2012.

Key strengths

- Leadership
- Corporate overview
- Government relations
- Urban regeneration/property

Experience

Alison spent five years with the Olympic Delivery Authority (ODA) where, as Director of Design and Regeneration, she was responsible for delivering the overall design and early delivery of many of the venues for the London 2012 games. Her previous roles have included Chief Executive of Sheffield One and Project Director of Manchester Millennium Ltd. She was awarded a CBE in 2004.

External appointments

Alison is Non-Executive Director at Berkeley Group and a visiting professor for Sheffield Hallam University. In 2014, she was awarded the prestigious Royal Town Planning Institute Gold Medal for recognition of her services to town planning and sustainability throughout her career.

Ian Marcus MA, FRICS Non-Executive Board Member and Senior Independent Board Member

Appointment

Appointed to the Board on 1 January 2012. Appointed Senior Independent Board Member on 31 January 2015.

Key strengths

- Real estate investment banking

Experience

Ian was previously Chairman of European Real Estate Investment Banking at Credit Suisse where he was responsible for leading the bank's property related activities across its asset management, private banking and investment banking businesses.

External appointments

Ian is Senior Independent Non-Executive Director of Secure Income REIT PLC, Non-executive Director, Town Centre Securities PLC, Chairman of the Bank of England Commercial Property Forum, Chairman of The Prince's Regeneration Trust, on the Advisory Board of Redevco and a senior advisor to both Wells Fargo Securities and Eastdil Secured. Ian's previous roles have included the Presidency of the British Property Federation and Chairmanship of the Investment Property Forum. He is a member of the Real Estate Advisory Board of the Department of Land Economy at the University of Cambridge, an Eminent Fellow of the RICS and a Member of the Chartered Surveyors Company.

Chris Bartram MA, FRICS Board Counsellor Non-Executive Board Member January 2007 – December 2014

Appointment

Appointed to the Board on 1 January 2007. Appointed Senior Independent Board Member until 31 December 2014.

Key strengths

- Urban asset management and investment

Experience

Chris was Chairman of Orchard Street Investment Management and was Managing Director of Haslemere NV, which was floated on the Amsterdam Stock Exchange in 1999, until 31 March 2015. He was previously Managing Partner of Jones Lang Wootton.

External appointments

Chris is a Non-Executive Director at Land Securities Group plc, an advisor to Orchard Street Investment Management (from 1 April 2015) and is Chairman of Estate Management Development Fund at Cambridge University. He is also a Wilkins Fellow of Downing College, Cambridge. Past appointments include: President of the British Property Federation and Chairman of the Bank of England Property Forum.



From left: Gareth Baird, David Fursdon, Paula Hay-Plumb, Dipesh Shah and Peter Madden

David Fursdon DL, FRICS, FAAV
Non-Executive Board Member

Appointment

Appointed to the Board on 1 January 2008.

Key strengths

- Rural land/business
- Public bodies

Experience

David is a qualified rural chartered surveyor and agricultural valuer. He was educated at St John's College, Oxford and at the RAC Cirencester. He owns and manages an 800-acre family estate in Devon. He was formerly President of the Country Land & Business Association (CLA).

External appointments

David is Chairman of the SW Rural and Farming Network, Chairman of Beeswax Farming Ltd and Chairs the joint Government and Industry 'Future of Farming' Review. He serves as a Non-Executive Director on the Dyson Family Board, is Parish Chairman, a Deputy Lieutenant for Devon, a former member of the Government's Affordable Housing Commission and a former English Heritage Commissioner. Previously he has been a civil servant, a teacher and an equity partner of a firm of auctioneers and chartered surveyors.

Dipesh Shah OBE, MSc, FRSA
Non-Executive Board Member

Appointment

Appointed to the Board on 1 January 2011.

Key strengths

- Energy including renewables and infrastructure

Experience

Dipesh has an extensive background in business, including renewable energy, utilities and infrastructure. Previous appointments include: Chief Executive of the UK Atomic Energy Authority, Chief Executive of several businesses in BP Group PLC, Chairman of Viridian Group Plc, HgCapital Renewable Power Partners LLP and of European Photovoltaics Industry Association, and a Non-Executive Director of Lloyd's of London and Babcock International Group Plc.

External appointments

Dipesh currently holds a number of non-executive appointments with Thames Water Utilities, EU Marguerite Fund, JXX Oil and Gas Plc and Cavendish Fluor Partnership. He is a Trustee of the British Youth Opera and a Governor of Merchant Taylors' School.

Paula Hay-Plumb BSc, ACA, MCT
Non-Executive Board Member

Appointment

Appointed to the Board on 1 January 2015.

Key strengths

- Finance
- Governance and audit
- Regeneration

Experience

Paula is an experienced board director in both the public and private sectors. She completed her term as a Non-Executive Board Member of The National Audit Office in 2014 and chairs The Crown Estate Audit Committee.

She is a Chartered Accountant and a Member of the Association of Corporate Treasurers. In 1997/98 Paula chaired the Government's Coalfields Taskforce and subsequently became a founding Trustee of the Coalfields Regeneration Trust.

External appointments

Paula is a Non-Executive Director of Hyde Housing Association and Aberforth Smaller Companies Trust plc. She is Finance Director of Rosling King LLP. Past appointments include: Chief Executive of National Regeneration Agency, English Partnerships, and Corporate Finance and Group Reporting Director at Marks and Spencer Plc. She was also a Non-Executive Director of Skipton Building Society and the Forensic Science Service; and served as Chair of the National Australia Bank Common Investment Fund.

Dr Tony White MBE
Non-Executive Board Member

Appointment

Appointed to the Board on 1 January 2011.

Key strengths

- Low carbon energy and investment
- Competitive energy markets

Experience

Tony has worked in the utility and finance sectors since leaving Oxford University with a Doctorate in Physics in 1977. His professional interests include the valuation of generating assets in liberalised power markets, the evolution of energy markets in a carbon constrained world and the development of network regulation. He left Climate Change Capital, a bank he and four others established in 2003, but continues to provide advice through his company BW Energy Limited.

External appointments

Tony is a Non-Executive Director of Green Energy Options, 20C and The Green Deal Finance Company. He is a member of the British Government's Nuclear Financing Assurance Board and he is also a Vice President of the Combined Heat and Power Association. He was awarded an MBE in 2004 for services to UK energy policy.

Peter Madden OBE
Board Counsellor

Appointment

Appointed as Board Counsellor on 1 January 2014.

Key strengths

- Sustainability
- Urban innovation

Experience

Peter is the Chief Executive of the Future Cities Catapult, a global centre of excellence on urban innovation that brings together cities, businesses and universities to develop solutions to the future needs of our cities. Previously, he was Chief Executive of Forum for the Future, a non-profit organisation working globally with cities, governments and leading businesses to promote sustainable development.

External appointments

Peter is a member of Ingersoll Rand's Advisory Council and a member of the Smart London Board. His previous posts have included Head of Policy at the Environment Agency, Ministerial Adviser at Defra, Director of Green Alliance and Head of Policy at Christian Aid. Peter was awarded an OBE for services to environmental protection and sustainable development.

Management Board



From left: Vivienne King, Rob Hastings, Paul Clark, John Lelliott, Alison Nimmo, Ken Jones and Judith Everett.

John Lelliott FCCA Finance Director

John became Finance Director in 2001, having joined The Crown Estate in 1985. He has responsibility for Finance, Information Services (IS) and Internal Audit. John is a member of the ACCA Global Sustainability Forum, The Prince of Wales Accounting for Sustainability project (A4S) and the A4S CFO Leadership Forum. John is also a Trustee and Vice-Chair of Asthma UK.

Rob Hastings BSc, MBA Director of Energy and Infrastructure

Rob joined The Crown Estate in 2006 as the Director of the Marine Estate.

Rob qualified as an aeronautical engineer in 1985 and after a short spell in the aerospace industry completed an MBA at Manchester Business School. He spent the next 15 years in the energy sector in a range of enterprises from small to very large, all at executive director level, including roles as business development director, general manager, managing director and chairman.

His penultimate role was as a Director and Chairman of Shell Wind Energy Limited. He has also served as a Director of the British Wind Energy Association (now Renewable UK). Over the last nine years he has established Energy and Infrastructure as new core business area for The Crown Estate, concentrating on developing low carbon energy assets. He is currently serving on the joint government and industry Carbon Capture and Storage Developers Forum and is also chairing the Finance Steering Group for the EU Ocean Energy Forum.

Paul Clark BA (Hons), MPhil, MRICS Director of Investment and Asset Management

Paul joined The Crown Estate in 2007 and has overall responsibility for investment strategy as well as leading the Urban portfolio.

Previously, he was responsible for the Church Commissioners' £1.7 billion property investment portfolio. Significant recent initiatives have included managing major West End and retail joint ventures with a range of major investors including NBIM (Regent Street), Gingko Tree Investment (Fosse Park) and Oxford Properties (St James's Market). Significant current activity includes 700,000 sq ft of mixed-use development under construction in the West End, overseeing major capital market trading and executing the investment strategy for the business.

Paul is also a Non-Executive Director of the Hermes Property Unit Trust and Ronson Capital Partners.

Vivienne King BSoc Sci Director of Business Operations and General Counsel

Vivienne is a qualified solicitor who joined The Crown Estate in 1994 from Magic Circle law firm, Herbert Smith.

Vivienne has been the Legal Director and Company Secretary of The Crown Estate since 2007. She has responsibility for the business' legal requirements and for performance to robust standards of corporate governance and health and safety. She is also responsible for HR and is the Director who has had overall accountability for driving sustainability.

Vivienne is a Liveryman of the City of London Solicitors Company and a trustee of The Women's Pioneer Housing Trust.

Ken Jones BSc (Hons), FRICS, FAAV Director of Rural and Coastal

Ken joined The Crown Estate in November 2012 following a 31-year career at Savills. At Savills, he headed up portfolio valuation and agricultural investments with clients including the Church Commissioners, the Duchy of Lancaster and The Crown Estate. A Chartered Surveyor by profession, he is responsible for the strategic development and management of agricultural, mineral and forestry estates, including rural residential and commercial interests, as well as the only Royal Park within The Crown Estate portfolio, the Windsor estate, and over half the foreshore around the UK.

He is a Liveryman of the Worshipful Company of Farmers.

Judith Everett MA, MBA Director of Corporate Affairs

Judith joined The Crown Estate in 2013 and leads on communications and engagement.

Judith has experience of business development, marketing and external affairs at an international level across a variety of sectors, having worked with Royal Dutch Shell, Scottish Enterprise and Threadneedle Investments. She joined from AstraZeneca, where she was on the global Corporate Affairs leadership team, covering strategy, brand and sustainability.

Judith's primary role is to lead on the strategy and direction of Corporate Affairs, a team responsible for public affairs, media, marketing, digital and internal communications and sustainability.

Judith is a graduate of both Aberdeen and Edinburgh universities where she read International Relations and Business.

Alison Nimmo CBE, FRICS, MRTPI, FICE Chief Executive

Alison took up the post of Chief Executive of The Crown Estate on 1 January 2012. Prior to this, she spent five years with the Olympic Delivery Authority (ODA) where, as Director of Design and Regeneration, she was responsible for delivering the overall design and early delivery of many of the venues for the London 2012 games. (See page 58 for full biography.)

The Board of Commissioners (the Board)

Statutory position of The Crown Estate and Crown Estate Commissioners

The Crown Estate Act 1961 (the Act) followed the recommendations of the Report of the Committee on Crown Lands 1955 ('the Eve Report'), which envisaged the role of The Crown Estate Commissioners as analogous to that of trustees of a trust. It established The Crown Estate as a corporate body operating with an independent commercial mandate in the management of The Crown Estate. As such, The Crown Estate is a statutory corporation and not a company for the purposes of the Companies Act 2006. The formal name of the organisation is The Crown Estate Commissioners but it operates under the name The Crown Estate and any references to the Commissioners are to the individual Executive and Non-Executive Board Members and vice versa.

The primary duty of the Board is to maintain The Crown Estate as an estate in land and to maintain and enhance its value and the return obtained from it, but with due regard to the requirements

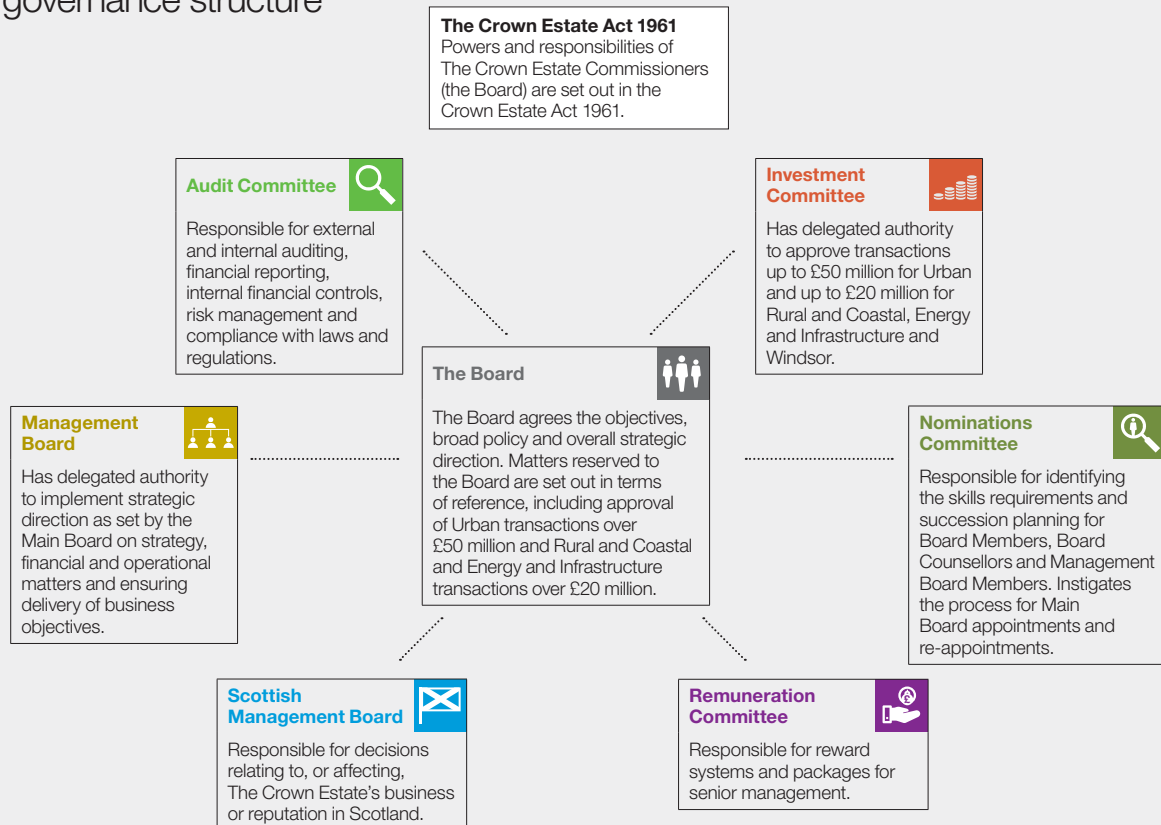
of good management. The Crown Estate has the authority to perform all acts of the Crown's right of ownership, subject only to any restrictions in the Act. The key restrictions are:

- The Crown Estate may only invest in land within the UK and may hold gilts and cash. Investment in equities or outside the UK is not permitted;
- The Crown Estate must comply with written directions about the discharge of their functions under the Act, given to them by the Chancellor of the Exchequer or the Secretary of State for Scotland; and
- The Crown Estate cannot borrow.

The assets managed by The Crown Estate are not the property of the Government, nor are they part of the Sovereign's private estate. The properties form part of the hereditary possessions of the Sovereign in right of the Crown; in other words lands owned by the Crown corporately.

Under the Act (First Schedule, para. 5) funds are provided by Parliament (Resource Finance) as a contribution towards the cost of Board Members' salaries and the expenses of their office.

Our governance structure



Our governance is supplemented by two supporting Governance Standards insofar as they are applicable to our business and not outside our powers prescribed by the Crown Estate Act, *The UK Corporate Governance Code 2014* and the *The Code of Good Practice 2011*.

Composition of the Board

At 31 March 2015 the Board comprised eight members: a Chairman (who is Non-Executive), the Chief Executive and six Non-Executive Board Members. The composition of the Board is defined by the Act.

Two Board Counsellors also sit on the Board in an advisory capacity as co-optees.

The Board is of the view that collectively Board members have the appropriate balance of skills, experience and qualities to discharge the Board's duties and responsibilities effectively, and that as currently constituted the Board has strong independent and diverse characteristics. The Board is satisfied that no individual, or group of individuals, is or has been in a position to dominate the Board's decision-making.

Duties

The main duties of the Board are to:

- agree objectives, policies and strategies, and monitor the performance of executive management;
- agree and set the overall strategic direction of the business for implementation through the Executive Management Board;
- keep under review the general progress and long-term development of the organisation in light of the political, economic and social environments in which it operates;
- control and monitor the financial state and performance of The Crown Estate;
- approve major expenditure and transactions including acquisitions, disposals and investment in joint ventures; as well as approve novel or contentious transactions;
- ensure that The Crown Estate pursues sound and proper policies in relation to risk management, health and safety and corporate governance;
- ensure an adequate system of controls (financial and otherwise) is in place; and
- ensure adequate succession and remuneration arrangements are in place.

Delegated authorities

The Board has a formal schedule of matters reserved for its consideration and decision which include:

- approving the Annual Report and Accounts;
- approving the annual budget and corporate plan;
- agreeing capital expenditure or disposals over £50 million for Urban transactions and over £20 million for Rural and Coastal, Energy and Infrastructure and Windsor related transactions;
- agreeing novel and contentious transactions over £5 million;
- agreeing investment strategy; and
- granting or varying authority levels for Board Committees and the Chief Executive.

Certain matters are delegated to committees of the Board and these are described in the terms of reference of the committees in question. The duties of the Audit Committee, Remuneration Committee, Nominations Committee, Investment Committee, Management Board, and Scottish Management Board are summarised later in this report.

The Chairman, Sir Stuart Hampson, is responsible for chairing the Nominations Committee and the Board and overseeing the official business of The Crown Estate. His duties include managing the business of the Board, ensuring its effective operation, keeping under review the general progress and long-term development of The Crown Estate, representing The Crown Estate to its various stakeholders and the general public, chairing the selection panel for the appointment of Board Members and Counsellors and undertaking the annual appraisal of Board Members and Counsellors.

The Chief Executive, Alison Nimmo, is responsible for directing and promoting the profitable operation and enhancement of The Crown Estate. Her duties include responsibility for the development of The Crown Estate and its effective operation, strategic planning, ensuring implementation of objectives, policies and strategies approved by the Board (including sustainability targets and objectives) being responsible for public relations and acting as the Treasury's appointed accounting officer for The Crown Estate.

The Non-Executive Board Members and Counsellors

The Non-Executive Board Members are Chris Bartram (retired in December 2014 as a Board Member, and became a Board Counsellor), David Fursdon, Gareth Baird, Dipesh Shah, Tony White, Ian Marcus, Paula Hay-Plumb and Peter Madden (Board Counsellor). The Board annually reviews the independence of each of its Non-Executive Members and Counsellors to ensure that they bring an objective viewpoint and that no lack of independence is implied. None of the Non-Executive Board Members or Counsellors has (to his or her knowledge) any conflict of interest which has not been disclosed to the Board.

Each of the Non-Executive Board Members has a Royal Warrant from Her Majesty the Queen and terms of engagement from The Crown Estate.

The role of Company Secretary is held by Vivienne King, Director of Business Operations and General Counsel. In addition to other executive duties, the Company Secretary's responsibilities include:

- supporting and advising the Chairman in relation to matters such as the annual review of Board effectiveness and succession, terms of reference of the Board and Committees, and relevant changes in corporate governance;
- providing support to the Senior Independent Board Member in the annual appraisal of the Chairman; and
- ensuring agendas allow sufficient time for debate and challenge and that the Board is equipped with the relevant tools and sufficient information to effectively perform their role.

The secretariat service to the Board is administered by the Board Secretary, Cheryl Lake. All Board Members, including the Non-Executives, have access to the advice and services of the Company and Board Secretaries.

Senior Independent Board Member

Ian Marcus is the nominated Senior Independent Board Member, who succeeded Chris Bartram in January 2015. The Senior Independent Board Member's role is defined in our Boards and Committees terms of reference. The role includes appraising the performance of the Chairman, representing the Board on selection panels, and acting as an intermediary for other Board Members.

