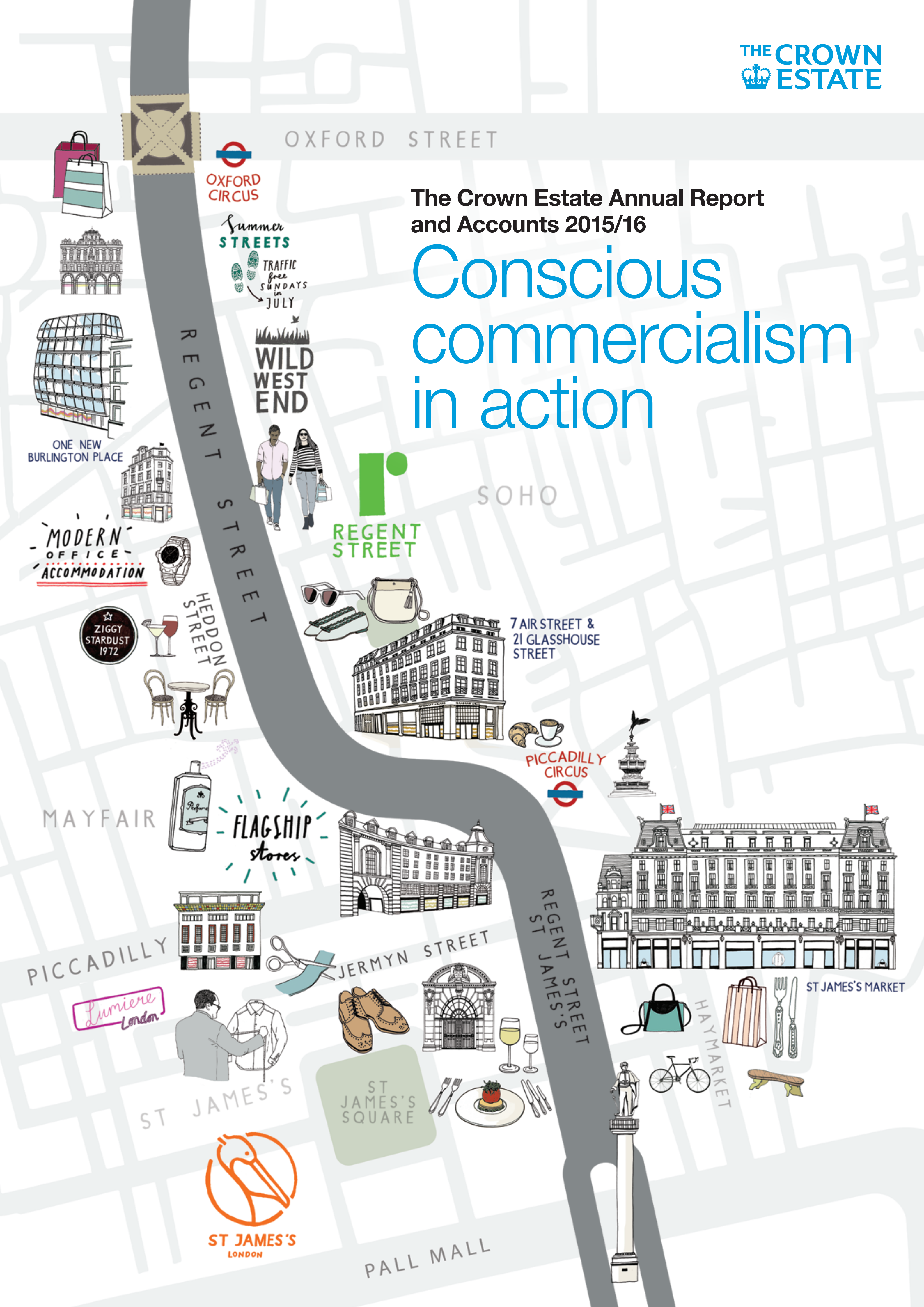
THE CROWN ESTATE

The Crown Estate Annual Report and Accounts 2015/16

Conscious commercialism in action



The Crown Estate is an independent 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 with whom we work. We call this conscious commercialism.

Our vision is to be a progressive commercial business creating significant value beyond financial return. We 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.

Continuing to integrate

In this, our fourth integrated annual report, we have continued to build on the progress made so far. We have refined several elements to improve clarity and connectivity, for example our business model, our strategic objectives and connectivity between material issues and risk. In the case of our strategic objectives we have reduced these from six to four, better to reflect our business.

We have given a few examples of Total Contribution indicators in the report which helps us to appreciate the value of some of those activities not normally accounted for in economic terms. Values for many more indicators will feature in a Total Contribution report to be published later this year.

The approach helps to highlight the positive and negative impacts of what we do directly, commission or enable on the land we manage. This has great potential to influence decision-making and further to integrate our thinking. For further detail see www.thecrownestate.co.uk/our-business/how-we-measure-value.

What's next

Even though we have come a long way, we know that there is still more to do on our integrated reporting journey to demonstrate clearly how we create and maintain value. In order to provide additional credibility to what we say, we are working to add rigour to our KPI and Total Contribution data collection processes and to ensure that the data is robust. To this end we are gradually transferring the responsibility for all data (not just the pure financial) to our finance function and increasingly receiving independent assurance from PwC for limited assurance or 'Insight' on that data and on our Total Contribution approach.

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 2015/16 Integrated Annual Report is in alignment with the International Integrated Reporting Council (IIRC) Framework.

To The Queen's Most Excellent Majesty
May it please Your Majesty, The Crown Estate Commissioners take leave to submit this their sixtieth Report and Accounts, in obedience to sections 2(1) and 2(5) of the Crown Estate Act 1961.

Ⓐ

PwC has provided limited assurance against ISAE 3000 and ISAE 3410 standards for selected key data in 2015/16. Where you see the Ⓐ 'Assurance Symbol' in this report it indicates data has been externally assured. For the full limited assurance opinion and our reporting criteria see www.thecrownestate.co.uk/pwc-statement.

From the backbone of the West End to the UK's seabed and from regional retail to rural land – our approach combines smart business thinking with a long-term approach.

We call this conscious commercialism. It's about being astute and enterprising in how we create value today while considering the long-term effects of what we do and how we do it.

Across Regent Street, St James's and our assets throughout the country, our approach helps us to outperform the market, generate growing returns for HM Treasury and make a greater Total Contribution – economically, socially and environmentally.

Key numbers

Financial resources

£2.4bn
Generated for HM Treasury over last ten years

Our people

83%
Great Place to Work employee engagement score

Physical resources

£12bn
Property value

Our know-how

19.3%
Total Return. Outperforming our three-year annualised IPD bespoke benchmark of 16.2%

Natural resources

5%
Improvement in emissions intensity

Our networks

77%
Suppliers paid within 30 days

Net revenue profit

£304.1m
+6.7%

Capital value

£12.9bn
+12.2%

Property value*

£12bn
+9.7%

*Including share of joint venture properties and other property investments.

It has been a fast-paced and productive year across our diverse portfolio

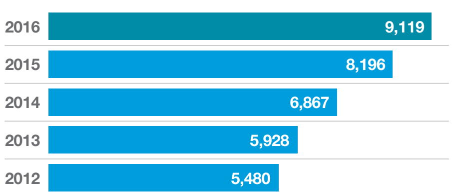
The structure in this section reflects the way we were organised over the last financial year. During the year we announced a restructure designed to make us more agile as a progressive business. From 1 April 2016 the Urban Portfolio has been divided into Central London and Retail, with Windsor incorporated into Rural & Coastal. We have also established a separate Scotland Portfolio ahead of its devolution to the Scottish Government.

Urban

- We manage, invest in and develop property assets in central London and prime retail and leisure locations across the UK.
- Our Central London Portfolio includes the whole of Regent Street and much of St James's, and we are delivering a £1.5 billion investment and redevelopment plan.
- We are one of the largest owners of major retail schemes outside the capital with 14 retail parks, three shopping centres and two leisure destinations.
- We are active asset managers and manage strategic joint ventures containing around £1.9 billion of our partners' funds.
- Placemaking is at the heart of our development activity as we see enhancing the streets and public realm around our buildings as an important factor in the long-term out-performance of our properties.

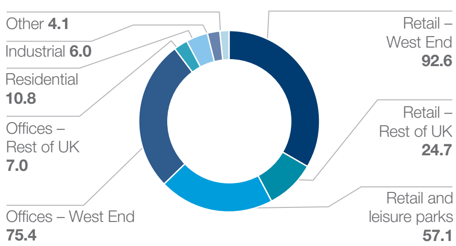
Revenue (£m)

Property valuation (£m)*



*Including share of joint property and other property investments.

Revenue by activity (£m)



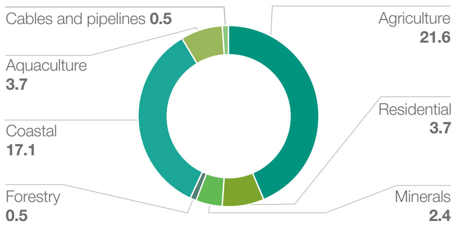
Rural & Coastal

- We are one of the country's largest rural landowners with around 336,000 acres of agricultural land and forests, with our major interests focussing on prime rural and strategic land.
- We also manage mineral rights, renewable energy, aquaculture, marinas, ports and harbours, and around half of the UK's shoreline.
- Through our in-house expertise we identify and acquire strategic land sites which are promoted through the planning process and sold to developers.

Revenue (£m)

Property valuation (£m)

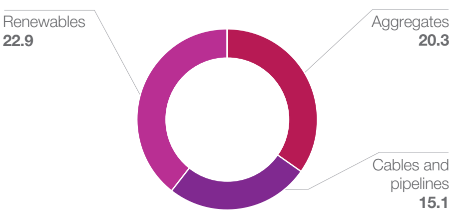
Revenue by activity (£m)



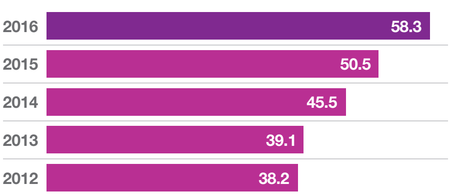
Energy, Minerals & Infrastructure

- We are managers of the UK's seabed.
- Our business includes wind, wave and tidal power, marine aggregates and minerals, cables and pipelines.
- We play a unique role in developing and helping sustain UK energy supply and infrastructure by working in collaboration with a wide range of organisations.

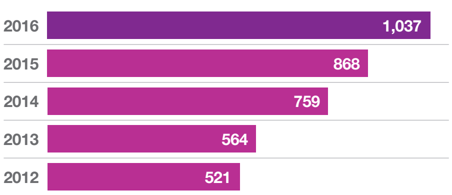
Revenue by activity (£m)



Revenue (£m)



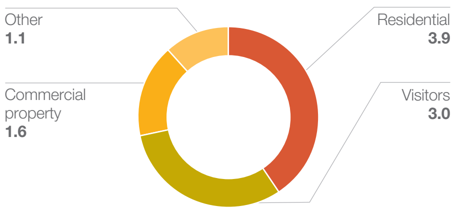
Property valuation (£m)



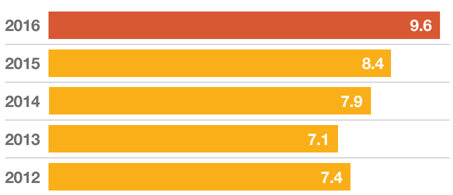
Windsor

- We are responsible for managing the whole of the Windsor Estate, encompassing some 6,400 hectares (15,800 acres), where our role is to manage and maintain this historic estate, combining progressive commercial management with careful stewardship.

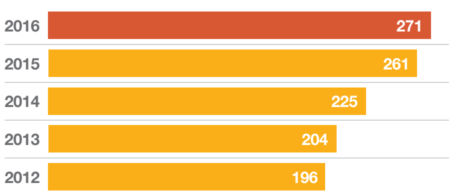
Revenue by activity (£m)



Revenue (£m)



Property valuation (£m)



Chairman's statement

We are setting ambitious targets and achieving them

Sir Stuart Hampson
Chairman

"We have a huge advantage in our heritage, but we're an unequivocally modern business."

In making my seventh and final annual statement on The Crown Estate's performance, I'm delighted to describe an organisation setting and achieving ambitious targets, and breaking through a new barrier to deliver over £300 million for the benefit of the nation's finances.

To my successor as Chairman I confidently hand over a business in full vigour, consistently proving its commercial capability whilst also demonstrating the durability which comes from strong values and a focus on long-term success.

Looking back to when I joined The Crown Estate at the beginning of 2010, market conditions couldn't have been much worse, but we've been able to hold our nerve and steer a path through the tough times and to reap the benefits of the high points. Alongside meeting the targets agreed with HM Treasury, we've built confidence in The Crown Estate's capability from the international funds which have now placed significant sums under our management. As future market conditions are again shrouded in uncertainties, this resolve and tenacity will again be tested, but we have in place a solid foundation and clear sense of direction.

The driving force behind our performance continues to be our assets in central London. Undeniably, we have a huge advantage in our heritage, but we're an unequivocally modern business. The responsibility for prize assets is a challenge rather than a guarantee of enduring good fortune. Over the last seven years I've seen huge change in Regent Street and St James's. Behind the retained splendour of the Nash facades, modern, energy-efficient office floorplates have been created to meet the requirements of British and international clients, whilst at street level we've established retail and restaurant units which appeal to aspirational brands and to

Marking the occasion
We marked the Queen's 90th birthday celebrations with a special beacon lighting ceremony at Windsor and with a display of Union Flags across Regent Street.

customers looking for the best. The process of transformation which was already under way when I joined The Crown Estate has marched on apace, and Alison Nimmo and her management team have rightly picked up plaudits and prizes for the ambition of their vision and for the quality of the schemes they've delivered. The results show through in the increase in revenue and in capital values, but they deserve also to be measured in the contribution made to the appeal of London as our capital city and an international destination.

London isn't the whole story, however. Our focus on core sectors has seen continuing investment in our Retail Portfolio, making The Crown Estate one of the largest managers of regional shopping centres, and our investment in the development of the Westgate Centre in central Oxford and Rushden Lakes in Northamptonshire is an indication of our confidence in the sustainability of well-located, well-designed and well-managed space. When I took on this Chairmanship there was a vision of how important the seabed could be. Its value in our accounts this year is over £1 billion, with income of £58 million. Offshore wind now has 5.1 GW of installed capacity, meeting our target for 2015/16. As we've said many times – this isn't alchemy. It's the product of a talented and energetic team who have engaged with policy-makers and international energy companies to deliver on a clear purpose. Our Rural & Coastal holdings represent a significant part of the portfolio, with a clear focus on maximising performance. And a special mention is warranted this year for the splendid achievement of our team at Windsor, who for the first time ever have delivered a positive financial return without sacrificing their emphasis on maintaining high standards and on welcoming some five million visitors to this unique Royal Park.

On a less visible front, we've continued to prepare for the implementation of the Scottish devolution settlement. We now have a stand-alone Scotland Portfolio in place, with our Scottish Commissioner, Gareth Baird, continuing to provide leadership support. We will be ready for an orderly hand over of management to the Scottish Government at the target date of April 2017.

At the time of writing the UK is gearing up to vote on whether to remain within the European Union. Our ongoing membership of the EU is a matter for the people to decide, but the impact of an exit on our business has been carefully assessed and discussed at Board level. As an independent business with a £12 billion property portfolio, open markets with strong links to Europe are important to us. Our London holdings are highly internationalised, both in capital terms and tenant profile, but also in the context of our joint venture partnerships, for which we currently manage £1.9 billion of funds for a number of international investors.

We have not attempted to assess the long-term consequences of an exit from the EU as there are too many unpredictable factors. However, our assessment is that if the UK were to leave there would be an extended period of uncertainty for investors in the property market, negatively affecting confidence, which may lead to reduced investment volumes and liquidity. This is likely to have an impact on the valuation of the portfolio; however, this impact is not quantifiable in the short term. We expect these influences to be removed if there is a decision to remain within the EU.

All of the achievements I've described are the product of a strategic focus on long-term success. It's easy to say that The Crown Estate enjoys a unique privilege in not being subject to the pressures of financial markets to produce short-term results. But we face the same conditions, the same uncertainties as our commercially-owned competitors. Here I give credit to the inspirational leadership and sheer stamina of the two Chief Executives I've worked with – Roger Bright and Alison Nimmo. It has been a pleasure to run with and support their appetite for modernisation and their confidence in achieving transformation. It's also been a privilege to work with an amazing group of Board Members and Counsellors. They've shared with the executive team the challenges of reading and reacting to the gyrations in market conditions and have been unwavering in their support of the business and unstinting in the time and experience they have brought. At the end of 2015 we said farewell to Chris Bartram, who brought great wisdom and experience to the Board's deliberations over a ten year period of service. We've welcomed James Darkins who joined the Board at the beginning of the year, and we look forward to his fresh perspectives and engagement.

Throughout my business career I've observed that successful businesses are staffed by people who enjoy what they're doing and who take pride in saying they work in an organisation with strong values. My time at The Crown Estate has reinforced this conviction. Everything we do here is founded on our core values of commercialism, integrity and stewardship. That's the driver for outperforming the market, and that's at the heart of our ability to attract and retain talented people. It's been my privilege to share some exciting times with those people. Undoubtedly, uncertainty and challenge lie ahead, but I'm confident their ability to go on taking bold decisions and to settle only for the best will serve the nation well as The Crown Estate continues to show its paces as a thriving business.

Sir Stuart Hampson
Chairman

Chief Executive's review

We have a compelling vision and a clear strategy

Alison Nimmo
CEO, The Crown Estate

It has been another year of transformation and success for The Crown Estate. My hugely capable team has worked really hard and delivered exceptional performance again this year. I hope you enjoy reading about the many and varied things we've achieved in the past 12 months.

The momentum we have built within the business has delivered another year of market outperformance, enabling us to contribute a record £304.1 million to HM Treasury. We have outperformed our IPD bespoke benchmark by a significant margin this year, with a total return of 17.2% compared to the benchmark's 13.1%. On a three year rolling basis the figure is 19.3% compared to 16.2% for our bespoke benchmark. The value of our property portfolio grew to a record £12 billion and we have a strong balance sheet.

We are firmly on track with our transformation from a traditional landed estate to a progressive, modern and high-performing business. The final stage is the relocation of my HQ team to a single floor at our landmark St James's Market project – a joint venture with our partners Oxford Properties. The regeneration of this historic quarter is our most ambitious project to date and a stunning example of what we do well

"The momentum we have built within the business has delivered another year of market outperformance."

“We have continued to reinforce our reputation for placemaking in the capital, delivering great new buildings in the context of great public realm.”

– world-class, mixed-use development which blends the best of our heritage assets with truly excellent contemporary design, art and a new public square.

Central London
We have continued to reinforce our reputation for placemaking in the capital, delivering great new buildings in the context of great public realm, in the best locations. You just need to stroll down Regent Street, day or night, to see what I mean. Our long-term perspective and the scale of our holdings have enabled us to restore almost the full length of this historic street – the backbone of the West End and a world-class retail destination. The joint venture with our strategic partner NBIM goes from strength to strength. Over the past ten years our £1 billion investment programme has delivered world-class new buildings, wider pavements, new public realm, beautiful lighting, great restaurants and a fabulous mix of retail brands from Apple to Zara.

These days, Regent Street is also gaining a well-deserved reputation as one of London’s best office locations. Behind the street’s listed facades we’ve been busy delivering a series of major new office projects like One New Burlington Place. It’s been fascinating to watch this new building take shape every day from our offices. We’re delighted that it’s been so warmly received by the market, securing its first major office letting well before completion and also now home to new flagship stores for Polo Ralph Lauren and Michael Kors. Elsewhere on Regent Street we have created new and bigger space for existing tenants such as Hugo Boss and Coach, and we’ve attracted leading new names such as Kate Spade NY, Stefanel and Jo Malone.

We launched our ambitious vision and £500 million investment programme for St James’s almost five years ago. Today that vision is a reality, with the area now home to many restored listed buildings, landmark new developments and a transformed public realm from the sweep of Piccadilly Circus southwards to Waterloo Place. Testament to the quality of what we are delivering in St James’s was private equity firm Carlyle Group’s decision to relocate from Mayfair to St James’s Market. Our investment has also attracted some very special retail and restaurant brands, including new retail concepts for Jigsaw, Smeg and ASSOS and leading restaurants Salt Yard, Anzu and the double Michelin-starred Aquavit. On the strength of this, we have extended our joint venture with Oxford Properties.

Retail
We’re coming to the end of delivering the most significant West End development programme in our history. Our focus now shifts to active asset management and securing planning for future projects in London, with development activity concentrated in our Retail Portfolio. We’re also taking our award-winning Recruit London programme and launching Recruit Regional to connect local unemployed people with employers at our major regional retail parks. We are now successfully applying our focussed placemaking and customer-led

Recruit Regional – connecting people and opportunities
In the run up to Christmas we hosted a Jobs & Skills Fair at our Fosse Park shopping centre, bringing together local employers and potential employees. Part of our new Recruit Regional scheme and delivered in partnership with Leicestershire County Council, Blaby District Council and Jobcentre Plus; the event attracted 560 visitors. Employers received over 3,000 job enquiries, around 100 people found work, some 50 gained training places and more than 20 started apprenticeships.

Net revenue profit
£304.1m

Capital value
£12.9bn

Property value
£12.0bn

IPD benchmark
19.3%
total return compared to the bespoke IPD benchmark on a three-year rolling basis of 16.2%

Active asset management is enabling record results

"We have challenged ourselves, we've stretched people and upped levels of expectation and ambition."

management expertise to our £2.3 billion Retail Portfolio. This year we continued to invest and reshape this portfolio, securing major planning consents for extensions at Princesshay and Silverlink, and strengthening the leisure and food offer across many of our assets.

In parallel, we took advantage of favourable market conditions to sell £613 million of assets this year to reinvest in the next generation of best-in-class retail parks such as Banbury Gateway Shopping Park and in Rushden Lakes (Northamptonshire), both with our partner LXB.

Our most ambitious retail scheme – the Westgate Shopping Centre, a joint venture with Land Securities – is now under construction. This Oxford city centre project is anchored by a new John Lewis department store and is set to transform the city's retail offer with 100 new shops, leisure space, and 25 new restaurants and cafes set amongst covered streets, arcades, lanes and squares. The joint venture has also acquired the adjacent Castle Quarter, further extending our role in Oxford's retail renaissance.

We were delighted to win the Estates Gazette Retail and Leisure Developer of the Year award – great recognition for everything my team's achieved.

Rural & Coastal

We have had a busy year and continued to grow our profits, albeit against a backdrop of ever tightening agricultural margins and subdued capital growth. Our very active asset management has meant a significant focus on non-core sales including the Bryanston Estate. In our strategic land portfolio we received planning consent for over 7,000 new homes and made local plan progress for sites accommodating a further 4,000 new homes.

The performance of Windsor was a real highlight. In the year of Her Majesty's 90th birthday celebrations, the Windsor Estate has never looked so good and, for the first time in its history, it has returned a revenue surplus. All credit to Deputy Ranger Paul Sedgwick and his dedicated team. The management of the estate has been transformed with a more enterprising approach, cutting costs and driving performance while preserving the very special character of this historic and beautiful Royal Park. These changes at Windsor are a great example of conscious commercialism in action.

Energy, Minerals & Infrastructure

It's amazing to think that the UK's first commercial offshore wind farm, North Hoyle, started operation just 13 years ago. The UK is now the world leader, with 29 offshore wind farms generating over 5.1 GW of operational capacity and a further 4.5 GW under construction. This maturing industry is now delivering a strong income stream for us while creating thousands of jobs and supply chain opportunities, from ports and shipping to technology and construction. This, plus strong demand for our marine minerals from the UK construction industry, has underpinned a really strong performance, with the capital value of the portfolio powering above £1 billion.

Restructuring

In autumn last year I announced a major restructure of the business. In part, this change was precipitated by devolution and the UK Government's decision to transfer the management of our business in Scotland to Scottish Ministers. This, together with the need to realign our offshore energy to reflect prevailing market conditions, meant that the time was also right to move to a smaller and more strategic leadership team. All of our portfolios have now been brought together under the leadership of Paul Clark as he is promoted to be our new Chief Investment Officer (CIO). Judith Everett has been promoted to be our new Chief Operating Officer (COO). A new Chief Financial Officer (CFO) is currently being recruited to replace John Lelliott, who is retiring after a long and distinguished career of 31 years with us at The Crown Estate. It is intended that the new CFO will sit on the Board.

Vivienne King (Director of Business Operations) left the business in December 2015 and Rob Booth has stepped up as our new General Counsel and Company Secretary. Rob Hastings left in March 2016, with Huub den Rooijen being promoted as our new Director of Energy, Minerals & Infrastructure. Vivienne and Rob contributed hugely to the transformation and success of The Crown Estate and both leave with our thanks and appreciation. In other moves, we have brought our London holdings together under the leadership of James Cooksey as our new

7 Air Street
Completed in 2015 and part of our long-term Regent Street regeneration programme, this 46,000 sq ft office building has set a new gold standard for sustainability. It's the first listed building in the UK to receive a BREEAM outstanding rating – the highest award possible from the organisation that judges best practice for sustainability in the built environment. Chairing a panel debate on Building Sustainable Cities, broadcaster Jon Snow joined us to mark the opening of the building's green roof, which is designed to support birdlife, insects and wild flowers.

Director of Central London, and Hannah Milne has been promoted to Director of Regional. Full details of our new structure and governance arrangements are set out on page 59 of this report.

Outlook
This year, more than most, we are feeling the challenges of running a business in an increasingly unpredictable world. We expect total returns in our core sectors to reduce during the course of next year as a consequence of prevailing global economic trends and the fully priced nature of some of our core markets, in particular central London and rural land. We have prepared and positioned the business for the challenges and uncertainty ahead. Nevertheless, producing the level of outperformance that we have delivered in this and recent years is likely to become much more challenging. As a business we continue to be committed to achieving a strong and sustainable performance, looking beyond normal market cycles and always considering the long term.

The international agreement reached at the United Nations Climate Conference in Paris – COP21 – was a major milestone in the world's response to climate change and a further call to action for government and business. We continue to make good progress on embedding sustainability across the business, our 7 Air Street project is a powerful example of what can be achieved, taking an innovative approach to the refurbishment of a listed building. Winning the Property Week Sustainability Achievement Award was great recognition, described by the judges as "an inspiration to other developers". We know that we must continue to innovate, making sustainability a real competitive advantage for us and for our customers.

I am now well into my second term as Chief Executive of this unique business. I continue to be impressed with my team and their skill and passion for what they do. I encourage you to delve into this report to read all about the launch of Wild West End, our UK-wide stewardship work and our staff volunteering programme and partnership with West End homeless charity The Connection. Our latest employee survey shows a real confidence in the changes we've been making and an extraordinary commitment to our customers and achieving even more success. I am inspired by my colleagues and feel incredibly proud to lead this amazing business.

And last, but by no means least, we all bid a very fond farewell to our Chairman, Sir Stuart Hampson. The business has thrived under his exceptional leadership. He will be missed greatly, not only by me and the Board but also the wider team – a team he has led with such skill and passion. Sir Stuart's legacy is to leave the business in great shape. We were all absolutely delighted to see Sir Stuart's service recognised in this year's Birthday Honours list, when he was appointed a Commander of the Royal Victorian Order by Her Majesty The Queen.

I'm confident that, as a team and as a business, we are ready to take on the many challenges and opportunities presented by an ever volatile, always exciting, and fast-changing world.

Alison Nimmo
CEO, The Crown Estate

Our business strategy

We have a clear vision for our business…

In 2012, we set out our vision for The Crown Estate: to become a truly modern, commercial business, by growing our core markets, contributing to a small number of joint partnerships and embedding sustainability within the business.

and we'll reach it by following our four-part strategy…

1. **Actively manage our core assets**
2. **Encourage a high-performance culture**
3. **Ensure high levels of customer satisfaction**
4. **Measure, report and improve our Total Contribution**

which is informed by the material issues that affect us…

Read more on **page 44**

- Reputation and trust
- Health of the economy
- Influence of strategic counterparties
- Customer expectations
- Attraction, development and retention of the best talent
- Government policy, constitutional change and governance
- Urbanisation
- Technological advances
- Climate change
- Availability of natural resources

measured via our key performance indicators…

Read more on **page 11**

Year-on-year increase in net revenue profit and three-year rolling total return

Employee survey ratings and number of health and safety incidents

Customer satisfaction surveys

Carbon emissions and renewable energy operational capacity

and supported by key resources and relationships

Read more on **page 50**

Financial resources

Physical resources

Natural resources

Our people

Our know-how

Our networks

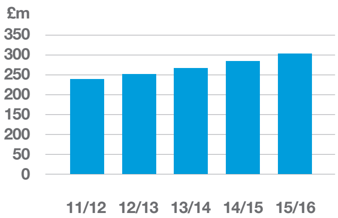
1

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

Year-on-year increase in net revenue profit

Target
To increase our net revenue profit year-on-year.

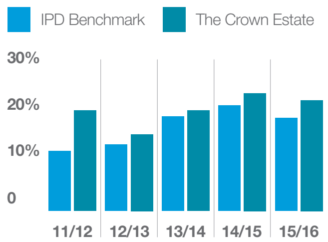
Performance this year
2015/16 £304.1 million net revenue profit up 6.7% on 2014/15.



Three-year rolling total return

Target
Outperform our total return bespoke IPD benchmark on a three-year rolling basis.

Three year performance
19.3% compared to three-year annualised bespoke IPD benchmark of 16.2%.



2

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

Employee survey rating

Target
To consistently outperform the benchmark for being a Great Place to Work.

Performance this year
Great Place to Work employee engagement score of 83% compared to the UK National normal rating of 78%*.