Ian has extensive experience of The Crown Estate and enjoys the respect of the Chairman and other Board Members in carrying out his role as Senior Independent Board Member. His experience, the quality of his advice, his considered and well-measured approach, together with his mindfulness of taking the collective view, makes for a highly professional discharge of his Senior Independent Board Member duties.

Appointment and tenure

Crown Estate Board members are appointed for a term of up to four years, with the possibility of extension for a second term of also up to four years. The maximum consecutive term which a Board Member may serve on the Board as a Board Member is currently eight years. The appointment process for Non-Executive Board Members follows the Office of the Commissioner for Public Appointments (OCPA) Code of Practice. One of the key principles of this Code is selection based on merit, after fair and open competition, and with the aim of achieving a balance of relevant skills and backgrounds on the Board, with minimal conflicts of interest with their outside activities. Maintaining an appropriate balance, including a diverse range of skills, experience, knowledge and background is of paramount importance. Gender and ethnic diversity is a significant element of this. Executive search consultants appointed to support our selection panels are required to identify a pool of suitable candidates for consideration which includes a good balance of female candidates and candidates drawn from an ethnically diverse background, wherever possible.

Board Members are nominated for appointment following interview by a selection panel which comprises: the Chairman, a Board Member, a representative of the Treasury and an independent member. The selection process additionally includes the involvement of the Treasury Minister who is involved at each stage of the appointment process, the Chancellor and the Deputy Prime Minister. The Treasury is responsible for recommending The Crown Estate appointments to the Prime Minister and Her Majesty the Queen.

Similar arrangements apply to the appointment to the role of the Chairman.

Time served by Board Members at 31 March 2015

	Total length of service at 31 March 2015								Date of most recent appointment	Date of expiry
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years		
Sir Stuart Hampson (Chairman)	█								1 January 2014	31 December 2017
Alison Nimmo (Chief Executive)	█								1 January 2012	31 December 2015
David Fursdon	█								1 January 2012	31 December 2015
Gareth Baird	█								1 October 2013	30 September 2017
Dipesh Shah	█								1 January 2015	31 December 2018
Tony White	█								1 January 2015	31 December 2018
Ian Marcus (SID as from 1 January 2015)	█								1 January 2012	31 December 2015
Paula Hay-Plumb									1 January 2015	31 December 2018
Chris Bartram	█								1 January 2011	31 December 2014

Non-Executive Board Counsellors

The Crown Estate's terms of reference for the Board allow for the appointment of Board Counsellors drawn from:

- retiring Board Members;
- external third parties as prospective Board Members who have gone through the OCPA process; and
- external third parties as advisers who have not gone through the OCPA process.

There can be no more than four Board Counsellors in place at any given time, two under the first two categories above, and two under the last category above.

The role of Board Counsellor is to assist the Board in order to provide the collective Board with an appropriate balance of skills, knowledge and expertise to supplement the knowledge of the Board and inform decision-making. Board Counsellors attend Board meetings in a non-voting capacity as co-optees. They are additionally available to serve on Board Committees (other than the Audit and Nominations Committees) at the invitation of the Chairman.

Board Counsellors for the year ended 31 March 2015

Appointment	Date of appointment as a Counsellor	Date of expiry	Length of service as Board Counsellor
Jenefer Greenwood ¹	1 January 2012	30 June 2014	2 years and 6 months
Peter Madden ²	1 January 2014	31 December 2017	1 year and 3 months
Paula Hay-Plumb ³	1 December 2014	31 December 2014	1 month
Chris Bartram ⁴	1 January 2015	31 December 2015	3 months

¹ Jenefer Greenwood's appointment as Board Counsellor commenced on 1 January 2012; she was previously a Board Member. She retired in June 2014.

² Peter Madden's appointment as Board Counsellor commenced on 1 January 2014. Peter was appointed under the Board Counsellor category of 'external third party adviser'.

³ Paula Hay-Plumb became a Board Counsellor for one month, whilst waiting for her transition to Board Member.

⁴ Chris Bartram retired from his position as Board Member on 31 December 2014, following two successful terms.

Succession planning

Board Members' appointments and re-appointments are staggered to allow the managed transition of the Board's business and enable the Board to maintain an appropriate balance of skills.

Board activity

Board meetings

Board meetings are pre-scheduled and a calendar of Board and Committee meetings is circulated well in advance to facilitate Boards and Committee Members and Counsellors to plan their schedule and ensure meaningful participation in meetings.

The Board held nine scheduled meetings and two special meetings during the year ending 31 March 2015.

As well as meetings in London, the Board also met in Windsor. In addition, there were three scheduled meetings of the Audit Committee, one meeting of the Nominations Committee, five meetings of the Remuneration Committee and four of the Scottish Management Board. In addition to Board meetings, each year the Board convenes for a strategy setting meeting away-day which takes place over two days, at which strategy, external factors and the broad direction of the business is discussed in depth. This year's meeting was held in Chester where the opportunity was taken to visit the Coliseum Shopping Park and the adjacent Cheshire Oaks Designer Outlet, which form part of our Urban portfolio, and the Tabley Estate and

Knutsford Development site, which form part of our Rural and Coastal portfolio.

The agenda for Board meetings is set by the Company Secretary and the Chief Executive. The papers are circulated a week in advance.

Information flow

Board Members and Counsellors receive a regular and controlled flow of information relevant to the fulfilment of their role. For example, details of portfolio valuations and performance against external benchmarks, financial information particularly directed at revenue performance, and various market research information and presentations.

Board papers encompass regular reports from the Chief Executive, Finance Director and others on a planned basis. Formal minutes of the Investment Committee and Management Board are made available to Board Members and Counsellors. Between Board meetings other information is circulated as necessary to keep Board Members and Counsellors informed on relevant issues, and outside formal meetings the Board may be asked to make decisions 'out of committee'. Board Members

and Counsellors have access to up-to-date corporate and market information, as required.

Board Members and Counsellors have also made other estate visits across our core portfolios in addition to those mentioned above. These include Rural estates in South Lincolnshire and visits to the London portfolio, including St James's Market, Block W5 South, Quadrant 2 and British Columbia House. They also held receptions in Wales and Scotland.

Board processes

All key procedures and policies affecting the Board are maintained and operated by the Company Secretary.

Liability

Board Members are indemnified against any personal civil liability which is incurred in the proper execution of their Board functions provided that the Board Member has acted honestly, reasonably, in good faith and without negligence.






Board performance evaluation

Each year, the Board conducts a formal evaluation of its effectiveness. Last year the Board decided that an independent external evaluation would be appropriate, and this was led by PwC. The review was an extensive and in-depth assessment of our effectiveness, which spanned across last year and the current year. The Board has focused on the outcomes of that review, and has spent a great deal of time ensuring that all areas identified have been addressed. The Board's progress against the matters identified from the Board effectiveness review is shown below.

This Board performance appraisal process was followed up at the Board strategy away-day in October 2014, which focused discussion on progress against identified issues, where further progress could be made and how best to carry plans forward to completion.

Actions from 2014 Board Effectiveness Review	Progress recorded in 2014/15
Main Board to appoint a professionally qualified accountant to the Board.	Paula Hay-Plumb was appointed to the Board, and as chair of the Audit Committee, in January 2015.
The Board should establish a Nominations Committee to include responsibility for: <ol style="list-style-type: none"> working towards increased female representation on the Board; review the process for identifying the Senior Independent Board Member; considering the optimal term of office on the Board (including that of the Chief Executive); and oversight of executive succession. 	A Nominations Committee has been established, and is scheduled to meet bi-annually. This Committee has delegated authority from the Main Board, to review the process of identifying the Senior Independent Board Member, examining gender diversity on the Board, considering terms of office for Board members and the Chief Executive, as well as having oversight for the succession plans for Management Board members.
The Board should review the executives' attendance at Board meetings and consider alternative approaches to encourage greater participation.	Active consideration is being given to this item, in conjunction with the work of the Nominations Committee.
The Chairman should review the frequency of Board meetings and adjust the agenda accordingly, encourage strategic discussion and consider the balance between formal and informal Board time.	The Board structure has been reduced to six meetings per year, which has encouraged a more strategic focus for discussions. This has been supported by the increased financial delegated authority given to the Investment Committee.
The Chairman and Company Secretary should develop a rolling programme of external speakers at Board meetings or other Board events and ensure Board Members are aware of external training opportunities.	The Board receive relevant commercial presentations from external consultants on a regular basis (three out of six meetings) and are provided with details of external training opportunities, which are relevant to their roles, as and when they arise.

Timeline: Key business at Main Board meetings throughout the year

May 2014 Windsor	June 2014 London	July 2014 Special meeting London	July 2014 London	September 2014 London
Review Windsor estate financial results	Note progress made by the Structure for Growth Workstream		Presentation on the economy from Savvas Savouri, Chief Economist and Partner at Toscafund Asset Management	Presentation on the economy from CEBR
Update on the purchase of Police Houses, 1–8 Park Close, Windsor	Review Annual Reports on: <ul style="list-style-type: none"> • Valuation and performance • Health and safety 	Approve the purchase of Fosse Shopping Park, Leicester	Review Q1 financial report	
Review progress and development of 'Vision 2022' at Windsor	Note bi-annual updates on: <ul style="list-style-type: none"> • Real estate development • Risk management 		Approve 6.4% purchase of the Pollen Estate	Approve the sale of the Sherwood Project
General progress across the Windsor estate	Note the principle of establishing a retail park partnership	Approve the joint venture partnership for Fosse Shopping Park	Approve the sale of the Four Seasons Hotel, 6–10 Hamilton Place, London W1	
Review unaudited year end results	Note progress on consideration of the purchase from the Church Commissioners of a 64% interest in the Pollen Estate in partnership with NBIM		Note the progress made in embedding sustainability into the business.	Note an oral update on our position in Scotland
Note governance statements for the Annual Report and the updated Register of Interests			Approve investment in Inner Sound tidal array project	
Approve the revised Main Board cycle and terms of reference for the new Nominations Committee	Note an oral update on Fosse Shopping Park		Note the Annual Reports of: <ul style="list-style-type: none"> • The Audit Committee • The Remuneration Committee 	
Approve capital expenditure for the Westgate Centre, Oxford				

Induction








A member of the HR team acts as secretary to the selection panel for new Board appointments, and oversees the induction of new Board Members upon appointment.

All new Board Members and Counsellors receive a full, formal and tailored induction on joining the Board. Induction programmes for Board Members are designed to:

- build an understanding of the nature of The Crown Estate, its business and the markets in which it operates;
- build a link with employees;
- build an understanding of The Crown Estate's main relationships and stakeholders;
- build an understanding of the role of a Non-Executive Board Member, Counsellor, Director; and
- build an understanding of the decision-making framework within which the Board operates.

The induction programme includes the provision of necessary background information, briefing by key management personnel and training, where appropriate. It typically includes meetings with:

- the Chief Executive about the overview of The Crown Estate, the management team and the challenges for the business;
- the Director of Business Operations and General Counsel about the Crown Estate Act 1961, corporate governance, health and safety, sustainability and HR strategy;
- the Director of Corporate Affairs on Main Board familiarisation programme and Core Proposition and Positioning;
- the Director of Finance on the organisation's finances and accounting arrangements;
- the Portfolio Directors and others about their respective portfolios and investment strategy;
- the Board Secretary about Board meeting processes and procedures and annual processes including Board appraisals and declaration of interests; and
- other senior managers as appropriate.

October 2014 Cheshire (Strategy meeting)	December 2014 London	December 2014 Special Meeting London	January 2015 London	February 2015 London	March 2015 London
<p>Note the outcome of the Board effectiveness appraisal 2014</p>  <p>Strategic investment review</p>  <p>Financial strategy</p> <p>Update on Scotland</p> <p>Update on the work being undertaken by the Structure for Growth Workstream</p>	 <p>Note the quarterly safety, health and environment update</p>  <p>Note the oral update on our position in Scotland</p>	 <p>Approve proceeding with the development of the Westgate Centre, Oxford</p>	<p>Note the presentation on our position in Scotland</p>  <p>Approve the sale of 125-year lease of 15a Kensington Palace Gardens</p> <p>Approve the site acquisition and development of the Castle Acres site, Fosse Shopping Park, Leicester</p> <p>Approve the purchase of Rushden Lakes Shopping Park, Northamptonshire</p>	<p>A presentation by John Lutzius of Green Street on the listed real estate sector</p> <p>Note the summary of our joint venture partnerships</p> <p>Approve the sale of the Bryanston Estate, Dorset</p> <p>Note Q3 reports on:</p> <ul style="list-style-type: none"> • Integrating sustainability • Safety, health and environment 	<p>Approve revenue budget for 2015/16</p> <p>Endorse the Corporate Plan for 2015/16</p> <p>Approve a new joint venture on St James's Market Phase 2</p>  <p>Note updates on:</p> <ul style="list-style-type: none"> • Real estate development • Offshore wind <p>Update on the work being undertaken by the Structure for Growth Workstream</p>

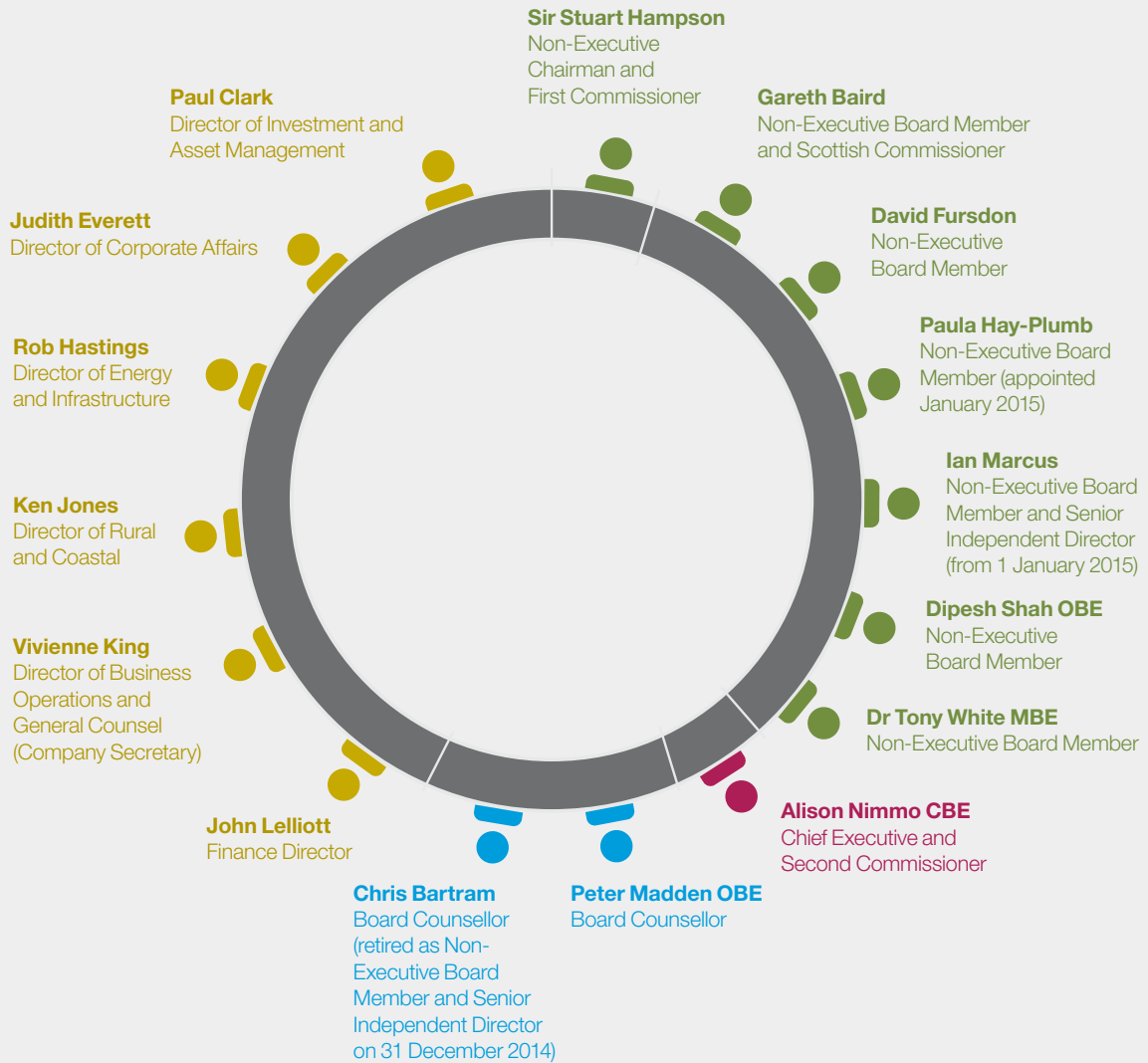
Site visits

This year Board Members have enjoyed visits to assets across The Crown Estate's portfolios, including Coliseum Shopping Park in Cheshire, Tabley Estate in the North West and development sites across the West End, such as W5 South on the Regent Street portfolio.

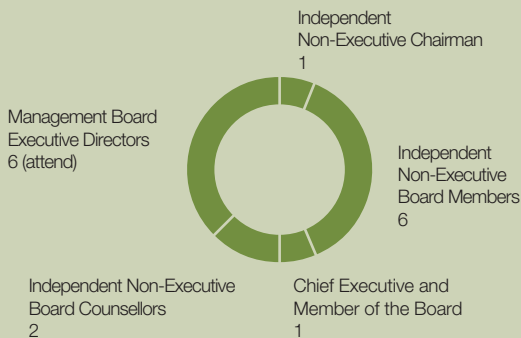


Estate visits and other events are organised throughout the year to enable Board Members to deepen their knowledge of The Crown Estate.

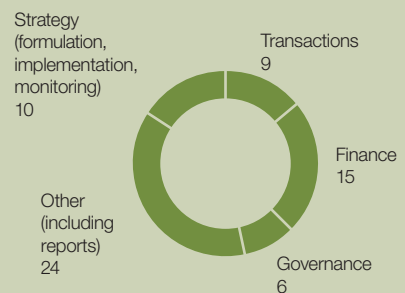
The Boardroom table



Balance of Non-Executive and Management Board Executive Directors at Board meetings as at 31 March 2015



Number of papers 2015/16



Attendance at Board and Committee meetings

	Main Board	Board away-day	Audit Committee	Nominations Committee	Remuneration Committee	Scottish Management Board
Total number of meetings	10	1	3	1	5	4
Sir Stuart Hampson	10	1	n/a	1	n/a	n/a
Alison Nimmo	10	1	3	1	5	4
Chris Bartram ¹	9	1	3	1	n/a	n/a
David Fursdon	8	1	3	n/a	4	n/a
Gareth Baird	10	1	n/a	n/a	n/a	4
Dipesh Shah	10	1	n/a	n/a	3	n/a
Tony White	9	1	2	n/a	n/a	n/a
Ian Marcus	10	1	3	1	5	n/a
Jenefer Greenwood ²	2	n/a	n/a	n/a	n/a	n/a
Peter Madden ³	9	1	n/a	n/a	n/a	n/a
Paula Hay-Plumb ⁴	5	1 ⁵	1	n/a	n/a	n/a

n/a = not applicable

1 Board Member until December 2014.

2 Board Counsellor retired June 2014.

3 Board Counsellor as of January 2014.

4 Board Member as of January 2015.

5 As an observer only.

Board committees

The Board has established a number of Committees and ensures that each Committee is provided with sufficient resources to enable it to undertake its duties.

A summary of the role and duties of the six Board Committees (Audit Committee, Investment Committee, Management Board, Scottish Management Board, Nominations Committee and Remuneration Committee) is given below. The terms of reference of these committees are available on our website.

In addition to the Board Committees, there are four other management committees established by the Chief Executive composed of a mix of Management Board executive directors and other senior executives. These are the Risk Committee, Joint Venture Working Group, the Central Health and Safety Committee and the Corporate Governance Monitoring Group.

Audit Committee



Introduction by the Chair of the Committee

The Audit Committee plays a key role in assisting the Board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control, risk and governance. With such a diverse business, the Committee's focus has to be sufficiently broad, and in 2014/15 it has played an important role in areas ranging from the governance of our joint venture arrangements to cyber security. Having taken on the role of Chair I am keen to ensure the Audit Committee continues to support the business in delivering its strategic objectives.

Members of the Audit Committee

The current members of the Audit Committee are:

Paula Hay-Plumb
Chair and Board Member

David Fursdon
Board Member

Ian Marcus
Board Member

Tony White
Board Member

The secretary of the Committee is Lauren Greenhill.

There has been one significant change to the membership of the Audit Committee during the year. Paula Hay-Plumb, who joined the Board from 1 January 2015, became the new Chair of the Committee. She replaced Chris Bartram who retired to become a Board Counsellor on 31 December 2014. Chris' last Audit Committee as Chair was November 2014, and Paula's first Audit Committee as Chair was March 2015.

The Committee has good levels of experience and knowledge from across the sectors to adequately perform the role set out for it by the Board. In particular, the Committee believes that the financial knowledge and experience of the Audit Committee meet the needs of the business. Chris Bartram as the former Audit Committee Chair served eight successful years on the Committee and leaves it in capable hands. Paula Hay-Plumb is a Chartered Accountant. She has held senior finance roles across both the public and private sector and is an experienced Audit Committee Chair. David Fursdon has served over six years on the Committee, with Tony White and Ian Marcus both having served for three years each. Further backgrounds of the members are set out on pages 58-59.

The Audit Committee invites the Chief Executive, Director of Investment and Asset Management, Director of Finance, Director of Business Operations and General Counsel, Head of Internal Audit, Group Financial Controller and a representative from the National Audit Office (external audit) to attend all meetings. The Committee also meets with the National Audit Office without management present, and the Audit Committee Chair meets with the Head of Internal Audit regularly. At the request of the Audit Committee Chair, external presenters have, from time to time, attended the Audit Committee. These have included Willis (The Crown Estate Insurance Broker) and our external valuers.

The Committee met three times during 2014/15. In addition, the Chair provides an oral report to the Main Board after each meeting, and an annual report on its activities during the year.

Key areas of Audit Committee activity and judgement applied

The Audit Committee has performed each of its principal duties during the year in line with its remit. In particular, it has supported the Board in fulfilling its oversight responsibilities on financial reporting, systems of internal control, management of risks, and processes for monitoring compliance with legislation and regulation. In particular for 2014/15, the Committee has sought to comply with relevant aspects of the UK Corporate Governance Code requirements where applicable.

During the year, the Committee reviewed the annual financial statements, with particular attention to accounting policies, areas of judgement, audit adjustments and the level of unadjusted errors. The significant issues considered in relation to the annual financial statements and the key areas of judgement taken were:

- valuation of the real estate portfolio; and
- matters relating to income recognition.

At the request of the Board, we considered whether the 2014/15 Annual Report was fair, balanced and understandable and whether it provided the necessary information for stakeholders to assess The Crown Estate's performance, business model and strategy. We were satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable. After taking external advice we are satisfied that our 2015 Annual Report and Accounts is in alignment with the IIRC Framework.

The allocation of time across the key areas of Audit Committee activity have been set out below:

Audit Committee time allocation



A summary of the key business taken at each Audit Committee meeting is set out below:

June 2014
Note and approve the risk management update
Review of Internal Audit programme and results
Review of Head of Internal Audit annual opinion 2013/14
Review of management assurances on internal control supporting the Governance Statement
Review of annual valuation and performance 2013/14
Review of external audit completion report (including management letter) on the 2013/14 financial statement audit
Approval of Annual Report and Accounts 2013/14
Note consultant cost and gifts and hospitality analysis
November 2014
Note and approve the risk management update
Review of Internal Audit programme and results
Review of interim valuation and performance for six months ended 30 September 2014
Note unaudited interim financial statements for six months ended 30 September 2014
Note external audit's planning report on the 2014/15 financial statement audit and approve re-appointment of external auditor
Review of Retrospective Investment Appraisal results and lessons learned
Review of annual report on activity of Joint Venture Monitoring Group
Note results of the annual insurance review
March 2015
Note and approve the risk management update
Review of Internal Audit programme and results
Endorse the Internal Audit programme for following year
Note and approve the Internal Audit Charter
Approve the accounting policies, style and format of the Annual Report 2014/15
Review external audit's progress report on the 2014/15 financial statement audit
Review and discuss processes to prevent and detect fraud
Review business continuity and disaster management processes

Note: The 2014/15 Annual Report and Accounts were approved at the June 2015 Audit Committee.

During the year, the Committee received regular reports on the important area of risk management to enable it to make a robust assessment of the principal risks facing the business. For 2014/15 this included review of the output from the Strategic Management Board workshop on risk appetite and emerging risks, opportunities and themes, held in October 2014. The workshop involved an 'horizon scanning' exercise to look beyond the current corporate risks and identify those that may impact the business over the longer term.

The current key corporate risks facing the business including the mitigations and action plans were also discussed and approved. In particular, reports were received on business continuity and disaster recovery including our ability to manage emerging threats such as cyber security. A formal independent assessment of our risk management processes is planned for 2015/16.

The Committee reviewed key assurances on internal control during the year. This was undertaken primarily through the results of Internal Audit activity undertaken in 2014/15 as well as assurance provided by Directors for their area of responsibility. We continue to work closely with the Head of Internal Audit, receiving all summary reports on our key processes and controls in line with the internal audit programme, internal audit strategy and charter. In addition, we discussed and agreed the internal audit programme for the year ahead.

The Committee reviewed the results of both the interim and final valuations, with particular regard to the processes supporting the valuation, use of valuation experts and areas of judgement. As in recent years, attention was given to the valuation of offshore energy assets given the complexities and specialist nature of the industry. The Committee were satisfied that a robust process had been followed in appointing and engaging the valuers and that the external auditors had full access. Alongside the interim and final valuations, the Committee reviewed performance against the IPD benchmark focusing on overall performance of the portfolio and relative performance of different asset classes against the benchmarks.

The Committee takes its role of oversight in the prevention and detection of fraud very seriously. Fraud and whistleblowing policies are in place and updated as and when required to bring in line with best practice. Suspected frauds can be reported to the Head of Internal Audit through a dedicated whistleblowing hotline or to a whistleblowing email inbox, available to tenants, suppliers and members of the public as well as staff. Alternatively, the Director of Business Operations and General Counsel or Chief Executive can be alerted, as per the whistleblowing process. If the suspected fraud involves a member of staff at director level or above, it can be reported to the Chair of the Audit Committee. During the year a Fraud Risk Assessment was performed, the summary results of which were presented to the Audit Committee.

We reviewed the appointment, the audit fee and the nature and scope of the external audit in order to understand areas of focus. The appropriate NAO Director is invited to attend meetings of the Audit Committee and has complete access to all financial and other information.

Management Board



Alison Nimmo
Chief Executive and Chair of the Management
Board and Investment Committee

Introduction by the Chair of the Board

The Management Board has remained focused on The Crown Estate's long-term vision for 2022 and the strategic objectives set by the business for the year. It has also been instrumental in providing technical input to the Treasury and Scottish Government in relation to and the future transfer of the management of our economic assets in Scotland to the Scottish Parliament.

Members of the Management Board

The current members of the Management Board are:

Alison Nimmo

Chief Executive and Chair

Paul Clark, Judith Everett, Rob Hastings, Ken Jones, Vivienne King and John Lelliott

Executive Directors

The secretary to the Management Board is Cheryl Lake. Meetings are held on a monthly basis.

The Management Board operates within the delegated financial limits available to the Chief Executive. The Management Board is responsible for the delivery of business objectives and targets within the overall strategies and control framework agreed annually by the Main Board.

Duties

The main duties of the Management Board are to:

- implement the strategic direction of The Crown Estate, with particular focus on Vision 2022;
- provide the Board with strategic advice, support and guidance in relation to The Crown Estate's managed assets in Scotland
- set and ensure the achievement of corporate objectives, including financial and operational performance;
- keep under review The Crown Estate's investment strategy in the light of economic market conditions;
- monitor investment performance against bespoke benchmarks and financial performance against revenue targets;
- ensure that business risks are properly identified and managed;
- ensure health and safety issues are monitored and reported effectively;

- exercise oversight and control over The Crown Estate's financial, human and other resources; and
- promote sustainability and customer focus throughout the business.

Report of the Management Board's activities

During the year, the Management Board met 13 times. Attendance by individual members of the Management Board was as follows:

	Number of meetings
Alison Nimmo	13
Paul Clark	12
Judith Everett	13
Rob Hastings	13
Ken Jones	12
Vivienne King	13
John Lelliott	13
Total	13

The Management Board is an executive committee operating under authority delegated by the Main Board and is responsible for implementing the strategic direction of the business, whilst operating within the delegated financial limits available to the Chief Executive.

This delegation is in respect of operational strategy to help monitor and drive the corporate agenda, whilst enhancing accountability and coherence across the following areas:

- financial
- operational
- people
- customer and stakeholder relations
- governance
- sustainability

In reviewing operational strategy, the Management Board ensures that the corporate business and budget plans are aligned to long-term objectives set by the organisation's Vision 2022 programme.

During the year the Management Board performed the following activities:

- reviewed the investment strategy to reflect performance, research and market changes;
- ensured the effective resourcing and delivery of business plans including sustainability targets;
- monitored and controlled costs, ensuring delivery against strategic business objectives and revenue targets set by the Treasury;
- considered the availability and allocation of capital funds, and reviewed capital forecasts provided by each department;

- examined and implemented changes to the organisation and its effectiveness in terms of internal structure, as well as reviewing policies and practices to internal and outsourced functions;
- examined and implemented changes to the organisational strategy relating to the culture of the business and its core proposition;
- reviewed quarterly updates on risk management and health and safety across the full breadth of the organisation;
- reviewed and endorsed non-property related proposals being put to the Main Board; and
- liaised with the Main Board, with respect to issues of overarching corporate governance of The Crown Estate.

Investment Committee

Introduction by Chair of the Committee

This year was the first full year for our newly formed Investment Committee. With its increased delegated levels of authority from the Main Board, the Committee has been accountable for the analysis and approval surrounding many key transactions this year, across all of our portfolios. These approvals have not only been significant for the development of our business objectives but, on our Urban portfolio, many have been of importance to our joint venture partners too. The Committee have therefore needed to spend time considering the needs and expectations, not only of our business, but also those of our business partners, which has been a crucial part of our collaborative partnerships across our Urban portfolio.

Members of the Investment Committee

The members of the Investment Committee are:

Alison Nimmo

Chief Executive and Chair

Paul Clark, Rob Hastings, Ken Jones and John Lelliott

Management Board Executive Directors

Alan Meakin

Investment Strategy Manager

Additional attendees are invited from time to time at the Investment Committee's discretion, such as the Director of Business Operations and General Counsel, where required. The secretary to the Investment Committee is Cheryl Lake.

Duties

The Investment Committee is a committee of the Main Board and has a transactional remit subject to its delegated authorities. This delegation is in respect of real estate and energy-related investments and divestments of £50 million for any single proposal from the Urban portfolio and £20 million for any single proposal from our Rural and Coastal, Energy and Infrastructure or Windsor portfolios. This includes joint ventures and major developments.

In reviewing investment or divestment proposals the Committee reviews individual cases against The Crown Estate annual investment strategy to ensure alignment to long-term objectives.

Report of Investment Committee's activities

During the year the Investment Committee performed the following activities:

- reviewed investment and divestment proposals against the Corporate Investment Strategy, the Energy and Infrastructure Business Strategy and the Rural and Coastal portfolio strategy for renewable energy, as appropriate;
- evaluated progress against specific investment proposals;
- considered and endorsed proposals within delegated authority limits before they are submitted to the Main Board;
- monitored major capital projects against approved plans; and
- ensured that decisions being taken by the Main Board in relation to energy matters are being conducted in a manner which ensures that due process is applied in the performance of the statutory duties of The Crown Estate Commissioners in delivering the business objectives of The Crown Estate and reflecting our core proposition of conscious commercialism.

During the year, the Investment Committee met ten times. Attendance by individual members of the Investment Committee was as follows:

	Number of meetings
Alison Nimmo	10
Paul Clark	10
Rob Hastings	9
Ken Jones	10
John Lelliott	8
Alan Meakin	10
Total	10

Remuneration Committee

The Committee's membership, terms of reference and activity is described in the Remuneration report.

Scottish Management Board



Gareth Baird
Chair of the Scottish Management Board

Introduction by the Chair of the Board

This year our business in Scotland continued to focus on sectors of strategic importance such as offshore wind, rural and coastal, and aquaculture. This combination of mature and emerging industries required the team in Scotland to remain agile, and ready to respond to new opportunities.

In response to feedback, we have continued to roll out Local Management Agreements and are piloting new types of agreements that empower local communities and/or deliver mutual benefits to our customers and tenants.

Following the recommendation by The Smith Commission, we are now preparing to hand over responsibility for management of The Crown Estate's economic assets in Scotland to the Scottish Government. Our team is working hard to prepare for and deliver a smooth and prompt transfer. We will do all we can to keep our stakeholders informed and to minimise uncertainty for our customers, staff and the communities we work with across Scotland.

Members of the Scottish Management Board

The current members are:

Gareth Baird

Chair and Board Member

Alison Nimmo

Chief Executive

Paul Clark, Judith Everett, Rob Hastings, Ken Jones, Vivienne King, John Lelliott

Management Board Executive Directors

Roy Evans

Head of Corporate Operations

David Ferguson (covering for Esther Black, who is on maternity leave), **Alan Laidlaw, Ronnie Quinn**

Members of the Scottish Leadership Team (SLT).

The secretary to the Scottish Management Board is Estelle Hollis.

Meetings are usually held four times a year, or as frequently as required.

Duties

The Scottish Management Board is responsible for operating within the strategic and policy parameters established for the Management Board insofar as its business relates to or affects The Crown Estate's business or reputation in Scotland, in order to ensure that Scottish interests are thoroughly considered.

The main duties of this board are:

- implementing the strategic direction as set by the Board;
- oversight of: financial; operational; people; customer and stakeholder relations; governance and sustainability insofar as they relate to Scotland;
- setting, owning, monitoring and driving forward the corporate agenda; and
- adding value to the business through greater strategic oversight.

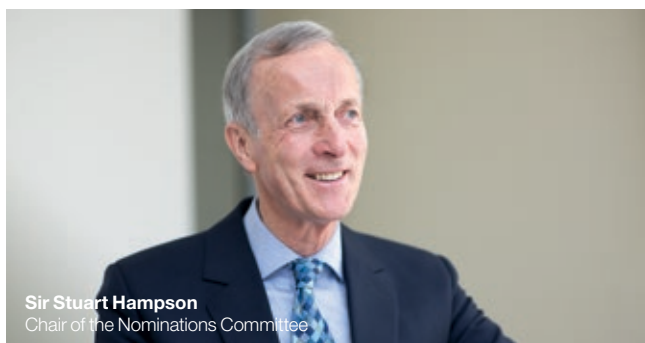
Report of the Board's activities

During the year the Scottish Management Board met four times and considered all matters within the Committee's terms of reference, in particular:

- business planning for its Scottish business and monitoring financial performance from Scotland;
- exploring business opportunities in Scotland; and
- introducing a systematic approach to engagement with stakeholders and the media, and the instigation and promotion of LMAs and other local initiatives.

The Committee also played a significant role in considering matters relating to the transfer of the management of our economic assets in Scotland as a result of the recommendations of The Smith Commission.

Nominations Committee



Sir Stuart Hampson
Chair of the Nominations Committee

Introduction by the Chair of the Nominations Committee

The implementation of a formal Nominations Committee as part of our Committee structure was a welcome addition to the effectiveness of our governance structure in 2014. Our first meeting in November 2014 set the tone for the Committee's leadership in planning the succession of Non-Executive Board Members, in conjunction with OCPA requirements; the Executive CEO and Executive Directors; as well as senior staff. This has involved identifying the skills requirements needed for our business, to ensure we are always equipped with the right talent.

Members of the Nominations Committee

The current members are:

Sir Stuart Hampson

Chair and Chairman

Alison Nimmo

Chief Executive

Ian Marcus

Board Member and SID

David Fursdon

Board Member

Meetings are to be held twice a year, or as frequently as required.

Duties

The main duties of this Committee are:

- identify the skills requirements and succession planning for Board Members, Board Counsellors and Management Board Members and oversee the selection process to the Main Board subject to the public appointments process which has been agreed with the Treasury at the time;
- instigate the process for Main Board appointments and re-appointments and make recommendations in line with or, in the case of Non-Executive appointments, as required by the public appointments process; and
- review and recommend Management Board appointments.

Report of the Committee's activities

During the year the Committee met for the first time in November 2014 to consider all matters within the Committee's terms of reference, in particular:

- the Committee's terms of reference
- Executive Board appointment process
- Board and Executive succession planning
- the current CEO appointment

Our approach to managing risk and opportunity

The Crown Estate's approach to risk management builds on commercial best practice and central Government requirements, including the UK Corporate Governance Code, Cabinet Office Code of Good Practice, Managing Public Money and HM Treasury's Orange Book. These form a central element of our corporate governance arrangements.

The Crown Estate risk appetite is the amount and type of risk that we are willing to take to meet our strategic objectives. Our risk appetite is appropriately cautious and largely governed by the requirements of the Crown Estate Act and the targets agreed with HM Treasury. As a result we do not take risks that threaten our ability to create value and achieve long-term sustainable growth.

For example, delivering our investment strategy and meeting our targets come with both risk and opportunity. We continue to actively manage our seabed rights to secure opportunities in energy leases and support the broader national requirements to deliver renewable energy. Economic/strategic uncertainties affecting the energy sector (e.g. the subsidy regime, cost of capital/technology) have an impact on our renewable energy programme and hence our risk exposure.

Our management of risk is further demonstrated through our long-term strategic partnerships. These enable us to secure access to capital for re-investment in our core holdings, such as Regent Street and St James's, and spread our development risk as well as build long-term relationships.

By regularly reviewing our key risks and opportunities the Main Board ensures that our risk exposure remains appropriate and in line within the boundaries of our risk appetite.

Responsibilities for risk and controls

The Main Board is responsible for determining the nature and extent of the risk it is willing to take in achieving our strategic objectives. It does this through the maintenance of sound risk management and internal control systems.

The Main Board continuously reviews the effectiveness of the organisation's risk management and control systems (financial, operational and compliance) through a system of formal reporting structures and through meetings and reports to the Main Board from around the organisation. The Main Board has delegated some of the responsibility for review of risk and controls to the Audit Committee. The Audit Committee meets three times a year to receive assurance on risk and controls from management, internal and external audit and other independent parties. Whilst responsibility for risk management rests with the Main Board, our integrated approach ensures it is embedded throughout our business and forms an integral part of our decision-making and how we do business on a day-to-day basis.

The Risk Committee forms a key part in embedding risk management throughout the culture of the organisation. It fulfils its responsibilities through identification and management of those risks that have the potential to significantly affect current and/or future operations. The Risk Committee meets four times a year, is chaired by the Director of Finance, and supported by the Audit and Risk Team.

The Risk Committee reviews and analyses risk registers maintained at estate team and corporate department level on a quarterly basis. Key and emerging risks are escalated to senior management and the Management Board. The Management Board reviews the corporate risk register regularly and the corporate risk register is provided to the Audit Committee three times a year.

Risk management is embedded within our management processes, with managers being accountable for risk management within their operational areas. Ongoing processes for identifying, evaluating and managing risks that threaten the achievement of corporate, departmental and project objectives are in place and operational throughout the year to mitigate risks continuously.

The 'risk reporting and responsibilities' diagram sets out the process in operation during 2014/15.

The Management Board is accountable to the Main Board for establishing and monitoring the system of internal controls and for providing assurance to the Main Board that it has done so. At our half-year strategy Management Board meeting, in October 2014, our Head of Internal Audit and Risk also hosted a risk workshop. The workshop was used to define our executive's risk appetite, identify our key risks, provide a high level strategic risk evaluation, and outline mitigation steps and actions. The outputs from that workshop were then reported to both the Main Board and the Audit Committee. In addition to this, the Management Board performed a 'horizon scanning' exercise to assess emerging opportunities and trends with a longer-term time horizon. The emerging opportunities and risks identified centred on technological and social demographic changes that could impact our business over a 5, 10, or 15 year plus time horizon.

The Main Board takes assurance on the effectiveness of internal controls from:

- controls designed in systems and processes;
- management review and Committee structures; and
- reports from internal and external auditors and other external independent sources.

This assurance process is supported by a process of certified internal control statements issued by directors on their areas of operation to the Chief Executive in her capacity as Accounting Officer. The Main Board in turn takes assurance from an internal control statement issued annually by the Chief Executive.