* Source: Willis Towers Watson

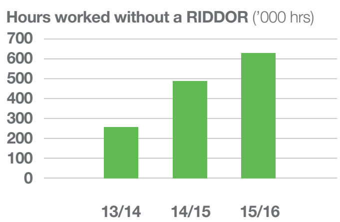
Engagement score

83%

Health and safety incidents

Target
10% improvement in relation to incident performance.

Performance this year
The hours worked without a RIDDOR increased by 29% to 632,920Ⓐ.



3

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

Target
Increase in customer satisfaction levels during the first year of the annual customer satisfaction programme.

Performance this year
Having appointed a dedicated Customer Engagement Manager, this year we have started the progression towards establishing an organisation-wide baseline for customer service which will help us in setting consistently high standards under our new customer service 'Promises'. Two portfolio surveys were carried out during the year as part of our customer focus work, with both indicating very positive results.

In the Rural survey 67% of respondents rated their overall satisfaction with The Crown Estate 'good' or 'excellent'. And on our St James's portfolio survey 77% of occupiers rated their overall satisfaction highly and 84% of occupiers would recommend The Crown Estate. These surveys are developed with our wider network of managing agents for consistency of approach, and five more portfolio surveys are planned for the year ahead.

St James's occupiers who would recommend us

84%

4

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

Total Contribution is being developed to influence internal decision-making, as well as being an indicator of positive impact. Most of the indicators on this page, and throughout the report, are included in the methodology.

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
5%Ⓐ improvement in emissions intensity this year. 11% reduction since the baseline was established.

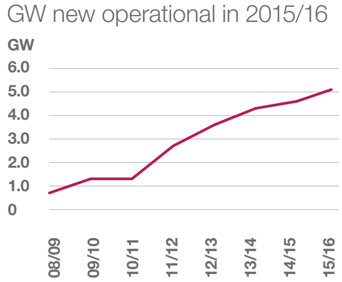
Improvement in emissions

5%

Renewable energy operational capacity

Target
Facilitate installation of 5-8 GW of offshore operational renewable energy generation on our portfolio by 2015/16.

Performance this year
5.1 GW operational and 0.5Ⓐ GW new operational in 2015/16



Conscious commercialism in action

We're creating a new destination for London at St James's Market

In partnership with Oxford Properties, we're developing St James's Market, a major new project that will introduce more than 260,000 sq ft of contemporary offices, shops and restaurants centred around a new public square. This landmark £400 million redevelopment combines the very best of old and new, right in the heart of the West End.

Big thinking

Our most ambitious project to date. A bold but sensitive enhancement of a truly historic quarter that will create 21st century business space and further enhance our commercial performance in central London.

Our new home

In 2017 the first and seventh floors will become our new London headquarters – a place that expresses who we are and what we stand for.

Culinary hub

Seven new restaurants will open here, creating a destination for international dining including exciting offerings from Salt Yard Group and Aquavit.

Global brands

Five flagship stores offering best-in-class lifestyle and fashion will open as part of the development. Brands include Smeg, ASSOS and Jigsaw.

Refining St. James's

Our business includes around half of St James's and we are undergoing a £500 million investment programme which looks to enhance and refine the area sensitively, carefully and for the long term, including major improvements to the public realm.

Over the entire development period (demolition and construction) there were 80,329 tonnes of waste generated and 79,743 tonnes (99.3%) of this diverted from landfill.

Conscious commercialism in action

We've introduced best-in-class retail to Banbury

Banbury Gateway Shopping Park was completed in October 2015, delivering over 280,000 sq ft of best-in-class retail and leisure space. The popular new park is an addition to our growing portfolio of high-profile retail and leisure assets.

Scale & quality

Banbury Gateway adds to the value of our Retail Portfolio, which has now grown to £2.3 billion and includes 14 regional retail parks.

Opening event

We launched Banbury Gateway with a local wildlife awareness event for stakeholders in partnership with Berks, Bucks & Oxon Wildlife Trust. For the year ahead we're planning to launch a community design-led public art piece.

Leading retail

The park has attracted major retail and leisure brands including Marks & Spencer, River Island, Next and Starbucks, providing shoppers with a great selection.

Planning ahead

We forward funded the development in a partnership with LXB, a model we're now using at Rushden Lakes. Other key retail development projects for the year ahead include Oxford Westgate, Exeter Princesshay and extensions to Fosse Park in Leicester and Silverlink in Newcastle.

The development of Banbury Gateway Shopping Park has provided nearly 800 employment opportunities in retail and hospitality.

Conscious commercialism in action

We’ve helped offshore wind take a big step forward at Westermost Rough

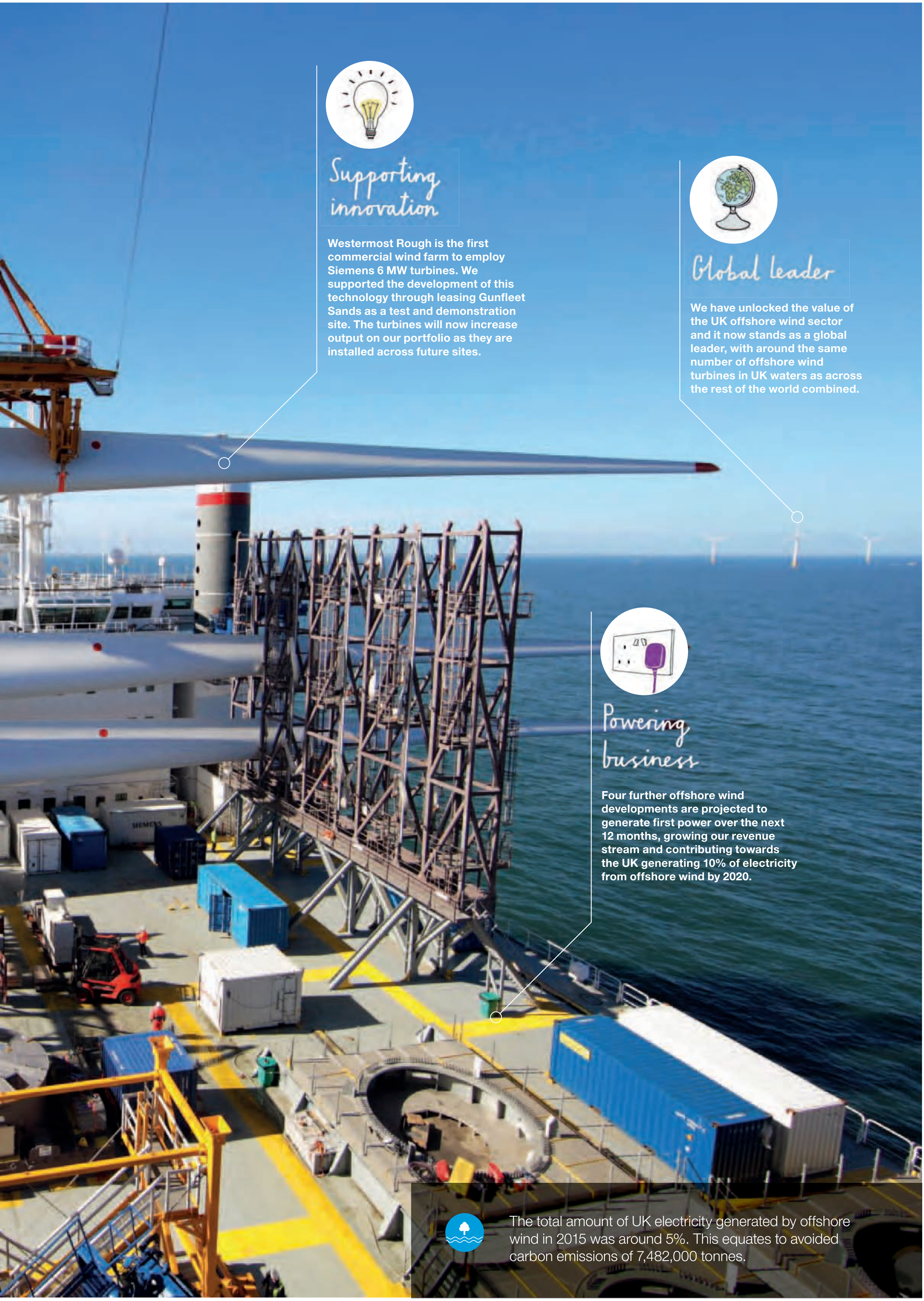
As manager of the seabed we take an active asset management role, applying our expertise to lease and manage sites for offshore wind. Westermost Rough – a joint venture between DONG Energy and partners – is a new offshore wind farm some five miles from the Yorkshire Coast. Its 35 turbines cover 13.5 square miles and provide enough electricity to power around 150,000 UK homes.

Wind in our sails

Westermost Rough became operational this year along with Humber Gateway, Kentish Flats extension and Gwynt y Môr, helping increase the proportion of UK electricity generated by offshore wind to 5%.

Working the seabed

In addition to offshore wind we also have significant interests in the development and commercial leasing of marine aggregates, wave and tidal energy, and cables and pipelines (including the cables taking the electricity from offshore wind farms back to shore).



Supporting innovation

Westermost Rough is the first commercial wind farm to employ Siemens 6 MW turbines. We supported the development of this technology through leasing Gunfleet Sands as a test and demonstration site. The turbines will now increase output on our portfolio as they are installed across future sites.

Global leader

We have unlocked the value of the UK offshore wind sector and it now stands as a global leader, with around the same number of offshore wind turbines in UK waters as across the rest of the world combined.

Powering business

Four further offshore wind developments are projected to generate first power over the next 12 months, growing our revenue stream and contributing towards the UK generating 10% of electricity from offshore wind by 2020.

The total amount of UK electricity generated by offshore wind in 2015 was around 5%. This equates to avoided carbon emissions of 7,482,000 tonnes.

Conscious commercialism in action

We're combining performance and stewardship at Windsor Great Park

Under the terms of the Crown Estate Act 1961 we're tasked with managing Windsor Great Park. In recent years we've brought a more commercial focus to our activities, at the same time maintaining the heritage of the park, its conservation and our role as trusted stewards.

Embracing change

Our team has achieved an impressive turnaround at Windsor, delivering a step change in productivity and embracing a new culture of active asset management to deliver a profit for the first time.

A green gem

The park is a major attraction with five million visitors coming through the gates each year. People come to enjoy the historical monuments, unique biodiversity, ancient forests, stunning flora and fauna, and world class gardens.

A working estate

As well as being a fantastic visitor attraction, Windsor Great Park is also a working estate with business areas including commercial forestry and property lettings.

Lighting up the occasion

Windsor has a close and historic connection with the Royal Family. In April 2016 we hosted the 90th birthday of Her Majesty The Queen as she lit the first of a network of beacons across the UK in celebration.

The economic value of ecosystem services produced at Windsor Great Park has been estimated to be £4.5 million per annum. These ecosystem services comprise recreation, amenity, agricultural production and greenhouse gas sequestration. (Data based on Bateman, Ian et al (2013) – Bringing Ecosystem Services into Economic Decision Making: Land Use in the United Kingdom – *Science 341* (6141), 45-50).

We have a resilient business model powered by conscious commercialism

Our approach

We have a distinctive approach that combines smart, progressive business thinking with a long-term approach. We call this conscious commercialism.

It's about being astute and enterprising in how we create value today, while also taking a considered, long-term view of the assets we manage.

What we do

Read more on **page 22**

1. Investment management
We buy and sell

2. Development management
We plan, construct and refurbish

3. Asset management
We manage our assets to increase their value

4. Property management
We add value for customers, vistors and communities

Investment into the business

We access capital to invest in our portfolios via strategic partnerships and sale of non-core ex-growth assets.

£354.8m
Inflow of funds from capital activity

£1bn
Capital activity

What we rely on

Read more on **page 50**

We draw upon our resources and relationships as inputs to our business model and are constantly transforming them through our activities.

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

The value we created

Read more on **page 50**

We consistently create significant financial value for the UK taxpayer, and tangible, long-term value, measured via our resources and relationships, for all of our stakeholders. In 2015/16:

6.7%
Increase in annual revenue profit

5%
Improvement in emissions intensity

9.7%
Increase in total property value

77%
Suppliers paid within 30 days

IPD+
We consistently outperform our IPD bespoke benchmark

83%
Great Place to Work employee engagement score

£12.9bn
+12.2% capital value

5.1 GW
Operational capacity

Our contribution to HM Treasury

Our annual net revenue profit is paid to HM Treasury.

£304.1m
+6.7% net revenue profit paid to HM Treasury

£2.4bn
Generated for HM Treasury in last 10 years

Four core activities underpin our model

What we do

1. Investment management

We buy and sell assets in line with our investment strategy, with a focus on our core sectors where we can outperform the market through our expertise and critical mass.

2. Development management

We plan, construct, develop and refurbish to create successful places where our customers and communities can thrive.

3. Asset management

We actively manage our assets, working closely with our customers to help achieve their business objectives while, at the same time, increasing the value of our portfolio.

4. Property management

We add value for our customers, visitors and communities through activities such as placemaking, public realm improvements, and health and wellbeing initiatives.

We focus where we have expertise and critical mass

Our investment strategy sets the direction of travel for our business and puts in place a structure that helps us meet stretching financial targets.

We concentrate investment and asset management activity on our core sectors of central London, dominant regional retail and leisure schemes, rural and strategic land and offshore wind. Combining our expertise and critical mass within these sectors enables us to gain competitive advantage and achieve outperformance.

We're unable to take on debt, so it's vital that we find effective ways to access working capital to fund our development pipeline and operational activity. Capital market trading and strategic partnerships in commercial property provide us with liquidity, allowing us to respond to the market and deliver our strategic objectives.

Central London

We hold almost the entire freehold to Regent Street and since 2002 have been implementing the £1 billion Regent Street Vision investment programme. In St James's our business covers 50 per cent of the buildings and the portfolio is currently the focus of a £500 million investment plan.

Offshore wind and marine minerals

As manager of the UK's seabed out to the 12 nautical mile limit, we play a major role in the development of the offshore wind energy industry. We award and manage commercial agreements for companies to extract sand and gravel resources off the coast of the UK.

Retail

Our prime retail portfolio includes 14 retail parks, three shopping centres and two leisure destinations. As the third largest direct owner of retail parks in the UK, and as a specialist property manager of retail and leisure, we leverage our expertise to deliver sustainable asset management strategies.

Rural and strategic land

Progressing strategic land opportunities on our rural estate is a key focus for our business and each year we are bringing forward sites that deliver thousands of new homes, which provides important capital receipts for our business.

We understand and address our most important issues

We need to understand and manage issues that have the potential to influence significantly our ability to deliver our vision. These material issues are reviewed on an annual basis through a cross-business workshop facilitated by our advisors EY, who provide challenge and add rigour to the process.

Our approach
In identifying material issues we considered internal factors as well as global megatrends such as rapid urbanisation, technological advances, changes in demographics, consumer behaviour and business models, climate change and resource scarcity, and the shift in global economics.

What is material is defined as an issue that would impact our Board and Committee decisions. Each issue was scored on a scale 1-5 across three areas, namely:

- its economic impact on the business;
- the degree to which our principal external stakeholders are concerned with it; and
- the extent to which it is likely to grow in significance and impact in the future.

From an initial list of 15, the scoring identified the following ten material issues.

See page 44 for our principal risks and opportunities. See our website for a further explanation of the materiality process.

Reputation and trust

Resources and relationships affected by the issue

Maintaining the trust of our customers, business partners, suppliers, political stakeholders and local communities enables us to operate successfully and meet our responsibilities.

Key risks most relevant to the issue
1. Investment performance.
2. People.
3. Ability to manage a major incident (including cyber security breach).
5. Health and safety.
6. Inability to deliver against our development pipeline.

Our ability to control or influence our response to the issue
Strong influence.

Health of the economy

Resources and relationships affected by the issue

Sustainable and profitable long-term growth in response to market cycles enables us to meet our business targets while maintaining the resilience of our business. Our commercial targets are to increase our net revenue surplus at an agreed rate with the Treasury and outperform our Total Return IPD benchmark on a three-year rolling basis.

Key risks most relevant to the issue
1. Investment performance.
6. Inability to deliver against our development pipeline.

Our ability to control or influence our response to the issue
Some influence.

Government policy, constitutional change and governance

Resources and relationships affected by the issue

As an independent commercial business, created by Act of Parliament, The Crown Estate can be affected by changes to Government policy and regulations that can influence our markets and how we operate and invest.

Key risks most relevant to the issue
6. Inability to deliver against our development pipeline.
8. Government policy.
9. Adverse effect of climate change.

Our ability to control or influence our response to the issue
Some influence.

Urbanisation

Resources and relationships affected by the issue

Changes and trends in urban environments can have an impact on our portfolio, such as increased demand for high quality commercial properties in central urban locations and the opportunities this creates for placemaking.

Key risks most relevant to the issue
4. London's attractiveness/competitiveness.
6. Inability to deliver against our development pipeline.

Our ability to control or influence our response to the issue
Some influence.

Our ability to control or influence our response to the issue:

Direct control – Our response to the issue is entirely within our control

Shared control – Control in how we respond to the issue is shared with, or exercised through, another organisation or third party

Strong influence – We have the ability to influence our response to the issue within our own business and value chain

Some influence – We have the ability to influence our response to the issue within our own business

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

Influence of strategic counterparties

Resources and relationships affected by the issue

Creating strategic partnerships and attracting investors are one way that we can access capital that we can reinvest in our business. We always aim to partner with organisations who share in our values and long-term outlook.

Key risks most relevant to the issue
1. Investment performance.
6. Inability to deliver against our development pipeline.

Our ability to control or influence our response to the issue
Shared control.

Customer expectations

Resources and relationships affected by the issue

The provision of excellent customer service to meet customer expectations is essential in the maintenance of our position as landlord of choice which, in turn, has a direct impact on our financial performance.

Key risks most relevant to the issue
1. Investment performance.
4. London's attractiveness/competitiveness.

Our ability to control or influence our response to the issue
Strong influence.

Attraction, development and retention of best talent

Resources and relationships affected by the issue

To succeed in being a progressive commercial business creating significant value beyond financial return we need to attract and retain employees with the right skills, experience and values.

Key risks most relevant to the issue
2. People.

Our ability to control or influence our response to the issue
Strong influence.

Technological advances

Resources and relationships affected by the issue

Technological innovation is changing the way information is shared and how communications are managed by organisations. Data security is becoming an increasingly high risk area. Hyper-connectivity is having a transformative impact on how office space is used and the nature of retailing.

Key risks most relevant to the issue
3. Ability to manage a major incident (including cyber security breach).
7. Information systems.

Our ability to control or influence our response to the issue
Strong influence.

Climate change

Resources and relationships affected by the issue

Recent changes in the global climate are unprecedented and are expected to continue. Climate change is increasingly expected to threaten natural ecosystems and their biodiversity, erode global food security, threaten human health and increase inequality. The effects of climate change also present opportunities for our business, such as the impact of Government policy on de-carbonising the UK's energy supply and the subsequent growth of the UK's offshore energy industry.

Key risks most relevant to the issue
9. Adverse effect of climate change.

Our ability to control or influence our response to the issue
Some influence.

Availability of natural resources

Resources and relationships affected by the issue

Our business depends on natural resources, from resources that provide us with energy, to the materials we build buildings with, to soil on our farms. Some natural resources are finite and need to be managed responsibly if supply chains are to be secured and costs controlled.

Key risks most relevant to the issue
9. Adverse effect of climate change.

Our ability to control or influence our response to the issue
Some influence.

Our markets

Staying ahead of changing conditions is vital

In this section we look at the major trends influencing our occupational and investment markets. These can be highly diverse, ranging from the transformative effect of technology on retailing to the impact that milk prices have on our tenant farmers. The most significant of these factors are called our material issues and are reflected within our outlook across this section.

Our priority remains to create world-class shopping and leisure destinations that people want to visit – achieving this through continued occupier management, right-sizing units, compelling marketing activities and crucial investment into the public realm.

Global Shopping

Our prime retail destinations have benefitted from London's increasingly prominent role as a global shopping destination.

Investment

The UK's prominent role in international capital markets continues to have a significant impact on our business, particularly in central London. UK property is seen globally as a transparent, stable and liquid market and we've benefited from these characteristics in recent years. Whilst we don't envisage any material changes in this regard in the near-term, the beneficial impact of low yields driving strong capital growth will inevitably slow.

Recent weaknesses in the global economy and a lack of domestic inflationary pressures have pushed out expectations for a rise in the UK base rate, and yields across world assets remain subdued. Nevertheless, 2015 was a solid year for investment in both London and regionally across the UK. CoStar data indicates it was the second strongest on record with £67.5 billion invested in commercial real estate in the UK, over 46% above the ten-year average. However with heightened pricing and market uncertainty, investment activity is more subdued as we move into 2016.

International capital has been key in driving demand in our core markets, making up 45% of this total. Whilst property allocations are increasing for many investors and others look to crystallise returns, we are mindful of the impact of wider geopolitical issues – such as the volatility in the oil price, fluctuating equity markets, the threat of an exit from the EU and instability in the Middle East – will have on investor intentions and market pricing.

The West End prepares for the delivery of Crossrail in 2018 which will bring a significant increase in visitors to our area.

Central London

Our commercial markets in central London continue to be characterised by a lack of supply and reasonable occupier demand, although the balance is certainly much more finely poised than in recent years. After some very strong years where a significant mismatch in dynamics has seen rental values rise strongly, we now expect markets to pause and rental growth to be more subdued.

Our prime retail destinations have benefited from London's increasingly prominent role as a global shopping destination and a choice location for international retailers seeking to expand internationally. Whilst this continues to be the case, such expansionary brands are fewer and increasingly high occupational costs are seeing them become more selective and consider a broader range of locations. However, our prime locations and historically low levels of vacancy should ensure we continue to drive premium value from these assets going forward. Following our retail and restaurant successes at One New Burlington Place and St James's Market, we have limited opportunities to deliver significantly more retail and restaurant space in the near term. Our priority remains to create world-class shopping and leisure destinations that people want to visit – achieving this through continued occupier management, right-sizing units, compelling marketing activities and crucial investment into the public realm. This is particularly important as the West End prepares for the delivery of Crossrail in 2018, which will bring a significant increase in visitors to our area.

Meanwhile, an incredibly strong business environment in London has driven robust rental growth across our large office portfolio in recent years; we have benefited from our diversity in this regard where we can cater to start-ups with just a few employees looking for flexible and accessible business space, through to international corporates seeking a global HQ. The strength of these sectors is likely to wane amidst continued global economic headwinds, in particular any shift in demand by banking & finance occupiers will have an impact on our high-value space. This is an area to which we are particularly attuned at the moment as we work to complete the office leasing of our major new developments, where we have already set new rental benchmarks in deals with world-class businesses. Combined with the potential for increased supply in response to current record-high rents, we anticipate the office market in the West End is fairly fully priced with opportunities for further growth firmly geared towards the lower range of rental values.

In central London, residential continues to be an attractive sector from which to extract capital to reinvest in our core commercial portfolio. After a number of years of consistently strong growth, prime residential values have slowed, or even plateaued, against a range of economic, political, regulatory and financial headwinds. However, given the unique and historic nature of many of our assets, demand is still there, albeit thinner and more selective than in the recent past. In particular, we anticipated the current weakness in the high-end new build residential sector and over the last year sought to de-risk our exposure to some projects through significant sales prior to completion.

An incredibly strong business environment in London has driven robust rental growth across our large office portfolio in recent years; we have benefited from our diversity in this regard.

Retail outside London is increasingly polarised, with strong schemes or locations retaining their appeal to a range of domestic (and increasingly international) occupiers.

Retail

Retail outside London is increasingly polarised, with strong schemes or locations retaining their appeal to a range of domestic (and increasingly international) occupiers, whilst certain formats and markets find themselves in structural decline. The pace of change in retailing over recent years has been unrelenting as technological advances have facilitated significant and sustained growth in online shopping. We anticipate this shift will continue and it will be the retailers most able to complement and capitalise on the multi-channel world that will succeed. We're seeing this in our retail parks where click and collect facilities can be integrated to deliver in-store sales.

Creating a diverse and appealing occupier mix and actively managing this to create dynamic destinations is more important than ever. The last year has seen continued retailer failure, although there have been fewer major casualties in the last year than previously. The recent high profile administration of BHS shows the challenge posed by retailers with very low margins. The margin challenge will be further exacerbated following the introduction of the National Living Wage, apprenticeship levy and the forthcoming ratings revaluation.

All of these factors result in a retail market where aggregate rental growth is very weak, and growth prospects looking forward are improving only marginally. However, there are pockets of growth on dynamic and actively managed schemes where vacancy remains very restricted; new development also remains very limited across both our key markets of retail parks and major shopping centres. As such we see our stock selection, active management and major development activity as key drivers of rental outperformance in a fairly low-growth retail environment.

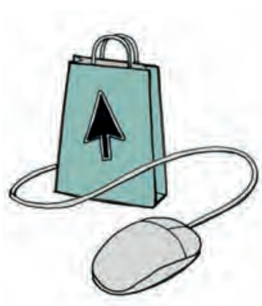
Agriculture

For the first time in over a decade land values fell in agricultural markets throughout the UK, as investors and occupiers responded to uncertainty caused by continued pressure on commodity prices.

Research suggests farming profitability was down by as much as 20% in 2015 which prompted many farmers to capitalise on high land prices and dispose of their assets. Unsurprisingly, farmers also made up the smallest proportion of buyers in over a decade.

While average values for all land types throughout the UK were down in 2015, the regional dynamics show a more divergent picture. Prime arable in the east of England, a high value area with historically strong growth, has decreased in value in 2015 by over 10%, which primarily reflects an increased volume of transactions. Conversely, grassland in the west of England which has historically been a low growth area, has increased in value this year by around 2%.

We still feel, however, that the underlying long-term characteristics of the agricultural capital markets remain strong, particularly as the sector continues to be attractive to non-farming or lifestyle buyers who remain motivated by a favourable tax regime, and pricing continues to be constrained by an imbalance between supply and demand.



Click and collect

Technological advances have facilitated significant and sustained growth in online shopping.

The underlying long-term characteristics of the agricultural capital markets remain strong.

Urban development land values increased by more than 5% and greenfield land values by nearly 3%.

Strategic land

Over the course of the last year urban development land values increased by more than 5% and greenfield land values by nearly 3%. While the market responded positively overall to the continuity afforded by the outcome of the 2015 General Election, with an increase in planning permissions granted and an overall upturn in demand, there remains some uncertainty around local affordable housing provisions. This is likely to continue to have a dampening effect on values until greater clarity is provided by the Government.

Energy policy

Following the 2015 General Election, the new Government outlined a clear energy security agenda which included support for the deployment of up to a further 10 GW of offshore wind in the 2020s, subject to continued efforts on cost reduction within the sector. The second round of auctions for Contracts for Difference (CfD) is expected in 2016, and this will signal the start of investment for the post-2020 delivery period.

Infrastructure

Part of the Government's strategy for energy security is to interconnect further the UK with neighbouring countries, and revised regulatory conditions have precipitated a strong market uptake in new interconnector projects coming forward.

Separately, the Government is reviewing prospects for tidal range. Given the predictable nature of tides, projects that can harness this energy source have strong potential to contribute towards the UK's future energy needs as well as contributing towards decarbonisation targets.

Our review of activities

Our team has delivered another exceptional performance

Across the business our employees have again managed our assets with skill and agility, delivering a net revenue profit of £304.1 million to HM Treasury, excellent service to our customers, and total return outperformance.

We have enjoyed another 12 months of outstanding achievement and Total Return outperformance. 2015 was a year when the property sector continued to perform well, our expertise in active asset management came to the fore and the largest development pipeline in our history continued to deliver outstanding new assets into our portfolio.

Our capital market activity was muted, with an emphasis on sales, as we disposed of a number of non-core assets and focussed on fulfilling the potential of the acquisitions made in previous years.

Our business model on (page 20) explains how we bring together our natural, physical and financial capital, our people, our know-how and our networks. These resources and relationships are central to our business. They provide the foundations for our teams to demonstrate their capabilities in four core areas:

1 Investment management
2 Development management
3 Asset management
4 Property management

1 Investment management

Investment management includes activities associated with buying and selling assets in order to support activity in our core sectors and enhance our financial returns. We also use our investment management skills to de-risk the UK's offshore low-carbon sector and facilitate the development of the energy and infrastructure industries in order to support our assets and improve returns.

Our activity during 2015/16 was biased towards sales rather than purchases. We invested £326.7 million in property (acquisitions, capital expenditure and indirect investment), whilst realising £633.2 million through disposals and other capital receipts. Our strategy remains to focus on sectors where we can outperform the market – central London, retail, rural and strategic land, and offshore energy. As we are unable to borrow, we recycle capital through the sales of non-core or ex-growth assets and use strategic partnerships to leverage our capital resources.

Although we have made no significant standing asset purchases since that of Fosse Park in the summer of 2014, reflecting our view that markets are – or are close to being – fully priced, we continue to regard the UK as a good destination for long-term investment. The depth, transparency and efficiency of the market, combined with our legal system and language advantage, combine to ensure that the UK is enduringly popular for investors.

In the West End, occupier demand for larger office floorplates is thinner than generally perceived but more than good enough for the relatively limited supply. Outside London, the regional retail sector is at an earlier stage of the cycle, capital market pricing looks full, but occupier markets are improving and are currently at their strongest for a number of years. On the rural portfolio, where land values appear to have reached a peak in some parts of the UK, we have continued to focus on moving out of non-core assets and into strategic land opportunities.

Our investment management was recognised this year at the IP Real Estate global conference where we won Best Investor from UK & Ireland, and at the UK Property Investment Awards where we won the 10 Year Return Award for our activity in St James's.

Disposals

We've made selective disposals across the business, principally from non-core assets in line with our strategy.

We disposed of two retail parks for a combined price of £177 million, selling Bath Road Shopping Park in Slough to Royal London Asset Management for £93.6 million and Morfa Shopping Park in Swansea to Ashby Capital for £83.5 million. Both these schemes have played important roles for us in building presence in the sector, helping us achieve critical mass and providing attractive returns. As we continue to focus on larger, more dominant schemes, we felt it was the right time to sell and take advantage of strong capital markets, following successful delivery of our asset management strategies for these parks.