Examples of types of controls in place throughout the year are:

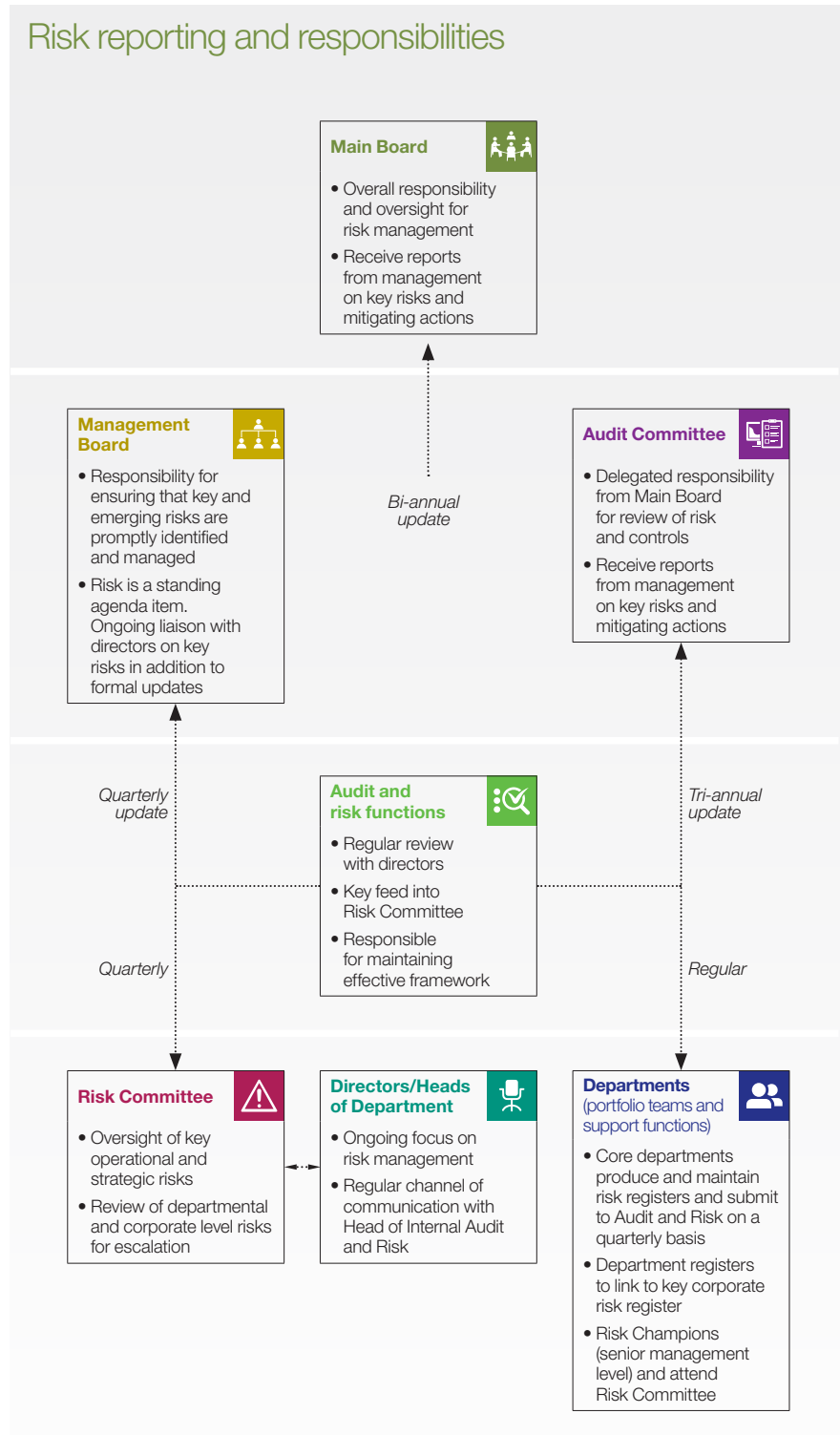
- cultural and ethical behaviour – staff integrity, staff handbook (including The Code of Ethics), shared corporate values and new corporate behaviours;
- policies and procedures – at all levels of the organisation (e.g. risk management guidelines etc.);
- financial targets and objectives – corporate plan, personal scorecards, budget monitoring, investment appraisals etc.; and
- structural – business planning, reporting lines, delegated authority limits, approval lines, roles and responsibilities etc.

For the year 2014/15, there were no material failures in internal control.

The Crown Estate has in place various robust and specific arrangements to ensure information security, which are in line with Cabinet Office guidance and ISO 27001. The business maintained ISO 27001 certification throughout the year. Other controls in place include arrangements for:

- governance, risk management and compliance;
- protective marking and asset control;
- data protection;
- personnel security;
- information technology;
- physical security;
- counter-terrorism; and
- business security.

Risk reporting and responsibilities



Principal corporate risks and opportunities

The principal corporate risks and opportunities faced by The Crown Estate are shown in the table below. They are largely related to our portfolio of assets and are typical of a real estate organisation. These are not the only risks associated with The Crown Estate.




1. Reputation and trust
2. Sustained and profitable growth in response to our markets
3. Government policy
4. Power of strategic counter-parties
5. Attraction, development and retention of best talent
6. Governance
7. Health of the economy
8. Customer focus
9. Technological change
10. Natural resources
11. Successful placemaking
12. Climate change

i Material issues affecting our business
See pages 48–49

Material issues	Risk/opportunity	Principal mitigations	Residual risk ratings	Change in risk from last year
2, 5, 6, 8	<p>1 – Loss of talent</p> <p>Quality of staff is one of our key assets. There is a risk of flight/unwanted attrition of talent from the business given the current market conditions, particularly in the property sector.</p> <p>Loss of this key talent or an inability to attract staff with the right experience could adversely impact on our future success.</p>	<p>Remuneration Committee oversight.</p> <p>Strong recruitment processes.</p> <p>Formal succession planning arrangements.</p> <p>Effective learning and development plan in place across organisation.</p> <p>Remuneration benchmarking and industry comparison.</p> <p>Appointment of reward consultants to advise the Remuneration Committee.</p>	Medium	↓
2, 3, 7, 10, 12	<p>2 – Energy sector opportunity and uncertainty</p> <p>We actively manage our seabed rights to secure opportunities in energy leases and support the broader national requirements to deliver renewable energy through programmes such as Offshore Wind. However, the expansion of this sector is highly dependent on a number of strategic and economic factors such as energy policy, developer capital funding constraints and cost of renewable energy technology.</p> <p>This uncertainty could result in lack of developer confidence and a failure to invest in renewable energy, and hence delays in our offshore renewable programmes.</p>	<p>Liaison with key stakeholders.</p> <p>Offshore wind programme board representation and strategic workstreams in place.</p> <p>Continued Government support to renewables industry.</p>	Medium	↕
3, 6	<p>3 – Transfer of management of economic assets</p> <p>The Smith Commission report (November 2014) recommended that Scottish economic assets within The Crown Estate portfolio be transferred to Scottish authorities. The Crown Estate is committed to supporting this transfer.</p> <p>Potential uncertainty in the run-up to the transfer of management of Scottish economic assets to the Scottish authorities could impact the process.</p>	<p>Director-led and Board-supported project management team to lead all aspects of the process.</p> <p>Close liaison with the Scottish authorities (including mirroring with staff) to ensure all aspects of the handover (including staff affected) are addressed.</p>	Medium	New
9	<p>4 – Security/major incident (including cyber security breach)</p> <p>The Crown Estate portfolio in London is concentrated within Regent Street, St James's and Kensington; and could be at risk from a major incident. Additionally, the corporate IT systems at the core of our operations, although secure, remain exposed (as for most businesses) to cyber attacks, despite our attempts to fully secure them.</p>	<p>Information Security Committee is tasked to work closely with the security authorities to minimise the possibility of an incident occurring.</p> <p>We and our managing agents have tested comprehensive business continuity plans to ensure the fastest possible recovery after an incident.</p> <p>The corporate IT infrastructure and systems are protected by a Comprehensive Information Security Framework accredited under ISO 27001, including firewall threat and detection monitoring systems.</p>	Medium	New

Material issues	Risk/opportunity	Principal mitigations	Residual risk ratings	Change in risk from last year
2, 4, 5, 7	<p>5 – Investment performance</p> <p>Investment performance is at the heart of our investment strategy to optimise the returns from our assets and meet our corporate objectives.</p> <p>There are a number of related risks to investment performance including:</p> <p>(a) Ineffective investment strategy or poor execution of investment strategy (i.e. through sub-optimal decision-making, lack of sustainability or over exposure to developments) impacts on ability to meet revenue targets or has adverse impact on portfolio valuation.</p> <p>(b) Underperformance compared to industry due to limitations under the Crown Estate Act 1961 (limited availability/timing of access to funds), restricting investment activity and preventing opportunity/ability to optimise portfolios.</p> <p>(c) Inability to attract and retain commercial partners and investors, should there be seen to be a decline in the attractiveness of our core portfolio (due to economic or geopolitical factors), restricting our ability to obtain sufficient working capital funding to re-invest in the estate.</p> <p>(d) Economic impact on our tenants increases voids/defaults, resulting in potential threat to our revenue targets.</p>	<p>Board oversight and approval of investment strategy, with formal review of implementation and performance monitoring.</p> <p>Economic and market analysis/monitoring.</p> <p>Formal Investment Committee with responsibility for scrutiny over proposed investment decisions (subject to delegated authorities) and investment appraisal process.</p> <p>Quarterly Investment Management Board and consideration of external market/real estate views.</p> <p>Focused asset management with appropriate due diligence.</p> <p>Portfolio diversification and monitoring.</p> <p>Exploration of joint venture investments and operational joint venture monitoring group.</p> <p>Continuous monitoring and review including due diligence/covenant checks.</p>	Medium	⬇️
1, 2, 4, 8, 11	<p>6 – Development performance</p> <p>Regent Street, St James's and the renewable portfolios are in the middle of major development phases. The majority of these are undertaken with the funds of co-investment partners and it is essential that these developments are completed to time, cost and quality to maximise the returns and retain the interests of our investors. Risks related to development performance include:</p> <p>(a) Delays in completion of a major development or a number of developments (land-based or offshore) resulting in adverse impact on revenue and/or capital growth due to development letting exposure, overruns and/or supplier/sub-contractor failure.</p> <p>(b) Inability to secure timely planning permission for key developments across the business due to localism, competing users of seabed, or general opposition.</p>	<p>Development and Project Management Governance Framework.</p> <p>Regular development monitoring through project control groups.</p> <p>Third party due diligence and continuous monitoring of partner financial health.</p> <p>Robust evaluation of development business cases.</p> <p>Engagement with statutory planning authorities both onshore and offshore.</p>	Medium	⬆️
1, 8	<p>7 – Health and Safety</p> <p>We own a diverse range of properties (forests, parks, farms, shoreline, rivers and seabed, retail parks offices, residences etc.) and our aim is to ensure that these are safely worked, developed and enjoyed by staff, tenants, contractors and members of the public.</p> <p>There is a risk that a significant health and safety incident occurs resulting in serious harm to members of staff, suppliers, tenants or other persons. This could lead to penalties, fines and potential litigation and seriously damage our reputation.</p>	<p>Development and roll-out of management systems accredited to OHSAS 18001.</p> <p>Comprehensive regular reporting to the Management Board.</p> <p>Health and safety training and programme of compliance reviews.</p> <p>Incident reporting hotline and promotion of health and safety culture.</p>	Medium	⬇️

Principal corporate risks
and opportunities continued

Material issues	Risk/opportunity	Principal mitigations	Residual risk ratings	Change in risk from last year
1, 3	<p>8 – Government policy</p> <p>If we fail to anticipate and be responsive to changes to Government policy this could impact our underlying business and ability to deliver primary objectives.</p>	<p>Regular liaison with HM Treasury.</p> <p>Ongoing review of upcoming legislative/policy changes on our business.</p> <p>Strong working relationships with stakeholders across Government.</p> <p>Active participation in key policy reviews, openly communicated through corporate channels.</p>	Medium	
1, 8, 10, 11, 12	<p>9 – Stakeholders</p> <p>We have a diverse range of stakeholders, including investors, customers/tenants, suppliers, staff, local communities, local authorities, national Government, monarchy and the general public. We have to manage the competing interest and expectations of these stakeholders and ensure that our role and contribution is fully understood, recognised and valued. The key risks and opportunities are:</p> <p>(a) Failure to assess and evaluate the expectations of customers, tenants and wider stakeholders and this adversely affects our reputation.</p> <p>(b) Missed opportunity to be recognised for positive contributions made (e.g. successful placemaking and creating sustainable developments) resulting in value not being maximised.</p>	<p>Customer focus programme.</p> <p>Market research.</p> <p>Processes in place both within the organisation and those who act on our behalf (e.g. managing agents) to resolve customer concerns.</p> <p>Achievement of sustainability targets and objectives.</p> <p>Total Contribution measurement and reporting.</p>	Low	
1, 6, 10, 11, 12	<p>10 – Sustainability</p> <p>Our principal sustainability risks relate to failure of compliance with social and environmental legislation leading to litigation, costs and damage to our reputation.</p> <p>We could also fail to adapt our portfolio to the threat from climate change, leading to the obsolescence of assets and erosion of value.</p> <p>Conversely, by acting effectively now to manage climate change we have an opportunity to build resilience, identify efficiency and to capitalise on the change.</p>	<p>Integrated approach to sustainability.</p> <p>Monitoring of new legislation.</p> <p>Sustainability considered in all decisions.</p> <p>Sustainability workstream focus group and Management Board oversight.</p> <p>Developments/refurbishments built to a high sustainability standard (e.g. BREEAM) to meet or exceed EPC standards.</p> <p>Offshore wind programme with defined objectives.</p>	Low	

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

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

In preparing the accounts the Main Board is required to:

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

The Treasury has appointed the Chief Executive (the Second Commissioner) as the Accounting Officer for The Crown Estate. Her responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in 'Managing Public Money'.

The Governance report, together with the material issues we have identified, set out the principal issues and opportunities facing the business and the processes in place to manage these.

In making my statement as accounting officer, in line with 'Managing Public Money', it is my judgement that the Main Board has handled these issues successfully and that they have been supported by an appropriate governance framework.

So far as I am aware, I confirm that there is no relevant audit information of which the auditors are unaware. I have also taken all steps necessary in order to make myself aware of all relevant information and have established that the auditor is aware of that information.

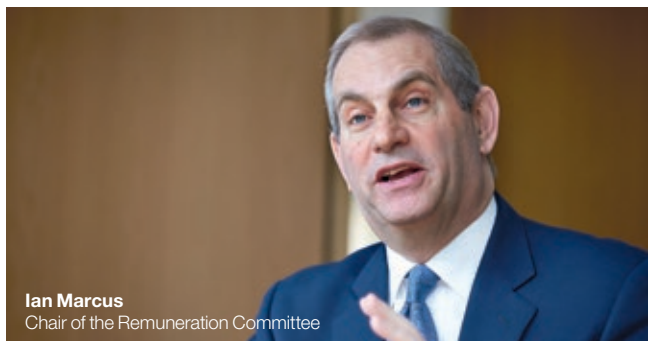
I am confident that The Crown Estate will continue to operate as a successful, well-governed business going forward. There will be inevitable challenges that all businesses will face in the medium term. I believe the governance arrangements we have in place are robust and sufficient to manage those challenges. However, I envisage that some of the priorities going forward that the Main Board will need to consider will include:

- the ability to retain our key people in the strong employment market, particularly within the industry we operate in;
- the ability to retain commercial partners and investors if there is seen to be a decline in the attractiveness of the sectors in which we operate; and
- renewable energy policy and its impact on the market.



Alison Nimmo CBE
Chief Executive
8 June 2015

Remuneration report



Ian Marcus
Chair of the Remuneration Committee

Introduction by the Chair of the Remuneration Committee

This is the first full year that I have chaired the Remuneration Committee and I would like to thank my predecessor Jenefer Greenwood for her commitment to The Crown Estate over the course of her appointment, as well as the time and effort in ensuring a smooth transition prior to stepping down from the Board. This year Dipesh Shah was re-appointed to the Board and became a member of the Remuneration Committee. Dipesh brings with him a wealth of knowledge and experience and, alongside David Fursdon, has made a highly valued contribution throughout the year.

Management were tasked with ensuring an appropriate balance between financial success, growth and our longer-term goals and stewardship mandate. In order to recognise the outstanding performance achieved in the year the Remuneration Committee approved an increased bonus provision for this financial year.

Our values of commercialism, integrity and stewardship underpin our remuneration policy, which is set out in more detail over the following pages of this report. Our primary aim in setting these policies is to ensure we continue to attract and retain talented, professional and experienced people and that our employees, including senior management, are inspired, motivated and incentivised to deliver on the stretching objectives set by reference to our Vision 2022 strategy.

The recruitment market for top talent has been very competitive this year, which has made attracting high-calibre people challenging. This reinforces the need to ensure our reward framework remains fit-for-purpose. To this end, the Committee has been in active discussions with the Treasury as part of a wide-ranging review of reward strategy.

The Remuneration Committee's work will continue to focus on ensuring our remuneration design supports our people, our values and the ongoing development of our high-performance culture.

A handwritten signature in dark ink, appearing to read 'Ian Marcus', written over a light-colored background.

Ian Marcus
Chair of the Remuneration Committee

Governance and role

This report is prepared in accordance with the requirements set out in the UK Corporate Governance Code and the Government Financial Reporting Manual.

Members of the Remuneration Committee

The Remuneration Committee is chaired by Ian Marcus. The other members of the Committee, David Fursdon and Dipesh Shah are both Board Members. The Chief Executive and the Reward, Benefits and Pensions Manager in her role as secretary to the Committee also attend meetings. Other directors (for example the Finance Director) may attend on invitation of the Committee as required, however none are involved in any decision relating to his or her own remuneration.

Responsibilities and terms of reference

The Remuneration Committee is appointed by and reports to the Main Board. A minimum of two meetings are held annually and in 2014/15 the Committee met on five occasions. The primary purpose of the Remuneration Committee is to set remuneration policy for The Crown Estate. The full scope of its responsibilities include:

- determine and agree with the Main Board the remuneration framework for The Crown Estate;
- set the overarching objectives and parameters of remuneration policy for The Crown Estate, having regard to the remuneration trends across the relevant industry;
- to review the ongoing appropriateness and relevance of the remuneration policy to ensure that it is sufficient to attract and retain the calibre of people necessary for the future performance of the business;
- obtain reliable, up-to-date information about remuneration in other relevant comparable organisations;
- determine the total individual remuneration package of each Executive Director, including allowances, bonuses, any long-term incentive payments and pension benefits to ensure that Directors (Executive) of The Crown Estate are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of The Crown Estate. The remuneration package for the Chief Executive is proposed in consultation with the Chairman and agreed by the Remuneration Committee within the framework arrangement agreed with the Treasury;
- approve the design of, and agree the targets, for any performance-related pay schemes operated by The Crown Estate and approve the total annual payments made under such schemes;

- determine the policy for, and scope of, pension arrangements for The Crown Estate;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and The Crown Estate, and comply with such Treasury guidance as may be in place, to ensure that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- approve and oversee any major changes in employee benefits structures.

Advisers

The Crown Estate's Head of Human Resources and Reward, Benefits and Pensions Manager provided information and advice to the Committee throughout the year. Further market intelligence was provided by external recruitment consultancies, senior individuals from relevant comparator organisations and the principal adviser to the Remuneration Committee.

In 2014 Towers Watson were appointed as principal adviser to the Remuneration Committee. Towers Watson provided the Committee with a broad range of strategic advice relative to reward and benefit matters across The Crown Estate.

The Chairman of the Committee provides an oral report to the Main Board after each Committee meeting, and the Committee submits an annual report to the Main Board reporting on its activities during the year.

Activities and highlights

During the course of the year, the Remuneration Committee considered a number of matters, including:

- review of progress against people and culture targets under Vision 2022;
- ongoing review of remuneration policy to ensure it remains fit-for-purpose;
- salary increases for Executive Directors and senior managers with earning potential in excess of £100,000 (this is increased to £140,000 from 1 April 2015), together with overall levels of salary increases across the business effective in July 2014;
- achievement against personal scorecard targets under the annual bonus scheme for Executive Directors and allocation of bonus;
- achievement against the performance conditions for the award of long-term cash incentive plans (five employees currently have outstanding long-term incentive awards, three of whom are not Executive Directors but are senior executives); and
- the negotiation and agreement of a revised reward deal with the GMB union for the Windsor employees to better underpin the commercial strategy on the Estate.

Remuneration policy and benchmarking

The Crown Estate's remuneration policy seeks to provide sustainable levels of remuneration to attract, retain and motivate high-quality personnel, recognising that whilst we are a public corporation, we compete for talent in a highly commercial environment. Accordingly, for the majority of employees, we aim to pay salaries at around market median and bonus awards determined by reference to the performance of the business and individual contribution. The Remuneration Committee has adopted a progressive but conservative performance-related pay policy to ensure that an appropriate proportion of Executive Director remuneration is delivered through performance-related pay, with incentives to outperform targets, which include external benchmarking.

Remuneration packages for Executive Directors are benchmarked by the Committee using research prepared by the Reward, Benefits and Pensions Manager in conjunction with our external independent advisers. The research is carried out by benchmarking roles against one or more of four proprietary pay surveys, which benchmark against a large group of real estate, energy sector and commercial sector comparators with a similar capital value to The Crown Estate.

The Committee also has oversight for the pay and reward policy across the business, with particular focus on the remuneration of senior employees (with the potential to earn £140,000 or more), whose pay is also the subject of benchmarking research prepared by Human Resources. This earnings level will change from April 2015, as in previous years the Committee focused on senior employees with a remuneration potential of £100,000 or more.

The general policy is to compensate leavers within contractual terms for loss of office/early termination.

Components of Directors' remuneration

Directors' remuneration comprises:

- fixed pay, including base pay, flexible benefits allowance (including annual leave converted into cash) together with pension allowance or contribution to a pension scheme;
- variable pay, comprising:
 - annual bonus;
 - long-term cash incentive plan arrangements (for selected Executive Directors).

Principles and policy on annual bonuses

The annual bonus arrangement for Executive Directors is based on the achievement of key business targets, with a maximum possible award of 60 per cent of basic salary in 2014/15 (40 per cent for the Chief Executive). The maximum award is subject to receipt of an outstanding individual performance rating and is conditional on The Crown Estate's performance meeting or exceeding predetermined performance targets. These targets being outperformance of the annual net income surplus target as set by the Treasury and outperformance of the IPD bespoke benchmark.

Directors' long-term cash incentive plans

Paul Clark and Rob Hastings are also entitled to receive a one-year discretionary non-pensionable long-term incentive award (LTIP). This was put in place as a transitional arrangement, commencing in April 2014, pending a more fundamental review of the design of the scheme. This provides Paul Clark with an award of up to 30 per cent of base pay at 1 July 2014. For Rob Hastings this provides an award of up to 57 per cent of base pay at 1 July 2014. Payment of any award made under the arrangement is payable in July 2015. All awards and targets are subject to the approval of the Remuneration Committee.

Non-Executive Board appointments held by the Chief Executive and Management Board Executive Directors

The Board of The Crown Estate positively encourage and fully support non-executive appointments and see these as part of the directors' development. Alison Nimmo and a number of other directors also hold directorships of charities, which is actively encouraged by The Crown Estate.

Alison Nimmo holds one paid Non-Executive Board appointment in addition to her Crown Estate appointment. Paul Clark holds two paid Non-Executive Board appointments in addition to his Crown Estate appointment. They are permitted to retain earnings from their appointment and the Board is satisfied that these are manageable alongside their executive responsibilities.

In accordance with our policy on non-executive earnings, which requires disclosure for appointments in publicly listed companies, Alison Nimmo earned £58,500 to 31 March 2015, as a Non-Executive Board Member of Berkeley Group Holdings plc, in addition to her remuneration earned as Chief Executive. Paul Clark is a Non-Executive Director of Ronson Capital Partners and Hermes Property Unit Trust.

Pensions

The Crown Estate operates two pension schemes: the Principal Civil Service Pension Scheme (PCSPS) and The Crown Estate Pension Scheme (CEPS). Each scheme comprises a number of sections, which offer different pension benefits. The sections of the PCSPS which provide defined benefits are the Classic, Classic Plus and Premium sections, which provide retirement and related benefits to all eligible employees based on individual final emoluments, which are subject to an upper salary limit of £145,800. The NUVOS section provides defined benefit retirement and related benefits to all eligible employees based on a career average emoluments scheme.

From 1 April 2015 new Career Average pension arrangements will be introduced for some of the PCSPS pension schemes. The majority of PCSPS Classic, Premium, Classic Plus and NUVOS members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

Since March 2009, no new employees have been admitted to the PCSPS or the CEPS Opal scheme, and are offered access to the CEPS Quartz or Topaz schemes, or, alternatively, an 8 per cent cash allowance. The table provides an overview of benefits.

Overview of pension scheme benefits

Pension scheme	PCSPS Classic	PCSPS Classic Plus	PCSPS Premium	PCSPS NUVOS	CEPS Opal	CEPS Quartz scheme Hybrid defined Benefit and defined contribution	CEPS Topaz scheme Defined contribution
Benefit	1/80th	1/80th	1/60th	1/60th	1/80th	1/80th for each year	n/a
Scheme retirement age	60	60	60	65	60	65	65
Scheme earnings cap from 1 April 2014	£145,800	£145,800	£145,800	£145,800	£145,800	£29,350 DB section	n/a
Employee contribution from 1 April 2014	Between 1.5% for salaries of £15k and 6.85% for salaries of £60k	Between 3.5% for salaries of £15k and 8.85% for salaries of £60k	Between 3.5% for salaries of £15k and 8.85% for salaries of £60k	Between 3.5% for salaries of £15k and 8.85% for salaries of £60k	1.5%	5% for DB section	Optional
Life cover	2x pensionable salary	2x pensionable salary	3x pensionable salary	3x pensionable salary	4x base pay	4x base pay	4x base pay
Ill-health benefit	Yes	Yes	Yes	Yes	Yes	No	No
Redundancy (attaching benefits)	Yes	Yes	Yes	Yes	Yes	No	No

Note:

Employees not in pension scheme are offered 8 per cent cash allowance.

Directors in PCSPS schemes receive top-up life assurance benefits to provide 4x base pay.

As at 31 March 2015, a total of 227 employees were members of the open sections of CEPS and a further 40 have elected to receive a cash pension allowance. The Crown Estate Board Members, with the exception of Alison Nimmo, Chief Executive, are non-executive appointments and are not members of either CEPS or the PCSPS. Pension benefits were provided to Alison Nimmo, Chief Executive, and members of the Management Board through the PCSPS or CEPS.

Pension payments increase in line with the retail price index for CEPS and the consumer price index for the PCSPS.

On death, pensions are payable to the surviving spouse at a rate of half of the member's pension. On death in service, a lump sum benefit of four times pensionable pay is payable to CEPS members. This benefit has also been extended to Rob Hastings exceptionally as he is not a CEPS member. The PCSPS and CEPS (Opal Section) provide a service enhancement in computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill-health for members of these schemes. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Table of earnings

The following sections are covered by the Comptroller and Auditor General's opinion.

Remuneration and pension benefits of the Main Board:

Board Member	2014/15 Total remuneration excluding bonus £	2013/14 Total remuneration excluding bonus £	Real increase in pension at 60 £	Total accrued pension at 60 at 31 March 2015 £	Cash equivalent transfer value as at 31 March 2015 £	Cash equivalent transfer value as at 31 March 2014 £	Real increase in cash equivalent transfer value £
Sir Stuart Hampson (Chairman)	50,000	50,000	–	–	–	–	–
Alison Nimmo (Chief Executive)	228,445	217,122 ¹	371	1,192	23,058	12,052	5,707
Gareth Baird	25,828	25,828	–	–	–	–	–
Chris Bartram (appointment expired 31 December 2014)	14,528 ²	19,371	–	–	–	–	–
David Fursdon	19,371	19,371	–	–	–	–	–
Paula Hay-Plumb (appointed 1 January 2015)	4,843 ²	–	–	–	–	–	–
Ian Marcus	19,371	19,371	–	–	–	–	–
Dipesh Shah	19,371	19,371	–	–	–	–	–
Dr Tony White	19,371	19,371	–	–	–	–	–

¹ Includes leave converted to cash of £nil (2013/14: £5,862) and fixed benefits allowance of £7,260 (2013/14: £7,260).

² The full year equivalent total remuneration for Chris Bartram and Paula Hay-Plumb was £19,371 for 2014/15.

The Chairman and Non-Executive Members of the Main Board are initially appointed for terms of four years with the prospect of renewal for a maximum of one further term. Alison Nimmo, the Chief Executive, is also appointed on a four-year contract with a notice period of six months.

Alison Nimmo is entitled to receive a non-pensionable annual bonus of up to a maximum of 40 per cent of her salary, which is geared to specific targets and is within the framework arrangement agreed by the Treasury. For the year ended 31 March 2014 she was eligible for a maximum award of £81,600. The bonus paid to Alison Nimmo in respect of her performance for the year ending 31 March 2014 was £73,440 net of the reduction applied under the Treasury imposed public pay policy provisions. This was paid in October 2014. The maximum bonus receivable in respect of the year ended 31 March 2015 is £109,096.

Alison Nimmo is a member of CEPS Quartz section. Her pension benefits for 2014/15 were £24,528 (2013/14 £23,765). The pension benefit is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less contributions made by the individual, plus contributions made by The Crown Estate to the individual's defined contribution scheme.

Excluding bonus the single total figure of remuneration for Alison Nimmo for 2014/15 was £252,973 (2013/14 £241,000), for other Main Board Members the single total figure of remuneration is as shown in the table above.

Board Counsellors

Board Counsellors are non-voting members of the Main Board and are appointed for a period of one year. The salaries of the Board Counsellors were as follows:

Board Counsellors	2014/15 Total remuneration £	2013/14 Total remuneration £
Peter Madden	19,371	4,843
Chris Bartram (appointed 1 January 2015)	4,843	–

Management Board Executive Directors

The remuneration and pension benefits of the members of the Management Board were as follows:

Single total figure of remuneration

	Salary		Bonus payments		LTIPs		Pension benefits ²		Total	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £	2013/14 £	2014/15 £'000	2013/14 £'000
Management Board Member										
Paul Clark	210–215	205–210 ¹	110–115	90–95	60–65	35–40	42,000	39,000	430–435	380–385
Judith Everett (from 1 June 2013)	150–155	120–125	70–75	50–55 ³	n/a	n/a	15,000	9,000	240–245	185–190 ³
Rob Hastings	170–175	165–170	80–85	70–75	75–80	95–100	44,000	35,000	375–380	375–380
Ken Jones	160–165 ¹	150–155 ¹	65–70	50–55	n/a	n/a	22,000	17,000	250–255	220–225
Vivienne King	155–160	150–155	55–60	50–55	n/a	n/a	46,000	44,000 ⁴	255–260	245–250
John Lelliott	190–195 ¹	170–175 ¹	70–75	60–65	n/a	n/a	n/a	n/a	260–265	235–240

1 Includes annual leave converted to cash.

2 The value of pension benefits accrued in the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less contributions made by the individual plus contributions made by The Crown Estate to the individual's defined contribution scheme.

3 The 2013/14 figures for remuneration paid to Judith Everett have been restated to take account of bonus due and paid to her in respect of the financial year ended 31 March 2014.

4 The 2013/14 pension benefits figure for Vivienne King has been re-stated following a correction made to her membership record.

The bonus and LTIP element of remuneration shown above represents the amount accrued in respect of the financial year which are payable in subsequent years. Members of the Management Board are appointed on permanent contracts which provide for a notice period of six months.

Pay multiples

	2014/15	2013/14
Band of highest paid Director's total remuneration (as defined below) £'000	385–390	340–345
Median total remuneration of all employees £	36,743	35,678
Ratio	10.57	9.58

Total remuneration includes salary, bonus and LTIP payments. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits

	Real increase in pension at 60 £	Total accrued pension at 60 At 31 March 2015 £	Cash equivalent transfer value At 31 March 2015 £	Cash equivalent transfer value At 31 March 2014 £	Real increase in cash equivalent transfer value £
Management Board Member					
Paul Clark	1,902	13,529	375,938	251,984	50,670
Judith Everett	n/a	n/a	n/a	n/a	n/a
Rob Hastings	2,853	22,263	348,328	291,604	31,732
Ken Jones	369	886	24,985	12,081	8,955
Vivienne King	2,097	42,184	1,243,674	945,264 ¹	59,654
John Lelliott	n/a	n/a	n/a	n/a	n/a

1 The 2013/14 pension benefits figure for Vivienne King has been restated following a correction made to her membership record.

Rob Hastings is a member of the PCSPS Premium section, Paul Clark and Vivienne King are members of the CEPS Opal section, Ken Jones is a member of the CEPS Quartz section and Judith Everett is a member of the CEPS Topaz section. John Lelliott has been in receipt of a CEPS pension since December 2010 so has elected to receive an allowance in lieu of a pension scheme contribution. This allowance was equivalent to 11.5 per cent of base pay up until 30 June 2014 and 14.5 per cent as from 1 July 2014 and is included within the salary amount stated in the table of single total figure of remuneration above.



Alison Nimmo CBE
Chief Executive
8 June 2015

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

I certify that I have audited the financial statements of The Crown Estate for the year ended 31 March 2015 under the Crown Estate Act 1961. The financial statements comprise the Consolidated Statements of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Capital and Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Crown Estate Commissioners, the Accounting Officer and auditor

As explained more fully in the Statement of the Crown Estate Commissioners' and Accounting Officer's Responsibilities, the Board and Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Crown Estate Act 1961. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff 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 Crown Estate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Crown Estate; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the

purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with the Crown Estate Act 1961 and directions issued thereunder by HM Treasury, of the state of The Crown Estate's affairs as at 31 March 2015 and of its revenue profit and capital profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Crown Estate Act 1961 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Crown Estate Act 1961; and
- the information given in the Overview, What we've been doing, How we create value, About our performance, and Managing the business sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not yet been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP
11 June 2015

Consolidated statements of comprehensive income

Consolidated Revenue Account

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Revenue	5	397.2	374.5
Costs	6	(96.1)	(89.7)
Operating surplus		301.1	284.8
Investment revenue	10	3.6	5.5
Share of revenue profit from joint ventures	22	17.0	11.6
Share of revenue profit from other property investments	23	1.7	1.2
Net operating profit before depreciation, Treasury agreements and Statutory transfers		323.4	303.1
Depreciation of tangible fixed assets	21	(2.9)	(2.8)
Net operating profit before Treasury agreements and Statutory transfers		320.5	300.3
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	(28.7)	(27.2)
Statutory transfers	15	(9.0)	(8.3)
Parliamentary Supply finance	16	2.3	2.3
Net consolidated revenue account profit – distributable to the Consolidated Fund	17	285.1	267.1
Consolidated statement of comprehensive income of the revenue account			
Net revenue account profit – distributable to the Consolidated Fund		285.1	267.1
Items that will not be reclassified subsequently to the revenue account profit:			
Re-measurement gain/(loss) on retirement benefits	11c	0.2	(2.2)
Total consolidated comprehensive revenue account profit		285.3	264.9

Consolidated Capital Account

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Revenue	5	12.2	23.5
Charge from revenue for salary costs	9	(13.3)	(12.5)
Net revaluation gains on investment property (including profits on disposal)	13	1,449.9	1,158.1
Share of (loss)/ profit in joint ventures	13	(6.8)	2.1
Share of capital profit from joint ventures (including profits on disposal)	13	71.0	39.7
Share of capital profit from other property investments	13	2.6	0.1
Capital account profit before Treasury agreements and Statutory transfers		1,515.6	1,211.0
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	28.7	27.2
Statutory transfers	15	9.0	8.3
Net consolidated capital account profit		1,553.3	1,246.5
Consolidated statement of comprehensive income of the capital account			
Net capital account profit		1,553.3	1,246.5
Items that will not be reclassified subsequently to capital account profit:			
Unrealised surplus on owner occupied properties	13	32.1	11.7
Surplus on revaluation of other investments	13	–	4.9
Share of joint ventures fair value movements on interest rate swaps treated as cash flow hedges	22	(0.6)	–
Total consolidated comprehensive capital account profit		1,584.8	1,263.1

All results are derived from continuing operations.

Consolidated balance sheet

As at 31 March 2015

	Note	31 March 2015 £m	31 March 2014 £m
Assets			
Non-current assets			
Investment properties	18	11,228.8	9,746.6
Property, plant and equipment:			
Owner occupied property	19	147.7	112.1
Plant and equipment	21	11.8	6.5
Investment in joint ventures	22	646.8	396.3
Other property investments	23	79.0	35.8
Other investments	24	10.4	10.2
Receivables due after one year	25	57.4	39.8
Total non-current assets		12,181.9	10,347.3
Current assets			
Non-current investment property assets held for sale	18	–	56.5
Inventories	26	0.1	0.1
Trade and other receivables	27	39.1	19.2
Cash and cash equivalents		552.5	552.0
Total current assets		591.7	627.8
Pension asset	11a	5.3	5.0
Total assets		12,778.9	10,980.1
Liabilities			
Current liabilities			
Payables – amounts falling due within one year	28	135.3	110.9
Provisions	29	0.8	–
Total current liabilities		136.1	110.9
Payables – amounts falling due after more than one year	28	1,181.1	992.5
Total liabilities		1,317.2	1,103.4
Net assets		11,461.7	9,876.7
Capital and reserves			
Revenue reserve available for distribution to the Consolidated Fund		0.5	0.6
Pension reserve		5.3	5.0
Capital reserve		11,393.3	9,840.6
Revaluation reserve		62.6	30.5
Total capital and reserves		11,461.7	9,876.7

The balance sheet of the group is not materially different to the holding company balance sheet.



Alison Nimmo CBE

Second Commissioner and Accounting Officer
8 June 2015

Consolidated cash flow statement

For the year ended 31 March 2015

	Note	31 March 2015 £m	31 March 2014 £m
Cash generated from operating activities	31	297.6	271.1
Interest received		3.4	5.3
Distributions from investment in joint ventures		42.1	10.5
Distributions received from other property investments		1.7	1.2
Net cash inflow from operating activities		344.8	288.1
Cash flows from investing activities			
Acquisition of investment properties		(74.3)	(263.6)
Capital expenditure on investment properties		(179.1)	(248.1)
Proceeds from disposal of investment properties		419.0	457.2
Other capital receipts		32.0	–
Net investment in joint ventures		(212.0)	(5.4)
Net investment in other property investments		(40.6)	–
Purchase of plant and equipment and other investments		(8.4)	(1.6)
Loan repayment		0.1	–
Other cash flows from investing activities		–	(0.2)
Net cash outflow from investing activities		(63.3)	(61.7)
Cash flows from financing activities			
Parliamentary Supply finance		2.3	2.3
Net cash inflow from financing activities		2.3	2.3
Net increase in cash and cash equivalents before Consolidated Fund payment		283.8	228.7
Consolidated Fund payment		(283.3)	(262.2)
Increase/(decrease) in cash in the year after Consolidated Fund payment		0.5	(33.5)
Cash and cash equivalents at the start of the year		552.0	585.5
Cash and cash equivalents at the end of the year	32	552.5	552.0

Consolidated statement of changes in capital and reserves

For the year ended 31 March 2015

	Revenue account		Capital account		Total £m
	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Capital reserve £m	Revaluation reserve £m	
As at 1 April 2014	0.6	5.0	9,840.6	30.5	9,876.7
Net consolidated profit for the period	285.1	–	1,553.3	–	1,838.4
Other consolidated comprehensive income:					
Revaluation surplus of owner occupied properties	–	–	–	32.1	32.1
Re-measurement gain on retirement benefits	–	0.2	–	–	0.2
Total consolidated comprehensive profit for the year ended 31 March 2015	285.1	0.2	1,553.3	32.1	1,870.7
Pension reserve adjustment	(0.1)	0.1	–	–	–
Share of joint venture's fair value movements on interest-rate swaps treated as cash flow hedges	–	–	(0.6)	–	(0.6)
Payments to the Consolidated Fund	(285.1)	–	–	–	(285.1)
As at 31 March 2015	0.5	5.3	11,393.3	62.6	11,461.7
As at 1 April 2013	0.1	6.8	8,594.1	13.9	8,614.9
Net consolidated profit for the year	267.1	–	1,246.5	–	1,513.6
Other consolidated comprehensive income:					
Revaluation surplus of owner occupied properties	–	–	–	11.7	11.7
Surplus on revaluation of other investments	–	–	–	4.9	4.9
Remeasurement loss on retirement benefits	–	(2.2)	–	–	(2.2)
Total consolidated comprehensive profit/(loss) for the year ended 31 March 2014	267.1	(2.2)	1,246.5	16.6	1,528.0
Pension reserve adjustment	(0.4)	0.4	–	–	–
Payments to the Consolidated Fund	(266.2)	–	–	–	(266.2)
As at 31 March 2014	0.6	5.0	9,840.6	30.5	9,876.7

The statement of changes in capital and reserves of the group is not materially different to that of the holding company.

Notes to the consolidated financial statements

1. Basis of preparation

These financial statements have been prepared on a going concern and an accruals basis under the historic cost convention, modified to include investment properties, owner occupied properties and other investments at fair value. They are prepared in accordance with section 2(5) of the Crown Estate Act 1961 and with the directions made thereunder by the Treasury.

The directions from the Treasury require that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and therefore in compliance with Article 4 of the EU IAS Regulation, except where these conflict with the Crown Estate Act 1961.