We also sold two office buildings in the form of 43 Temple Row in Birmingham and St James' House in Manchester. As with the sales of Bath Road and Morfa, these disposals supported our wider investment strategy. In central London, we sold several non-core residential properties including at Kensington Palace Gardens and a block of 59 flats on Stamford Street near Waterloo. In total, sales from the Central London and Retail portfolios amounted to more than £463 million, which was £64 million above book value.

Oxford Westgate

Our investment activity on the Retail portfolio this year was principally focussed on funding development activities. Among the most significant of these was the landmark Westgate Shopping Centre in the heart of Oxford.

In line with our investment strategy the rural team disposed of around 8,500 acres of non-core land and property this year for £126.9 million at nearly 12% in excess of book value. Sales included the entire 4,700 acre Bryanston estate at Blandform Forum in Dorset in addition to other significant non-core farm sales at our Boroughbridge estate in Yorkshire, our Ashby St. Ledger estate in Daventry, Northamptonshire and the Ewerby estate in Lincolnshire. We also completed a sale of 50 rural residential units to Dorrington Residential Limited in September. In addition, we disposed of a tranche of historic properties to English Heritage, allowing us to fulfiil our commercial mandate whilst transferring ownership of sites of national importance to a custodian of suitable expertise.

> "The Crown Estate has a commercial mandate to optimise returns and an overriding vision to be a progressive commercial business."
>
> Judge's comment at the IP Real Estate Global Awards where we were named 'Best Investor from UK & Ireland'.

Acquisitions

In central London, we made a number of small strategic purchases to complement existing holdings, including buildings on Maddox Street and Princes Street, close to our Regent Street properties. Within strategic land we purchased sites at Desborough and Kemprow Farm in Gorhambury for a combined sum of £3.3 million.

Investment activity on the Retail portfolio was principally focussed on funding development activities, including that of the Westgate Shopping Centre in the heart of Oxford city centre. Through the Westgate Oxford Alliance, our joint venture with Land Securities on the project, we also acquired Castle Quarter in Oxford for £47.2 million. The scheme lies adjacent to the Westgate Centre and is made up of a Malmaison hotel, restaurants and bars, and 40 modern apartments. It will allow the partnership to increase its strategic position in the delivery of retail and leisure within the city.

In addition, we have committed to funding the development of the £140 million Rushden Lakes shopping and leisure scheme in Northamptonshire. The scheme promises to be a unique new concept in out-of-town retail and leisure, delivering 400,000 sq ft of new retail and restaurant accommodation, together with leisure facilities for activities such as canoeing and wakeboarding, and a visitor centre. The scheme includes two areas which could represent future phases of development and we're considering our options for these, alongside our partner LXB. Development work has now commenced on site, with phase 1 anticipated to complete in March 2017. Rushden Lakes is the second project where we have successfully worked with LXB, following our agreement to bring forward Banbury Gateway together in 2013.

In Worcester we acquired the long leasehold interest to 35-40 Friary Walk, currently occupied by New Look. The purchase will complement our holdings in the city and help us continue to enhance the retail offering.

Leisure is an important aspect of our retail schemes, as consumers demand more from their shopping experience. We are investing in more leisure facilities, incorporating cinemas and restaurants into projects such as the MK1 Shopping Park in Milton Keynes.

Working in partnership

In central London we continue to fund key developments, building out what has been the largest development pipeline in our history. During 2015 we agreed a £145 million extension to the St James's Market Partnership with Oxford Properties, the property investment arm of the Ontario Municipal Employee Retirement Scheme.

As we are precluded from borrowing under the terms of the Crown Estate Act 1961, joint ventures such as the one with Oxford Properties enable us to fund larger projects or access bigger assets than would otherwise be practical. We currently manage joint ventures containing over £1.9 billion of our partners' funds, through schemes including Fosse Park (with Gingko Tree Investment Ltd) and Regent Street (with Norges Bank Investment Management).

Within offshore energy we make relatively small scale, strategic investments to de-risk the sector in order to support our partners, encourage development and unlock the long-term value of our primary asset, the seabed.

For example, in 2011 we provided £17 million to enable the Ministry of Defence to build a state-of-the-art air defence radar in Norfolk that protects signals from interference by the rotating blades of offshore wind turbines. When a wind farm progresses to the construction stage, we recover from the developer an agreed share of that investment. During 2015, a payment to us of £11.7 million was triggered by the lease agreement for the Race Bank wind farm in The Wash. On top of other projects, this brought our total capital receipts associated with the radar project to £23.4 million, a profit of £6.4 million on our original investment.

Our phased investment in MeyGen, the world's largest tidal stream project currently under construction, has also continued as planned under the terms we committed to in the previous year.

2 Development management

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

Some of our major development commitments in the West End are nearing their end. For us, this is a time to reassess the strength of our core markets, and shift emphasis towards our next generation of schemes in the light of our views on our core occupier markets. In particular, we are focussing on dominant retail schemes including those at Rushden, Exeter and Oxford. We have tremendous in-house experience in this area, with our increasing scale enabling us to build strong and advantageous relationships with major retailers.

Landmark scheme

This year, as part of our ten-year investment programme within St James's, we saw our landmark scheme to redevelop St James's Market near completion. Our approach across St James's has been guided by a clear strategy, which aims to enhance and refine the area sensitively, carefully and for the long term. Our investments have not only improved the cohesion of our holdings but also protected St James's future as a distinct niche in the West End office market, and a world-renowned destination for shops and restaurants. We have also built on the area's residential character and improved the public realm.

The St James's Market development is our most ambitious scheme to date. It provides 260,000 sq ft of flagship retail, office and restaurant accommodation set

St James's Market

The redevelopment of St James's Market, a joint venture with Oxford Properties, is our most ambitious scheme to date. It provides flagship retail, office and restaurant accommodation set amongst half an acre of revitalised public space.

amongst almost half an acre of revitalised public space. St James's Market has been developed with high regard for sustainability. We work to our own exacting standards which exceed legislative requirements, and our sustainability principles inform the design, construction and operation of all projects.

In addition, we completed our block W5 South scheme on Regent Street as planned, with the retail spaces taken by Michael Kors and Polo Ralph Lauren. The scheme delivers 80,000 sq ft of high-quality, modern office accommodation behind a Grade II listed facade.

In June, we announced that the Duke's Court scheme would be the next stage in the St James's redevelopment and have since received planning consent to develop this block, which is on the corner of Duke Street St James's and Jermyn Street. Our plans include creating 36,000 sq ft of new modern office accommodation on six floors above flagship retail and restaurant space at ground and basement levels. The project also includes six new apartments at 33 Bury Street, restoring the upper floors to their original residential use.

On Regent Street, we completed 21 Glasshouse Street and 7 Air Street, both major refurbishments within Quadrant 2. As part of the development, 7 Air Street became the first listed building to receive a BREEAM 2011 'Outstanding' rating. It incorporates a wide range of sustainability features including an ecological roof, solar panels, LED lighting, a central energy centre which saves around 350 tonnes of carbon dioxide emissions each year and a highly efficient building envelope. We are also continuing to develop Quadrant 4, a residential scheme comprising 48 units. Preparations have also started for the redevelopment of the Quadrant Arcade and we expect to make headway with this scheme over the year ahead.

Also on the Regent Street portfolio, the quality of our 10 New Burlington Street development, which was completed the previous year, was recognised in winning Best Mixed-Use Development award at the 2015 UK Property Awards. In addition, our commitment to sustainability across all of our developments was underlined in picking up the Sustainability Achievement award at the 2016 Property Week Awards.

On site and on track

Looking forward, the weight of our development ambitions will transfer to the regions where we have a number of projects in progress.

For example, at Westgate in Oxford we are on site and on track in partnership with Land Securities to deliver our single biggest retail scheme to date following more than four years of preparation, extensive public consultation and the approval of a reserved matters application by Oxford City Council. Westgate will totally transform the retail and leisure experience in Oxford – providing over 100 new stores, 25 restaurants and cafes, a boutique cinema, roof-top terrace dining and a wealth of new public spaces – and stand out as one of the best schemes of its kind in the UK. It will provide a rare opportunity for retailers and leisure operators to reach a broad audience in a truly historic setting. The development is expected to generate up to 1,000 jobs during construction.

In Newcastle we are on site with the £30 million redevelopment to transform the former Travelodge site opposite our Silverlink Park into a 106,000 sq ft scheme for four new retail units. In addition, the project will provide extra car parking, enhanced landscaping, improved access routes and wider footpaths around the site. With completion of the additional site scheduled for autumn 2016, Next has already confirmed that it will relocate from its current Silverlink store to open a 52,000 sq ft flagship Next Home and Garden store. We have made good progress on plans to invest in extensions to two of our existing regional retail sites. At Fosse Park in Leicester we reached conditional agreement to buy the 12.5 acre Castle Acres site and transform it into a 150,000 sq ft retail and leisure development, which could incorporate accommodation for around 26 new shops, restaurants and cafés with accessible links so shoppers can travel between the new facilities and Fosse Park.

One New Burlington Place

Our scheme at One New Burlington Place has regenerated an historic block to meet the needs of modern occupiers. As part of our commitment to public realm, it features a public art work by Turner Prize winner Keith Tyson.

Our approach across St James's has been guided by a clear strategy, which aims to enhance and refine the areas sensitively, carefully and for the long term.

Our review of activities continued

Our role in strategic land is to identify and acquire sites suitable for development and then promote the land through the planning process before releasing it to developers.

Whilst the project to extend Fosse Park is currently in the planning process, the ambitions of the Princesshay Partnership, which comprises The Crown Estate and TH Real Estate, to add leisure facilities to the Princesshay shopping centre in Exeter received outline consent in January. This £75 million redevelopment of Exeter's bus and coach station will include over 180,000 sq ft of new restaurants, cafes a nd shops as well as a new cinema and an amphitheatre. The scheme is designed to complement the existing successful retail and leisure offer at Princesshay, which includes leading brands such as Topshop, River Island, Apple and Joules, as well as restaurants including Carluccios, Byron and Jamie's Italian. We have now entered discussions with Exeter City Council regarding the delivery of community benefits alongside the development.

Bringing more homes to the market

Our strategic land holdings continued to play an important part in the business during the year, supported by an encouraging planning environment. Our role in strategic land is to identify and acquire sites suitable for development and then promote the land through the planning process before releasing it to developers. In total, 2015/16 saw our strategic land team make local plan progress for sites accommodating 4,000 new homes and over 2 million sq ft of business space, and make planning applications for 200 homes. Applications for a further 1,250 homes will be made in the early months of the new financial year. We also got consent for over 7,000 homes focused on two new urban extensions, and sold five sites to developers for a total of £25 million with these sales leading to the construction of 900 new homes.

Among the many significant highlights of the year, we secured planning permission for 2,000 homes in August 2015, on part-owned land close to Northampton that we had acquired in 2014. We also secured a draft allocation in the emerging St Albans Local Plan for 2,500 homes.

Another highlight was securing planning consent on our part-owned land north of Thetford. The 'Kings Fleet' development will provide 5,000 homes, 48 acres of employment land, improvements to local roads and new community facilities. Whilst in the South West, we finalised a deal with David Wilson Homes for the sale of two separate sites at Taunton and Devizes, having successfully promoted the sites through the planning process. They will deliver almost 500 new homes in the next few years with more to come at the Taunton site in the longer term.

New homes for Devizes

Having successfully promoted a strategic land site at Lay Wood in Devizes through the local planning process, we agreed a deal to sell it to a developer this year. The scheme will now go on to provide 230 new homes and eight hectares of newly created public open space for the local community.

Global brands on Regent Street
We continued to attract and retain significant global brands on Regent Street this year. Kate Spade New York took the ground and first floor of 182 Regent Street. Next door, Hugo Boss opened its largest UK retail offering, having made the decision to move from smaller premises further down the street.

The quality of our developments continued to drive healthy demand from prospective tenants during the year.

3 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 customers to help them achieve their business objectives whilst, 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.

With a reduced focus on acquisitions, our teams across the business worked hard throughout 2015 to actively manage our existing stock of assets. In central London, we let 438,654 sq ft for a total rent of £39.1 million per annum, which is 12.2% above Estimated Rental Value (ERV). On the regional retail portfolio, we let 578,902sq ft for a total rent of £16.4 million per annum, 9.3% above ERV.

Strong tenant demand for offices

The quality of our developments continued to drive healthy demand from prospective tenants during the year. Voids in central London remained low and we concluded a large number of lease agreements, including a significant number of pre-lets. In December, we exchanged on an agreement with the Carlyle Group that will see the private equity firm relocate from Mayfair's Berkeley Square to our landmark destination scheme, St James's Market.

On the Regent Street portfolio, we achieved the first lettings for office space at One New Burlington Place, including international venture capital firm, Accel, who selected the project to become the firm's new European headquarters.

Three-quarters of the space on our new Quadrant 2 schemes at 7 Air Street and 21 Glasshouse Street were let within eight weeks of completion. Tenants include internet content firm Akamai Technologies, specialist lender Amicus, and Eden McCallum LLP which has taken the fifth floor for its UK headquarters.

Endorsing global destinations

Both St James's and Regent Street have distinctive characters as destinations, and our teams again worked to retain and enhance these by ensuring an appropriate occupier mix.

In addition to providing world-class office space, St James's has a retail reputation as London's showcase of the best in heritage and lifestyle. Our team's strategy for St James's includes maintaining the area's standing as a global destination, with a sharp focus on modern heritage and luxury craftsmanship. In January 2016, leading Italian design and lifestyle brand Smeg and iconic Swiss cycling brand ASSOS became the first

Distinctive destinations

As part of our asset management approach we create a retail and leisure occupier mix that retains and enhances the unique qualities of our Central London portfolio.

Asset management on our rural portfolio is focussed on the reorganisation of holdings to create opportunities for both us and our tenants.

retail tenants to sign up to St James's Market. The Smeg store will be a new retail concept and one of the brand's major global flagship outlets, whilst the ASSOS unit will be the company's first flagship store outside Switzerland.

We were also pleased to announce that Aquascutum will launch a new, expanded menswear flagship store on Jermyn Street in St James's, retaining its strong links with the street where it successfully re-launched its menswear brand in 2013. Jermyn Street has a proud reputation as a premier destination for men's fashion and our work is ensuring that this tradition continues. Earlier in the year, we agreed a lease with outerwear brand Arc'teryx Equipment for its first owned and operated European flagship store. Arc'teryx has taken the final two retail units at our Eagle Place development between Piccadilly and Jermyn Street.

Our retail strategy for Regent Street is guided by the street's values of quality, heritage, style and success. We continued to enhance its reputation as a world-leading shopping and leisure destination during 2015, agreeing leases with several significant global brands. These included fashion icon Stefanel, which opened a 2,600 sq ft flagship store on two floors, and Coach, which emphasised the advantages of a Regent Street presence by agreeing a deal to relocate from its existing store to a new, larger location. During the summer, Jo Malone opened its first global boutique on Regent Street whilst multichannel brand Kate Spade moved onto Regent Street early in 2016. The addition of Kate Spade to the street's impressive line-up was made possible by our team's successful negotiation of the surrender of the Esprit lease. Hugo Boss has now opened its largest UK store in the same block, having signed a lease totalling over 15,000 sq ft and, like Coach, moving from a smaller store elsewhere on Regent Street. We saw significant further retail activity around Regent Street including Moleskine taking space in the north end of Regent Street and grooming brand Murdock opening a classic British barbershop on Brewer Street. Our team also negotiated a new lease for existing tenant Apple, which enabled a major refurbishment to their iconic Regent Street store.

Top flight retailers

Our asset management teams were also busy across the Retail portfolio. Banbury Gateway Shopping Park opened in October, quickly establishing itself as a new fashion and shopping destination in the region. Located close to the M40 and within easy reach of Banbury, Daventry and Oxford, this new 280,000 sq ft retail park includes 600 free car parking spaces. A wide range of top flight brands are in place at the park, including Primark, Next, Marks & Spencer and River Island, together with food and drink outlets such as Starbucks, M&S Café and Ed's Easy Diner.

Westgate, our new 800,000 sq ft retail and leisure scheme in Oxford city centre is due for completion in autumn 2017. As our financial year ended, around half of the space had already been pre-let, including a 140,000 sq ft John Lewis department store, along with Next, H&M, Superdry and Schuh, alongside boutique cinema chain Curzon Cinemas.

Elsewhere on our regional assets, we signed up Smiggle, Tiger and Fat Face to Princesshay in Exeter, Primark came to Fosse Park in Leicester, Phase Eight took space at CrownGate in Worcester, and River Island was among the brands to agree a lease at the Coliseum Shopping Park in Ellesmere Port as part of the park's £3 million investment programme.

Exeter Princesshay

At the Princesshay shopping centre in Exeter this year we have attracted a series of new retail brands and achieved outline planning permission for a new £75 million leisure scheme.

Humber Gateway becomes fully operational
The 219 MW Humber Gateway project completed construction in April 2015 and became fully operational in June. Located 8km off the Holderness coast, the wind farm can provide enough electricity for around 170,000 homes.

By working with the best partners, we ensure that our occupiers and visitors benefit from leading expertise and experience, and in 2015 we appointed new managing agents on both the Regent Street and Retail portfolios: Jones Lang LaSalle and Savills respectively. As one of our four strategic objectives, customer service is a key focus for us and the ability of our wider network to deliver first class property and facilities management services in line with our customer strategy is important to our asset management approach.

Supporting tenants

A lot of our asset management activity on our rural portfolio is focused on the reorganisation of holdings to create opportunities for both us and our tenants. This can mean amalgamating units to create larger, more efficient and productive holdings, or working alongside tenants on the surrender of their agreements where it can align with their objectives and can create opportunities for us to re-let at market rents or sell with the benefit of vacant possession.

In common with the National Farmers Union, we support the principle of Farm Business Tenancies (FBTs) because they foster good practice and ultimately create more profitable and sustainable businesses. In the spirit that the legislation was intended, we also believe in varying the length of our tenancies to suit both the particular circumstances of our occupiers as well as ourselves. In 2015, we worked with a tenant at Sunk Island to rationalise two leases – an existing ten-year FBT and a lease based on succession – into a new long-term FBT, in order to provide a bank with sufficient security to grant a loan. The farmer has since been able to invest in improvements that will increase the efficiency of his operations, and we have also provided funds to improve the asset which is reflected in uplifts in its capital and rental value.

We are also responsible for coastal assets and during the year we continued to support customers by providing leasing solutions that create value. For example, we negotiated a new lease that allowed the Royal Southern Yacht Club on the River Hamble to complete its redevelopment during 2015, and continued to play a role as one of the three landowners involved in progressing the proposed redevelopment of the Royal Pier Waterfront in Southampton.

Using our expertise offshore

2015 was the year offshore wind secured its place as a material contributor to the UK's energy mix, with around the same number of offshore wind turbines now installed off the UK coastline as there are in the whole of the rest of the world. This is significant for our business as our revenue increases in line with offshore energy production and the growth of the sector. To underline this, in June our annual 'Offshore wind: Operational report' for 2015 detailed how, from meeting zero of the UK's electricity demand a decade ago, offshore wind now meets around 5% today and is on course to deliver 10% by 2020.

Offshore, asset management means using our know-how and expertise to unlock the value of the natural resources of the seabed through our understanding of the marine resource and markets, and working with customers and government to ensure favourable conditions for development across the offshore sea space.

We grant rights to organisations that operate or wish to construct a wind farm, dredge sand and gravel, lay cable or pipeline, or access the seabed for other technologies such as tidal range energy schemes.

During 2015 we drew on our experience in the management of high value, large infrastructure agreements to grant, extend or vary a large number of leases, licences and agreements for lease on the seabed. In total, for offshore windfarms, we signed over 1,500 MW of leases in 2015 and supported developer transactions that could deliver more than 7,500 MW of capacity. We also awarded over 5,000 MW of rights through a programme that has consolidated the Round 3 zones, facilitating new projects that will drive growth in the operating portfolio through the 2020s.

Among the asset management activity carried out by our team this year were the negotiations of leases for four new offshore wind farm projects which will each start generating electricity in the year ahead and

Our leasing programme for the marine aggregates sector includes the delivery of high quality aggregate to the construction industry.

combined deliver a projected £6.8 million per annum in revenue once they are at full capacity. Those projects were the extension of a lease with DONG Energy for the 258 MW Burbo Bank Extension wind farm in Liverpool Bay and finalising rights to the same company to build the 546 MW Race Bank wind farm. The team also concluded leases with a consortium led by RWE Innogy for the construction of the 336 MW Galloper wind farm off the coast of East Anglia and a consortium led by E.ON for the 400 MW Rampion wind farm off the Sussex coast. Once completed, the projected annual output for these four projects will provide electricity for 1.5 million homes (based on the 2014 UK average annual household electricity usage of 4.115 MWh).

A notable project resulting from our active management approach that completed and began generating electricity this year was Westermost Rough. Another development by DONG Energy, Westermost Rough utilises the Siemens 6 MW turbine. We supported the development of this technology in the leasing of part of Gunfleet Sands as a test and demonstration site. The widespread adoption of these turbines will not only provide a step change in performance within the sector through the power they are able to generate, but part of their manufacture will come through Green Port Hull, which will generate highly skilled local jobs and help secure the UK's position as a global leader in the sector.

Our offshore team is also the UK's principal mineral owner, actively asset managing sand, potash, polyhalite and gravel resources, including the world's largest marine aggregates industry. Our leasing programme for this sector includes the delivery of high quality aggregates to the construction industry, realising over £15 million income. In addition, we have commercially benefited from the use of marine sands in many key projects across the UK in the last 12 months, including dredging and reclamation initiatives at the Liverpool 2 container terminal, Portsmouth harbour and beach recharge schemes, and a regeneration scheme at Clacton.

In our marine cables and pipelines business this year we reached a significant agreement with National Grid for the installation of a 1 GW electricity interconnector between UK and Belgium, known as NEMO, which will commence in 2017/18 and will be commissioned in 2020/21.

As part of our asset management role we continue to respond to market interest to support the development of new opportunities which offer the prospect of future portfolio growth areas. For example, in September 2015 we launched a new leasing opportunity for wave or tidal projects of up to 3 MW across the UK, as part of promoting a step up to future larger commercial-scale array deployment.

> "The Crown Estate should be praised for its initiative to encourage schemes like Kentish Flats Extension. The extensions leasing round plugged a pipeline gap in the UK but crucially it allowed developers to improve on existing assets."
>
> **Gunnar Groebler**
> Vattenfall Vice President of Business Area Wind

4 Property management

Property management embraces placemaking, public realm enhancements and other activities that add value to our portfolio strategies, customer focus and the visitor experience, as well as to the communities in which we operate. This includes activities that support the broader objectives of customers, such as research.

Creating a sense of place

In central London, for example, our placemaking activities not only enhance the area but also increase footfall, which drives economic activity and ultimately leads to increased rent for our business. We have invested over £25 million in improving the public realm in the last decade, creating spaces of the very highest quality, including two pedestrianised food quarters, and transforming Oxford Circus and Piccadilly Circus, the gateways to Regent Street. During the last 12 months we continued to improve the public realm, with key projects completed on Regent Street, St James's and Haymarket. Building on our success with delivery traffic management in Regent Street, we are establishing a freight consolidation scheme to reduce the number of deliveries made to St James's and have also created taxi drop-off points and provided cycle parking facilities. The result is a distinctive new place for living, working and visiting, alongside world-class architecture.

Enhancing the visitor experience

Regent Street and St James's are well established as destinations in their own right, not only for the quality of the retail and office environment but also for the public events which we support every year. Once again our RIBA Regent Street Windows campaign brought shop windows to life along the length of Regent Street. The project dovetailed with our first ever Fashion and Design Month, which featured some of the fashion world's most influential events, including Vogue Loves Regent Street.

Early in the new year, we were delighted to support Lumiere London, a major international light festival, through which we were able to use our assets to drive increased footfall for retailers across the Central London Portfolio at a traditionally quiet time of year. Our buildings in Regent Street and St James's played a central role in Lumiere, which saw iconic architecture across London transformed with 3D projections, interactive installations and other light works. Meanwhile, we built on the reputation of St James's for fine food by working with Heart of London to support tours of a selection of the finest restaurant and food providers. Our own plans for St James's Market will further underpin this reputation, with eight new restaurants spaces planned over the coming months.

2015 saw the launch of the Wild West End, an ecology initiative we are supporting together with other property owners, the Mayor of London and the London Wildlife Trust. In the first phase of the project, we are creating a green corridor linking Regent Street and St James's. Ultimately, the Wild West End will include a network of green pockets connecting the large areas of parkland which are already natural features of the West End. The introduction of these pockets amongst our historic buildings will enliven the surrounding public spaces for visitors, boost the range of habitats available and enhance future air quality across our Central London Portfolio. We completed the first of our green pockets in October, when broadcaster Jon Snow put the finishing touches to a green roof on our new office scheme at 7 Air Street.

Sustainable living and working

Sustainability was again a key theme for property management activities across the regional retail portfolio. We believe that our regional parks should play their full part as hubs for local community activities and throughout 2015 we continued to support initiatives that brought people together, thereby increasing footfall and adding value for our customers.

During the summer we launched our Thrive campaign to emphasise the fun side of fitness and health. Thrive events took place at ten of our retail parks during the summer, offering visitors a wide range of free character-themed activities to promote an active lifestyle, health and wellbeing. Thrive built on the success of the previous year's Underneath the Big Green Leaf community campaign, which was rewarded with a 2015 National Green Apple Award for Environmental Best Practice in Estate Management.

Year-round events
Our portfolio played host to a series of spectacular events throughout the year, including the 2015 Tour of Britain, NFL and Summer Streets on Regent Street, and London Collections Men on Jermyn Street.

Employment is another focus for our efforts to add value to our tenants' businesses and the community at large. Since 2009, we have joined with tenants and other stakeholders in London to help local people find full-time work through our workplace coordinator scheme, Recruit London. During 2015/16, we helped a further 109 people to access work in West End retailers, whilst the scheme was also rolled-out across our Retail portfolio for the first time as Recruit Regional.

Our Rural team has also focused on supporting tenants and ensuring the long-term sustainability of our portfolio with their focus on soil quality. We insist that all prospective tenants have soil management policies in place in order to ensure the commercial viability of our land. During 2015 we agreed five new farm tenancies and in each case the successful applicant was the one with the most appropriate soil management policy. We see healthy soil as fundamental to the health of our natural resources, and that effective soil management practices on our land can help improve the soil for farmers, safeguarding quality and yield whilst enhancing the asset's capital and rental value. This year, with the support of organisations such as the Tenant Farmers Association and the National Farmers' Union, we aim to ensure that all our existing tenants sign up to soil management good practice, not just those new to The Crown Estate.

Climate change adaptation actions such as new drainage schemes and repairs to existing systems are important aspects of ensuring that our rural land is fit to farm and an attractive financial proposition for our tenants as well as for ourselves. At Ellington in Northumberland, for example, we are now entering the third year of a programme to improve drainage on land that has experienced degradation due to mining activities. As well as enhancing our asset, this project helped the tenant at Ellington achieve record yields during 2015 and we anticipate further good performance in the years ahead.

Sector knowledge

Knowledge of our seabed resource is key to unlocking its value, and as managers of the seabed we seek to ensure that information is collected, shared, and made available. For example, during 2015 we launched a new offshore wind database that gives developers and investors greater visibility of the long-term potential of sites around the UK. Building on our previous wind atlas and following a tender process, we awarded a contract to the Met Office to provide wind profile data going back 30 years. This information is freely available via our Marine Data Exchange (www.marinedataexchange.co.uk).

As the number of operational offshore wind farms has increased in recent years, so too has the need to understand better the drivers of operational performance. This helps the sector drive down costs, thus making it more competitive and attractive to investors. To this end we initiated the SPARTA (System Performance, Availability and Reliability Trend Analysis) which was fully implemented in 2015 with all offshore wind operators in UK waters now signed up to SPARTA. By improving the cost-effectiveness of wind farms, it will help secure our long-term growth in this sector.

The spirit of open data was also behind our creation of a new map that is proving to be the most popular section of our website (see www.thecrownestate.co.uk/energy-and-infrastructure/offshore-wind-energy/offshore-wind-electricity-map). The map shows the total electricity being generated from offshore wind farms on a near real-time basis, as well as the individual contribution from each wind farm.

Stewardship

Our stewardship programme continues to play a key role in supporting our portfolios. We invest in partnerships that deliver lasting benefits to the communities and environments in which we operate as well as our business and stakeholders. A good example of this is the Coast Explorer project which we deliver with P1 Marine Foundation and Canterbury City Council alongside our offshore wind customer, Vattenfall.

Windsor

This has been a significant year for the Windsor estate, which has reported a surplus for the first time in the history of The Crown Estate.

The Windsor estate is an historic and immensely varied estate, one that Country Life magazine hailed in March 2016 as "a business, an environmental haven, a pleasure ground and a Royal retreat". Under the terms of the Crown Estate Act 1961, we are tasked with managing this unique resource. In recent years, we began the journey towards doing so in a more commercial manner, without in any way compromising the areas that Windsor holds so dear: conservation and stewardship.

Small steps create major impact

Our aspiration is to make Windsor financially self-sustaining, whilst preserving and improving its status, quality and standards. We have re-evaluated all our assets and operations to ensure they are performing at optimum levels of efficiency and profitability. The result has been extraordinary. We have fulfilled the ambition set out in our 2015 annual report and transformed an annual gross deficit of £1.4 million into a surplus of £0.3 million.

This bottom line swing is a tribute to the hard work of our team. They have embraced cultural change with a real positivity and, supported by a new reward package and working practices, have delivered a step change in productivity. At the same time, we have brought asset management in-house. This has not only saved a significant annual sum but has also led to greater control and accountability, and given our people a new sense of pride in their work.