Impact of the Crown Estate Act 1961 on the financial statements

The Crown Estate is a body corporate regulated by Statute and domiciled in the United Kingdom. The provisions of the Crown Estate Act 1961 specify certain distinctions between capital and revenue reflecting the Report of the Committee on Crown Lands before the Act was passed, to the effect that The Crown Estate resembles a trust, in which the revenue beneficiary is the Exchequer and the capital is held for Her Majesty and Her Successors. Section 2(4) of the Act requires capital and revenue to be distinguished in the accounts and for provision to be made for recovering capital expenditure from revenue where appropriate and the accounts are prepared on that basis. The section then specifies that:

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

To meet the requirements of the Crown Estate Act 1961, and the directions made by the Treasury, the movements in comprehensive income are analysed between revenue and capital accounts. The capital account includes profits or losses arising on the sale of investment properties, the realisation of revaluation gains, the income arising on the grant of operating leases over land in exchange for a premium, the charge from revenue for salary costs, and the transfers between the capital and revenue account as required by Statutory provisions and Treasury agreements.

IFRS cannot be complied with in one respect due to the Crown Estate Act 1961. Where a lease premium is received in respect of an operating lease of less than 30 years the Crown Estate Act 1961 requires that the income is taken direct to the revenue account. This conflicts with the treatment required under IFRS, which requires such income to be spread over the lease term. However, the impact is not regarded as material. This treatment is consistent with prior years.

Treasury agreements

The Crown Estate Act 1961 allows adjustments between revenue and capital specifically for the purposes of recouping capital expenditure out of revenue. As The Crown Estate is prohibited from borrowing, Treasury agreements provide The Crown Estate with a reliable and predictable source of capital. By agreement with the Treasury, the mechanism by which the revenue account is charged is calculated as an amount equivalent to 9 per cent of the previous year's gross revenue as disclosed in note 5, excluding service charges, and after taking into account depreciation of plant and equipment.

Changes in accounting policies

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. The policies adopted are consistent with those of the previous year except that The Crown Estate has adopted the following standards during the year. The adoption of these standards has had no material impact on the financial statements:

IFRS 10 – Consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 12 – Disclosure of interests in other entities

IAS 27 – Separate financial statements (as amended 2011)

IAS 28 – Investments in associates and joint arrangements (as revised in 2011)

At the date of authorisation of these financial statements, the following Standards and interpretations were issued but not yet effective are not yet adopted by the EU and so are not available for early adoption. The Crown Estate anticipates that the adoption of these standards is unlikely to have a material impact on the financial statements in the period of application:

IFRS 9 – Financial instruments

IFRS 15 – Revenue from contracts with customers

2. Significant accounting policies

2a. Basis of consolidation

The consolidated financial statements for the year ended 31 March 2015 incorporate the financial statements of The Crown Estate and all of its subsidiary undertakings. Subsidiary undertakings are those entities controlled by The Crown Estate. The Crown Estate controls an entity when it is exposed, or has rights to variable returns from the entity and has an ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences and until the date control ceases. The financial statements of the group are not materially different to those of the holding company.

2b. Properties

Properties are valued by independent external valuers at the balance sheet date. The valuations have been carried out in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

Fair value measurement of investment property

IFRS 13 requires the use of valuation techniques for which sufficient data are available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used.

For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:

- Level 1: unadjusted quoted prices in active markets
- Level 2: observable inputs other than quoted prices included within Level 1
- Level 3: unobservable and observable inputs where significant adjustments have been applied.

Investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties and those in the course of construction are held at fair value. They are valued on the basis of open market value. When The Crown Estate begins to re-develop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such.

Energy and mineral assets are valued only where a letting or licence exists, where an entry has occurred, or where an interest is expected to provide either a revenue cash flow or capital receipt within the foreseeable future.

Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties consist of costs of a capital nature. At the balance sheet date investment properties are revalued to fair value.

Any surplus or deficit arising on revaluing investment properties is recognised in the consolidated capital account.

Investment properties under development

Investment properties under development comprise properties subject to a major programme of re-development or development. They are categorised as such from the start of the programme until practical completion.

Owner occupied properties

Any surplus or deficit arising on the revaluation of properties occupied by The Crown Estate is taken to revaluation reserve unless any loss in the period exceeds any cumulative gains previously recognised in the revaluation reserve. In this case the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the consolidated capital account. These properties include dwellings occupied by The Crown Estate employees and pensioners at the Windsor estate.

Disposals

Disposals are recognised at the date of legal completion. Profits and losses arising on disposal are recognised through the consolidated capital account. The profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period and costs of sale. Properties are transferred between categories at the estimated market value on the date of transfer.

Non-current property assets held for sale

Properties held with the intention of disposal at the balance sheet date are shown in the balance sheet within current assets.

2c. Leases

The Crown Estate as lessor – operating leases

Leases granted to tenants where substantially all the risks and rewards of ownership are retained by The Crown Estate as lessor are classified as operating leases. Where a premium is received in exchange for the grant of a long leasehold interest, the premium is taken to deferred income and released to revenue in the consolidated capital account over the life of the lease.

Under the requirements of the Crown Estate Act 1961 a lease premium received on the grant of a lease with a lease term of 30 years or less is taken to revenue in the consolidated revenue account in the year that it is granted.

The Crown Estate as lessee – finance leases

Leasehold properties are recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

2d. Other property, plant and equipment

These assets are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

Vehicles: 4–10 years depending on nature of vehicle

Plant and equipment: 4–10 years

Pontoons: 25 years

Computer equipment and software: 4 years

Office equipment: 4 years

Useful lives and estimated residual values are reviewed annually.

2. Significant accounting policies continued

2e. Joint arrangements – joint ventures

A joint venture is a joint arrangement whereby The Crown Estate has joint control and has rights to its share of the net assets of the arrangement. Joint ventures are accounted for under the equity method. The balance sheet incorporates The Crown Estate's share of the net assets of the joint venture. The consolidated revenue account incorporates the share of the joint venture's profit after tax and the consolidated capital account incorporates The Crown Estate's share of revaluation of investment properties.

2f. Joint arrangements – jointly controlled assets

Joint control is a joint arrangement whereby contractually there is an agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Crown Estate accounts for its share of the jointly controlled assets, its share of any liabilities jointly incurred with other venturers and its share of income and expenditure arising from these assets.

2g. Other investments – antiques and paintings

Antiques and paintings are shown at fair value. Any surplus or deficit arising from changes in fair value are recognised directly in the revaluation reserve. A valuation was carried out during the year ended 31 March 2014. They are valued by recognised experts every three years.

2h. Revenue

Revenue is recorded net of VAT and represents the total value of:

Rental income

Rental income is recognised on a straight-line basis over the term of the lease. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of the lease commencement to the earliest termination date.

Royalties

Royalty income is received in return for the extraction of minerals, including aggregates, from the land and seabed.

Other income

Other income categories comprise income from lease premiums received on the grant of a lease with a lease term of 30 years or less, the sale of produce, miscellaneous fees and sundry income.

2i. Taxation

The Crown Estate is not subject to corporation, income or capital gains tax. The consolidated revenue profit is paid to the Consolidated Fund on an annual basis and will be used for the benefit of the taxpayer.

2j. Pensions – defined benefit plans

Two pension schemes operate within The Crown Estate providing retirement and related benefits to all eligible employees. The schemes are as follows:

a. The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme. The Crown Estate is unable to identify its share of the underlying assets and liabilities and as such has accounted for the scheme as a defined contribution scheme. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

b. The Crown Estate Pension Scheme (CEPS)

The Crown Estate pension scheme has a defined benefit section (closed to new entrants with effect from 1 January 2008), a defined contribution section and a hybrid section. The assets of the scheme are held separately from those of The Crown Estate, in an independently administered fund. In accordance with IAS 19 the current service cost of the scheme is charged to the revenue account. The current service cost is The Crown Estate's share of the cost of the accruing benefits over the year on the IAS 19 assumptions. The contributions are agreed by The Crown Estate and the Trustees on the basis of triennial valuations using the projected unit method. The Remuneration report contains further details of the operation of the scheme.

Re-measurement gains and losses are recognised in the pension reserve. Following the implementation of IFRIC 14, pension scheme surpluses are only recognised to the extent that The Crown Estate has an unconditional right to utilise the surplus.

3. Significant judgements, key assumptions and estimates

3a. Trade receivables

The basis of arriving at the provision for impairment of receivables is as follows:

For both rental and non-rental debts the managing agents responsible for the dealing are instructed to review each debt and what part of the debt should be provided for. Management centrally also review the exposure to different market sectors and make further provision where there is objective evidence of impairment.

3b. Unsettled rent reviews

Where the rent review date has passed, and the revised annual rent has not been agreed, rent is accrued from the date of the rent review based upon the estimation of the revised annual rent. The estimate is derived from knowledge of market rents for comparable properties.

3c. Operating leases

The Commissioners have exercised judgement in identifying that in all material respects, where The Crown Estate is the lessor such leases are operating leases. In exercising this judgement consideration has been given to the nature and economic life of the buildings which are all held within investment properties, and whether the risks and rewards of ownership remain with The Crown Estate. In instances where a premium has been received on the grant of a long lease the same considerations have been applied. In instances where a long lease has been granted in exchange for a premium and the building is 'substantial' in nature, the useful economic life of the building is judged to be greater than the lease length regardless of the lease term.

3d. Risk management

The Crown Estate actively monitors and mitigates risks. A detailed description on this process is included within the risk section of the Governance Report.

3e. Property valuations

Investment properties and owner occupied properties are shown at fair value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income.

4. Segmental analysis

Business segmental analysis

All The Crown Estate operations are in the UK and are currently organised into five operating divisions. The divisions are: Urban, Rural and Coastal, Windsor, Energy and Infrastructure and The Crown Estate headquarters. These divisions are the basis on which The Crown Estate monitors its operations and upon which decisions are made by the Board.

Consolidated Revenue Account

	Note	Year ended 31 March 2015						Year ended 31 March 2014					
		Urban £m	Rural and Coastal £m	Windsor £m	Energy and Infra- structure £m	Crown HQ £m	Total £m	Urban £m	Rural and Coastal £m	Windsor £m	Energy and Infra- structure £m	Crown HQ £m	Total £m
Rent and royalties	5	255.0	48.4	5.1	50.5	–	359.0	240.9	47.7	4.7	45.5	–	338.8
Revenue premium income	5	3.2	0.5	–	–	–	3.7	4.7	–	–	–	–	4.7
Other income	5	5.5	1.6	3.3	–	–	10.4	3.3	0.8	3.2	–	–	7.3
Revenue (excluding service charge income)		263.7	50.5	8.4	50.5	–	373.1	248.9	48.5	7.9	45.5	–	350.8
Service charge income	5	24.1	–	–	–	–	24.1	23.7	–	–	–	–	23.7
Service charge expense	6	(31.6)	–	–	–	–	(31.6)	(31.4)	–	–	–	–	(31.4)
Net service charge expense		(7.5)	–	–	–	–	(7.5)	(7.7)	–	–	–	–	(7.7)
Direct costs:													
Management fees and costs	6	(9.3)	(8.3)	(5.2)	(2.8)	–	(25.6)	(7.8)	(6.5)	(5.2)	(1.8)	–	(21.3)
Repairs and maintenance	6	(1.5)	(2.1)	(1.2)	–	–	(4.8)	(0.9)	(3.3)	(0.9)	–	–	(5.1)
Other direct expenditure	6	(8.3)	(2.3)	(2.5)	(0.1)	–	(13.2)	(7.1)	(1.2)	(2.5)	(1.0)	–	(11.8)
Total direct costs		(19.1)	(12.7)	(8.9)	(2.9)	–	(43.6)	(15.8)	(11.0)	(8.6)	(2.8)	–	(38.2)
Gross surplus/(deficit)		237.1	37.8	(0.5)	47.6	–	322.0	225.4	37.5	(0.7)	42.7	–	304.9
Indirect costs:													
Administrative expenses	8	(0.5)	(0.2)	(0.4)	(0.1)	(19.7)	(20.9)	(0.5)	(0.2)	(0.3)	(0.3)	(18.7)	(20.0)
Loss on sale of plant and equipment		–	–	–	–	–	–	(0.1)	–	–	–	–	(0.1)
Total indirect costs		(0.5)	(0.2)	(0.4)	(0.1)	(19.7)	(20.9)	(0.6)	(0.2)	(0.3)	(0.3)	(18.7)	(20.1)
Operating surplus/(deficit)		236.6	37.6	(0.9)	47.5	(19.7)	301.1	224.8	37.3	(1.0)	42.4	(18.7)	284.8
Investment revenue	10	0.1	–	–	–	3.5	3.6	0.1	–	–	–	5.4	5.5
Share of revenue profit from joint ventures	22	17.0	–	–	–	–	17.0	11.6	–	–	–	–	11.6
Share of revenue profit from other property investments	23	1.7	–	–	–	–	1.7	1.2	–	–	–	–	1.2
Net operating profit/(loss) before depreciation, Treasury agreements and Statutory transfers		255.4	37.6	(0.9)	47.5	(16.2)	323.4	237.7	37.3	(1.0)	42.4	(13.3)	303.1
Depreciation of tangible fixed assets	21	(0.4)	(0.1)	(0.5)	–	(1.9)	(2.9)	(0.4)	(0.1)	(0.4)	(0.1)	(1.8)	(2.8)
Net operating profit/(loss) before Treasury agreements and Statutory transfers		255.0	37.5	(1.4)	47.5	(18.1)	320.5	237.3	37.2	(1.4)	42.3	(15.1)	300.3
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	–	–	–	–	(28.7)	(28.7)	–	–	–	–	(27.2)	(27.2)
Statutory transfers	15	–	–	–	–	(9.0)	(9.0)	–	–	–	–	(8.3)	(8.3)
Parliamentary Supply finance	16	–	–	–	–	2.3	2.3	–	–	–	–	2.3	2.3
Net consolidated revenue account profit – distributable to the Consolidated Fund		255.0	37.5	(1.4)	47.5	(53.5)	285.1	237.3	37.2	(1.4)	42.3	(48.3)	267.1

4. Segmental analysis continued

Consolidated Capital Account

	Note	Year ended 31 March 2015						Year ended 31 March 2014					
		Urban £m	Rural and Coastal £m	Windsor £m	Energy and Infra- structure £m	Crown HQ £m	Total £m	Urban £m	Rural and Coastal £m	Windsor £m	Energy and Infra- structure £m	Crown HQ £m	Total £m
Revenue	5	12.2	–	–	–	–	12.2	23.5	–	–	–	–	23.5
Charge from revenue account for salary costs	9	(5.0)	(1.3)	–	(7.0)	–	(13.3)	(4.5)	(1.3)	–	(6.7)	–	(12.5)
Net revaluation gains on property including profits on disposal	13	1,188.7	123.5	13.9	123.8	–	1,449.9	832.9	139.8	7.8	177.6	–	1,158.1
Share of capital (loss)/ profit from joint ventures (including profits on disposal)	13	(6.8)	–	–	–	–	(6.8)	2.1	–	–	–	–	2.1
Share of capital profit from joint ventures	13	71.0	–	–	–	–	71.0	39.7	–	–	–	–	39.7
Share of capital profit from other property investments	13	2.6	–	–	–	–	2.6	0.1	–	–	–	–	0.1
Capital account profit before Treasury agreements and Statutory transfers		1,262.7	122.2	13.9	116.8	–	1,515.6	893.8	138.5	7.8	170.9	–	1,211.0
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	–	–	–	–	28.7	28.7	–	–	–	–	27.2	27.2
Statutory transfers	15	–	–	–	–	9.0	9.0	–	–	–	–	8.3	8.3
Net consolidated capital account profit		1,262.7	122.2	13.9	116.8	37.7	1,553.3	893.8	138.5	7.8	170.9	35.5	1,246.5

Balance Sheet

	Note	As at 31 March 2015						As at 31 March 2014					
		Urban £m	Rural and Coastal £m	Windsor £m	Energy and Infra- structure £m	Crown HQ £m	Total £m	Urban £m	Rural and Coastal £m	Windsor £m	Energy and Infra- structure £m	Crown HQ £m	Total £m
Non-current assets:													
Investment properties	18	8,535.5	1,653.3	172.3	867.7	–	11,228.8	7,328.6	1,502.4	157.0	758.6	–	9,746.6
Owner occupied property	19	59.1	–	88.6	–	–	147.7	43.7	–	68.4	–	–	112.1
Other property, plant and equipment	21	3.5	0.9	1.0	–	6.4	11.8	0.5	0.5	1.2	0.1	4.2	6.5
Investment in joint ventures	22	646.8	–	–	–	–	646.8	396.3	–	–	–	–	396.3
Other property investments	23	79.0	–	–	–	–	79.0	35.8	–	–	–	–	35.8
Other investments	24	–	–	–	–	10.4	10.4	–	–	–	–	10.2	10.2
Receivables due after one year	25	53.9	0.4	–	3.1	–	57.4	39.4	0.4	–	–	–	39.8
Total non-current assets		9,377.8	1,654.6	261.9	870.8	16.8	12,181.9	7,844.3	1,503.3	226.6	758.7	14.4	10,347.3
Unallocated current assets							597.0						632.8
Unallocated liabilities							(1,317.2)						(1,103.4)
Net assets							11,461.7						9,876.7
Capital expenditure	18&19	194.4	27.8	9.4	8.5	–	240.1	440.2	34.7	7.1	17.2	–	499.2

5. Revenue

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Revenue account		
Rent and royalties	359.0	338.8
Revenue premium income	3.7	4.7
Other income	10.4	7.3
	373.1	350.8
Service charge income	24.1	23.7
Total revenue reflected in the consolidated revenue account	397.2	374.5
Capital account revenue		
Income from sale of leases	12.2	23.5

6. Costs

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Service charge expense	31.6	31.4
Management fees and costs	25.6	21.3
Repairs and maintenance	4.8	5.1
Other direct expenditure	13.2	11.8
Administrative expenses	20.9	20.0
Loss on sale of plant and equipment	-	0.1
Total costs reflected in the consolidated revenue account	96.1	89.7

7. Property costs

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Service charge income	(24.1)	(23.7)
Service charge expense	31.6	31.4
Net service charge expense	7.5	7.7
Direct costs	43.6	38.2
	51.1	45.9

8. Administrative expenses

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Salaries, national insurance and pension costs	8.1	7.9
Reorganisation and early retirement costs	0.4	0.2
Commissioners' remuneration	0.6	0.6
Management and administration expenses	11.6	11.1
Auditors' remuneration	0.2	0.2
	20.9	20.0

Auditors' remuneration includes fees for non-audit services of £8,000 (year ended 31 March 2014: £8,000).

9. Staff costs

The total cost of Crown Estate employees (including Board members) included in direct operating costs, indirect operating expenses, administrative expenses and the capital account during the year was as follows:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Wages and salaries	23.0	21.9
Reorganisation and early retirement costs	1.4	0.3
National insurance costs	2.6	2.3
Current service cost – defined benefit scheme	1.0	0.9
Pension contributions – other pension schemes	1.9	1.7
Total staff costs	29.9	27.1
Less staff costs charged to capital account	(13.3)	(12.5)
Staff costs reflected in the revenue account	16.6	14.6
Included in:		
Administrative expenses	9.1	8.7
Direct costs	7.5	5.9
Charged to the capital account	13.3	12.5
	29.9	27.1
	Number	Number
The average number of employees during the year was	458	458

10. Investment revenue

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Bank interest income	3.4	5.3
IAS 19 retirement benefits – net financing surplus (note 11b)	0.2	0.2
	3.6	5.5

11. IAS 19 retirement benefits

The Crown Estate's policy is to recognise actuarial gains and losses immediately in each full year.

The Crown Estate operates a scheme in the UK with a defined benefit section (closed to new entrants with effect from 1 January 2008) a defined contribution section and a hybrid section (defined benefit for salaries up to £29,350 p.a. with money purchase provision above that level). This disclosure covers the defined benefit sections only.

At 31 March 2014, the value of the scheme's assets was £41.0 million and these exceeded the actuarial value of the technical provisions by £3.1 million (7.5 per cent). The actuarial assumptions used for the statutory funding valuation of the accrued benefits as at 31 March 2014 are that the pre-retirement investment yield would in the long term exceed earnings increases by 2 per cent per annum and the post-retirement investment yield would be in line with pension increases. The actuarial assumptions used to determine the future service contribution rates use investment yields that are 1 per cent per annum and 0.5 per cent per annum higher respectively than the pre-retirement and post-retirement investment yields adopted for the statutory funding valuation. The regular employer contribution rates remain at 31.4 per cent of pensionable earnings per annum for the Opal Section and 15.7 per cent of capped pensionable earnings per annum for the Quartz Core Section.

A full actuarial valuation was carried out as at 31 March 2014 and updated to 31 March 2015 by a qualified independent actuary.

11. IAS 19 retirement benefits continued

11a. Balance sheet and notes

	31 March 2015 £m	31 March 2014 £m
Amounts recognised in the consolidated balance sheet		
Present value of funded obligations	(41.6)	(36.0)
Fair value of scheme assets	46.9	41.0
Net asset recognised in the consolidated balance sheet	5.3	5.0
Changes in the present value of the defined benefit obligation		
Present value of defined benefit obligation at beginning of year	36.0	32.9
Current service cost	1.0	0.9
Interest cost	1.6	1.4
Members' contributions	0.1	0.1
Actuarial loss on plan liabilities	4.1	1.7
Benefits paid	(1.2)	(1.0)
Present value of defined benefit obligation at end of year	41.6	36.0
Analysis of the defined benefit obligation		
Present value of the unfunded defined benefit obligation	–	–
Present value of the funded defined benefit obligation	41.6	36.0
Changes in the fair value of plan assets		
Fair value of plan assets at start of year	41.0	39.7
Interest income	1.8	1.6
Actuarial gain/(loss) on plan assets	4.3	(0.5)
Contributions by The Crown Estate	0.8	1.1
Members' contributions	0.1	0.1
Benefits paid	(1.1)	(1.0)
Fair value of assets at end of year	46.9	41.0
Analysis of return on plan assets		
Interest income	1.8	1.6
Actuarial gain/(loss) on plan assets	4.3	(0.5)
Actual return on scheme assets	6.1	1.1
11b. Amounts to be recognised in the consolidated revenue account		
	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Net financing surplus (note 10)	(0.2)	(0.2)
Current service cost	1.0	0.9
Total pension expense	0.8	0.7

11. IAS 19 retirement benefits continued

11c. Total amount recognised in the consolidated statement of comprehensive income of the revenue account

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Actuarial gain/(loss) on plan assets	4.3	(0.5)
Actuarial loss on defined benefit obligation	(4.1)	(1.7)
Actuarial profit/(loss) recognised in the consolidated statement of comprehensive income of the revenue account	0.2	(2.2)
Actuarial loss on defined benefit obligation:		
Gain/(loss) due to experience	1.7	(0.3)
Loss due to demographic assumptions	(0.1)	–
Loss due to financial assumptions	(5.7)	(1.4)
Total actuarial loss on defined benefit obligation	(4.1)	(1.7)

11d. Cumulative amount recognised in the consolidated statement of comprehensive income of the revenue account

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Cumulative actuarial losses since adoption of IAS 19	(3.1)	(3.3)

11e. Major categories of plan assets

	Percentage of total assets		Percentage of total assets	
	31 March 2015 £m	31 March 2015 %	31 March 2014 £m	31 March 2014 %
Equities	23.2	49.4	22.5	55.0
Government bonds	19.3	41.1	18.4	44.8
Other	4.4	9.5	0.1	0.2
Total	46.9	100.0	41.0	100.0

The overall expected return on assets has been derived by considering the long-term expected rate of return for each asset class and taking the average of these rates weighted by the proportion invested in each asset class at the year end.

The amount of Crown Estate related investments included in the fair value of the plan assets was £nil (31 March 2014: £nil).

11f. Principal actuarial assumptions at the balance sheet date

	2015	2014
Discount rate	3.30%	4.40%
RPI price inflation	3.20%	3.50%
Rate of increase in salaries	3.20%	3.50%
Pension increases	3.20%	3.50%
Post retirement mortality (life expectancy):	S1NxA light YoB CMI 2013 with 1.5% p.a. trend rate	S1NxA light YoB CMI 2010 with 1.25% p.a. trend rate

11. IAS 19 retirement benefits continued

11g. Experience gains and losses

	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Liabilities at year end	41.6	36.0	32.9	31.1	26.9
Assets at year end	46.9	41.0	39.7	33.9	29.2
Surplus at year end	5.3	5.0	6.8	2.8	2.3
Asset gain/(loss):					
Amount (£m)	4.3	(0.6)	3.3	2.1	0.8
Percentage of scheme assets	9.2%	-1.6%	8.4%	6.2%	2.8%
Liability gain/(loss):					
Experience gain/(loss) (£m)	1.7	(0.3)	(0.3)	(0.6)	(0.2)
Percentage of scheme liabilities	4.2%	-0.9%	-1.0%	-1.9%	-0.7%

For 2014/15 employer contributions to The Crown Estate Pension Scheme were £1.5 million (2013/14: £1.1 million).

For 2014/15 employer contributions to The Principal Civil Service Pension Scheme (PCSPS) were £1.4 million (2013/14: £1.5 million).

For 2014/15, employers' contributions were payable to the PCSPS at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. For 2015/16 the employer contribution will be between 16.7 per cent and 24.3 per cent of pensionable pay. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

12. Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
By agreement with the Treasury the income account is charged with an amount as disclosed in note 1		
Total recovered from the capital account	28.7	27.2
Depreciation of fixed assets charged as costs in the income account	2.9	2.8
Total recovered under the Treasury agreement	31.6	30.0

13. Net revaluation gains in property and investments (including profit on disposal)

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Reflected in the consolidated capital account:		
Surplus on revaluation of investment properties (note 18)	1,169.9	1,027.7
Adjustment for gross up for deferred rent movement	190.6	72.5
Gain on disposal of investment properties	89.4	57.9
Net revaluation gains on investment property	1,449.9	1,158.1
Share of (loss)/profit on disposal of property in joint ventures (note 22)	(6.8)	2.1
Share of revaluation profit in joint ventures (note 22)	71.0	39.7
Share of revaluation gains in other property investments (note 23)	2.6	0.1
Total reflected in the consolidated capital account	1,516.7	1,200.0
Reflected in the statement of comprehensive income of the capital account:		
Surplus on revaluation of other investments	–	4.9
Surplus on revaluation of owner occupied property (note 19)	32.1	11.7
Total	1,548.8	1,216.6

14. Financial instruments

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

The cash holdings not needed for operational purposes are maintained in deposit accounts with major UK clearing banks for a maximum period of 12 months, thereby minimising liquidity risks. These deposits are held on a fixed and floating interest basis. There is no currency risk as The Crown Estate only holds funds in sterling and there are no significant transactions in currencies other than sterling. The Crown Estate monitors the rates offered by the banks and transfers deposits as appropriate to maximise returns.

The financial assets held by The Crown Estate are cash equivalents and trade and other receivables (note 27). The Crown Estate's credit risk is primarily attributable to its trade receivables. The amount shown in the balance sheet is net of provision for trade receivables. An allowance for impairment is made where there is evidence that the debt may not be received under the original terms of the receivable concerned. The balance for trade receivables is relatively low in relation to the value of the balance sheet and therefore the credit risk attributable to receivables is considered to be low.

The financial liabilities held by The Crown Estate are trade and other payables (note 28), and the fair value of these liabilities equals their carrying value.

15. Statutory transfers

Under the provisions of the Crown Estate Act 1961 the following amounts are carried to the capital account from the revenue account.

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Moieties:		
Mineral dealings	9.0	8.3

16. Parliamentary Supply finance

The Crown Estate Act 1961 provides that monies are provided by Parliament in respect of Commissioners' salaries and the expense of their Office. The contribution to such expenses chargeable to the Parliamentary Supply finance account for the current year is shown on the face of the consolidated revenue account and totals £2.3 million (2013/14: £2.3 million). The Crown Estate also prepares a Statement of Parliamentary Supply and supporting notes which show Outturn against Estimate in terms of the net resource requirement and net cash requirement which is reported separately to Parliament within The Crown Estate Office Resource accounts.

17. Consolidated Fund payment

In accordance with section 1 of the Civil List Act 1952, the net revenue account profit is due to the Consolidated Fund. As The Crown Estate is not permitted by statute to borrow, the payment to the Consolidated Fund in respect of the net surplus for the year is agreed with the Treasury taking into account The Crown Estate's short-term financing requirements. £278.3 million was paid to the Treasury prior to the year end and a further £6.8 million is included within payables. The total payment in respect of 2014/15 will therefore total £285.1 million (2013/14: £266.2 million).

18. Investment properties

						As at 31 March 2015	As at 31 March 2014
Portfolio	Urban £m	Rural and Coastal £m	Windsor £m	Energy and Infrastructure £m	Under development £m	Total £m	Total £m
Opening fair value	7,158.0	1,502.4	157.0	758.6	170.6	9,746.6	8,474.5
Less: Deferred income from lease premiums received	(998.1)	–	–	–	–	(998.1)	(925.6)
Less: Head lease liabilities	(2.4)	–	–	–	–	(2.4)	(2.4)
Add back: Assets held for sale	–	56.5	–	–	–	56.5	–
At opening valuation	6,157.5	1,558.9	157.0	758.6	170.6	8,802.6	7,546.5
Acquisitions	60.0	14.3	–	–	–	74.3	263.6
Capital expenditure	78.7	13.5	5.9	8.5	55.7	162.3	235.4
Capital receipts	(8.3)	(0.5)	–	(23.2)	–	(32.0)	–
Transfers to other categories	24.7	–	–	–	(24.7)	–	–
Disposals	(97.0)	(40.9)	(1.5)	–	–	(139.4)	(270.6)
Revaluation	841.8	108.0	10.9	123.8	85.4	1,169.9	1,027.7
At closing valuation (before lease incentives)	7,057.4	1,653.3	172.3	867.7	287.0	10,037.7	8,802.6
Deferred income from lease premiums received	1,188.7	–	–	–	–	1,188.7	998.1
Head lease liabilities	2.4	–	–	–	–	2.4	2.4
Less: Classified as held for sale	–	–	–	–	–	–	(56.5)
Closing fair value	8,248.5	1,653.3	172.3	867.7	287.0	11,228.8	9,746.6
Reconciliation to valuation							
At closing valuation (before lease incentives)	7,057.4	1,653.3	172.3	867.7	287.0	10,037.7	8,802.6
Add lease incentives	7.1	–	–	–	–	7.1	–
At valuation	7,064.5	1,653.3	172.3	867.7	287.0	10,044.8	8,802.6

All investment properties are classified as Level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable and observable inputs where significant adjustments have been applied to determine specific property valuations, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

All properties classified as investment properties under development are within the Urban portfolio.

The historic cost of investment properties at 31 March 2015 was £2,988.8 million (31 March 2014: £2,852.3 million).

The value of freehold investment properties at 31 March 2015 was £9,701.8 million (31 March 2014: £8,481.3 million). The value of long leasehold properties at 31 March 2015 was £343.0 (31 March 2014: £321.3 million).

Investment properties identified by the Board as held for sale of £nil at 31 March 2015 (31 March 2014: £56.5 million) are re-classified as current assets in the balance sheet.

On 1 April 2011, a 150-year lease was granted to Norges Bank Investment Management (NBIM) in return for a 25 per cent interest in properties located in and around Regent Street in London. In September 2013, a further lease was granted to NBIM in return for a 25 per cent interest in the Quadrant 3 building. The properties within the arrangement have been regarded as a jointly controlled asset for accounting purposes and as such The Crown Estate's interest of 75 per cent in the properties is included within the valuation figure at 31 March 2015.

The Crown Estate's share of jointly controlled assets was valued at £3,207.5 million at 31 March 2015 (31 March 2014: £2,532.8 million) out of the total investment property value of £10,044.8 million (31 March 2014: £8,802.6 million).

The property portfolio was valued on 31 March 2015 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 20.

Valuers' fees are charged on a variety of bases including, percentage of the valuation and fixed amounts.

19. Owner occupied property

Portfolio	Urban £m	Windsor £m	As at 31 March 2015 Total £m	As at 31 March 2014 Total £m
Opening fair value	43.7	68.4	112.1	100.2
Capital expenditure	–	3.5	3.5	0.2
Revaluation	15.4	16.7	32.1	11.7
Closing fair value	59.1	88.6	147.7	112.1

All owner occupied properties are classified as Level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The historic cost of owner occupied properties at 31 March 2015 was £89.9 million (31 March 2014: £88.7 million).

The property portfolio was valued on 31 March 2015 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13.

Information about the fair value measurement of owner occupied properties is set out in note 20.

20. Fair value measurement of properties

For all investment property that is measured at fair value, the current use of the property is considered the highest and best.

Valuation process

The entire portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with IFRS 13, the RICS Valuation – Professional Standards (The Red Book) January 2015 and VPGA 1 guidance therein regarding valuation for inclusion in financial statements.

The Urban portfolio is fully valued on a quarterly basis and a tonal exercise is also undertaken at the half year on the rural and residential properties.

The Crown Estate and our managing agents provide data to the valuers, including current lease and tenant data along with asset specific business plans.

The valuers use this and other inputs including market transactions for similar properties to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the asset management team and Directors.

The annual valuation is presented to and endorsed by the Audit Committee. A review is also presented as at 30 September.

Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the consolidated balance sheet.

All are considered as Level 3 in the fair value hierarchy.

20. Fair value measurement of properties continued

Valuation techniques used to derive Level 3 fair values:

Class of property	Fair value 31 March 2015 £m	Fair value 31 March 2014 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Urban portfolio:						
Retail – West End	2,665.8	2,119.3	Investment	ERV Yield	£50–£800 psf ITZA 3.3%–6.5%	DTZ
Retail – Rest of UK	391.3	317.6	Investment	ERV Yield	£30–£225 psf ITZA 4.4%–9.0%	JLL
Retail and leisure parks	1,033.0	964.9	Investment	ERV Yield	£12–£100 psf 4.15%–6.6%	JLL
Offices – West End	2,273.9	1,975.4	Investment	ERV Yield	£22.50–£107.50 psf 3.6%–6.25%	DTZ
Offices – Rest of UK	163.2	139.5	Investment	ERV Yield	£20–£28 psf 5.5%–8.78%	JLL
Residential	550.7	550.9	Comparable	£ psf	£738–£3,921 psf	JLL
Industrial	123.0	125.8	Investment	ERV Yield	£4.25–£7.85 psf 5.1%–6.44%	JLL
Owner occupied	59.1	43.7	Investment	ERV Yield	£95 psf 4.25%	DTZ
Other urban	150.6	134.7	Investment	Yield	2%–13%	JLL/DTZ/Cluttons
	7,410.6	6,371.8				
Categorised as						
Completed properties	7,064.5	6,157.5				
Under development	287.0	170.6				
Owner occupied	59.1	43.7				
Total Urban at valuation	7,410.6	6,371.8				
Rural and Coastal portfolio:						
Agricultural	1,384.2	1,296.6	Comparable/ Investment	Proportion of vacant possession value Yield	50%–100% 1%–3%	Savills
Coastal	206.4	200.1	Investment	Yield	6%–15%	Various
Forestry	27.6	26.2	Comparable	Land value Timber value	£1,040–£7,800 per ha £850–£4,200 per ha	Forest Valuations
Aquaculture	18.0	18.5	Investment	Yield Annual production	8.50% 130–160,000 tonnes	Bidwells
Minerals	17.1	17.5	Investment	Yield	5%–25%	Wardell Armstrong
	1,653.3	1,558.9				
Windsor portfolio:						
Owner occupied	88.6	68.4	Comparable	Proportion of vacant possession value	60%–95%	Smiths Gore
Other	172.3	157.0	Comparable/ Investment	Yield Proportion of vacant possession value	1.25%–12.5% 60%–95%	Smiths Gore
	260.9	225.4				

20. Fair value measurement of properties continued

Class of property	Fair value 31 March 2015 £m	Fair value 31 March 2014 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Energy and Infrastructure portfolio:						
Aggregates	157.6	142.0	DCF	Yield Annual extraction	7%–15% c. 19.5 million tonnes	Wardell Armstrong
Renewables	602.6	512.5	Investment/ DCF	Yield Discount rate	5.5%–25% 8.75%–29%	JLL/Powis Hughes
Cables and pipelines	107.5	104.1	Investment	Yield Operational life	6.5%–9%	Powis Hughes
	867.7	758.6				
Total all portfolios at valuation	10,192.5	8,914.7				

Value of investment properties including share of joint venture investment properties and other property investments

	31 March 2015 £m	31 March 2014 £m
Investment properties (note 18)	10,044.8	8,802.6
Owner occupied properties (note 19)	147.7	112.1
	10,192.5	8,914.7
Share of investment properties of joint ventures (note 22)	706.5	459.1
Other property investments (note 23)	79.0	35.8
Total value of investment properties including share of property of joint ventures and other property investments	10,978.0	9,409.6

The fair value of investment property is determined using the following valuation methods:

Investment Method

The Investment Method has been used which involves estimating the rental value of each lettable unit within the property, making an assessment of void periods and other costs of letting and then capitalising at an appropriate rate.

Hope value has been included where there is future reversionary potential, e.g. conversion of offices back to their original use as residential.

Discounted cash flow (DCF)

This involves the projection of cash flows to which an appropriate market-derived discount rate is applied to establish the present value of the income stream.

Comparable method

An indication of value arrived at by comparing information of the subject asset with similar assets for which valuation data is available.

Specific valuation considerations have been applied to the following classes of property:

Windfarms

Each Round 1 and Round 2 windfarm has been valued individually using an 'all risk' yield applied to the minimum and budgeted rents, or the actual output, subject to an end allowance where appropriate.

As a cross check, a discounted cash flow of projected revenue streams has been undertaken with appropriate discount rates for differing levels of status in the development programme.

Round 3 has been valued on a portfolio basis.

20. Fair value measurement of properties continued

Strategic land

Hope value for strategic land is incorporated into the Rural portfolio, discounted to reflect the stage reached in the planning process.

Properties being re-developed

The Residual Method has been adopted which involves calculating the potential value when the property has been completed (using the Investment Method) and then deducting the cost to complete the construction, achieve lettings and appropriate allowances for profit to compensate for the risk of carrying out the development.

Rural and residential properties

These are generally valued using the Comparable Method and cross checked with the Investment Method.

Owner occupied commercial property

This has been valued using the Investment Method assuming an appropriate period to let the property at a market rent.

Owner occupied residential property at Windsor

This has been valued using the Comparable Method with an appropriate discount to the vacant possession value.

Sensitivity analysis

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the investment property are:

- Estimating the rental value of each lettable unit with evidence derived from other recent lettings in the property itself or similar properties nearby, making adjustments for size, specification, location and letting incentives.
- Estimating the length of time taken and the cost to let vacant space and the likelihood of lease renewals.
- Deciding the appropriate capitalisation rate to be applied derived from transactions of comparable properties.
- Choosing the appropriate discount rate to vacant possession value for differing lengths and types of tenure on rural and residential tenancies.
- For property under development the assessment of the value created on completion and the allowance for construction and letting costs to achieve that.
- Inclusion of hope value for a higher value use (e.g. strategic land and properties with potential for residential conversion) dependent upon the likelihood, time and cost of achieving that use.
- Allowance for the level of volatility on turnover related valuations e.g. aggregates, minerals and aquaculture.
- Assessment of functional lifespan of offshore assets e.g. cables and pipelines.
- Assessing the appropriate discount rate for offshore windfarms from site exclusivity through to a generating windfarm.

Significant increases/(decreases) in the ERV would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long-term vacancy rate (or yield) would result in a lower/(higher) fair value measurement.