That work included the refurbishment of 25 residential properties during the year, meeting the target set in 2014 of adding 40 additional properties to our rental portfolio. We also undertook numerous other projects including: building a woodchip and firewood plant to fuel our biomass boiler; improving car parking facilities at Virginia Water; constructing a Christmas tree depot that will also serve as a wet weather classroom for our Forest School; finishing the new messroom for staff and machinery sheds on one of our let farms; and turning a failed pub and restaurant into a new school.

Filming remains a source of valuable income for the estate and in 2015/16 we again welcomed crews and stars involved in productions including 'The Huntsman: Winter's War' and Channel 4 drama 'Flowers'.

Renewed visitor focus

The estate is visited by five million people every year, firmly placing it among the top UK attractions. Savill Garden membership numbers rose by 30% during the year, reflecting our focus on the visitor experience. We launched a new website in 2015 (www.windsorgreatpark.co.uk) and held several popular events such as Shakespeare in the Savill Garden and the award-winning Lapland UK Christmas event. We were also pleased to host BBC's Countryfile's first ever 'Rambles for Children in Need'.

Lights, camera, action!

Filming remains a source of valuable income for the estate and in 2015/16 we one again welcomed a range of film and television productions.

We have ambitious plans in place for the year ahead, including taking three strategic land sites through the local planning process in order to provide much needed housing land for the local community, principally on brownfield sites. We will also be launching the UK's largest and most prestigious carp fishing syndicate, restoring the Totem Pole and continuing with our successful programme of apprenticeships, among many other initiatives.

2016 marked the 90th birthday of Her Majesty The Queen and the estate played its part in the celebrations, beginning with the lighting of a beacon and continuing with the Royal Windsor Horse Show.

Five million visitors

The estate is visited by five million people every year, firmly placing it among the top UK attractions. Savill Garden membership numbers rose 30% during the year, reflecting our focus on the visitor experience.

"A business, an environmental haven, a pleasure ground and a Royal retreat."

Country Life profile of Windsor Great Park

We have a robust approach to risk management

Our approach to risk management

We believe effective risk management is more than just complying with good practice and regulation. It is about good management, ownership and ensuring that we take informed decisions both at a strategic level and in our day-to-day activities. Understanding the risks and opportunities we face, particularly in relation to our strategy, is key to the delivery of our objectives and protecting our reputation.

We define risk as anything that can threaten the achievement of our objectives and our ability to manage our reputation. It is important to recognise that as a business we are not averse to taking risk and seeking out opportunities; they are an inherent part of delivering our strategy and creating long-term sustainable value. It is important that we are aware of the risks facing the business to enable informed decisions to be made about how best to manage and take appropriate risks in a controlled and measured manner. To assist this we set out the parameters for an acceptable level of risk taking. This is known as our 'risk appetite'.

Our Board formally sets and agrees our risk appetite as part of its discussion on strategy, the business model, our material issues and risk; this typically takes place at the Board Strategy Day in October.

This involves the Board discussing the factors which affect the level of risk we are willing to take in delivering our objectives and our vision to be a progressive commercial business creating significant value beyond financial return.

Overall, our risk appetite is appropriately cautious and largely governed by the requirement of the Crown Estate Act 1961 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. To assist with visualising our risk appetite and how our key risks compare to this, we have plotted our key risks on the heat map below, based on the potential impact of the risk or opportunity and the likelihood of it materialising. This further highlights the impact of our control environment in mitigating the risks to within an acceptable tolerance level.

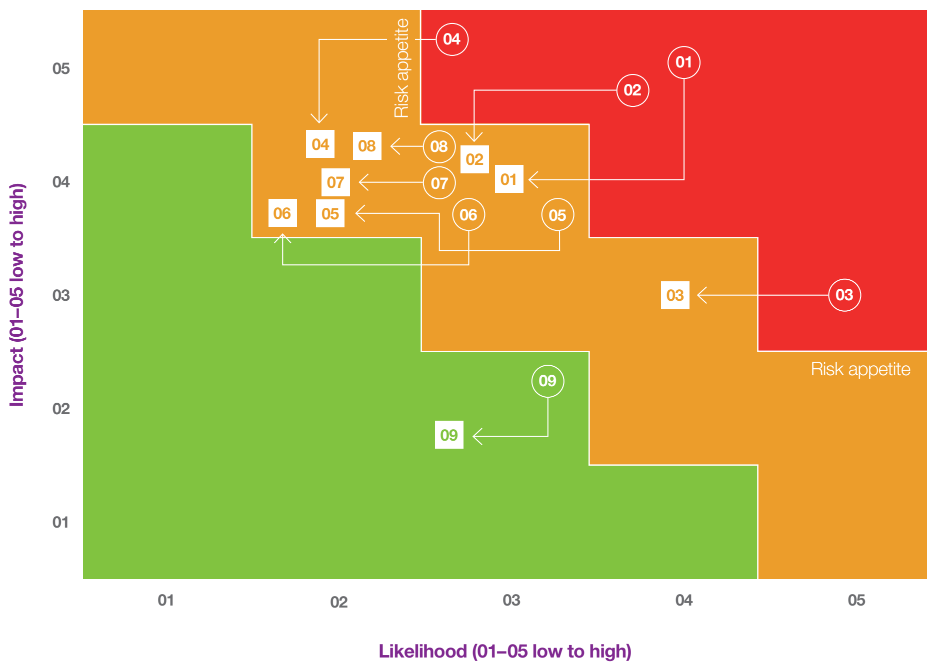
Risks and opportunities heat map

Our top risks and opportunities

01 Investment performance
02 People risks
03 Ability to manage a major incident (incl. cyber security breach)
04 London's attractiveness/competitiveness
05 Health and safety
06 Development performance
07 Information systems
08 Government policy
09 Adverse effect of climate change

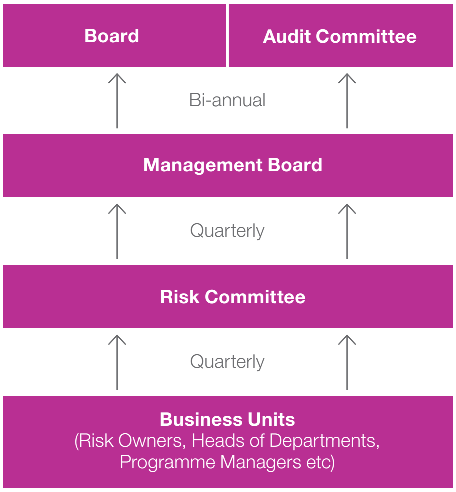
○ Gross risk (before mitigating controls)
■ Net risk (after mitigating controls)

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



Our integrated approach ensures risk is embedded throughout our business and forms an integral part of our decision-making.

The 'Risk Management Framework' diagram below sets out our overall approach in operation during 2015/16. Our framework has been independently reviewed in 2015/16.



Our risk management framework

Ownership of risk management is the responsibility of the Board. The Board continuously reviews the effectiveness of our risk management and control systems through a system of regular formal reporting from the Management Board and wider business on delivery of our strategy and objectives. The Board delegates some of the responsibility for review of risk to the Audit Committee. The Audit Committee receives regular updates on risks and controls from management and internal audit, flagging changes to existing risks and new or emerging issues.

The Risk Committee plays a pivotal role in embedding our risk management framework throughout the organisation. It fulfils its responsibilities through identification and management of the principal risks and uncertainties that have the potential to affect significantly current and/or future operations and escalates these up through the business. The Risk Committee is chaired by the Interim Chief Financial Officer, is attended by senior management and supported by the Audit and Risk Team. In performing its assessment, the Risk Committee uses detailed criteria to assess the impact and likelihood of the risk, including consideration of the aggregation of related risks and their effect on the business.

Risk management is ultimately 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.

How we monitor and review our risk management and internal control systems

The Audit Committee monitors and reviews the effectiveness of the risk management and internal control systems through regular updates from management on the principal risks and opportunities, and the effectiveness of the internal controls that mitigate these. The internal control framework is monitored via reports from a number of assurance providers, but principally from internal audit which undertakes a comprehensive programme of reviews on behalf of the Audit Committee. Where weaknesses in internal controls are identified a thorough follow-up and rectification process is in place. Assurance is also provided by management through internal control statements, which are designed to assess continuing effectiveness of internal controls.

During 2015/16, the Audit Committee commissioned an independent review of the effectiveness of our risk management system.

Independent Risk Management Effectiveness Review

The independent evaluation of risk management assessed whether our risk management framework is fit for purpose, supports the delivery of our objectives and is embedded appropriately across the business. Overall the review provided a high level of assurance, and concluded that the management of risk is an accepted and well understood business practice which forms part of the core nature of our business. It found there was a clear understanding of the direction of travel for the business and the key risks we face over the short and medium term. Our risk appetite is inherently understood and there has been good engagement from the Board in defining this.

In completing the review, the external evaluation team found no significant improvements, however observations were made to strengthen further our approach. These were predominantly focused on clarifying responsibility for reporting and ownership of risk, and further progressing the discussion on risk appetite.

Our principal risks and opportunities

Risk, opportunity and impact	Principal mitigations	Material issues relating to the risk	Change in impact compared to previous year	Change in likelihood compared to previous year
1. Investment performance risk Our investment performance and hence our investment strategy is key to driving total return and a strong income stream to HM Treasury. There are a number of related risks that could threaten delivery of strong investment performance: (a) The state of the economy and how it affects our business, particularly in London, or as a result of the EU referendum, is a key focus for management. It impacts our tenants, and during a downturn can result in voids and defaults that have the potential to threaten achievement of our objectives such as our total return and income targets. Similarly, a significant asset price correction in our core markets could also impact achievement against our benchmarks. (b) Ineffective investment strategy or constraints to delivery (i.e. through sub-optimal decision-making, limited availability/timing of access to funds, lack of sustainability or over exposure to developments) results in a failure to deliver against our performance targets. (c) Inability to retain commercial partners and investors, should there be seen to be a decline in the attractiveness of our core portfolio. The inability to retain commercial partners with which we have joint ventures or strategic partnerships also poses a potential risk to our viability. **Potential impact** These risks could impact on our ability to meet our financial targets (growing our Net Revenue Surplus and outperforming IPD total return), over single or multiple years, and have a potential impact on our viability.	• Financial modelling and forecasting along with regular economic and market analysis. • Continuous monitoring and review including covenant checks on our major tenants. • Board oversight and approval of investment strategy, with formal review of implementation and performance monitoring, including retrospective appraisals of key investment decisions and lessons learned. • Formal Investment Committee in place, with responsibility for scrutiny over proposed investment decisions (subject to delegated authorities) and investment appraisal process. • Focused asset management with appropriate due diligence. • Portfolio diversification and monitoring. • Exploration of joint venture investments and oversight of existing joint ventures through Joint Venture Monitoring Group.	• Reputation and trust. • Health of the economy. • Influence of strategic counterparties. • Customer expectations.	↔	↑
2. People risk Our staff are one of our key assets. There is a risk we are unable to reward, retain or recruit key talent or respond to significant changes in remuneration across key sectors, particularly when compared to our listed peer group, and during periods of market buoyancy. **Potential impact** Loss of this key talent or an inability to undertake effective succession planning or recruitment could adversely impact on our ability to achieve our objectives and hinder future performance.	• Remuneration Committee oversight and appointment of reward consultants to advise the Remuneration Committee. • Remuneration benchmarking and industry comparison. • Strong recruitment processes. • Formal succession planning arrangements. • Effective learning and development plans in place across organisation. • Staff surveys and engagement activity.	• Reputation and trust. • Attraction, development and retention of best talent.	↔	↔
3. Ability to manage a major incident (including cyber security breach) The Crown Estate portfolio in London is concentrated within Regent Street St James's, and could be at risk from a major incident, such as terrorism. Additionally, the corporate IT systems at the core of our operations, although secure, remain exposed (as for most businesses) to criminal cyber attacks, despite our attempts to secure them fully. **Potential impact** The impact of a major incident, apart from the direct impact to our portfolio or our data, is directly linked to our ability to undertake effective crisis management. Lack of effective crisis management could result in damage to our reputation and harm investor confidence.	• Information Security Monitoring Committee is in place with responsibility for liaising with appropriate authorities. • The corporate IT infrastructure and systems are protected by a Comprehensive Information Security Framework accredited under IS0 27001, including firewall threat and detection monitoring systems. • Crisis Management Framework and preparedness testing. • Appropriate insurance arrangements in place.	• Reputation and trust. • Technological advances.	↔	↔

We have set out below the principal risks and opportunities we face in managing the business and delivering our objectives. Although our risks are not limited to this list, it reflects the balance of our portfolio of assets and is typical of a real estate organisation.

Risk, opportunity and impact	Principal mitigations	Material issues relating to the risk	Change in impact compared to previous year	Change in likelihood compared to previous year
4. London's attractiveness/competitiveness There is a risk London becomes negatively impacted as a result of the physical environment (transport, congestion and pollution), and becomes less attractive for our customers and tenants. An exit from the EU could also have an adverse effect. Given significant elements of our portfolio and hence our revenue stream are linked to the ongoing success of central London, in the medium to long term this could have an impact on the achievement of our objectives and those of our strategic partners. **Potential impact** There would be a potential impact on our Regent Street and St James's assets as they are reliant on appropriate public realm investment, although we recognise improvements such as Crossrail provide an opportunity for strengthening the attraction of these to our customers/tenants.	• Working group in place to perform oversight and monitoring role. • Close working and liaison with Westminster City Council as part of our regular programme of investment in Regent Street and St James's. • Delivery of our Investment Strategy. • Long-term development programme in place to invest in Regent Street and St James's. • Focus on successful place-making and public realm improvements.	• Urbanisation. • Customer expectations.	New principal risk/ opportunity	New principal risk/ opportunity
5. Health and safety 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, customers and members of the public. 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. **Potential impact** This could lead to penalties, fines and potential litigation, and seriously damage our reputation with our stakeholders.	• Development and roll-out of management systems accredited to OHSAS 18001. • Comprehensive regular reporting to the Management Board and Board. • Health and safety training, programme of compliance reviews, and Incident Reporting Hotline. • Incident reporting hotline and promotion of health and safety culture.	• Reputation and trust.	↔	↔
6. Inability to deliver against our development pipeline Our core West End portfolio in Regent Street and St James's are in the middle of a £1.5 billion investment programme. As a result we have a major development pipeline, the majority of which is undertaken with funds from co-investment partners. It is essential that these developments are completed to time, cost and quality to maximise the returns and retain the interests of our investors. As a result we face risks relating to development performance, including development overruns, development letting exposure, and/or supplier/sub-contractor failure. **Potential impact** A major delay in our development pipeline and/or an inability to fund committed developments could result in not achieving our targets, adversely affect our reputation with our partners and pose a potential threat on our ongoing viability to our reputation and harm investor confidence.	• Development and Project Management Governance Framework. • Regular development monitoring through Project Control Groups for our major developments. • Third party due diligence and continuous monitoring of developer financial health. • Robust evaluation and appraisal of major development business cases. • Engagement with statutory planning authorities.	• Reputation and trust. • Health of the economy. • Urbanisation. • Influence of strategic counterparties. • Government policy constitutional change and governance.	↔	↔
7. Information systems risks Our Information Systems (IS) play a key role in how we manage our business and ensure resilience to cyber threats. There is a risk that investment we make in our IS capability does not deliver the level of management information we require to manage our diverse portfolio of assets and meet our objectives in the future. **Potential impact** If we fail to update our IS capability as we develop and grow our business, the effectiveness of our decision-making could be compromised.	• Investment in our IS capability. • Executive level oversight in creation of our IS strategy. • Recruitment and retention of the right skills and capability.	• Technological advances.	New principal risk/ opportunity	New principal risk/ opportunity

Our risks and opportunities continued

Risk, opportunity and impact	Principal mitigations	Material issues relating to the risk	Change in impact compared to previous year	Change in likelihood compared to previous year
8. Government policy The Crown Estate is an independent commercial business, created by Act of Parliament. Government policy can have an impact on areas of activity such as our offshore wind leasing programme and our assets affected by devolution. In relation to Scotland, The Smith Commission report recommended that Scottish economic assets within The Crown Estate portfolio be transferred to Scottish authorities. The Crown Estate is committed to supporting this transfer. **Potential impact** If we fail to anticipate and be responsive to changes in Government policy this could impact our underlying business and our ability to deliver our primary objectives.	• Regular liaison with HM Treasury. • Ongoing review of upcoming legislative/policy changes on our business. • Strong working relationships with stakeholders across Government. • Active participation in key policy reviews, openly communicated through corporate channels. • Close liaison with the Scottish authorities to ensure all aspects of the handover (including staff affected) are addressed.	• Government policy, constitutional change and governance.	↔	↔
9. Adverse effect of climate change The Crown Estate has a diverse portfolio that could be adversely affected by climate change. There is a risk we could fail to adapt our portfolio to the threat from climate change. Conversely, by acting effectively now to manage climate change we have an opportunity to build resilience, identify efficiency and to capitalise on the change. **Potential impact** If we fail to act in a sustainable way in how we operate and manage our portfolio for the long term, there is a potential for obsolescence of some of our assets and erosion of value.	• Integrated approach to sustainability. • Monitoring of new legislation. • Sustainability considered in all decisions. • Sustainability workstream focus group and Management Board oversight. • Developments/refurbishments built to a high sustainability standard (e.g. BREEAM) to meet or exceed EPC standards. • Offshore wind programme with defined objectives.	• Government policy, constitutional change and governance. • Climate change • Availability of natural resources.	↔	↔

Our viability statement

In accordance with the 2014 revision of the UK Corporate Governance Code, the Board confirm that they have a reasonable expectation that The Crown Estate will continue in operation and meet its liabilities as they fall due over the five years to 31 March 2021.

The Board's assessment of viability was carried out in the context that Parliamentary legislation, in the form of the Crown Estate Act 1961, underpins our existence, and it is reasonable to assume that this will continue to do so indefinitely. Set against this, the Board focused closely on the demands on our cash reserves over the chosen period, given The Crown Estate is prohibited from borrowing.

The Board's judgement was based on a process which included assessment of our principal risks, risk appetite, corporate strategy, and the strength of our balance sheet and our financial forecasts. The Board were supported by the Audit Committee's review of underlying information which included input from our Risk Committee.

The five-year period was considered to be the most appropriate timeframe by weighing up the following indicators:

- Our Investment Strategy considers the market, our targets and overall strategy for deriving long-term sustainable value from our assets, over five years and beyond.
- Five years is a reasonable estimate of the lifecycle of our major development schemes from planning approval to letting.
- Our capital forecasting cycle is based on a five-year rolling assessment of capital requirements.

The latest rolling assessment of capital requirements includes contracted and planned expenditure on major developments, as well as assumptions arising from our Strategic Investment Review.

Our principal risks have been outlined in greater detail on pages 44-46. Stress testing was performed on our resilience to the impact of those principal risks that were considered by the Board to affect most directly the viability assessment – in particular the risks relating to adverse economic climate, delivery of our investment objectives and delivery of our major developments. This testing involved flexing a number of assumptions in the capital requirement forecasts to a significant degree through the development of severe but plausible scenarios, to assess the impact of the relevant risks in isolation and in realistic combinations on our net revenue and our balance sheet position, particularly our cash reserves.

And hence we are of the view that we are a viable business.

Interim Chief Financial Officer's review

Our consistent outperformance is driven by long-term thinking

John Lelliott
Interim Chief Financial Officer

After more than 30 years with The Crown Estate, including 15 years as Finance Director, John Lelliott discusses this year's results, the challenges and benefits of integrated reporting, and the changing character of the business, in this, his final report.

Once again I can report that this has been a great 12 months for the business. It's the sixth consecutive year of record financial results and we've taken big steps forward in terms of social and environmental measures. Net revenue profit of £304.1 million for the year is an impressive headline figure and it means a great deal to the whole team here. We've generated a total of £2.4 billion for HM Treasury over the last ten years and we are consistently outperforming our IPD bespoke benchmark.

It might be tempting to attribute these results to the business having a purple patch in a strong market. Not so. They are the product of a considered, proactive strategy underpinned by rigorous management, good governance and integrated thinking across the organisation. This framework has taken time to build and I believe its value will become even more evident in the coming years, providing resilience in good times and bad.

In her message this year, Alison, our Chief Executive, talks about the momentum building within the business. That's the result of the framework I've described and the long-term perspective that informs it. In my experience, it's relatively straightforward to make short-term financial decisions that produce short-term financial gains; it's harder to keep addressing the many other considerations that will determine your success over time. Looking beyond the next 12 months is how you build momentum. That's why conscious commercialism is so important to us. It reminds us to keep making the right choices for the business, not the easiest.

Our emphasis on the long-term is matched by increasing external scrutiny of the ongoing viability of a business. Many stakeholders want to understand more about future prospects, not just historical accounts. This 'going concern' focus is welcome.

This is our fourth year of integrated reporting, a more structured approach that shows how financial, social and environmental value creation is woven into the fabric of the organisation. It has been quite a journey. We started with some relatively simple but valuable improvements to how we report, like integrating sustainability into the body of the report, discussing material issues and presenting the business model in a clear way. Since then we've continued to extend the range and depth of information, including setting out our strategic priorities, discussing our markets and clearly defining our resources and relationships (otherwise known as

"John has been an inspiration to me in the creation, awareness-raising and adoption of integrated reporting. He is not constrained by hurdles but seems motivated to leap over them with innovation."

Paul Druckman, CEO
Integrated International Reporting Council

capitals – those things we draw on and depend upon).

Internally, we've been embedding integrated reporting into our business planning processes and empowering employees to add value through integrating sustainable thinking into decision-making. In doing this we have started to break down some of the silos that can occur. By thinking about business in an integrated way we have begun to involve a more diverse range of individuals, each contributing their particular skills and knowledge.

Total Contribution is a method of measuring the value we create beyond financial return. We have been developing our Total Contribution metrics and aim to embed these into our decision-making processes and, over time, into integrated reporting. As reflected in our business model, our activity has impacts on our resources and relationships, either enhancing or diminishing their value. We are in the process of applying an economic value to each metric which helps us to show if we are making a positive contribution year-on-year, and to understand the magnitude and relativity of our different impacts. This has the potential to provide us with much richer information when making strategic decisions – at Board level and across the business. It also gives people outside the organisation a better understanding of the value we create.

A profit and loss statement can tell you a lot but by no means everything – especially if you're thinking long-term and in a connected way. A modern, progressive business is complex; we need sophisticated and credible ways to understand these interwoven elements and their long-term effects. PwC provide assurance on a number of our Total Contribution metrics and 'insight' on others. They assess the maturity of the data underpinning our metrics and will be addressing the basis of calcuation of economic value.

Something that's struck me during our reporting journey is the difficulty of terminology. Words like 'sustainability' and 'integrated reporting' can confuse people. You need to define your terms and be absolutely clear that these things are at the heart of everything you do – they're not the latest corporate fashion. In fact, I believe integrated reporting will become routinely accepted as best practice in the medium term. However, we must make sure we don't make reporting overly complicated. Ultimately, a business is aiming to tell a clear story of how it performed last year and what you can expect from it next year and well beyond.

Looking back over 30 years at The Crown Estate, the changes within the business have been remarkable. When I started work here, there was one computer and we wrote transactions in manual ledgers. The culture then was rather bureacratic; now it's vibrant and professional. It wasn't until some 15 years ago that we started to develop our own assets at scale, beginning with the Apple Store on Regent Street and followed by the complete modernisation of the area.

Since then the business has really moved onto the front foot. Ground-breaking strategic partnerships have enabled us to transform the portfolios and the balance sheet. We've become proactive and expert asset managers and we've helped establish offshore energy in the UK, transforming it into a world-class business that attracts international investors. We've constantly evolved our business model. We've helped pioneer and promote integrated reporting. And I'm sure this business will go on to do a great deal more over the coming years.

Throughout my time here one thing has stayed the same: the spirit of camaraderie. The people inside this organisation have always been proud of what the business does and thoughtful about how they can achieve more together. I thank the many colleagues who have supported me during my time here. It's been a privilege to be part of such a special and high-performing team.

John Lelliott
Interim Chief Financial Officer

What we draw on to create value

Our revenue profit

£304.1m

Property value

£12bn

End of year cash balance

£907.3m

Increase in cash reserves

£354.8m

Financial resources

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

Annual revenue profit

Our revenue profit for the year was £304.1 million, up £19 million (6.7%) on last year's record profit.

The main driver of performance was higher income from newly developed and refurbished properties, in particular in the West End and Banbury Gateway Shopping Park, together with the benefit of a full year's worth of income from our investment in Fosse Shopping Park. The Energy, Minerals & Infrastructure Portfolio increased its income following higher turnover rents from wind farms (a consequence of exceptional wind speeds). Marine minerals income was up due to a general increase in market demand for construction aggregates and additional one-off projects including the Liverpool 2 port development programme and reclamation projects resourced from southern ports, principally Southampton. The Rural & Coastal Portfolio contribution increased as a result of savings on direct expenditure, despite a reduction in turnover as a consequence of our continuing programme of selling non-core assets. Windsor achieved an operating surplus for the first time through a successful programme aimed at increasing visitor income and saving costs. The impact of holding higher cash reserves has had the effect of increasing our investment income, albeit at a time of record low interest rates.

Net assets

The capital value of The Crown Estate at 31 March 2016 was £12.9 billion, an increase of 12.2% over the previous year's value. The majority of this increase is as a result of property valuation gains of over £1.3 billion, together with the higher level of cash reserves. The review of the property valuation under 'Physical resources' provides further details.

Cash flow

At the end of the year our cash balance stood at £907.3 million, an increase of £354.8 million on last year's closing balance. 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 £326.7 million. This principally related to funding of developments in joint ventures as well as developments in Regent Street, particularly the completion of One New Burlington Place.

Disposals realised £612.7 million, including Bath Road Shopping Park in Slough, Morfa Shopping Park, Stamford Street, the Bryanston estate and Temple Road, Birmingham. Long leases were granted for Kensington Palace Gardens and Cleveland Row.

Overall our capital activity led to an inflow of funds of £303.2 million compared with an outflow of £63.3 million in 2014/15.

Physical resources

The land and property that we own and utilise.

Property valuation

The total property value of the estate, including the share of joint venture and other property investments, increased to £12.05 billion at 31 March 2016, an increase of 9.7% over the figure of £10.98 billion at 31 March 2015.
The key highlights include:

- The Urban Portfolio has grown by over 11% and is now valued at £9.1 billion, driven by strong commercial property values in central London.
- The Energy, Minerals & Infrastructure Portfolio is now valued at £1.04 billion, a 20% increase on last year driven by an increase in the value of offshore renewables.
- The Rural & Coastal Portfolio remains valued at £1.62 billion after realising £127 million of capital receipts.
- Windsor has grown by 4% to £271 million.

Performance this year has been driven by our West End holdings. Capital growth from standing investments was 14.5%, 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 18.4%. Particularly strong contributions came from our development programme and associated lettings ahead of forecast.

In general, prime central London residential capital value growth was limited. The value fell to £382 million, but after £104 million of capital receipts the underlying capital growth was closer to 10%.

Outside of London, capital growth was more muted at 3.6%. Asset values were stable at £2.2 billion but generated net capital receipts of £93 million. However, with 85% concentrated on the prime end of the retail sector it did not benefit from the continued investment appetite and associated yield compression experienced in the south east office and industrial sectors.

Nevertheless, the combined Urban commercial holdings delivered an exceptional total return of 17.9%, beating the IPD Quarterly Universe by 5.9%. Of that outperformance, 3.1% came from held investments and 2.8% from development activity – a strong vindication of our approach to active asset management.

The Rural & Coastal Portfolio was stable at £1.62 billion. However, after taking account of net receipts of £108 million, Rural capital growth was 4.6% and Coastal was 5.5%. The main increases in value were driven by progress on our strategic land sites.

The Energy, Minerals & Infrastructure Portfolio has grown in value by 19.6% to £1.04 billion, although after net capital receipts of £17 million the underlying capital growth was 22.5%. The principal growth area was offshore wind, which increased by 26% due to a combination of physical progress and an inward movement of yields as the industry matures. There is now 5.1 GW that is operational, 4.5 GW under construction and 1.2 GW with Government support in place. Elsewhere, the offshore aggregates valuation increased by 13% to £155 million in recognition of increased security of income.

Our principal valuers are Cushman & Wakefield on our core West End holdings and JLL on our regional and residential properties. Strutt & Parker have joined Savills on the valuation of the rural portfolio. JLL value the offshore wind portfolio.

Strategic joint ventures

We now manage strategic joint ventures containing nearly £1.9 billion (2014/15: £1.5 billion) of our partners' funds. Valuation gains account for the majority of the increase with no new joint ventures entered into during the year.

Scottish devolution

On 23 March 2016 the Scotland Act 2016 made legal provision for the devolution of Crown Estate management in Scotland to the Scottish Government. That devolution is subject to agreement between HM Treasury and Scottish Government on the final terms of transfer, and the date of the transfer is not certain. No adjustment for the devolution of Scottish assets has been made in these financial statements. At 31 March 2016 the value of our assets in Scotland was £271.8 million (2.5% of The Crown Estate's wholly owned property).

Particularly strong contributions came from our development programme.

Operational waste diverted from landfill

99%

Number of Sites of Special Scientific Interest (SSSIs) in favourable or recovering condition

94%

Number of Sites of Special Scientific Interest (SSSIs) in favourable condition

41%

Natural resources

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

Accounting for natural resources
We are responsible for a number of natural resources on our land, which we use or are enjoyed by our stakeholders. We are also reliant upon these resources in our supply chain, particularly for development activity. Over the year we investigated the risks and opportunities presented by the use of natural materials in the development supply chain. We looked at our exposure to resource scarcity, the social and environmental impacts of resource use and the stability of the supply chain. The intention is to develop action strategies for key risks, working with development partners, the wider supply chain and industrial sectors. We have used this project as a pilot to help inform the development of the Natural Capital Protocol, a harmonised framework for natural capital accounting overseen by the Natural Capital Coalition.

We have carried out two ecosystem services-related studies to help us understand the economic value of some of our natural capital. The first assessed the value of the recreational, amenity, agricultural and carbon services of our rural habitats, following the approach used in the UK's National Ecosystem Assessment (NEA). The second assessed the value of protection afforded to inland holdings by our healthy coastal and marine habitats, including climate change hazards such as rising sea levels. The findings from these studies feed into our Total Contribution, adding a value of £30.3 million to natural resources and providing new insight to support our decision-making.

At a local level, as part of our stewardship programme we have worked with our business partners, customers and other stakeholders to enhance our natural resources and achieve greater impact. Wild West End and soil quality enhancement initiatives are discussed in "Our review of activities". We have carried out other projects in partnership with The Wildlife Trusts and Natural England. For example, through project B2020 we are preparing an inventory of priority habitats and species across our Rural & Coastal Portfolio in England. Informed by the data this

produces, we hope to work with both partners to prioritise our actions and enhance our estate management activity.

We have worked hard to maintain and improve the condition of our Sites of Special Scientific Interest (SSSIs). We aim to meet the Government targets of 95% of sites in favourable or recovering condition by 2020 and, of those, 50% in favourable condition. Our current achievement is 94% and 41% respectively – marginally lower than in previous years because we acquired land with SSSIs in poor condition. However, given our programme of works, Natural England forecast we will meet both targets.

Waste generation is an issue for us. However, in 2015/16, of the 6,972 tonnes of operational waste generated, 99% was diverted from landfill and of the 4,098 tonnes of construction waste generated, 96% was diverted from landfill, equivalent to £900,000 of avoided landfill tax. We aim to generate zero waste by 2030 and will develop targets to help us meet this aspiration. In line with the trend towards creating a circular economy, as another focus of our stewardship programme we are exploring ways to upcycle office and retail catering waste into useful products. We are already producing drinking glasses for our employees using upcycled empty wine bottles from restaurants located in our properties in central London.

Climate change

Climate change has not diminished in importance as a material issue. It presents physical, financial and regulatory risk and opportunity to our business. Mitigating actions relating to CO_2 emission reduction and the enabling and use of renewable and low-carbon energy are now standard in our development, fit-out and operational activities. We have also played a key role in the facilitation of the offshore wind industry, which since 2000 has developed a generation capacity of 5.1 GW of renewable energy. Adaptation to climate change has taken on a fresh impetus in the wake of increased flooding in the UK. As a result, we are consolidating our activities into a strategic corporate adaptation plan.

The carbon emissions table shows our performance on our direct absolute emissions of CO_2e since 2012, which have decreased for the first time since we started reporting. Scope 3 figures have gradually increased, reflecting our better understanding of the emissions arising from exclusive tenant use since 2014/15. We have disaggregated tenant data from Scopes 1 and 2 and report it against Scope 3 instead, which explains why Scope 2 figures are decreasing.

As active developers and asset managers we constantly evolve our portfolio of properties, which means that carbon emission intensity is a better measure of our energy efficiency performance (tonnes of CO_2e per m^2) than absolute emissions. Our target is to halve our impact, reducing our emissions intensity by 50 index points by 2022 from a 2012/13 baseline. Our intensity now stands at 89 index points. Our current carbon trajectory forecasts a total reduction in intensity of between 35 and 41 index points, but we are working actively to achieve our target.

Legislative and regulatory compliance continue to require reductions in carbon emissions and improvements in energy efficiency. We have programmes that are in accordance with the Energy Savings Opportunities Scheme (ESOS) and ensure our compliance with the forthcoming Minimum Energy Efficiency Standards (MEES) around minimum EPC levels.

Most of the emissions from our portfolio are created by others working on our land and therefore are not included in the table. We are measuring the extent of these emissions through our Total Contribution methodology and will seek to influence behaviour where we can.

As active developers and asset managers we constantly evolve our portfolio of properties

Carbon emissions: Scope 1, Scope 2 and Scope 3 emissions

Emission source		Location-based method 2012/13 (tCO_2e)	2013/14 (tCO_2e)	2014/15 (tCO_2e)	2015/16 (tCO_2e)	Market-based method[1] 2015/16 (tCO_2)[2]
Scope 1	Direct emissions from fleet and heating of buildings	5,789	6,111	6,443	5,868Ⓐ	n/a
Scope 2	Emissions from generated electricity usage	20,054	21,201	13,548	11,221Ⓐ	7,342[3]
Gross Scope 1 and 2		**25,843**	**27,312**	**19,991**	**17,089**	**7,342**
Scope 3	Indirect emissions from business travel	361	387	311	265	n/a
	Indirect emissions from energy used exclusively by our tenants	1,511	1,568	14,499	15,840	2,773
	Indirect emissions from electricity and transmission distribution losses	1,584	1,813	1,185	927	n/a
	Total Scope 3	**3,456**	**3,768**	**15,995**	**17,032**Ⓐ	**2,773**
Gross Scope 1, 2 and 3		**29,299**	**31,080**	**35,986**	**34,121**	**10,115**
Emissions intensity (indexed kg CO_2e)		**100**	**98**	**94**	**89**Ⓐ	**n/a**

Data notes:

1 New Scope 2 Guidance requires that we quantify and report Scope 2 emissions from purchased electricity consumption for our own use using two different methodologies: the location-based method and the market-based method. Reporting of our emissions in this way demonstrates that we are making efforts to reduce our climate impact through the purchase of electricity generated from renewable sources.

2 Emissions for market-based reporting are reported in tCO_2 rather than tCO_2-equivalent due to the availability of emission factors.

3 The 2015/16 market-based Scope 2 figure has not been externally assured by PwC, since our electricity suppliers have been unable to provide evidence of the exclusivity and traceability of the green electricity that we purchase.

4 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.

Resources and relationships review continued

Volunteering hours increased by

51%

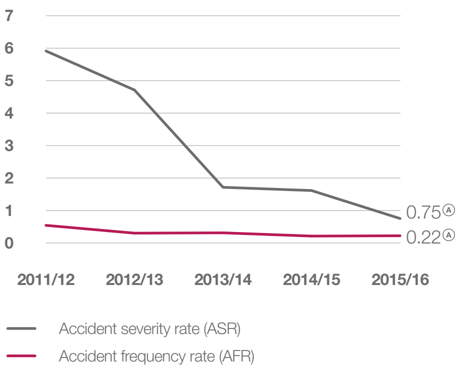
Our Living Wage commitment pay per hour in London

£9.40

Number of working hours without a reportable health and safety incident improved by

29%

Health and safety incidents



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

Our people

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

We depend on our talented, professional and experienced people to turn our vision and strategy into results. We aim for our business to be a great place to work so that we can continue to attract, develop, retain and inspire the best people and empower them to deliver our strategic objectives.

Our shared purpose, vision and core values – together with great leadership – play a key role in our performance, particularly in the way they encourage innovation, creativity and growth. We look to all our people to embody our core values of commercialism, integrity and stewardship.

Health and safety

We are committed to protecting the health and safety of our employees and those who enjoy the use of our assets. Our overall performance has been very good. The number of hours without a reportable incident under the Reporting of Injuries, Disease and Dangerous Occurrence Regulations (RIDDOR) increased from 490,916 to 632,920Ⓐ hours – a 29% improvement. Our incident rates this year demonstrate that our reporting culture is improving while serious incidents are reducing.

Given the unique set of risks we manage, it is difficult to identify an industry rate on which to base our improvement target. To overcome this, and to set a stretching target that drives continuous improvement, we have introduced an incident severity rate. Each incident is rated in relation to its severity and the results are collated at the end of the year. The target for 2015/16 was to achieve an incident severity score of less than 225. Our final score was 174.4, which is 22% better than the target.

Our accident frequency rate (AFR) remained consistent. The number of serious incidents that were reportable under RIDDOR remained consistent with two reports during 2015/16.

At Windsor Great Park we have continued to deliver a bespoke behavioural safety programme designed to improve overall safety performance. Employees are surveyed annually and we continue to see an improving trend in relation to safety behaviour, culture and attitudes.

Inclusion and diversity

Our policy on equality and diversity covers age, disability, gender, race, religion and sexual orientation. This year we worked collaboratively with networking groups and other like-minded organisations to share best practice regarding inclusion and diversity. As a result, we committed to the RICS Inclusive Employer Standard and we will use this as a framework for continued improvement. During the year we ran mentoring and career events to promote opportunities for individuals from less privileged backgrounds. We also hosted networking events for LGBT organisation networks, and we supported the development and progression of senior women in the business.

34% of our total employees are female. 20% of our Main Board, 29% of the Management Board and 18% of our senior managers are female.

Reward

We offer competitive reward packages, aiming to set these around the market median for the majority of roles. Reward is benchmarked against comparable organisations in the relevant sector. We continue to align performance and reward.

We are proud to be the first UK-wide property company accredited as a Living Wage employer by the Living Wage Foundation. This commitment ensures that everyone working for The Crown Estate, regardless of whether they are employees or contractors, will receive a minimum hourly wage of £9.40 in London and £8.25 outside London, significantly above the new National Living Wage of £7.20 per hour.

Our range of employee core benefits includes pensions, private medical insurance, enhanced maternity and paternity leave, sick pay, season ticket travel loans and annual medical screening at a senior level. During the year we opened an easy-to-use online benefits portal that enables employees to manage their voluntary benefit choices and access a range of other employee discounts.

Human rights

Following the enactment of the Modern Slavery Act 2015, we have a legal obligation to outline how we prevent slavery and human trafficking occurring within our business or organisations we do business with. We take this obligation extremely seriously and have put in place processes to ensure we can demonstrate to our stakeholders that slavery and human trafficking do not occur within our workplace and supply chain. For further details on how we are complying with the Modern Slavery Act, please visit our website: www.thecrownestate.co.uk/modern-slavery-act.

We adhere to all applicable laws in the UK, including those relating to human rights and employment. For our supply chain, which stretches 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 during the year.

Wellbeing

We help our employees to lead a healthy life to increase their wellbeing. We believe that, in turn, this helps them to contribute even more in their job, enhancing our performance. Throughout 2015/16 we ran a series of health and wellbeing events that provided employees with information on health and lifestyle, together with access to health screenings and medical consultations.

As outlined in last year's report, we have introduced BUPA health insurance cover for our employees. During the year we extended the offer, enabling employees to purchase cover for family members also. The new health benefit enables employees to access a 24/7 medical helpline for advice and support, and discounted online health and wellbeing offers. We continue to provide beneficial rates for dental services as well as a free comprehensive employee assistance facility. During the year we also extended access to an on-site occupational health nurse. All of the above is having a positive impact on sickness levels and performance. Our overall sickness level for 2015/16 was 2.3%, including a short-term sickness rate of 0.7%.

Culture and behaviours

The results of our 'One Voice' survey demonstrate the pride our employees feel about working for The Crown Estate. Building on the successful launch of the survey last year, we saw improvements this year with high response rates and a "Great Place to Work" staff engagement score of 83% compared to the UK National normal rating of 78%. In addition to organisation-wide action plans, we have also encouraged teams to find improvements that will have the biggest positive impact at a local level.

Recognising the importance of the way we work with each other and external stakeholders, we have refined our approach to performance management to include an objective on consistent demonstration of The Crown Estate behaviours.

These improvements, combined with further training and the implementation of an improved HR system, will enhance individual and manager ownership, focussed on getting the best from our people.

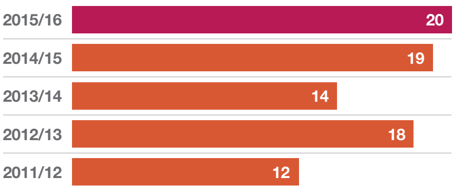
Volunteering

Volunteering numbers rose in 2015/16: 95 people volunteered for a total of 800 hours, a 51% increase on 2014/15 hours. We have actively promoted volunteering and offer more 'employer-supported' opportunities with stronger connections to what we do as a business.

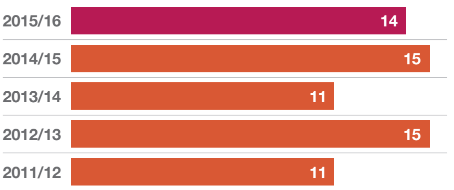
Employee salary ratios by gender 2015/16 (66% male, 34% female) Ⓐ

Resources and relationships review continued

Average hours of training per year per employee



Employee turnover
(% of total employees)



Data note:
The turnover rate is based on average monthly number of staff (not FTE) and excludes casuals and consultants.

Our know-how

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

Our collective expertise adds a lot to our success as a business. Not only do we recruit for talent but we also develop our employees during their time with us.

We also benefit from the expertise of our close business partners and work to deploy these resources, and our own, to best advantage. Our ability to know when and where to invest and disinvest, our pro-active asset management style, and our collaborative and customer-focussed approach all combine to help us consistently outperform our IPD bespoke benchmark.

Know-how is very difficult to measure. It is often linked with the way we work with stakeholders in pursuit of higher returns. Our abilities help to enhance our reputation and earn trust, enabling us to attract and keep great partners and quality tenants, facilitate speedier transactions and command higher returns. Know-how is found in all parts of our business, as you will see in the 'Review of activities'. Amongst many other things, it results in us delivering great buildings, achieving BREEAM Outstanding or Excellent, and unlocking strategic land.

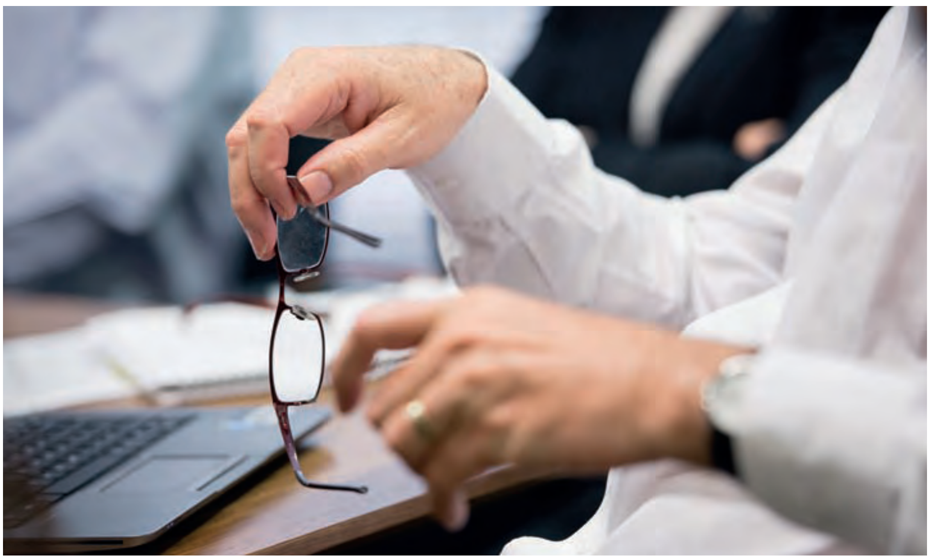
Learning and development

Key areas for learning and development during the course of the year included succession planning, professional development, inclusion and diversity, health and safety compliance, leadership coaching and IT applications.

Our focus on succession planning is supported by a simple but effective approach to assessing performance and potential, and identifying key positions and internal candidates. We have seen the benefits for this approach with succession and development plans leading to a number of successful internal appointments across the business.

Employee turnover

It is important to monitor employee turnover year-on-year as it is an indicator of trends and issues within the business. A certain turnover rate is healthy, bringing fresh talent into the business which can also help to highlight where training of existing employees is required to overcome knowledge decay. However, too high a turnover can lead to a loss of continuity, experience and expertise, and can be an indicator of management issues which need to be addressed. We monitor our turnover on a regular basis and make a point of understanding the reasons for employee departure.



Our networks

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

A large and diverse set of stakeholders make up our networks. They are a vital component of our business activity. By listening and responding to them we enhance customer service and earn goodwill and trust.

Stakeholder engagement

Throughout the year we continued to focus on building excellent relationships with our networks, strengthening our reputation as a partner of choice and leading player in our core sectors.

Thorough community consultation remains at the heart of our approach to asset management and development, enabling local residents to inform and help share our proposals as they progress through the planning process. Recent examples include consultations on a strategic land scheme at Marlborough and Princesshay leisure scheme in Exeter.

It is important that our political stakeholders understand what we do and our approach to business, including our commitment to conscious commercialism. Due to the breadth and geographic spread of our portfolio, we engage with a great number of political stakeholders across the UK. These include some 160 constituency MPs who represent the seats where we hold and manage assets, as well as MPs with policy interests in our sectors. For the first time we carried out a detailed survey of more than 110 of these stakeholders – across national, devolved and local government – to develop a more detailed understanding of their views on our role and work. Of those surveyed, 74% recognise our delivery against our primary objective to generate sustainable commercial returns for HM Treasury. More broadly, 60% would describe us as acting collaboratively and 48% noted that our actions have a positive impact on wider society, creating value beyond financial return.

Building on last year's success with the Big Green Leaf campaign, we have hosted a second series of regional community events across our portfolio of retail and leisure parks. The focus this year was on encouraging healthy, active lifestyles. These events attracted a strong turnout, driving footfall to our assets and bringing together employees, tenants and local people.

This year we led a number of public seminars in areas where we manage a critical mass of assets. These facilitated debate on how the UK can unlock the potential of its towns and cities and grow a more balanced economy. Each of these sessions provided an opportunity for direct and meaningful engagement with our peers, partners and customers, as well as local authorities and MPs.

Customer focus

This year we appointed our first Customer Engagement Manager (CEM) to work with our cross-business customer service champions group. The CEM is developing, implementing and embedding a business-wide customer strategy. As part of this we have joined the Real Service Best Practice Group (RSBPG), the only group in our industry dedicated to improving customer service to occupiers and demonstrating the link between top-quality property management and property performance. Over the coming years we expect to reap the benefits of our customer strategy and to see increased customer satisfaction levels, as measured against an established baseline.

Supplier payment performance

We commit to paying our 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 in a shorter period according to contract. Over the past financial year we paid 77% of suppliers within the committed period. This includes disputed invoices and amounts recoverable from third parties. On average suppliers are paid within 26 days of receipt of invoice. We observe the principles of the Better Payment Practice Code.

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 £5,600 (2014/15: £nil).

Stewardship programme

Through the stewardship programme we collaborate with partners to deliver practical projects that generate lasting value. These projects can benefit people, organisations and the environment in the communities where we work as well as our business and our employees. Projects arise from and support our core business objectives and cover a wide range of activities. Over the past year we invested over £1 million in projects (not including employee management time).

Recruit London

Run in partnership with Westminster City Council and Cross River Partnership, we host the Recruit London scheme. Since 2009, this innovative community employment and training initiative has helped 1,330 Westminster jobseekers into sustainable employment and supported West End businesses with free recruitment services. During 2015/16, 109 placements were made. The resulting economic contribution, assuming payment at the Living Wage, has been calculated as £2.28 million to the Government and local community (Source: Joseph Rowntree Foundation). Candidates are supported throughout and helped to access training, producing skilled, job-ready candidates for retail and hospitality roles. Mentoring support is provided in the workplace for up to six months. Recruit London has gained widespread recognition and has expanded outside our portfolio to include partners such as the New West End Company and Capital and Counties.

John Lelliott
Interim Chief Financial Officer

Chairman's review

An introduction from our Chairman

Sir Stuart Hampson
Chairman

The Crown Estate prides itself on being an agile and progressive business, willing and able to deliver change that acts to enable continuous business development in support of our long-term vision and strategy. This year has been no exception, with significant change across all aspects of our business, in particular within our governance structure, but also in our people and assessing our own effectiveness.

Leadership and effectiveness

Strong governance requires continuing openness to rigorous evaluation of the way the Board operates, how the senior executive team runs the business on a day-to-day basis, and the preparedness of the Board and senior executive team to respond to outcomes of such reviews. Therefore, this year we decided to augment our annual Board effectiveness appraisal and also undertook a review of our senior executive structure.

Structural change

Senior executive restructure

The conclusion of our senior executive structural review was that we needed to restructure our senior executive team, not only to support the future direction of the business, but also to further empower the business leaders working below senior executive level. Our existing senior executive structure was therefore reconstituted, as an Executive Committee (C-suite), at the end of this year, and is moving to an enhanced structure from 1 April 2016. Those changes, which had the full backing of the Board, are detailed in the box opposite. With the Executive Committee sitting alongside functional committees covering both our corporate (Finance and Operations Committee) and portfolio (Investment Committee), the new structure both facilitates the empowerment of senior staff to deliver within a framework of appropriate checks and balances and incorporates a new Board and Committee structure that encourages the delivery of our core strategies, and effective reporting to the Board. More detail of the new senior executive roles within the Executive Committee can be found on page 63.

Scotland restructure

This year we have also been focussed on devolution, following the enactment of the Scotland Act 2016, which provides for the transfer of Crown Estate management in Scotland to the Scottish Government. Whilst the precise date for transfer has yet to be confirmed, we have also established a Scotland Portfolio – with a new governance structure to ensure that Crown Estate economic assets in Scotland are well managed, by a talented team, ahead of a facilitated handover. We will be ready for that handover by April 2017. These changes

Structural governance changes

	To 31st March 2016	1st April 2016 onwards
Senior Executive Restructure	Management Board	Executive Commitee
Senior Executive Committee Restructure	(Main) Board	The Board
	Management Board	Investment Committee (Expanded terms) Executive Commitee (New Committee) Finance and Operations Committee (New Committee)
	To 31st December 20015	**1st Janurary 2016 onwards**
Scotland Restructure	Portfolio and operations management carried out on a UK wide basis	Creation of the Scotland Portfolio, consolidating portfolio and operations management in the (new) Scotland Committee, reporting to the (new) General Manager – Scotland (Ronnie Quinn)
	Responsibility for management in Scotland functionally split between Management Board members reporting to the Chief Executive through the Scottish Management Board.	Responsibility for management in Scotland held by: General Manager – Scotland Portfolio, reporting to the Chief Executive through the (streamlined) Scotland Management Board

are also summarised in the box above and are picked up in our Scotland Management Board report.

Board review and succession

The Board effectiveness review took on a more in-depth assessment framework this year, where detailed scoring was added to the effectiveness questionnaire completed by Board Members and Counsellors. This allowed us to assess and describe our level of performance in a way we haven't previously. The results were extremely encouraging, but also enabled us to identify key areas for continued improvement.

At the end of December, we said goodbye to Chris Bartram, who retired from the Board having made a huge contribution to our business in his two full terms as a Board Member and a year as a Board Counsellor. With Chris's departure, it was extremely important that we were able to recruit a new Board Member who possessed substantial property industry experience and our Nominations Committee played a crucial role in finding a suitable candidate. I am pleased to confirm that James Darkins, former Chief Executive of TH Real Estate, joined the Board on 1 January 2016.

Accountability

We take our responsibilities as a Board, and as a commercial business with accountability to the HM Treasury, extremely seriously. As a result we operate, and have always operated, as a going concern. To strengthen that assurance and commitment to our stakeholders, we have included our viability statement within the risk section of this Annual Report and Accounts (page 47).

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.

Given the outsourced nature of our business, we rely heavily on our third party suppliers to reflect our way of doing business and ensuring that they will always demonstrate our core values. We therefore have robust due diligence processes in place when we are contracting with third party suppliers and joint venture partners.

The enactment of the Modern Slavery Act in 2015 places new statutory requirements on us, as a business generating more than £36 million in revenue each year, to seek to ensure that we, and those within our supply chain, do not engage in any activity relating to slavery and human trafficking. We take our responsibilities very seriously, and our slavery and human trafficking statement, outlining the steps we take to mitigate any risk of these activities within our business and supply chain, can be found on our website.

Remuneration

In last year's report, I mentioned that our Remuneration Committee had been working closely with reward specialists, Willis Towers Watson, to ensure that our executive remuneration encouraged and promoted long-term successful performance and exemplary governance standards from our executive team. Working closely with the HM Treasury, we have now concluded that process, which will work in supporting our new senior executive structure.

Relations with stakeholders

As a statutory corporation with a financial responsibility to HM Treasury, we do not have shareholders. However, our business is reliant on the relationships we form with all of our stakeholders and business partners. These relationships are extremely important to us, as they underpin the very essence of our business. You will find key examples of the relationships we build, throughout the Annual Report and Accounts.

Looking ahead

As you can see, it has been another busy year for the Board, and further details of its activities are set out in the Board activity table detailed later in this report.

Our focus for the year ahead will be: to embed our new governance structure and Committees into the business whilst seeking to further empower our staff at all business levels; to continue to prepare our Scotland Portfolio for devolution to the Scottish Government; to recruit a Chief Financial Officer, who we hope will join the Board as an executive director; and to continue to assess how we work as a business and as a Board to ensure that we are operating at the highest possible level.

Sir Stuart Hampson
Chairman

The members of our Board

1

2

6

7

1 Sir Stuart Hampson CVO, DL

Chairman and First Commissioner*

Appointment
Sir Stuart took up the post of Chairman of The Crown Estate on 1 January 2010, and was re-appointed on 1 January 2014.

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. He was appointed a Commander of the Royal Victorian Order by Her Majesty The Queen in the 2016 Birthday Honours List.

2 Alison Nimmo CBE

Chief Executive and Second Commissioner

Appointment
Alison took up the post of Chief Executive of The Crown Estate on 1 January 2012, and was re-appointed on 1 January 2016.

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.

6 Paula Hay-Plumb

Independent 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 is a Non-Executive Board Member of Hyde Housing Association and Aberforth Smaller Companies Trust plc. Paula 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.

7 Dr Tony White MBE

Independent Non-Executive Board member*

Appointment
Appointed to the Board on 1 January 2011, and re-appointed on 1 January 2015.

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.

*The independence of each non-executive Board Member/Counsellor has been assessed against the criteria for independence as set out in section B.1.1. of the UK Corporate Governance Code 2014.

3 Ian Marcus
Non-Executive Board Member and Senior Independent Board Member*

Appointment
Appointed to the Board on 1 January 2012, and re-appointed on 1 January 2016. 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.

4 David Fursdon DL
Independent Non-Executive Board Counsellor*

Appointment
Appointed to the Board on 1 January 2008. Retired as a Non-Executive Board member on 31 December 2015, and was appointed as a Board Counsellor on 1 January 2016.

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).

5 Dipesh Shah OBE
Independent Non-Executive Board Member*

Appointment
Appointed to the Board on 1 January 2011, and re-appointed on 1 January 2015.

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.

8 James Darkins
Independent Non-Executive Board Member*

Appointment
Appointed to the Board on 1 January 2016.

Key strengths
- Strategic leadership
- Real estate investment management
- International joint ventures

Experience
James has an extensive track record of success in the global real estate investment management industry. From 2001 he led the expansion of Henderson's real estate business in Europe and Asia Pacific. In 2014 TH Real Estate was formed as a joint venture between Henderson and TIAA-CREF, becoming the world's fourth largest real estate investment manager with combined assets of £59 billion. He retired as Chief Executive of TH Real Estate in 2015.

9 Peter Madden OBE
Independent Non-Executive 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.

10 Gareth Baird DL
Independent Non-Executive Board Member and Scottish Commissioner*

Appointment
Appointed to the Board on 1 October 2009, and re-appointed on 1 October 2013.

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.

The members of our Management Board

1 Alison Nimmo CBE
Chief Executive

Alison took up the post of Chief Executive of The Crown Estate on 1 January 2012 (see page 60 for full biography.)

5 Rob Booth
General Counsel and Company Secretary

Rob is a qualified solicitor, who joined The Crown Estate in 2012 from City law firm Herbert Smith Freehills, where he specialised in commercial property and infrastructure projects.

Rob has been the General Counsel and Company Secretary of The Crown Estate since 1 January 2016, having previously held the role of Head of Legal. Rob has responsibility for all of the legal affairs of The Crown Estate and, as Company Secretary, is responsible for the delivery of company secretarial support to the business, ensuring robust standards of corporate governance. Rob is also the strategic lead on Knowledge Management and Information Security.

2 Paul Clark
Chief Investment Officer

Paul joined The Crown Estate in 2007 and until the end of 2015 had overall responsibility for investment strategy as well as leading The Crown Estate's Urban portfolio. As part of the wider executive reorganisation, Paul has now stepped into the role of Chief Investment Officer and is now the strategic lead on portfolio management, investment and development for The Crown Estate.

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.

Prior to joining The Crown Estate, Paul was responsible for the Church Commissioners' £1.7 billion property investment portfolio. Beyond his Chief Investment Officer role at The Crown Estate, Paul is also a Non-Executive Director of the Hermes Property Unit Trust and Ronson Capital Partners.

6 Ken Jones
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.

3 John Lelliott
Interim Chief Financial Officer

John became Finance Director in 2001, having joined The Crown Estate in 1985. As part of a wider executive reorganisation, John is discharging the role of Interim Chief Financial Officer, pending the recruitment of a permanent CFO and his retirement.

In his interim role, John 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.

7 Rob Hastings
Director of Energy, Minerals 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 a 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.

4 Judith Everett
Chief Operating Officer

Judith joined The Crown Estate in 2013 and until the end of 2015 led on communications and engagement for The Crown Estate. As part of a wider executive reorganisation, Judith has now stepped into the role of Chief Operating Officer and is the strategic lead for a portfolio of corporate functions including Human Resources, Health and Safety, Sustainability and all aspects of branding, engagement and internal and external communications.

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

Management Board restructure

As detailed on page 58, the senior executive structure at The Crown Estate will be revised from its Management Board structure on 1st April 2016. The new Executive Committee is constituted by:

- Chief Executive (who chairs the Executive Committee);
- Chief Investment Officer;
- Chief Operations Officer; and
- Chief Financial Officer.

The Executive Committee will be advised by the General Counsel and Company Secretary, who also advises the Board.