21. Plant and equipment

	Plant and machinery £m	Office equipment £m	Motor vehicles £m	Total £m
Cost at 1 April 2014	4.6	18.4	1.7	24.7
Additions	1.1	7.0	0.1	8.2
Disposals	(0.1)	–	(0.2)	(0.3)
Cost at 31 March 2015	5.6	25.4	1.6	32.6
Depreciation at 1 April 2014	3.3	13.6	1.3	18.2
Charge	0.8	1.9	0.2	2.9
Disposals	(0.1)	–	(0.2)	(0.3)
Total depreciation at 31 March 2015	4.0	15.5	1.3	20.8
Net book value at 1 April 2014	1.3	4.8	0.4	6.5
Net book value at 31 March 2015	1.6	9.9	0.3	11.8
Cost at 1 April 2013	4.1	17.4	1.7	23.2
Additions	0.5	1.0	0.2	1.7
Disposals	–	–	(0.2)	(0.2)
Cost at 31 March 2014	4.6	18.4	1.7	24.7
Depreciation at 1 April 2013	2.6	11.7	1.3	15.6
Charge	0.7	1.9	0.2	2.8
Disposals	–	–	(0.2)	(0.2)
Total depreciation at 31 March 2014	3.3	13.6	1.3	18.2
Net book value at 1 April 2013	1.5	5.7	0.4	7.6
Net book value at 31 March 2014	1.3	4.8	0.4	6.5

22. Investment in joint ventures

The Crown Estate's investment in joint ventures is described below:

Name of jointly controlled entity	Percentage owned	Formation date	Partner	Property interest
The Gibraltar Limited Partnership	50%	April 2007	Hercules Unit Trust	Fort Kinnaird Shopping Park, Edinburgh Gallagher Retail Park, Cheltenham
Co-ownership agreement	50%	June 2008	Morley Fund Management	Crown Point Shopping Park, Leeds
Co-ownership agreement	50%	December 2008	CGNU Life Assurance	Property in Princes Street, London
Westgate Oxford Alliance Limited Partnership	50%	May 2010	Land Securities Group PLC	Westgate Centre, Oxford
Maple Investment Limited Partnership	50%	November 2010	The Healthcare of Ontario Pension Plan	St James's Gateway, London
Wexford Retail Limited Partnership	50%	August 2014	Ginkgo Tree Investment Limited	Fosse Shopping Park, Leicester
The St James's Market Partnership Group:				
St James's Market Haymarket Limited Partnership	50%	September 2013	Oxford Properties Group	St James's Market development, London
St James's Market Regent Street Limited Partnership	50%	September 2013	Oxford Properties Group	
St James's Market Development Limited	50%	September 2013	Oxford Properties Group	

All joint ventures operate in the UK.

22. Investment in joint ventures continued

The Crown Estate's share of assets and liabilities and revenues and expenses of the joint ventures were:

	Gibraltar LP £m	Crown Point £m	Maple LP £m	St James's Market Partnership Group £m	Wexford Retail Limited Partnership £m	Other ¹ £m	Total £m
Share of assets and liabilities as at 31 March 2015							
Non-current assets	191.7	66.4	107.4	117.9	173.6	49.5	706.5
Current assets	6.9	1.9	6.5	0.4	3.1	5.0	23.8
Gross assets	198.6	68.3	113.9	118.3	176.7	54.5	730.3
Current liabilities	(1.3)	(1.4)	(4.4)	(3.0)	(2.4)	(1.4)	(13.9)
Long-term liabilities	–	–	–	(5.0)	–	–	(5.0)
Long-term bank loan	(64.6)	–	–	–	–	–	(64.6)
Share of net assets	132.7	66.9	109.5	110.3	174.3	53.1	646.8
Share of revenues and expenses for the year ended 31 March 2015							
Income	8.4	3.6	3.9	0.3	6.2	2.5	24.9
Expenses	(3.7)	(0.5)	(1.6)	(0.3)	(0.6)	(1.2)	(7.9)
Share of profit on ordinary activities reflected in the consolidated revenue account	4.7	3.1	2.3	–	5.6	1.3	17.0
Share of loss on disposal of property reflected in the consolidated capital account	(6.8)	–	–	–	–	–	(6.8)
Share of profit/(loss) on revaluation of investment reflected in the consolidated capital account	28.4	5.7	16.0	28.6	(7.9)	0.2	71.0
Total share of revenues and expenses	26.3	8.8	18.3	28.6	(2.3)	1.5	81.2

22. Investment in joint ventures continued

	Gibraltar LP £m	Crown Point £m	Maple LP £m	St James's Market Partnership Group £m	Other ¹ £m	Total £m
Share of assets and liabilities as at 31 March 2014						
Non-current assets	198.3	60.6	88.3	71.6	40.3	459.1
Current assets	7.3	1.9	1.7	10.2	1.5	22.6
Gross assets	205.6	62.5	90.0	81.8	41.8	481.7
Current liabilities	(1.3)	(1.3)	(0.3)	(1.8)	(0.7)	(5.4)
Long-term liabilities	–	–	–	(5.0)	–	(5.0)
Long-term bank loan	(75.0)	–	–	–	–	(75.0)
Share of net assets	129.3	61.2	89.7	75.0	41.1	396.3
Share of revenues and expenses for the year ended 31 March 2014						
Income	10.1	3.5	2.1	–	2.5	18.2
Expenses	(4.4)	(0.5)	(0.5)	(0.1)	(1.1)	(6.6)
Share of profit/(loss) on ordinary activities reflected in the consolidated revenue account	5.7	3.0	1.6	(0.1)	1.4	11.6
Share of profit on disposal of property reflected in the consolidated capital account	–	–	2.1	–	–	2.1
Share of profit on revaluation of investment reflected in the consolidated capital account	1.6	0.3	35.3	1.3	1.2	39.7
Total share of revenues and expenses	7.3	3.3	39.0	1.2	2.6	53.4

¹ Other: Westgate Limited Partnership and Princes Street previously reported separately.

Summary of movement in investment in joint ventures

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
At start of period	396.3	275.3
Net equity additions	212.0	78.1
Share of (loss)/profit on sale of property	(6.8)	2.1
Surplus on revaluation of investment properties	71.0	39.7
Share of joint venture's fair value movements on interest-rate swaps treated as cash flow hedges	(0.6)	–
Distributions received	(42.1)	(10.5)
Share of revenue profit	17.0	11.6
At end of period	646.8	396.3

In respect of The Gibraltar Partnership, the partnership entered into a five-year £150 million facility with Deutsche Pfandbriefbank AG as facility agent on 19 April 2012. The loan facility has a loan to value covenant of 40 per cent. The General Partner is of the view that the expected movement in the value of properties will result in no breach in this covenant for the foreseeable future.

Swap agreements for £92 million under the facility for the period from 19 April 2012 until 29 March 2017 were entered into at a rate of 1.37 per cent. The margin on the facility is 2.5 per cent. The swaps were valued on 31 March 2015 with a combined fair value deficit of £1.2 million of which The Crown Estate's share was £0.6 million. The fair value adjustment of the interest rate swaps reflect the net present value of the difference in the projected cash flows at the relevant contracted rates and the valuation dates from 31 March 2015 to their contracted expiry dates. This valuation technique falls within level 2 as defined by IFRS 13. The Crown Estate's share of the fair value adjustment has been recognised in total consolidated comprehensive capital account profit.

The investment property included within the net current assets of jointly controlled entities included above have been valued in accordance with the requirements of IFRS 13.

23. Other property investments

In September 2006, The Crown Estate acquired a 4.9% share of Lend Lease Retail Partnership, an English Limited Partnership. The Partnership provides an equity interest in both Bluewater Shopping Centre, Kent and Touchwood Court Shopping Centre, Solihull.

In August 2014 The Crown Estate acquired a 6.4% interest in The Pollen Estate, which owns freehold property in an area of Mayfair to the west of Regent Street in London.

	31 March 2015 £m	31 March 2014 £m
Share of revenue profit	1.7	1.2
Share of revaluation of investment reflected in the consolidated capital account	2.6	0.1
Total	4.3	1.3
Share of net assets reflected in the balance sheet	79.0	35.8

24. Other investments

	31 March 2015 £m	31 March 2014 £m
Other investments comprise antiques and paintings		
Opening balance	10.2	5.4
Additions/(disposals)	0.2	(0.1)
Surplus on revaluation	–	4.9
Closing balance	10.4	10.2

25. Receivables due after one year

	31 March 2015 £m	31 March 2014 £m
Mortgages and loans	–	0.1
Other financial assets	1.8	1.8
Other receivables	55.6	37.9
	57.4	39.8

26. Inventories

	31 March 2015 £m	31 March 2014 £m
Stores	0.1	0.1

27. Trade and other receivables

	31 March 2015 £m	31 March 2014 £m
Trade receivables	23.2	8.0
Other financial assets	0.1	0.1
Other receivables	4.7	5.7
Prepayments	–	1.0
Accrued income	11.1	4.4
	39.1	19.2

Trade and other receivables are shown after deducting the provision for bad and doubtful debts of £4.8 million (31 March 2014: £5.4 million). The trade receivable impairment reflects the application of The Crown Estate's provisioning policy in respect of bad and doubtful receivables.

The Board considers that the carrying amount of the trade and other receivables approximates to their fair value.

27. Trade and other receivables continued

Trade and other receivables outside their payment terms not yet provided are:

	31 March 2015 £m	31 March 2014 £m
Within credit terms	–	–
Past due date but not impaired:		
0–1 month	0.5	6.1
More than 2 months	4.3	0.5
	4.8	6.6
Impairment of receivables		Restated
Other expenditure includes the movement on the provision for impairment of receivables as follows:		
Provision at the beginning of the year	5.4	4.4
Income written (off)/back during the year	(0.1)	0.1
(Decrease)/increase in the provision for the year	(0.5)	0.9
Provision at the end of the year	4.8	5.4

28. Payables

	31 March 2015 £m	31 March 2014 £m
Amounts falling due within one year:		
Trade payables	6.0	3.1
Rents received in advance	59.2	57.9
Taxes and social security	10.6	8.0
Other payables	8.9	3.6
Consolidated Fund	6.8	5.0
Accruals and deferred income	31.5	23.0
Deferred income on receipt of lease premiums	12.0	10.0
Obligations under finance leases	0.3	0.3
	135.3	110.9
Amounts falling due after more than one year:		
Deferred income on receipt of lease premiums	1,176.7	988.1
Obligations under finance leases	4.4	4.4
	1,181.1	992.5

29. Provisions

	£m
At 1 April 2014	–
Reorganisation provision	0.8
At 31 March 2015	0.8
	£m
At 1 April 2013	0.4
Provision released	(0.4)
At 31 March 2014	–

The provision is expected to result in an outflow of funds within one year.

30. Leasing

Operating leases with tenants

The Crown Estate leases out all of its investment properties under operating leases for average lease terms of 40 years to expiry. The future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

	31 March 2015 £m	31 March 2014 £m
Less than one year	273.1	265.4
Between two and five years	915.0	866.4
More than five years	3,910.0	3,878.2
	5,098.1	5,010.0

Contingent rents receivable were £34.2 million at 31 March 2015 (31 March 2014: £32.1 million).

Obligations under finance leases

Finance lease liabilities are payable as follows:

	31 March 2015			31 March 2014		
	Minimum lease payments £m	Future finance charges £m	Present value of lease obligations £m	Minimum lease payments £m	Future finance charges £m	Present value of lease obligations £m
Less than one year	0.3	–	0.3	0.3	–	0.3
Between two and five years	1.1	(0.1)	1.0	1.1	(0.1)	1.0
More than five years	50.2	(46.8)	3.4	50.5	(47.1)	3.4
	51.6	(46.9)	4.7	51.9	(47.2)	4.7

The amount recognised as an expense in the year in respect of contingent rentals is £0.3 million (31 March 2014: £0.3 million).

31. Reconciliation of operating surplus to net cash inflow from operating activities

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Operating surplus – consolidated revenue account	301.1	284.8
Increase in employee benefits	0.1	–
Decrease in inventories	–	0.1
Increase in receivables	(25.0)	(4.5)
Increase/(decrease) in payables	20.6	(8.9)
Increase/(decrease) in provisions	0.8	(0.4)
Net cash generated from operating activities	297.6	271.1

32. Analysis of change in cash and cash equivalents

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Balance at start of year	552.0	585.5
Net cash inflow/(outflow)	0.5	(33.5)
Balance at end of year	552.5	552.0

33. Subsidiary undertakings

The financial statements include the financial statements of the group and subsidiaries.

The group's subsidiaries, all of which are registered in England, are as follows (held 100% by The Crown Estate Commissioners):

Urbanlease Property Management Company Limited

Purple Holdco Limited

Purple Investment Management LLP

Gibraltar Management Limited

34. Capital commitments

At 31 March 2015, The Crown Estate had committed to make capital expenditure of £457.2 million (31 March 2014: £401.8 million) and had authorised additional expenditure of £291.8 million (31 March 2014: £nil).

35. Contingent liabilities

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

36. Related party transactions

Balances and transactions between The Crown Estate and its subsidiaries, which are related parties of The Crown Estate, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions with joint ventures are given in note 22. During the year, The Crown Estate recognised management fees receivable from joint ventures of £2.1 million (2013/14: £0.9 million).

Details of Director's remuneration are given in the Remuneration report.

Details of transactions between The Crown Estate and other related parties in the normal course of business are disclosed below:

Smiths Gore – where Philip Everett, the Deputy Ranger at Windsor Great Park (until his retirement in July 2014) is a salaried partner and David Fursdon, non-executive director, is a non-executive consultant. During the year Smiths Gore were paid £2.8 million (the year ended 31 March 2014: £2.7 million). Neither Philip Everett or David Fursdon had any involvement in determining either the appointment or remuneration of Smiths Gore in this capacity.

Chris Bartram, Board Counsellor, is a non-executive director of Land Securities Group PLC. Land Securities Group PLC are joint venture partners of The Crown Estate in the Westgate Oxford Alliance Limited Partnership, as disclosed in note 22.

Orchard Street Investment Management LLP – where Chris Bartram, Board Counsellor, was the Chairman and a Partner until he stepped down on 31 March 2015 (although he is retained by the firm in an advisory capacity). In 2012, Orchard Street Investment Management LLP took an assignment of a Crown Estate lease from the existing tenant at No.16 New Burlington Place at an annual rent of £384,621. There were no outstanding debts at 31 March 2015 (31 March 2014: £nil) on this tenancy.

Tony White, Non-Executive Board member, is non-executive director of Low Carbon Contracts Company (LCCC). The LCCC implement policy and instructions which include a standard form of Contract for Difference (CfD). Given the role The Crown Estate plays in relation to CfDs, both onshore and offshore, and in line with best practise corporate governance, The Crown Estate supplies Tony with relevant information regarding CfD projects where The Crown Estate plays a key role as a substantial investor (over 49 per cent total investment value) or is the landlord.

Apart from the above, none of the Board members, members of key management staff or other related parties have undertaken any material transactions with The Crown Estate.

37. Third party deposits

At 31 March 2015, The Crown Estate held £25.8 million (31 March 2014: £22.8 million) on deposit on behalf of third parties.

38. Issue of accounts

On 3 June 2015, the financial statements were approved by the Audit Committee on behalf of the Board prior to certification by the Comptroller and Auditor General on 11 June 2015. On this date the financial statements are deemed to be authorised for issue. Post balance sheet events were considered up to this date.

Ten-year record (unaudited)

Based on the Financial Statements for the years ended 31 March:

	2006 £m	2007 £m	2008 Restated £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Income account										
Revenue (excluding service charge income)	252.3	262.1	231.9	285.8	299.7	306.8	314.2	332.2	350.8	373.1
Direct operating costs (including net service charge expense)	(31.6)	(38.7)	(40.2)	(42.6)	(52.9)	(42.5)	(41.8)	(49.0)	(45.9)	(51.1)
Gross surplus	220.7	223.4	191.7	243.2	246.8	264.3	272.4	283.2	304.9	322.0
Administrative expenses	(12.3)	(13.3)	(15.5)	(17.0)	(18.5)	(17.1)	(18.4)	(19.8)	(20.0)	(20.9)
Indirect operating expenses	(1.0)	(0.8)	(0.7)	–	–	–	–	–	–	–
Net revenue account profit	190.8	200.1	213.4	226.5	210.7	230.9	240.2	252.6	267.1	285.1
Consolidated Fund payment	188.0	200.0	211.0	230.0	210.0	231.0	240.2	251.8	266.2	285.1
Balance sheet										
Investment, development and owner occupied properties	5,685.4	6,572.5	7,245.6	6,073.2	6,696.4	7,552.3	8,118.4	8,574.7	9,858.7	11,376.5
Non-current investment property assets held for sale	–	–	12.0	221.9	135.1	17.5	22.5	105.5	56.5	–
Investment in joint ventures	–	–	203.3	185.7	212.7	265.0	266.9	275.3	396.3	646.8
Other property investments	–	42.1	38.6	27.5	30.0	33.1	34.0	35.7	35.8	79.0
Other plant, property and equipment	4.6	5.6	4.9	8.5	8.3	7.1	7.7	7.6	6.5	11.8
Other investments	5.0	4.9	4.9	4.9	4.9	5.3	5.3	5.4	10.2	10.4
Receivables due after one year	0.1	13.8	3.2	11.4	13.3	21.4	23.7	29.3	39.8	57.4
Current assets (excluding assets held for sale)	287.1	494.6	590.1	421.9	480.6	311.0	608.7	610.6	571.3	591.7
Pension asset	–	–	0.9	0.9	–	2.3	2.8	6.8	5.0	5.3
Current liabilities	(45.6)	(42.0)	(103.1)	(164.9)	(104.6)	(102.3)	(121.3)	(115.5)	(110.9)	(136.1)
Non-current liabilities	–	–	(666.7)	(776.2)	(837.1)	(859.9)	(914.2)	(920.5)	(992.5)	(1,181.1)
Capital and reserves	5,936.6	7,091.5	7,333.7	6,014.8	6,639.6	7,252.8	8,054.5	8,614.9	9,876.7	11,461.7

The 2008 figures are restated to reflect the adoption of IFRS. The figures shown in prior year columns are as previously reported under UK GAAP.

Glossary

Bespoke benchmark

An IPD benchmark based upon the Quarterly Index but weighted to reflect our ownership as at 31 March 2008.

Book value

The amount at which assets and liabilities are reported in the financial statements.

Capital employed

The capital value of an asset at the beginning of a period plus net capital invested over the period.

Capital value

The net assets of The Crown Estate held as capital for Her Majesty and Her Successors.

Carbon Intensity

The amount of carbon dioxide produced per square metre of floor space.

Consolidated Fund

The UK Government's general bank account held at the Bank of England. Taxation and other monies paid to the Treasury are paid into this fund.

Development pipeline

Development projects under construction or planned, listed according to the date of completion.

Direct expenditure

Expenditure incurred that relates directly to the operation of the properties from which revenue is received.

Equivalent yield

The constant capitalisation rate applied to all cash flows, that is, the internal rate of return from an investment property reflecting reversions to current market rent.

ERV

The estimated market rental value of lettable space.

Finance lease

A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Head lease

A leasehold interest held directly from the freeholder and subject to one or more underleases in the whole, or part of the property.

IFRS

International Financial Reporting Standards.

Indirect investments

Investment in property through joint ventures and other property investments.

Initial yield

The initial net income at the date of purchase expressed as a percentage of the gross purchase price including the costs of purchase.

Integrated Annual Report

A concise communication about how an organisation creates value in the short, medium and long term.

IPD

Investment Property Databank.

ITZA

In terms of zone 'A'.
A method for measuring retail space on a like-for-like basis.

Lease incentive

Any incentive offered to occupiers to enter into a lease. This includes an initial rent-free period or a cash contribution to fit-out.

Lease premium

The price paid for the purchase of a leasehold interest.

Market rent

The estimated amount for which a lettable unit should lease for.

Market value

The estimated amount for which a property should exchange for on the date of valuation, between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Material issues

An issue that would impact our business and committee decisions.

Net income surplus

Profit payable to the Treasury.
Also referred to as Net revenue profit.

Open A1 planning consent

A planning consent which permits occupation within the A1 Shops use class under the Town and Country Planning (use classes) Order 1987 without any restriction as opposed to an A1 use restricted to bulky goods, such as furniture or white goods.

Operating lease

Any lease that is not a finance lease.

Over rented

A property which is let at a rent which is greater than the current open market rent.

Parliamentary Supply finance

Monies provided by Parliament in respect of Board Members' salaries and the expense of their Office.

Pre-let

An agreement for a letting to take effect at a future date, often upon completion of a development that is proposed or under construction at the time of the agreement.

Public realm

Publicly owned streets, pathways and rights of way.

Rack rented

A rent representing the full letting value of a property.

Red Book

Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

Reportable incidents

Any incidents that are reportable to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013.

Total Contribution

How we value the economic, social and environmental contribution that our business delivers to the UK.

Total return

Capital growth plus the net income as a percentage of capital employed.

Vacancy rate

The rental value of voids (excluding those held for development) as a percentage of the total rental value of the portfolio.

Void

Unoccupied and unlet space.

Stay informed:

Online

Corporate website:

www.thecrownestate.co.uk

Online annual report:

www.thecrownestate.co.uk/annualreport-15/



Regional publications available

Scotland Report
2015

Wales Highlights
2015

Northern Ireland Highlights
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Design and production: [Radley Yeldar ry.com](http://RadleyYeldar.com)

London

The Crown Estate
16 New Burlington Place
London
W1S 2HX
T 020 7851 5000

Edinburgh

The Crown Estate
6 Bell's Brae
Edinburgh
EH4 3BJ
T 0131 260 6070

Windsor

The Crown Estate
The Great Park
Windsor, Berkshire
SL4 2HT
T 01753 860 222

www.thecrownestate.co.uk

 @TheCrownEstate

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