To ease transition, those stepping into the new Executive Committee roles adopted their new titles from 1 January 2016. However, the Management Board continued in operation throughout the financial year. To facilitate the move to the Executive Committee structure: portfolio leadership will move to a new director layer within the organisation – reporting to the Chief Investment Officer; the Director of Business Operations and General Counsel left The Crown Estate on 31 December 2015 (immediately passing functional responsibilities to the Chief Operations Officer and the General Counsel and Company Secretary); and Rob Hastings left The Crown Estate on 31 March 2016.

Board evaluation exercise

How our Board is performing

Each year, the Board conducts a formal evaluation of its effectiveness. The process for this year included the completion of appraisal questionnaires by individual Board members and Counsellors. The appraisal questionnaires asked questions on key areas of focus; strategy and performance, Governance and the Board, and Board Members and the senior executive team.

However, this year, it was decided that each question should also be graded so that performance scores could be obtained. These scores allowed for greater clarity on the view of the Board and we have represented the scoring on this page. Where approval was at 80-100% we have indicated "Strongly Approved" and where approval was at 60-80% we have indicated 'Approved'. All questions achieved at least 60% approval.

The questionnaires were followed up by one-to-one meetings between Board members and Counsellors and the Chairman. Once all interviews were complete, the Chairman produced an evaluation paper which was taken to the Board strategy meeting in October 2015 for full discussion on identified issues, how best to address issues identified and where further progress could be made and how best to carry plans forward to completion.

To supplement this, Ian Marcus the Senior Independent Board Member, conducted a separate review of the Chairman's effectiveness in a private session with the Board, which was held in July 2015.

Main actions from 2015 Board Effectiveness Review	Progress recorded in 2015/16
The Board suggested that it would be helpful to be provided with a mid-year investment strategy paper which would supplement the strategy paper taken at the strategy awayday meeting.	It has been confirmed that the Board will now receive investment strategy papers twice each year. With the creation of the Finance and Operations Committee from 1 April 2016, the Board will also receive updates on the financial and operational strategies.
Given the delegated levels of authority, many Rural portfolio sales require Investment Committee approval without escalating up to the Board. The Board would like sight, for information, of significant cumulative change in the Rural portfolio.	This information will form part of the mid-year investment strategy paper provided to the Board each year.
Given the evolving nature of the business, the Board would welcome sight of what assets fall within our 'core' and 'non-core' business areas.	A paper was taken to the February 2016 Board, and will return to the Board on an annual basis.
The Board should review the decision to reduce the number of Board meetings (following the reduction of meetings as a result of the PwC review in 2013).	Following a trial of a reduced number of Board meetings, it has been decided that seven meetings a year fits sufficiently with the cyclical pattern of the business and its reporting framework. (This equates to a reduction of two meeting per year.)
Given the importance the business places on risk and risk reporting, there should be a standing agenda item for risk at every strategy awayday meeting.	This is now a standing agenda item for the strategy awayday, along with the investment, operational and financial strategies.
A summary of the findings of retrospective investment reviews should be shared with the Board as an aid to better decision-making in the future.	The Retrospective Investment Appraisal paper, which goes to the Investment Committee, now also goes to the Audit Committee. A high-level analysis paper will follow on to the Board from 2016 onwards.

Question from appraisal questionnaire	Score	Business response
Do you consider that the matters reserved for the Board are appropriate and that Board business strikes the right balance between strategy/policy issues and operational/management matters? And does the Board devote quality time to reviewing the implementation of strategy?	Approved	Following PwC's review in 2013, we reduced the number of Board meetings from nine to six. Having trialled six meetings in 2014, we felt that, given the flow of information coming up to the Board, we required seven meetings per year to fully allow the Board to fulfil its duties effectively. With the creation of our Executive Committee which essentially creates three separate strategy areas feeding into our corporate strategy (investment, finance and operations) paired with the decision to provide the Board with mid-year updates on our strategies, we would hope that the Board will see a positive change in the balance between strategy/policy issues and operational/management matters which are addressed across an optimum number of meetings throughout the year.
In your opinion, do you consider that the composition of the Board is appropriate, with the right mix of diversity, knowledge and skills, given the nature of the business? And is it the right size to ensure its optimum effectiveness?	Strongly Approved	The Crown Estate Act 1961 imposes statutory limits on The Crown Estate in relation to the number of Board members we can appoint (eight members, inclusive of a Chairman and CEO). However, our Nominations Committee are working extremely hard to ensure that we optimise our quota and really seek to identify and gaps in skill-set (as they did with the appointment of James Darkins following Chris Bartram's retirement) and also to look at the diversity of the Board in terms of areas such as gender and ethnicity.
How would you rate the Board's contribution to effective risk management?	Strongly Approved	As a business that is run as a going concern, we will always take the evaluation and mitigation of risk extremely seriously. The Board are therefore instrumental in contributing to our risk management. Whether that be in discussions at Board meetings in relation to reputational, political and/or financial risks associated with any of our current or forthcoming developments or transactions, or whether that be identifying the business' risk appetite and re-evaluating key risks during our annual risk workshop at our strategy awayday. Given our future plans and ambitions for the business, the Board will continue to play an active role in our risk management.
Do you feel the Chief Executive and the senior management team work well together?	Strongly Approved	The Chief Executive and senior management team work extremely well together. This should be strengthened further in 2016/17 by the creation of the new Executive Committee.
Is there an adequate process in place for Board Members/ Counsellors to disclose, understand and manage potential conflicts of interest?	Strongly Approved	Conflicts and potential conflicts of interest are taken extremely seriously, throughout all levels of the business. Board Members and Counsellors are asked to complete an annual disclosure exercise but are also prompted to declare any interest to the Board Secretary or Chairman before each meeting. On occasion, Board Members/ Counsellors are omitted from the circulation of papers or asked to abstain from certain parts of the meeting, to avoid potential conflict situations. The Crown Estate regularly reviews its processes to ensure that they are robust enough to avoid conflict situations.

Board activities

Our Board's year

This year Board Members have enjoyed visits to assets across The Crown Estate's portfolios, including Fosse Shopping Park in Leicester, Gwynt y Môr (North Wales), St James's Market, and a dredger at Greenwich Wharf. They also hosted receptions in Scotland and Wales. Estate visits and other events are organised throughout the year to enable Board Members to deepen their knowledge of The Crown Estate.

"When the opportunity presented itself to visit Gwynt y Môr windfarm, offshore North Wales, my fellow Commissioners and I grabbed it with alacrity. Such visits are a source of considerable education which place into perspective many of the finer points of discussion at our Board meetings. We were accompanied on the visit by several colleagues from The Crown Estate who briefed us extensively on what the visit entailed. Even then, no brief could adequately prepare one for the scale and engineering complexity of the wind farm developments we were about to encounter. At close quarters, the sheer scale of the installation is breathtaking, each turbine located half a kilometre apart in neat arrays which stretched far into the distance. A vast array of some 160 turbines, each of 3.6 MW nominal capacity, adjoins the earlier North Hoyle development which was the UK's first commercial offshore wind farm. Together, their combined capacity of 636 MW is capable of powering around 400,000 homes and makes a major contribution towards satisfying UK's drive towards cleaner sources of power. Glancing out of the windows on the train returning from Flint, the majestic site of several wind farms dotted along the coastline provided a memorable snapshot of the visit. The Crown Estate can feel justifiably proud of being at the forefront of developing the largest offshore renewable programme in the world. Our thanks to RWE Energy and its partners for hosting the visit."

Dipesh Shah OBE
Board Member

Windsor

May 2015

Received an update on progress against the Windsor Estate business plan for 2015/16.

Approved the site acquisition and funding of the development on a joint venture basis, with Gingko Tree Investments, at the Castle Acres site, Fosse Park, Leicester.

Approved the joint venture agreement with Gingko Tree Investments in relation to the conditional funding and purchase of Rushden Lakes Shopping Park.

Noted the capital forecast for April 2015.

Reviewed the unaudited 2014/15 year end revenue results, and delegated final sign-off of the accounts, for inclusion within the Annual Report, to the Audit Committee.

Approved the direction of travel for the continued modernisation of the business and the need to prepare for potential changes and challenges in the business/political environment. (Structure for Growth).

Noted the register of interests and approved draft statements regarding the composition of the Board, the independence of non-executive Board Members, and the statement on Board diversity.

London

July 2015

Attended a cyber security presentation from PwC.

Re-approved the sale of Morfa Shopping Park, Swansea, (under the business' investment guidelines) following a six month time lapse.

Noted the capital forecast for July 2015.

Noted the 2015/16 Quarter 1 Revenue Results and Forecast Out-turn to 31 March 2016.

Approved the current risk registers.

Noted the Annual Reports of the:
1. Corporate Governance Monitoring Group
2. Audit Committee
3. Remuneration Committee.

Discussed and approved legal considerations which would assist in plans to modernise the business. (Structure for Growth).

Approved the disposal of up to 31 'Old Land Revenue Properties' and heritage assets to English Heritage for fair value.

London

Sept 2015

Attended a PwC seminar on the current economic situation.

Approved the sale of the freehold interest in Slough Shopping Park.

Noted an update on the offshore wind portfolio.

Noted the capital forecast for September 2015.

London

Nov 2015

Re-approved the sale of Morfa Shopping Park, Swansea, following a change in purchaser.

Noted the capital forecast for November 2015.

Approved the sustainability approach and noted progress on Total Contribution, the Stewardship Programme, and public targets.

Noted the current status of our on-going and proposed development projects.

Approved the development of a strategic framework for health and safety, and noted performance to date.

Noted the governance changes to apply to the Scotland Portfolio as the business prepares for devolution; approved the changes to the Terms of Reference for the Scottish Management Board and the Management Board; approved the budget for Scotland to financial year end and confirmed that HM Treasury should be formally notified; and noted the brand name to be applied to The Crown Estate in Scotland as, the 'Scotland Portfolio'.

London

Feb 2016

Noted the capital forecast for January 2016.

Noted the 2015/16 Quarter 3 Revenue Results and Forecast Out-turn to 31 March 2016.

Approved the key principles of our accommodation strategy.

Agreed and approved proposed governance changes and delegated the implementation of detailed arrangements to deliver those changes to the Chief Executive, with the changes to take effect from 1 April 2016.

Noted the criteria and scale of Crown Estate non-core assets.

Met with headhunter Charlotte Boyle of The Zygos Partnership, to discuss the recruitment process for the new Chair and CFO.

London

March 2016

Noted the capital forecast for February 2016.

Considered and approved the indicative revenue target for the year ending 31 March 2017, which was exclusive of the Scotland Portfolio.

Approved the Corporate Plan for 2016/17.

Approved the final stages of our accommodation strategy.

Approved a revised proposal for the acquisition of Rushden Lakes Shopping Park, Rushden, and Northamptonshire.

Noted the outcome of rural residential sales activity in 2014/15 (Phase 1) and progress in 2015/16 (Phase 2); and approved the sale proposal outlined for 2016/17.

Noted the legal requirements imposed on The Crown Estate under the Modern Slavery Act 2015; approved the steps the business is taking to meet the legal requirements under section 6 of the Modern Slavery Act 2015; and approved the wording of the business' 'slavery and human trafficking statement'.

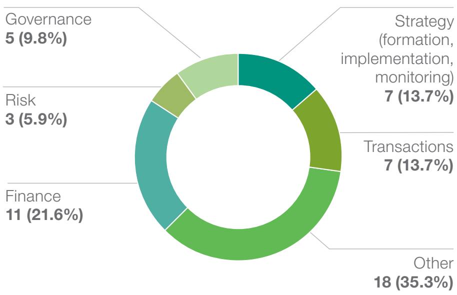
Board activities continued

Attendance at Board and Committee meetings

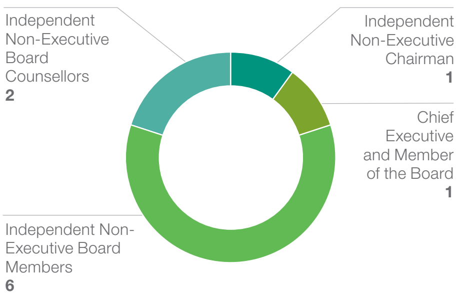
	Board	Board Strategy away-day	Audit Committee	Nominations Committee	Remuneration Committee	Scotland Management Board
Total number of meetings	6	1	3	2	5	4
Sir Stuart Hampson	6	1	n/a	2	n/a	n/a
Alison Nimmo	6	1	3	2	5	3
Chris Bartram[1]	4	1	n/a	n/a	n/a	n/a
David Fursdon[2]	5	1	2	2	5	n/a
Gareth Baird	6	1	n/a	n/a	n/a	4
Dipesh Shah	6	1	n/a	n/a	5	n/a
Tony White	6	1	3	n/a	n/a	n/a
Ian Marcus	6	1	3	2	5	n/a
Peter Madden[3]	4	1	n/a	n/a	n/a	n/a
Paula Hay-Plumb	6	1	3	n/a	n/a	n/a
James Darkins[4]	2	n/a	1	n/a	n/a	n/a

1 Board Counsellor. Retired 31 December 2015.
2 David Fursdon retired as a Board Member on 31 December 2015 to become a Board Counsellor and simultaneously retired from the Audit Committee and Nominations Committee.
3 Board Counsellor.
4 Appointed 1 January 2016.

Number of papers 2015/16



Balance of Independent Non-Executive and Executive Directors at Board meetings as at 31 March 2016



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, Scotland Management Board, Nominations Committee and Remuneration Committee) is given on the table to the right.

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 Management Group, the Central Health and Safety Committee and the Corporate Governance Monitoring Group.

The Crown Estate Act 1961

Powers and responsibilities of the Crown Estate Commissioners are set out in the Crown Estate Act 1961.

The Board

The Board agrees the objectives, broad policy and overall strategic direction.

Matters reserved to the Board are set out in terms of reference, including approval of Urban transactions over £50 million and Rural and Coastal and Energy, Minerals and Infrastructure transactions over £20 million.

Management Board

Has delegated authority to implement strategic direction as set by the Board on strategy, financial and operational matters and ensuring delivery of business objectives.

Audit Committee

Responsible for external and internal auditing, financial reporting, internal financial controls, risk management and compliance with laws and regulations.

Investment Committee

Has delegated authority to approve transactions up to £50 million for Urban and up to £20 million for Rural and Coastal, Energy, Minerals and Infrastructure and Windsor.

Remuneration Committee

Responsible for reward systems and packages for senior management.

Scotland Management Board

Responsible for decisions relating to, or affecting, The Crown Estate's business or reputation in Scotland.

Nominations Committee

Responsible for identifying the skills requirements and succession planning for Board Members, Board Counsellors and Management Board executive directors. Instigates the process for Board appointments and re-appointments.

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 1961, *The UK Corporate Governance Code 2014 and The Code of Good Practice 2011.*

Management Board

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

Introduction by the Chair of the Management Board

The Management Board has of course been engaged in monitoring the progress of the business against our corporate objectives and long-term strategic goals. However, there have been two key focusses for the Management Board this year.

Firstly, we have continued to provide technical input to HM Treasury and Scottish Government in relation to the future transfer of the management of our economic assets in Scotland to the Scottish Parliament. As part of this work, we have been extremely focused on what is best for our Scottish assets and our team in Scotland who manage those assets. We therefore decided that Scotland should be managed as a separate business unit to ensure a smooth handover, when the time comes. This has involved creating new and robust governance structures for our Scotland Portfolio as well as the creation of a Scotland Committee to support the work of the Scotland Management Board going forwards.

Secondly, the Management Board has also had the task of implementing the actions arising from our Structure for Growth work stream, which included the restructure of our senior executive team in preparation for the disbandment of our Management Board on 31 March 2016, and the creation of our new Executive Committee from April 2016 (as described on page 58).

Members of the Management Board

The members of the Management Board as at the end of the year are:

Alison Nimmo
Chief Executive and Chair

Paul Clark, Judith Everett, Rob Hastings, Ken Jones, Rob Booth and John Lelliott
Executive Directors

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

Duties

The main duties of the Management Board are to:

- implement the strategic direction of The Crown Estate;
- 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 a total of nine times. Attendance by individual members of the Management Board was as follows:

	Number of meetings attended
Alison Nimmo	9
Paul Clark	9
Judith Everett	9
John Lelliott	8
Rob Hastings[1]	4
Ken Jones[2]	5
Vivienne King[3]	5
Rob Booth[4]	3

1 Following the announcement of our senior executive restructure Rob Hastings did not attend the final three meetings of the year.
2 Following the announcement of our senior executive restructure Ken Jones did not attend the final three meetings of the year.
3 Vivienne King left the business on 31 December 2015.
4 Rob Booth became a member of the Committee on 1 January 2016.

The Management Board is an executive committee operating under authority delegated by the 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 plans and budgets are aligned to the business' long-term strategic objectives.

During the year the Management Board performed the following activities:

- reviewed and had input into the business' crisis management plans;
- monitored progress made in relation to an internal information systems update;
- examined key factors identified, and approve the proposed approach, to addressing current HR priorities;
- reviewed the investment strategy and endorsed the revenue targets (to exclude Scotland) for 2016/17;
- approved the corporate timetable; strategic objectives; corporate priorities, KPIs and target; and the material issues, to align with the business' long-term vision;
- ensured the effective resourcing and delivery of business plans including sustainability targets;
- reviewed quarterly updates on risk management, as well as defining The Crown Estate's key strategic risks and re-visiting the defined risk appetite for the business;
- reviewed quarterly updates on the progress of devolution of Crown Estate management in Scotland;
- approved the budget for the works to be undertaken in association with the devolution of Crown Estate management in Scotland;
- reviewed quarterly updates on the business' approach to sustainability which included Total Contribution and the stewardship programme; and
- reviewed bi-annual updates on health and safety, policy and governmental engagement, and customer focus across the full breadth of the organisation.

Investment Committee

Introduction by Chair of the Investment Committee

This year's focus for the Investment Committee has involved several key strategic sales of non-core assets across both the Urban and Rural & Coastal Portfolios, as well as the approval of acquisitions and developments which we have undertaken in collaboration with our joint venture partners.

The Investment Committee has not been asked to approve many acquisitions this year, given the business' focus on the development of many key assets which are held within The Crown Estate's Urban Portfolio.

Members of the Investment Committee

The members of the Investment Committee as at the end of the year are:

Alison Nimmo
Chief Executive and Chair

Paul Clark, Rob Hastings, Ken Jones and John Lelliott
Executive Directors

Alan Meakin
Investment Strategy Manager

The secretary to the Investment Committee is Cheryl Lake.

Additional attendees are invited from time to time at the Investment Committee's discretion, such as the General Counsel and Company Secretary, where required.

Duties

The Investment Committee is a committee of the 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 the Rural & Coastal, Energy & Infrastructure portfolios or the Windsor Estate. This includes joint ventures and major developments.

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

Report of the Investment Committee's activities

During the year the Investment Committee performed the following activities:

- approved strategic non-core sales across the Urban and Rural & Coastal portfolios;
- approved development costs for several core assets;
- evaluated progress against specific investment proposals;
- evaluated retrospective investment appraisals against investment purchases, capital development projects, and long-term strategic land developments;
- considered and endorsed proposals within delegated authority limits before they are submitted to the Board; and
- monitored major capital projects against approved plans.

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

	Number of meetings
Alison Nimmo	9
Paul Clark	8
John Lelliott	7
Alan Meakin	9
Ken Jones	6
Rob Hastings [1]	5

1 Following the announcement of our senior executive restructure Rob Hastings did not attend the final three meetings of the year.

Audit Committee

Paula Hay-Plumb
Chair of the Audit Committee

Introduction by the Chair of the Audit Committee

This is the first full year in which I have chaired the Audit Committee and I have been impressed with the level of input and productive discussion, both from my fellow committee members and the executive. This is particularly helpful given the important role the Audit Committee plays in overseeing the effectiveness of risk management and internal control on behalf of the Board.

There has been one significant change to the membership of the Audit Committee during the year. James Darkins, who joined the Board on 1 January 2016, became a new member of the Audit Committee. He replaced David Fursdon who transitioned to become a Board Counsellor on 31 December 2015 after eight years of valuable input and contribution to the Audit Committee. David's last Audit Committee was November 2015, and James' first Audit Committee was March 2016.

Members of the Audit Committee

The current members of the Audit Committee are:

Paula Hay-Plumb
Chair and Board Member

James Darkins
Board Member

Ian Marcus
Board Member

Tony White
Board Member

The secretary to the Audit Committee is Lauren Greenhill.

The members of the Audit Committee have good levels of experience and knowledge from across relevant sectors to enable the Audit Committee to adequately perform the role set out for it by the Board. In particular, the Audit Committee believe that the financial knowledge and commercial experience of the Audit Committee meet the needs of the business. Paula has served just over one full year on the Audit Committee as Chair and has held senior financial positions in both the public and private sectors. She is a Chartered Accountant and has been chairing Audit Committees for over 17 years. Tony White and Ian Marcus, both having served for four years each on the Investment Committee, bring strong commercial experience from the energy and real estate sectors, respectively. James Darkins appointment to the Audit Committee brings significant real estate investment experience. Further credentials of the members are set out on pages 60 and 61.

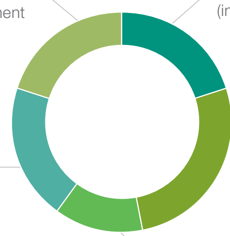
The Audit Committee invites the CEO, CIO, Interim CFO, General Counsel & Company Secretary, Head of Internal Audit, and Group Financial Controller to attend all meetings. The appropriate National Audit Office (NAO) representatives (external audit) are also invited to attend all meetings of the Audit Committee and have complete access to all financial and other information. The Audit Committee also meets with the NAO without management present, and the Audit Committee Chair meets with the Head of Internal Audit regularly.

The Audit Committee met three times during 2015/16. In addition, the Chair provided an oral report to the 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 2015/16, the Audit Committee has sought to comply with relevant elements of the 2014 UK Corporate Governance Code requirements and guidance, particularly in relation to risk management. The allocation of time across the key areas of Audit Committee activity has been set out below:

Audit Committee time allocation



Governance

In discharging its duties during the year the Audit Committee obtained assurance from a number of sources in order to obtain comfort over key areas of governance and control. These included:

- Review of 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. Particular attention was given to the valuation of our joint venture assets and the additional assurance sources that support the valuation. The Audit Committee also acknowledged the steps taken by management to ensure the appropriate independence of our principal valuers.
- During the year, the Audit 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. In particular, the current key corporate risks including the mitigations and action plans were discussed and approved. This involved reviewing reports on crisis management and business continuity including our ability to manage emerging threats such as cyber security. For 2015/16 this included the outputs from the Board strategic risk workshop on risk appetite and emerging risks, opportunities and themes, held in October 2015. A formal independent assessment of our risk management processes was also performed in 2015/16, which gave a high degree of assurance.
- The Audit Committee reviewed key assurances on internal control during the year. This was undertaken primarily through the results of Internal Audit activity undertaken in 2015/16 as well as assurance provided by the executive for their area of responsibility. It worked closely with the Head of Internal Audit who has unfettered access to the business, receiving all summary reports on key processes and controls in line with the internal audit programme and strategy. In addition, the Audit Committee discussed and agreed the internal audit programme for the year ahead.

Following consideration of sources of assurance throughout the year and the results of external audit, the Audit 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:

- appropriateness of the valuation in relation to significant elements of our portfolio;
- accounting for the pending devolution of the management of assets in Scotland to Scottish Government; and
- assessment of business viability in line with the requirements of the UK Corporate Governance Code.

As part of this review, the Audit Committee considered whether the 2015/16 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. It was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable. After taking external advice it was also satisfied that the 2015/16 Annual Report and Accounts is in alignment with the IIRC Framework.

During the year the Audit Committee assessed the fraud risks, summary results of which were presented by the Head of Internal Audit. The Audit Committee takes its role of oversight in the prevention and detection of fraud and bribery very seriously. Whistleblowing policies are in place and updated as and when required to bring them in line with best practice. Suspected fraud or bribery can be reported through a dedicated whistleblowing hotline or inbox, available to tenants, suppliers and members of the public and staff. If the suspected fraud or bribery involves a member of staff at director level or above, it can be reported to the Chair of the Audit Committee. Appropriate training is in place in relation to the Bribery Act for all new staff.

In the spirit of continual improvement the Audit Committee reviews its forward work programme regularly to ensure it receives the right information to discharge its duties effectively.

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

June 2015
Note and approve the risk management update
Review of Internal Audit programme and results
Review of Head of Internal Audit annual opinion 2014/15
Review of management assurances on internal control supporting the Governance Statement
Review of annual valuation and performance of The Crown Estate 2014/15
Review of assurance over the annual valuation
Review of external audit completion report (including management letter) on the 2014/15 financial statement audit
Approval of Annual Report and Accounts 2014/15
Note of update on procurement process
Review of cyber security arrangements

November 2015
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 2015
Note unaudited interim financial statements for six months ended 30 September 2015
Note external audit's planning report on the 2015/16 financial statement audit and approve re-appointment of external auditor
Review of Retrospective Investment Appraisal results and lessons learned
Review of governance and financial control of joint ventures
Review of changes to UK Corporate Governance Code

March 2016
Note and approve the risk management update
Review of Internal Audit programme and results
Endorse the Internal Audit programme for 2016/17
Note the Internal Audit Charter
Note the process being adopted regarding the Viability Statement for inclusion within the 2015/16 accounts
Note the accounting update provided in advance of the preparation of the 2015/16 accounts
Review external audit's progress report on the 2015/16 financial statement audit
Review and discuss processes to prevent and detect fraud
Review of Crisis Management and Business Continuity arrangements
Review of arrangements in complying with the Modern Slavery Act 2015
Note and approve the risk management update

Note: The 2015/16 Annual Report and Accounts were approved at the June 2016 Audit Committee.

Nominations Committee

Sir Stuart Hampson
Chair of the Nominations Committee

Introduction by the Chair of the Nominations Committee

The Nominations Committee has continued to form an important part of our governance structure during 2015/16, planning ahead for the effective management of Board Member succession and committee membership and overseeing the significant changes to our organisational structure and senior executive team.

I would like to thank David Fursdon, who stood down from the Nominations Committee following his transition to Board Counsellor on 1 January 2016, for his valuable contribution, and to welcome Paula Hay-Plumb who will bring her perspective and experience to the Nominations Committee, as well as increasing our focus on gender diversity.

Following my decision to stand down from my role as Chairman, and John Lelliott's impending retirement, we have worked with HM Treasury to plan an effective transition to a new Chairperson of The Crown Estate and the recruitment of a new CFO, both of which are being managed in line with the principles of the OCPA recruitment process.

Members of the Nominations Committee

The current members of the Nominations Committee are:

Sir Stuart Hampson
Chair and Chairman

Alison Nimmo
Chief Executive

Ian Marcus
Board Member and SID

Paula Hay-Plumb
Board Member

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

The secretary to the Committee is Stuart Allan.

Duties

The main duties of this Committee are:

- identify the skills requirements and succession planning for Board Members, Board Counsellors and Management Board executive directors and oversee the selection process to the Board subject to the public appointments process which has been agreed with the Treasury at the time;
- instigate the process for 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 Nominations Committee's activities

During the year the Nominations Committee met in May and November 2015 to consider all matters within its terms of reference, in particular:

- Board and Board Committee membership and succession
- Senior executive leadership and structural changes
- Board recruitment and re-appointments
- Board and senior executive succession planning

Scotland Management Board

Gareth Baird
Chair of the Scotland Management Board

Introduction by the Chair of the Scotland Management 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.

Beyond that operational activity, our primary focus has been preparation for devolution of the management of Crown Estate economic assets in Scotland to Scottish Government. As detailed in our Chairman's introduction on pages 58 and 59 this has involved both a restructure of our operational business, to create the Scotland Portfolio, and a realignment of our governance, with responsibility for operational management now falling to our General Manager – Scotland Portfolio, reporting regularly to the Scotland Management Board. Our team is working hard to prepare for and deliver a smooth and prompt transfer. We will do all that 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 Scotland Management Board

The current members of the Scotland Management Board are:

Gareth Baird
Chair and Board Member

Alison Nimmo
Chief Executive

John Lelliott
Interim CFO

Ronnie Quinn
General Manager – Scotland Portfolio

The secretary to the Scotland Management Board is Laura Russell. Meetings are usually held four times a year, or as frequently as required.

Duties

The Scotland Management Board is responsible for the newly created Scotland Portfolio and, more widely, The Crown Estate's business and reputation in Scotland, in order to ensure that Scottish interests are thoroughly considered.

The main duties of the Scotland Management Board are:

- implementing the strategic direction 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 Scotland Management Board's activities

During the year the Scotland Management Board met four times and considered all matters within its terms of reference, in particular:

- considering matters relating to devolution;
- 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.

Complying with the Crown Estate Act 1961, 2011 Code of Good Practice, and the 2014 Governance Code

The Crown Estate is in an unusual position as 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. 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 Crown Estate Act 1961.

Board meetings, processes and liabilities

Board meetings
Board meetings are pre-scheduled and a calendar of Board and Committee meetings is circulated well in advance to enable Board Members and Counsellors to plan their respective schedules, ensuring meaningful participation in meetings. The Board held six scheduled meetings during the year ending 31 March 2016.

As well as meetings in London, the Board also met in Windsor. In addition, there were three scheduled meetings of the Audit Committee, two meetings of the Nominations Committee, four meetings of the Remuneration Committee and four of the Scotland Management Board. In addition to Board meetings, each year the Board convenes for a two day strategy meeting, at which key business risks, business strategy, external factors and the broad direction of the business are discussed in depth. This year's meeting was held in Leicestershire where the opportunity was taken to visit the Fosse Shopping Park, which forms part of our Regional Portfolio.

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

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, Interim Chief Financial Officer 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 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 and how best to carry plans forward to completion.

To supplement this, Ian Marcus the Senior Independent Board Member, conducted a separate review of the Chairman's effectiveness in a private session with the Board, which was held in July 2015.

The Board of Commissioners (the Board)

Statutory position of the Crown Estate and the Crown Estate Commissioners
The Crown Estate Act 1961 (the Act) adopted 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 Commissioners as a corporate body operating with an independent commercial mandate in the management of the Crown Estate. As such, the Crown Estate Commissioners 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 brand 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 of 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.

Composition of the Board

At 31 March 2016 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 compliant with the Act. Two Board Counsellors also attend 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 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 the 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 Scotland Management Board are summarised earlier 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 David Fursdon (retired in December 2015 as a Board Member, and became a Board Counsellor on 1 January 2016), James Darkins, 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 Rob Booth, General Counsel and Company Secretary. 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 Secretary and Board Secretary.

Senior Independent Board Member

Ian Marcus is the nominated Senior Independent Board Member, and his 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

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.

Non-Executive Board Counsellors

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

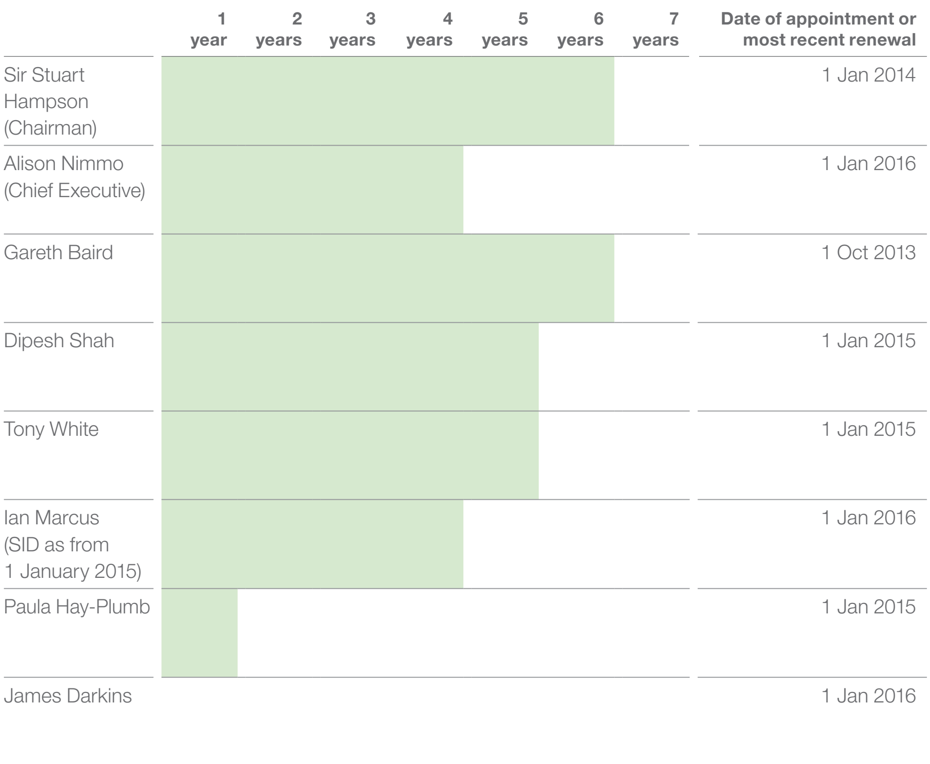
- retiring Board Members;
- external third parties as prospective Board Members who have gone through the OCPA process; and
- external third parties as advisers who have not gone through the OCPA process.

Board Counsellors as at 31 March 2016

Appointment	Date of appointment as a Counsellor	Date of expiry	Length of service as Board Counsellor
Peter Madden[1]	1 January 2014	31 December 2017	2 years and 3 months
Chris Bartram[2]	1 January 2015	31 December 2015	1 year
David Fursdon[3]	1 January 2016	31 December 2016	3 months

1 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'.
2 Chris Bartram retired from his position as Board Counsellor on 31 December 2015.
3 David Fursdon retired from his position as Board Member on 31 December 2015, following two successful terms.

Time served by Board Members as at 31 March 2016



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.

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.

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 and Executive 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 General Counsel and Company Secretary about the Crown Estate Act 1961 and corporate governance;
- the Chief Operating Officer on the Board familiarisation programme and Core Proposition and Positioning, health and safety, sustainability and HR strategy;
- the Interim Chief Financial Officer on the organisation's finances and accounting arrangements;
- the Chief Investment Officer 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.

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

The 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 is 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.

There have been no personal data related incidents in 2015/16 which are required to be reported.

In making my statement as accounting officer, in line with 'Managing Public Money', it is my judgement that the 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 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 our partners and investors if there is seen to be a decline in the attractiveness of the sectors in which we operate or the perception of London as a global city; and
- the risks and opportunities posed by technology to our business, including cyber security.

Alison Nimmo CBE
Chief Executive
8 June 2016

Remuneration report

Ian Marcus
Chair of the Remuneration Committee

Introduction by the Chair of the Remuneration Committee

This is the second year that I have chaired the Remuneration Committee. In January 2016, James Darkins was appointed to the Board and became a member of the Remuneration Committee in February 2016. James brings with him a wealth of knowledge and experience which will complement the highly-valued contributions made by David Fursdon and Dipesh Shah throughout the year.

It has also been a significant year of change to our senior executive team with Vivienne King, Business Operations Director and General Counsel, leaving on 31 December 2015 and Rob Hastings, Director of Energy and Infrastructure, leaving on 31 March 2016.

The Crown Estate continued to deliver on its financial and operational goals during the course of the 2015/16 financial year. The management team have returned £304.1 million to HM Treasury representing a 6.7% growth in net revenue surplus over the prior year. Management are also tasked with ensuring an appropriate balance between financial success, value for money and securing long-term growth whilst respecting our stewardship mandate.

The exceptional results achieved are a testament to our people and our values of commercialism, integrity and stewardship. The same values 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.

In March 2016, HM Treasury approved the Remuneration Committee's recommendations following a wide-ranging review of executive reward strategy. This enabled the Remuneration Committee to implement some key changes to our reward framework such as the first review of the Chief Executive's reward package since 2012 and improved performance-related bonus opportunities for the rest of the business in 2015/16.

The final part of the newly-approved reward framework will be implemented in 2016/17 to support the new senior executive structure in place from April 2016.

The Remuneration Committee remains focussed on ensuring our remuneration design supports our people, our values and the ongoing development of our high performance culture.

Ian Marcus
Chair of the Remuneration Committee

Remuneration report continued

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. Other members of the Committee are Dipesh Shah and James Darkins who are Board Members, and David Fursdon who was appointed Board Counsellor from 1 January 2016. The Chief Executive, the Head of Human Resources and the Head of Reward (in her delegated role as secretary to the Remuneration Committee) also attend meetings and other directors (for example the Interim Chief Financial Officer) may attend on invitation of the Remuneration 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 Board. A minimum of two meetings are held annually and in 2015/16 the Remuneration 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 are to;

- determine and agree with the 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 market, and 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 salary, allowances, bonuses, any long-term incentive payments and pension benefits to ensure that the Executive and other members of senior management 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 Chief Executive's remuneration package is set by the Remuneration Committee, on the recommendation of the Chairman of the Board within the guidelines approved by HM Treasury in March 2015;
- 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

Advisors

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

Willis Towers Watson (formerly Towers Watson) have been the Remuneration Committee's appointed principal advisors since 2014. During 2015, Willis Towers Watson provided the Remuneration Committee with a broad range of strategic advice relative to reward and benefit matters across The Crown Estate.

The Chair of the Remuneration Committee provides an oral report to the Board after each committee meeting, and the Remuneration Committee submits an annual report to the 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:

- a review of progress against people and culture targets under the Corporate Plan;
- an ongoing review of remuneration policy to ensure it remains fit-for-purpose, including a fundamental review of remuneration design and structure for the senior executive team;
- salary increases for executive directors and senior managers with earning potential in excess of £140,000, together with overall levels of salary increases across the business/organisation effective in July 2015;
- achievement against personal scorecard targets under the annual bonus scheme for executive directors and allocation of bonus; and
- 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 management).

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 Head of Reward in conjunction with our external independent advisors. The research is carried out by benchmarking roles against one or more 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 Remuneration 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.

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

Components of Directors' remuneration

Executive directors' remuneration is made up of the following components:

- fixed pay, comprising base pay, flexible benefits allowance (including annual leave converted into cash), pension allowance or contribution to a pension scheme, private healthcare membership or a cash-equivalent payment; and
- variable pay, comprising annual bonus, long-term cash incentive plan arrangements and transition award incentive payments (for selected executives).

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 2015/16 (80 per cent maximum 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 revenue surplus target as set by HM Treasury and outperformance of the IPD bespoke benchmark on a three-year rolling basis.

Directors' long-term cash incentive plans

Paul Clark and Rob Hastings are entitled to receive a one-year discretionary non-pensionable cash incentive award. This has been put in place as a transitional arrangement, commencing in April 2015, with any payment due on 31 July 2016. The transition arrangement was awarded pending outcomes of a fundamental review of the design of remuneration arrangements across the course of 2014 and 2015. The award commenced in April 2015 and provided Paul Clark with an award of up to 35 per cent of base pay and Rob Hastings with an award of up to 45 per cent of base pay at 31 March 2016 subject to performance against specific criteria in the 2015/16 review period. All awards and targets are subject to the approval of the Remuneration Committee.

Directors' departure payments

Vivienne King, Director of Business Operations and General Counsel, and Rob Hastings, Director of Energy and Infrastructure, both received payments upon leaving the business based upon their contractual entitlements. The detail of these is set out in the paragraph entitled 'Compensation for Loss of Office' later in the report.

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 executive 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 appointments and the Board is satisfied that these are manageable alongside their executive responsibilities and do not generate any conflict of interest. In accordance with our policy on non-executive earnings, which requires disclosure for appointments in publicly listed companies, Alison Nimmo earned £60,250 to 31 March 2016, as a non-executive board member of Berkeley Group Holdings plc. 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

Overview of pension scheme benefits

Pension scheme	PCSPS Classic	PCSPS Classic Plus	PCSPS Premium	PCSPS NUVOS	CEPS Opal	CEPS Quartz scheme	CEPS Topaz scheme
	Defined benefit	Defined benefit	Defined benefit	Career average	Defined benefit	Hybrid defined benefit and defined contribution	Defined contribution
Benefit	1/80th	1/60th	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 2015	£149,400	£149,400	£149,400	£149,400	£145,800	£30,025 DB section	n/a
Employee contribution from 1 April 2015	Between 4.6% and 8.05% depending on salary	Between 4.6% and 8.05% depending on salary	Between 4.6% and 8.05% depending on salary	Between 4.6% and 8.05% depending on salary	1.5%	5% for DB section Optional for defined contribution section	Optional
Life cover	2x pensionable salary	3x 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

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 £149,400. The NUVOS section provides defined benefit retirement and related benefits to all eligible employees based on a career average emoluments scheme.

Since March 2009, no new employees have been admitted to the PCSPS or the CEPS Opal scheme, and are instead offered access to the CEPS Quartz or Topaz schemes, or, alternatively, an 8 per cent cash allowance. The table on page 83 provides an overview of benefits.

Employees not in the 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 2016, a total of 237 employees were members of the open sections of CEPS and a further 43 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/civil partner 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/civil partner'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.

Details of Directors' membership of pension schemes is shown under section entitled 'Pension Benefits' later in the report.

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

Remuneration and pension benefits of the Board

Board members

Single total figure for remuneration

	Salary (£)		Bonus payments (£)		Pension benefits (to the nearest £1,000)[2]		Benefits in kind (to the nearest £100)		Total (to the nearest £1,000)	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
Sir Stuart Hampson (Chairman)	**50,000**	50,000	**–**	–	**–**	–	**–**	–	**50,000**	50,000
Alison Nimmo (Chief Executive)	**290,000**	228,445	**250,192**[3]	109,096	**34,000**	25,000	**400**	–	**575,000**	362,000
Gareth Baird	**25,828**	25,828	**–**	–	**–**	–	**–**	–	**26,000**	26,000
James Darkins (appointed 1 January 2016)	**4,843**	–	**–**	–	**–**	–	**–**	–	**5,000**	–
David Fursdon (appointment expired 31 December 2015)	**14,528**	19,371	**–**	–	**–**	–	**–**	–	**15,000**	19,000
Paula Hay-Plumb (appointed 1 January 2015)	**19,371**	4,843	**–**	–	**–**	–	**–**	–	**19,000**	5,000
Ian Marcus	**19,371**	19,371	**–**	–	**–**	–	**–**	–	**19,000**	19,000
Dipesh Shah	**19,371**	19,371	**–**	–	**–**	–	**–**	–	**19,000**	19,000
Tony White	**19,371**	19,371	**–**	–	**–**	–	**–**	–	**19,000**	19,000
Chris Bartram (appointment expired 31 December 2014)	**–**	14,528	**–**	–	**–**	–	**–**	–	**–**	15,000

1 The full year equivalent total remuneration for James Darkins and David Fursdon was £19,371.
2 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.
3 The bonus award for Alison Nimmo has been approved by the Remuneration Committee. Any amount in excess of 50% of current salary is subject to 12 months' deferral in line with the agreement with The Treasury. For 2015/16 the deferral is £93,822 (2014/15: £nil).

Pension benefits

	Accrued pension at age normal retirement date as at 31 March 2016 £000	Real increase in pension normal retirement date £000	Cash equivalent transfer value at 31 March 2016 £000	Cash equivalent transfer value at 31 March 2015 £000	Real increase in cash equivalent transfer value at 31 March 2016 £000
Alison Nimmo	0-5	0-2.5	34	23	7

Alison Nimmo is the only Board member who is a member of the pension scheme.

The Chairman and Non-Executive Members of the 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 12 months.

Board Counsellors

Board Counsellors are non-voting members of the Board and are appointed for a period of one year.

	Salary	
Single total figure for remuneration	**2015/16 £**	2014/15 £
Peter Madden	**19,371**	19,371
Chris Bartram (appointed 1 January 2015, appointment expired 31 December 2015)	**14,528**	4,843
David Fursdon (appointed 1 January 2016)	**4,843**	–

The salary of Board Counsellors is the equivalent to the single figure for remuneration.

Management Board Executive Directors

Single total figure for remuneration

	Salary £000		**Bonus payments £000**		**Transition/LTIP bonus £000**		**Pension benefits (to the nearest £1,000)[2]**		**Benefits in kind (to the nearest £100)**		**Total £000**	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
Paul Clark	**225-230**	210-215	**130-135[3]**	110-115	**65-70**	60-65	**45,000**	42,000	**200**	n/a	**470-475**	430-435
Judith Everett	**165-170**	150-155	**85-90**	95-100[4]	**–**	n/a	**21,000**	15,000	**400**	n/a	**250-255**	265-270[4]
Ken Jones	**170-175[1]**	160-165[1]	**80-85**	65-70	**–**	n/a	**24,000**	22,000	**400**	n/a	**275-280**	250-255
John Lelliott	**195-200**	190-195[1]	**75-80**	70-75	**–**	n/a	**n/a**	n/a	**–**	n/a	**270-275**	260-265
Rob Booth (appointed 1 January 2016)	**35-40**	n/a	**65-70**	n/a	**–**	n/a	**5,000**	n/a	**100**	n/a	**110-115**	n/a
Rob Hastings (left the business 31 March 2016)	**180-185**	170-175	**75-80**	80-85	**50-55**	75-80	**50,000**	44,000	**400**	n/a	**350-375**	375-380
Vivienne King (left the business 31 December 2015)	**120-125[1]**	155-160	**–**	55-60	**–**	n/a	**50,000**	46,000	**–**	n/a	**170-175**	225-260

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 Crown Estate to the individual's defined contribution scheme.
3 The bonus award for Paul Clark has been approved by the Remuneration Committee. Any amount in excess of 50% of current salary is subject to 12 months deferral in line with the agreement with HM Treasury. For 2015/16 the deferral is £18,400 (2014/15: £nil).
4 The 2014/15 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 2015.

The bonus and Transition/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.

Remuneration report continued

Compensation for loss of office

A severance payment of £98,720 was made to Vivienne King when she left The Crown Estate's service on 31 December 2015 after 21 years. In addition an amount of £22,410 was paid directly to her pension scheme on leaving – both payments were within her contractual entitlement.

A severance payment of £126,937, within his contractual entitlement, was made to Rob Hastings when he left The Crown Estate's service on 31 March 2016 after 10 years.

The table to the right shows exit packages as a result of the restructuring of the business, particularly of the Energy, Minerals & Infrastructure business.

Exit package cost band

	2015/16 Number	2014/15 Number
Less than £10,000	**–**	1
£10,001 – £25,000	**2**	5
£25,001 – £50,000	**4**	8
£50,001 – £100,000	**6**	6
£100,001 – £150,000	**–**	1
Total number of exit packages	**12**	21
Total cost	**£0.6m**	£1.0m

The above figures exclude severance payments in respect of Vivienne King and Rob Hastings.

Pay multiples

	2015/16 £	2014/15 £
Band of highest paid director's total remuneration (as defined below) £000	**555-560**	385-390
Median total remuneration of all employees £	**38,185**	36,743
Ratio	**14.60**	10.57

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

	Accrued pension at age normal retirement date as at 31 March 2016 £000	Real increase in pension normal retirement date £000	Cash equivalent transfer value at 31 March 2016 £000	Cash equivalent transfer value at 31 March 2015 £000	Real increase in cash equivalent transfer value £000
Paul Clark	15-20	0-2.5	477	376	60
Judith Everett	n/a	n/a	n/a	n/a	n/a
Ken Jones	0-5	0-2.5	39	25	11
John Lelliott	n/a	n/a	n/a	n/a	n/a
Rob Booth[1]	0-5	0-2.5	19	n/a	1
Rob Hastings	25-30	2.5-3.0	428	348	39
Vivienne King[2]	40-50	0-2.5	1,434	1,244	71

1 Relates to service from 1 January 2016.
2 Relates to service up to 31 December 2015 and includes additional service awarded as part of leaving package as described above.

Rob Hastings is a member of the PCSPS Premium section, Paul Clark and Vivienne King are members of the CEPS Opal section, Ken Jones and Rob Booth are members 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 14.5% of base pay and is included within the salary amount stated in the table of single total figure of remuneration on page 85.

Staff report

	Staff costs		Average number of staff	
	2015/16 £m	2014/15 £m	**2015/16**	2014/15
Commissioners (excluding CEO, including counsellors)	**0.7**	0.7	**9**	9
Staff with permanent employment contracts	**31.1**	27.8	**448**	447
As shown in note 9 of the financial statements (excluding early retirement costs)	**31.8**	28.5	**457**	458
Other staff engaged on the objectives of The Crown Estate	**0.7**	0.4	**29**	17
Total staff	**32.5**	28.9	**486**	484

There were no off-payroll payments during the year.

Alison Nimmo CBE
Chief Executive
8 June 2016

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

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 group's affairs as at 31 March 2016 and of its revenue profit and capital profit for the year then ended; and
- have been properly prepared in accordance with the Crown Estate Act 1961 and HM Treasury directions issued thereunder.

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.

Basis of opinions

I certify that I have audited the financial statements of The Crown Estate group for the year ended 31 March 2016 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.

The regularity framework that has been applied is the Crown Estate Act 1961.

Overview of my audit approach

Risks significant to my audit

In considering my opinion on the financial statements, I assessed the risk of material misstatement in the financial statements. I have set out below how my audit addressed specific risk areas in order to support the opinion on the financial statements as a whole and any comments I make on the results of my procedures should be read in this context.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the risk of material misstatement owing to fraud arising from revenue recognition, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit Committee; their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 73-74.

Risk	My response
Investment property valuations The most significant transactions and balances within The Crown Estate's financial statements relate to Investment property assets and their valuations. Management engaged professional valuers to provide valuations of investment property assets as at 31 March 2016. The valuations are formed from the application of methodologies that use a number of assumptions and judgements, which if inappropriate or incorrect could result in material misstatement within the accounts.	In line with auditing standards I performed detailed procedures to ensure I was able to gain assurance from the work conducted by third party valuers engaged by The Crown Estate. In assessing whether their work provides a sound basis for valuation I considered their overall competence, capability and objectivity (as management's experts), as well as the scope of their work and its relevance to the accounts and my opinion. In particular, I considered the valuation methodology they applied, the completeness and validity of the data inputs to those valuations and, using independent valuation experts within my audit team, the appropriateness of the key assumptions on which the valuations were based. I have challenged management on the reasons for significant movements in individual property valuations at year end confirming these reasons to underlying documentation. I found The Crown Estate controls over the valuation process to be operating adequately and that asset valuations have been prepared using appropriate methodology and assumptions. I have no matters to raise.

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

Risk	My response
Joint arrangements (joint ventures and joint operations) The Crown Estate is involved in a number of joint ventures and joint operations. The share of the investment properties held within these investment vehicles are subjected to valuations by independent third party valuers and are subject to the same risk specified above ('Investment property valuations'). The proportion of The Crown Estate's investments in joint arrangements has increased significantly over recent years. Although no new arrangements have been set up in 2015/16, there is a risk of material irregular transactions or misstatement within the financial statements where new, or a change in existing, arrangements: • did not comply with the Crown Estate Act 1961 (which restricts The Crown Estate's ability to borrow, invest overseas or invest in assets other than real estate); and • were not accounted for in accordance with IAS 28 and IFRS 11 to reflect the substance of the arrangements.	I have: • in light of The Crown Estate's plans earlier in 2015/16 to progress new arrangements, confirmed that no new joint arrangements (ventures or operations) have actually commenced during the period; • reviewed existing joint arrangements to confirm that there are no significant changes in agreement or activity that have not been accounted for in accordance with IAS 28 and IFRS 11 or that do not comply with The Crown Estate Act 1961; • confirmed the share of assets, revenue and expenditure between The Crown Estate's joint operation partners to underlying records (for example, joint arrangement contractual agreements, leases and valuation reports); • confirmed The Crown Estate's share in its joint ventures' assets, revenues and expenses to the joint ventures' financial records and supporting valuation reports; and • directly performed procedures to ensure I was able to gain assurance from the work conducted by the third party independent valuers that were engaged to perform valuations of property held by joint venture entities. I have no matters to raise.
Upgrade of rental billing system During the year The Crown Estate's rental billing system, which is used for the automated invoicing of rental income from tenants, underwent a significant upgrade. If there were weaknesses in access controls, system operations or system reporting within the upgraded system, given the links between the system, the general ledger and the accounts, there would be a risk of material misstatement within the financial statements.	I have focussed my audit work on confirming The Crown Estate's change management controls operating over the system upgrade. In particular, I have confirmed that: • testing of the upgraded system has been completed satisfactorily; • management has assurance over the interface between the upgraded property management system and the general ledger; • the system generated reports remain reliable; and • financial data before and after the upgrades are consistent with one another. I have also selected a sample of financial information from the upgraded system and traced this back to source documentation, such as lease agreements, to confirm its accuracy. I have no matters to raise.

In addition to these risks, I also assessed whether there was any evidence of fraud due to management override of The Crown Estate's control environment, as required by International Standards on Auditing. My work in this area did not identify any areas of concern.

Application of materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for The Crown Estate's financial statements at £114.6 million, which is approximately 1% of group net assets. I chose this benchmark as I consider it to be the principal consideration for users in assessing the financial performance of The Crown Estate.

I have determined that for financial statement components connected with the consolidated revenue account within the Consolidated statements of comprehensive income, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts given the net revenue account profit is distributable to the Consolidated Fund. I have therefore determined that the level to be applied to these components is £28.5 million, being approximately 10% of net revenue profit.

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors in Board and senior manager's remuneration as reported in the Remuneration Report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity, and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

I agreed with the Audit Committee that I would report to it all corrected and uncorrected misstatements identified through my audit in excess of £0.2 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds.

Scope of my audit

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 and report.

I am also required to obtain evidence sufficient to give reasonable assurance that 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.

Group audit approach

Total assets for the group are £12,879.6 million of which £12,879.6 million are attributable to the parent, The Crown Estate. As stated by The Crown Estate on pages 92 and 94 , due to the component entities' (except for the parent) financial information being immaterial to the transactions and balances within the group's revenue and capital profit, as well as the group's net assets, The Crown Estate has not presented separate (parent) accounts, only group accounts.

My group audit approach focussed on those balances assessed as being of the greatest significance to the group financial statements and their users. In establishing an overall approach I considered the size and risk characteristics of the component entities' financial information and determined the type of work that needed to be performed on each.

The parent is individually significant by virtue of its size and I have audited its full financial information. The remaining consolidating (subsidiary) entities have been subjected to audit work for the purpose of confirming that there is no risk of material misstatement within these entities to the group financial statements.

In addition, I have completed specific audit procedures on the material transactions and balances within The Crown Estate's joint ventures' financial information to confirm its share of joint venture net assets and profit as included under the equity method in the group accounts.

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 sections "Our year, our business and strategy", "Conscious commercialism in action, "Creating value, in context", "Our risks and opportunities", "Our performance and Governance" 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 am required to report by exception

Adequacy of accounting records and explanations received
I report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Consistency of information in the annual report

Under the International Standards on Auditing (UK and Ireland), I am required to report to you if, in my opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially inconsistent with our knowledge of The Crown Estate acquired in the course of performing our audit; or
- otherwise misleading.

In particular, I am required to consider whether:

- I have identified any inconsistencies between our knowledge acquired during the audit and the Board's and Chief Executive's statement that they consider that the annual report is considered fair, balanced and understandable; and
- the annual report appropriately discloses those matters that I communicated to the Audit Committee which I consider should have been disclosed.

I confirm that I have not identified any such inconsistencies or misleading statements.

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

The Board's and Chief Executive's assessment of principal risks and future prospects

Under International Standards on Auditing (UK & Ireland), I am required to report to you if I have anything material to add, or to draw attention to, in relation to the Board's and Chief Executive's disclosures in the annual report and financial statements:

- confirming that they have carried out a robust assessment of principal risks facing The Crown Estate, including those that would threaten its business model, future performance, solvency or liquidity;
- describing those risks and explaining how they are being managed or mitigated;
- on whether they considered it appropriate to adopt the going concern basis, and their identification of any material uncertainties to the entity's ability to continue over a period of at least 12 months from the date of approval of the financial statements; and
- explaining how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that The Crown Estate will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

I have nothing material to add, or to draw attention to, on these matters.

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.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157 – 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

16 June 2016

Consolidated statements of comprehensive income

Consolidated revenue account

	Note	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Revenue	5	**418.2**	397.2
Costs	6	**(100.3)**	(96.1)
Operating surplus		**317.9**	301.1
Investment revenue	10	**4.5**	3.6
Share of revenue profit from joint ventures	22	**21.7**	17.0
Share of revenue profit from other property investments	23	**2.1**	1.7
Net operating profit before depreciation, Treasury agreements and Statutory transfers		**346.2**	323.4
Depreciation of tangible fixed assets	21	**(3.3)**	(2.9)
Net operating profit before Treasury agreements and Statutory transfers		**342.9**	320.5
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	**(30.3)**	(28.7)
Statutory transfers	15	**(10.8)**	(9.0)
Parliamentary Supply finance	16	**2.3**	2.3
Net consolidated revenue account profit – distributable to the Consolidated Fund		**304.1**	285.1
Consolidated statement of comprehensive income of the revenue account			
Net revenue account profit – distributable to the Consolidated Fund		**304.1**	285.1
Items that will not be reclassified subsequently to the revenue account profit:			
Re-measurement gain on retirement benefits	11c	**1.1**	0.2
Total consolidated comprehensive revenue account profit		**305.2**	285.3

Consolidated capital account

	Note	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Revenue	5	**13.3**	12.2
Charge from revenue for salary costs	9	**(14.4)**	(13.3)
Net revaluation gains on investment property (including profits on disposal)	13	**1,292.3**	1,449.9
Share of profit/(loss) on disposal on property in joint ventures	13	**0.7**	(6.8)
Share of revaluation gains in joint ventures	13	**82.0**	71.0
Share of revaluation gains in other property investments	13	**6.6**	2.6
Capital profit before Treasury agreements and Statutory Transfers		**1,380.5**	1,515.6
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	**30.3**	28.7
Statutory transfers	15	**10.8**	9.0
Net consolidated capital account profit		**1,421.6**	1,553.3
Consolidated statement of comprehensive income of the capital account			
Net capital account profit		**1,421.6**	1,553.3
Items that will not be reclassified subsequently to capital account profit:			
(Deficit)/surplus on revaluation of owner occupied properties	13	**(3.6)**	32.1
Share of joint ventures fair value movements on interest rate swaps treated as cash flow hedges	22	**(1.2)**	(0.6)
Total consolidated comprehensive capital account profit		**1,416.8**	1,584.8

Consolidated balance sheet

As at 31 March 2016

	Note	31 March 2016 £m	31 March 2015 £m
Assets			
Non-current assets			
Investment properties	18	**12,302.4**	11,228.8
Property plant and equipment:			
Owner occupied property	19	**146.4**	147.7
Other property, plant and equipment	21	**11.8**	11.8
Investment in jointly controlled entities	22	**820.4**	646.8
Other property investments	23	**85.6**	79.0
Other investments	24	**10.4**	10.4
Receivables due after one year	25	**64.0**	57.4
Total non-current assets		**13,441.0**	12,181.9
Current assets			
Inventories	26	**0.1**	0.1
Trade and other receivables	27	**51.0**	39.1
Cash and cash equivalents	32	**907.3**	552.5
Total current assets		**958.4**	591.7
Pension asset	11a	**6.0**	5.3
Total assets		**14,405.4**	12,778.9
Liabilities			
Current liabilities			
Payables – amounts falling due within one year	28	**153.2**	135.3
Provisions	29	**1.5**	0.8
Total current liabilities		**154.7**	136.1
Payables – amounts falling due after more than one year	28	**1,371.1**	1,181.1
Total liabilities		**1,525.8**	1,317.2
Net assets		**12,879.6**	11,461.7
Capital and reserves			
Revenue reserve available for distribution to the Consolidated Fund		**0.9**	0.5
Pension reserve		**6.0**	5.3
Capital reserve		**12,813.7**	11,393.3
Revaluation reserve		**59.0**	62.6
Total capital and reserves		**12,879.6**	11,461.7

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

Alison Nimmo
Second Commissioner and Accounting Officer
8 June 2016

Consolidated cash flow statement

For the year ended 31 March 2016

	Note	31 March 2016 £m	31 March 2015 £m
Cash generated from operating activities	31	**321.5**	297.6
Interest received		**4.5**	3.4
Distributions from investment in joint ventures		**20.5**	42.1
Distributions received from other property investments		**2.1**	1.7
Net cash inflow from operating activities		**348.6**	344.8
Cash flows from investing activities			
Acquisition of investment property		**(42.4)**	(74.3)
Capital expenditure on investment properties		**(193.4)**	(179.1)
Proceeds from disposal of investment properties		**612.7**	419.0
Other capital receipts		**20.5**	32.0
Net investment in joint ventures		**(90.9)**	(212.0)
Net investment in other property investments		**–**	(40.6)
Proceeds from disposal of plant and equipment		**0.2**	–
Purchase of plant and equipment and other investments		**(3.5)**	(8.4)
Loan repayment		**–**	0.1
Net cash inflow from investing activities		**303.2**	(63.3)
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		**654.1**	283.8
Consolidated Fund payment		**(299.3)**	(283.3)
Increase in cash in the year after Consolidated Fund payment		**354.8**	0.5
Cash and cash equivalents at start of the period		**552.5**	552.0
Cash and cash equivalents at end of the period	32	**907.3**	552.5

Consolidated statement of changes in capital and reserves

For the year ended 31 March 2016

	Revenue account		Capital account		Total
	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Capital reserve £m	Revaluation reserve £m	£m
As at 1 April 2015	**0.5**	**5.3**	**11,393.3**	**62.6**	**11,461.7**
Net consolidated profit for the period	**304.1**	**–**	**1,421.6**	**–**	**1,725.7**
Other consolidated comprehensive income:					
Revaluation deficit of owner occupied properties	**–**	**–**	**–**	**(3.6)**	**(3.6)**
Re-measurement gain on retirement benefits	**–**	**1.1**	**–**	**–**	**1.1**
Total consolidated comprehensive profit for the year ended 31 March 2016	**304.1**	**1.1**	**1,421.6**	**(3.6)**	**1,723.2**
Pension reserve adjustment	**0.4**	**(0.4)**	**–**	**–**	**–**
Share of joint venture's fair value movements on interest-rate swaps treated as cash flow hedges	**–**	**–**	**(1.2)**	**–**	**(1.2)**
Payments to the Consolidated Fund – paid in year	**(292.5)**	**–**	**–**	**–**	**(292.5)**
Payments to the Consolidated Fund – payable	**(11.6)**	**–**	**–**	**–**	**(11.6)**
As at 31 March 2016	**0.9**	**6.0**	**12,813.7**	**59.0**	**12,879.6**
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 – paid in year	(278.3)	–	–	–	(278.3)
Payments to the Consolidated Fund – payable	(6.8)	–	–	–	(6.8)
As at 31 March 2015	0.5	5.3	11,393.3	62.6	11,461.7

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 HM Treasury.

The directions from HM 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 HM 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 HM 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. No new standards have been adopted during the year.

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 15 Revenue from contracts with customers – effective for the financial year ending 31 March 2018

IFRS 16 Leases – effective for the financial year ending 31 March 2020

2. Significant accounting policies

2a. Basis of consolidation

The consolidated financial statements for the year ended 31 March 2016 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 that 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.

Notes to the consolidated financial statements continued

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 redevelop 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 redevelopment 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 the 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.

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

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 of this process is included within the risk section.

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.

Notes to the consolidated financial statements continued

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 (R&C), Windsor, Energy, Minerals and Infrastructure (EMI) and The Crown Estate headquarters (HQ). 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

		Year ended 31 March 2016						Year ended 31 March 2015					
	Note	Urban £m	R&C £m	Windsor £m	EMI £m	HQ £m	Total £m	Urban £m	R&C £m	Windsor £m	EMI £m	HQ £m	Total £m
Rent and royalties	5	**267.4**	**48.9**	**5.5**	**58.3**	**–**	**380.1**	255.0	48.4	5.1	50.5	–	359.0
Revenue premium income	5	**4.1**	**–**	**–**	**–**	**–**	**4.1**	3.2	0.5	–	–	–	3.7
Other income	5	**6.2**	**0.6**	**4.1**	**–**	**–**	**10.9**	5.5	1.6	3.3	–	–	10.4
Revenue (excluding service charge income)		**277.7**	**49.5**	**9.6**	**58.3**	**–**	**395.1**	263.7	50.5	8.4	50.5	–	373.1
Service charge income	5	**23.1**	**–**	**–**	**–**	**–**	**23.1**	24.1	–	–	–	–	24.1
Service charge expense	6	**(32.7)**	**–**	**–**	**–**	**–**	**(32.7)**	(31.6)	–	–	–	–	(31.6)
Net service charge expense		**(9.6)**	**–**	**–**	**–**	**–**	**(9.6)**	(7.5)	–	–	–	–	(7.5)
Direct costs:													
Management fees and costs	6	**(9.6)**	**(6.9)**	**(5.6)**	**(1.7)**	**–**	**(23.8)**	(9.3)	(8.3)	(5.2)	(2.8)	–	(25.6)
Repairs and maintenance	6	**(3.1)**	**(0.7)**	**(1.1)**	**–**	**–**	**(4.9)**	(1.5)	(2.1)	(1.2)	–	–	(4.8)
Other direct expenditure	6	**(11.3)**	**(1.9)**	**(2.4)**	**(0.3)**	**–**	**(15.9)**	(8.3)	(2.3)	(2.5)	(0.1)	–	(13.2)
Total direct costs		**(24.0)**	**(9.5)**	**(9.1)**	**(2.0)**	**–**	**(44.6)**	(19.1)	(12.7)	(8.9)	(2.9)	–	(43.6)
Gross surplus/(deficit)		**244.1**	**40.0**	**0.5**	**56.3**	**–**	**340.9**	237.1	37.8	(0.5)	47.6	–	322.0
Indirect costs:													
Administrative expenses	8	**(0.6)**	**(0.2)**	**(0.2)**	**(0.3)**	**(21.7)**	**(23.0)**	(0.5)	(0.2)	(0.4)	(0.1)	(19.7)	(20.9)
Total indirect costs		**(0.6)**	**(0.2)**	**(0.2)**	**(0.3)**	**(21.7)**	**(23.0)**	(0.5)	(0.2)	(0.4)	(0.1)	(19.7)	(20.9)
Operating surplus/(deficit)		**243.5**	**39.8**	**0.3**	**56.0**	**(21.7)**	**317.9**	236.6	37.6	(0.9)	47.5	(19.7)	301.1
Investment revenue	10	**0.1**	**0.1**	**–**	**–**	**4.3**	**4.5**	0.1	–	–	–	3.5	3.6
Share of revenue profit from joint ventures	22	**21.7**	**–**	**–**	**–**	**–**	**21.7**	17.0	–	–	–	–	17.0
Share of revenue profit from other property investments	23	**2.1**	**–**	**–**	**–**	**–**	**2.1**	1.7	–	–	–	–	1.7
Net operating profit/(loss) before depreciation, Treasury agreements and Statutory transfers		**267.4**	**39.9**	**0.3**	**56.0**	**(17.4)**	**346.2**	255.4	37.6	(0.9)	47.5	(16.2)	323.4
Depreciation of tangible fixed assets	21	**–**	**(0.1)**	**–**	**–**	**(3.2)**	**(3.3)**	(0.4)	(0.1)	(0.5)	–	(1.9)	(2.9)
Net operating profit/(loss) before Treasury agreements and Statutory transfers		**267.4**	**39.8**	**0.3**	**56.0**	**(20.6)**	**342.9**	255.0	37.5	(1.4)	47.5	(18.1)	320.5
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	**–**	**–**	**–**	**–**	**(30.3)**	**(30.3)**	–	–	–	–	(28.7)	(28.7)
Statutory transfers	15	**–**	**–**	**–**	**–**	**(10.8)**	**(10.8)**	–	–	–	–	(9.0)	(9.0)
Parliamentary Supply finance	16	**–**	**–**	**–**	**–**	**2.3**	**2.3**	–	–	–	–	2.3	2.3
Net consolidated revenue account profit – distributable to the Consolidated Fund		**267.4**	**39.8**	**0.3**	**56.0**	**(59.4)**	**304.1**	255.0	37.5	(1.4)	47.5	(53.5)	285.1

4. Segmental analysis continued

Consolidated capital account

	Note	Year ended 31 March 2016 Urban £m	R&C £m	Windsor £m	EMI £m	HQ £m	Total £m	Year ended 31 March 2015 Urban £m	R&C £m	Windsor £m	EMI £m	HQ £m	Total £m
Income from sales of leases	5	**13.3**	**–**	**–**	**–**	**–**	**13.3**	12.2	–	–	–	–	12.2
Charge from revenue account for salary costs	9	**(7.2)**	**(1.4)**	**–**	**(5.8)**	**–**	**(14.4)**	(5.0)	(1.3)	–	(7.0)	–	(13.3)
Net revaluation gains on investment property (including profits on disposal)	13	**1,009.8**	**75.6**	**12.5**	**194.4**	**–**	**1,292.3**	1,188.7	123.5	13.9	123.8	–	1,449.9
Share of profit/(loss) on disposal of property in joint ventures	13	**0.7**	**–**	**–**	**–**	**–**	**0.7**	(6.8)	–	–	–	–	(6.8)
Share of revaluation gains from joint ventures	13	**82.0**	**–**	**–**	**–**	**–**	**82.0**	71.0	–	–	–	–	71.0
Share of revaluation gains in other property investments	13	**6.6**	**–**	**–**	**–**	**–**	**6.6**	2.6	–	–	–	–	2.6
Capital profit before Treasury agreements and Statutory Transfers		**1,105.2**	**74.2**	**12.5**	**188.6**	**–**	**1,380.5**	1,262.7	122.2	13.9	116.8	–	1,515.6
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	12	**–**	**–**	**–**	**–**	**30.3**	**30.3**	–	–	–	–	28.7	28.7
Statutory transfers	15	**–**	**–**	**–**	**–**	**10.8**	**10.8**	–	–	–	–	9.0	9.0
Net consolidated capital account profit		**1,105.2**	**74.2**	**12.5**	**188.6**	**41.1**	**1,421.6**	1,262.7	122.2	13.9	116.8	37.7	1,553.3

Balance sheet

	Note	As at 31 March 2016 Urban £m	R&C £m	Windsor £m	EMI £m	HQ £m	Total £m	As at 31 March 2015 Urban £m	R&C £m	Windsor £m	EMI £m	HQ £m	Total £m
Non-current assets:													
Investment properties	18	**9,456.2**	**1,620.8**	**188.1**	**1,037.3**	**–**	**12,302.4**	8,535.5	1,653.3	172.3	867.7	–	11,228.8
Owner occupied property	19	**64.0**	**–**	**82.4**	**–**	**–**	**146.4**	59.1	–	88.6	–	–	147.7
Other property, plant and equipment	21	**5.5**	**0.8**	**1.0**	**–**	**4.5**	**11.8**	3.5	0.9	1.0	–	6.4	11.8
Investment in joint ventures	22	**820.4**	**–**	**–**	**–**	**–**	**820.4**	646.8	–	–	–	–	646.8
Other property investments	23	**85.6**	**–**	**–**	**–**	**–**	**85.6**	79.0	–	–	–	–	79.0
Other investments	24	**–**	**–**	**–**	**–**	**10.4**	**10.4**	–	–	–	–	10.4	10.4
Receivables due after one year	25	**55.0**	**4.0**	**–**	**5.0**	**–**	**64.0**	53.9	0.4	–	3.1	–	57.4
Total non-current assets		**10,486.7**	**1,625.6**	**271.5**	**1,042.3**	**14.9**	**13,441.0**	9,377.8	1,654.6	261.9	870.8	16.8	12,181.9
Unallocated current assets							**964.4**						597.0
Unallocated liabilities							**(1,525.8)**						(1,317.2)
Net assets							**12,879.6**						11,461.7
Capital expenditure	18 & 19	**189.3**	**18.8**	**8.4**	**4.9**	**–**	**221.4**	194.4	27.8	9.4	8.5	–	240.1

Notes to the consolidated financial statements continued

5. Revenue

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Revenue account		
Rent and royalties	**380.1**	359.0
Revenue premium income	**4.1**	3.7
Other income	**10.9**	10.4
	395.1	373.1
Service charge income	**23.1**	24.1
Total revenue reflected in the consolidated revenue account	**418.2**	397.2
Capital account revenue		
Income from sale of leases	**13.3**	12.2

6. Costs

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Service charge expense	**32.7**	31.6
Management fees and costs	**23.8**	25.6
Repairs and maintenance	**4.9**	4.8
Other direct expenditure	**15.9**	13.2
Administrative expenses (see note 8)	**23.0**	20.9
Total costs reflected in consolidated revenue account	**100.3**	96.1

7. Property costs

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Service charge income	**(23.1)**	(24.1)
Service charge expense	**32.7**	31.6
Net service charge expense	**9.6**	7.5
Direct costs	**44.6**	43.6
	54.2	51.1

8. Administrative expenses

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Salaries, national insurance and pension costs	**10.2**	8.1
Reorganisation and early retirement costs	**0.6**	0.4
Commissioners' remuneration	**0.7**	0.6
Management and administration expenses	**11.4**	11.6
Auditors' remuneration	**0.1**	0.2
	23.0	20.9

Auditors' remuneration includes fees for non-audit services of £8,000 (year ended 31 March 2015: £8,000).

9. Staff costs

The total cost of Crown Estate employees (including Board members) included in direct operating costs, indirect operating expenses and administrative expenses and the capital account during the year was as follows:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Wages and salaries	**25.5**	23.0
Reorganisation and early retirement costs	**1.1**	1.4
National insurance costs	**2.8**	2.6
Current service cost – defined benefit scheme	**1.3**	1.0
Pension contributions – other pension schemes	**2.2**	1.9
Total staff costs	**32.9**	29.9
Less staff costs charged to capital account	**(14.4)**	(13.3)
Staff costs reflected in the revenue account	**18.5**	16.6

Included in:		
Administrative expenses	**11.5**	9.1
Direct costs	**7.0**	7.5
Charged to the capital account	**14.4**	13.3
	32.9	29.9

	Number	Number
The average number of employees during the year	**457**	458

10. Investment revenue

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Bank interest income	**4.3**	3.4
IAS 19 retirement benefits – net financing surplus (note 11b)	**0.2**	0.2
	4.5	3.6

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, The Opal Section, (closed to new entrants with effect from 1 January 2008) a defined contribution section and a hybrid section, The Quartz Section, (defined benefit for salaries up to £32,025 pa (Quartz Core) with money purchase provision above that level). This disclosure covers the defined benefit sections only.

A full actuarial valuation was carried out as at 31 March 2014 and updated to 31 March 2016 by a qualified independent actuary.

At 31 March 2014, the value of the scheme's assets was £41.0 million and this 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.

Notes to the consolidated financial statements continued

11. IAS 19 retirement benefits continued

11a. Balance sheet and notes

	31 March 2016 £m	31 March 2015 £m
Amounts recognised in the consolidated balance sheet		
Present value of funded obligations	**(40.3)**	(41.6)
Fair value of scheme assets	**46.3**	46.9
Net asset recognised in the consolidated balance sheet	**6.0**	5.3

	31 March 2016 £m	31 March 2015 £m
Changes in the present value of the defined benefit obligation		
Present value of defined benefit obligation at beginning of year	**41.6**	36.0
Current service cost	**1.3**	1.0
Interest cost	**1.3**	1.6
Members' contributions	**0.1**	0.1
Actuarial (profit)/loss on plan liabilities	**(2.9)**	4.1
Benefits paid	**(1.1)**	(1.2)
Present value of defined benefit obligation at end of year	**40.3**	41.6
Analysis of the defined benefit obligation		
Present value of the funded defined benefit obligation	**40.3**	41.6

	31 March 2016 £m	31 March 2015 £m
Changes in the fair value of plan assets		
Fair value of plan assets at start of year	**46.9**	41.0
Interest income	**1.5**	1.8
Actuarial (loss)/gain on plan assets	**(1.8)**	4.3
Contributions by The Crown Estate	**0.7**	0.8
Members' contributions	**0.1**	0.1
Benefits paid	**(1.1)**	(1.1)
Fair value of assets at end of year	**46.3**	46.9

	31 March 2016 £m	31 March 2015 £m
Analysis of return on plan assets		
Interest income	**1.5**	1.8
Actuarial (loss)/gain on plan assets	**(1.8)**	4.3
Actual return on scheme assets	**(0.3)**	6.1

11b. Amounts to be recognised in the consolidated revenue account

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Net financing surplus (note 10)	**(0.2)**	(0.2)
Current service cost	**1.3**	1.0
Total pension expense	**1.1**	0.8

11c. Total amount recognised in the consolidated statement of comprehensive income of the revenue account

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Actuarial (loss)/gain on plan assets	**(1.8)**	4.3
Actuarial gain/(loss) on defined benefit obligation	**2.9**	(4.1)
Actuarial profit recognised in the consolidated statement of comprehensive income of the revenue account	**1.1**	0.2
Actuarial profit/(loss) on defined benefit obligation:		
Gain due to experience	**0.6**	1.7
Loss due to demographic assumptions	**–**	(0.1)
Loss due to financial assumptions	**2.3**	(5.7)
Total actuarial loss on defined benefit obligation	**2.9**	(4.1)

11d. Cumulative amount recognised in the consolidated statement of comprehensive income of the revenue account

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Cumulative actuarial losses since adoption of IAS19	**(2.0)**	(3.1)

11e. Major categories of plan assets

	31 March 2016 £m	Percentage of total assets 31 March 2016 %	31 March 2015 £m	Percentage of total assets 31 March 2015 %
Equities	**22.6**	**48.8%**	23.2	49.4%
Government bonds	**19.4**	**41.9%**	19.3	41.1%
Other	**4.3**	**9.3%**	4.4	9.5%
Total	**46.3**	**100.0%**	46.9	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 2015: £nil).

11f. Principal actuarial assumptions at the balance sheet date

	2016	2015
Discount rate	**3.60%**	3.30%
RPI price inflation	**3.20%**	3.20%
Rate of increase in salaries	**3.20%**	3.20%
Pension increases	**3.20%**	3.20%
Post-retirement mortality (life expectancy):	**S1NxA light YoB table adjusted for CMI 2013 with 1.5% pa trend rate**	S1NxA light YoB table adjusted for CMI 2013 with 1.5% pa trend rate

Notes to the consolidated financial statements continued

11. IAS 19 retirement benefits continued

11g. Experience gains and losses

	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
Liabilities at year end	**40.3**	41.6	36.0	32.9	31.1
Assets at year end	**46.3**	46.9	41.0	39.7	33.9
Surplus at year end	**6.0**	5.3	5.0	6.8	2.8
Asset (loss)/gain:					
Amount (£m)	**(1.8)**	4.3	(0.6)	3.3	2.1
Percentage of scheme assets	**-4.0%**	9.2%	-1.6%	8.4%	6.2%
Liability gain/(loss):					
Experience gain/(loss) (£m)	**0.6**	1.7	(0.3)	(0.3)	(0.6)
Percentage of scheme liabilities	**1.5%**	4.2%	-0.9%	-1.0%	-1.9%

For 2015/16, employer contributions to The Crown Estate pension scheme (including money purchase sections) were £1.5 million (2014/15: £1.5 million).

For 2015/16, employer contributions to The Principal Civil Service Pension Scheme (PCSPS) were £1.5 million (2014/15: £1.4 million).

For 2015/16, employers' contributions were payable to the PCSPS at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable pay, based on salary bands. For 2016/17 the employer contribution will be between 20.0 per cent and 24.5 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 2016 £m	Year ended 31 March 2015 £m
By agreement with HM Treasury the income account is charged with an amount as disclosed in note 1a		
Total recovered from the capital account	**30.3**	28.7
Depreciation of fixed assets charged as costs in the income account	**3.3**	2.9
Total recovered under the Treasury agreement	**33.6**	31.6

13. Net revaluation gains in property and investments (including profit/(loss) on disposal)

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Reflected in the consolidated capital account:		
Surplus on revaluation of investment properties (note 18)	**1,039.2**	1,169.9
Adjustment for gross up for deferred rent movement	**191.8**	190.6
Gain on disposal of investment properties	**61.3**	89.4
Net revaluation gains on investment property (including profits on disposal)	**1,292.3**	1,449.9
Share of profit/(loss) on disposal of property in joint ventures (note 22)	**0.7**	(6.8)
Share of revaluation gains in joint ventures (note 22)	**82.0**	71.0
Share of revaluation gains in other property investments (note 23)	**6.6**	2.6
Total reflected in the consolidated capital account	**1,381.6**	1,516.7
Reflected in the statement of comprehensive income of the capital account:		
(Deficit)/surplus on revaluation of owner occupied property	**(3.6)**	32.1
Total	**1,378.0**	1,548.8

14. Financial instruments

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

The cash holdings not needed for operational purposes are maintained in accounts with major United Kingdom clearing banks on an 'on-call basis', thereby minimising liquidity risks. These deposits are held on a 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 income account.

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Moieties:		
Mineral dealings	**10.8**	9.0

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 (2014/15: £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 HM Treasury taking into account The Crown Estate's short-term financing requirements. £292.5 million was paid to HM Treasury prior to the year end and a further £11.6 million is included within payables. The total payment in respect of 2015/16 will therefore be £304.1 million (2014/15: £285.1 million).

Notes to the consolidated financial statements continued

18. Investment properties

Portfolio	Urban £m	R&C £m	Windsor £m	EMI £m	Under development £m	As at 31 March 2016 Total £m	As at 31 March 2015 Total £m
Opening fair value	**8,248.5**	**1,653.3**	**172.3**	**867.7**	**287.0**	**11,228.8**	9,746.6
Less: deferred income from lease premiums received	**(1,188.7)**	**–**	**–**	**–**	**–**	**(1,188.7)**	(998.1)
Less: Head lease liabilities	**(2.4)**	**–**	**–**	**–**	**–**	**(2.4)**	(2.4)
Add back: Assets held for sale	**–**	**–**	**–**	**–**	**–**	**–**	56.5
At opening valuation	**7,057.4**	**1,653.3**	**172.3**	**867.7**	**287.0**	**10,037.7**	8,802.6
Acquisitions	**39.0**	**3.4**	**–**	**–**	**–**	**42.4**	74.3
Capital expenditure	**82.7**	**15.4**	**6.1**	**4.9**	**67.6**	**176.7**	162.3
Capital receipts	**(3.5)**	**(0.4)**	**(0.3)**	**(16.3)**	**–**	**(20.5)**	(32.0)
Transfers to other categories	**179.6**	**–**	**–**	**–**	**(179.6)**	**–**	–
Disposals	**(258.4)**	**(97.5)**	**(0.1)**	**–**	**–**	**(356.0)**	(139.4)
Revaluation	**822.9**	**46.6**	**10.1**	**181.0**	**(21.4)**	**1,039.2**	1,169.9
At closing valuation (before lease incentives)	**7,919.7**	**1,620.8**	**188.1**	**1,037.3**	**153.6**	**10,919.5**	10,037.7
Deferred income from lease premiums received	**1,380.5**	**–**	**–**	**–**	**–**	**1,380.5**	1,188.7
Head lease liabilities	**2.4**	**–**	**–**	**–**	**–**	**2.4**	2.4
Closing fair value	**9,302.6**	**1,620.8**	**188.1**	**1,037.3**	**153.6**	**12,302.4**	11,228.8
Reconciliation to valuation							
At closing valuation (before lease incentives)	**7,919.7**	**1,620.8**	**188.1**	**1,037.3**	**153.6**	**10,919.5**	10,037.7
Add lease incentives	**7.1**	**–**	**–**	**–**	**–**	**7.1**	7.1
At valuation	**7,926.8**	**1,620.8**	**188.1**	**1,037.3**	**153.6**	**10,926.6**	10,044.8

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 2016 was £2,962.6 million (31 March 2015: £2,988.8 million).

The value of freehold investment properties at 31 March 2016 was £10,662.2 million (31 March 2015 £9,701.8 million). The value of long leasehold properties at 31 March 2016 was £264.4 million (31 March 2015: £343.0 million).

Investment properties identified by the Board as held for sale of £nil at 31 March 2016 (31 March 2015: £nil) 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 2016.

The Crown Estate's share of jointly controlled assets was valued at £3,845.3 million at 31 March 2016 (31 March 2015: £3,207.5 million out of the total investment property value of £10,926.6 million (31 March 2015: £10,044.8 million).

The property portfolio was valued on 31 March 2016 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 (As at 31 March 2016)	Windsor £m (As at 31 March 2016)	Total £m (As at 31 March 2016)	Total £m (As at 31 March 2015)
Opening fair value	**59.1**	**88.6**	**147.7**	112.1
Capital expenditure	**–**	**2.3**	**2.3**	3.5
Revaluation	**4.9**	**(8.5)**	**(3.6)**	32.1
Closing fair value	**64.0**	**82.4**	**146.4**	147.7

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 2016 was £92.2 million (31 March 2015: £89.9 million).

The property portfolio was valued on 31 March 2016 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 2016 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 its 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 the process is endorsed by the Audit Committee. A review is also presented as at 30 September each year.

Fair value hierarchy

The following table shows an anaysis of the fair values of investment property recognised in the consolidated balance sheet.

All are considered as Level 3 in the fair value hierarchy.

Notes to the consolidated financial statements continued

20. Fair value measurement of properties continued

Valuation techniques used to derive Level 3 fair values:

Class of property	**Fair value 31 March 2016 £m**	Fair value 31 March 2015 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Urban portfolio:						
Retail – West End	**3,303.1**	2,665.8	Investment	ERV	£35 – £820 psf ITZA	C&W
				Yield	3.0% – 5.4%	
Retail – Rest of UK	**350.1**	391.3	Investment	ERV	£20 – £225	JLL
				Yield	4.3% – 8.9%	
Retail and leisure parks	**972.9**	1,033.0	Investment	ERV	£12 – £110 psf	JLL
				Yield	4.1% – 6.6%	
Offices – West End	**2,425.4**	2,273.9	Investment	ERV	£25 – £117.50 psf	C&W
				Yield	3.2% – 6.0%	
Offices – Rest of UK	**150.0**	163.2	Investment	ERV	£25 – £28.50 psf	JLL
				Yield	5.3%	
Residential	**468.0**	550.7	Comparable	£ psf	£803 – £4,246	JLL
Industrial	**125.2**	123.0	Investment	ERV	£4.25 – £7.85 psf	JLL
				Yield	4.34% – 6.24%	
Owner occupied	**64.0**	59.1	Investment	ERV	£102.50 psf	C&W
				Yield	4.25%	
Other urban	**285.7**	150.6	Investment	Yield	1.9% – 12.8%	JLL/C&W/Savills
	8,144.4	7,410.6				
Categorised as:						
Completed properties	**7,926.8**	7,064.5				
Under development	**153.6**	287.0				
Owner occupied	**64.0**	59.1				
Total Urban at valuation	**8,144.4**	7,410.6				
Rural and Coastal portfolio:						
Agricultural	**1,336.3**	1,384.2	Comparable/ Investment	Proportion of vacant possession value	50 – 100%	Savills/Strutt & Parker
				Yield	1 – 4%	
Coastal	**217.2**	206.4	Investment	Yield	5.5 – 15%	Various
Forestry	**29.1**	27.6	Comparable	Land value	£1,035 – £8,000 per ha	Forest valuations
				Timber value	£845 – £4,500 per acre	
Aquaculture	**19.5**	18.0	Investment	Yield	5% – 12.5%	Bidwells
				Annual production	140,000 – 160,000 tonnes	
Minerals	**18.7**	17.1	Investment	Yield	5% – 25%	Wardell Armstrong
	1,620.8	1,653.3				
Windsor portfolio:						
Owner occupied	**82.4**	88.6	Comparable	Proportion of vacant possession value	65% – 95%	Savills
Other	**188.1**	172.3	Comparable/ Investment	Yield	1% – 10%	Savills
				Proportion of vacant posession value	65% – 95%	
	270.5	260.9				

Class of property	Fair value 31 March 2016 £m	Fair value 31 March 2015 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Energy, Minerals and Infrastructure portfolio:						
Aggregates	**168.1**	157.6	DCF	Yield	7% – 15%	Wardell Armstrong
				Annual extraction	c. 17 million tonnes	
Renewables	**751.1**	602.6	Investment/DCF	Yield	5% – 25%	JLL/Powis Hughes
				Discount rate	8.5% – 29%	
Cables and pipelines	**118.1**	107.5	Investment	Yield	6.5% – 10%	Powis Hughes
				Operational life		
	1,037.3	867.7				
Total all portfolios at valuation	**11,073.0**	10,192.5				

Value of investment properties including share of joint venture investment properties and other property investments

	31 March 2016 £m	31 March 2015 £m
Investment properties (note 18)	**10,926.6**	10,044.8
Owner occupied properties (note 19)	**146.4**	147.7
	11,073.0	10,192.5
Share of investment properties of joint ventures at valuation (note 22)	**889.1**	706.5
Other property investments (note 23)	**85.6**	79.0
Total value of investment properties including share of property of joint ventures and other property investments	**12,047.7**	10,978.0

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:

Wind farms

Each Round 1 and Round 2 wind farm 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.

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 redeveloped

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.

20. Fair value measurement of properties continued

Specific valuation considerations have been applied to the following classes of property continued:

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 wind farm.

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 2015	**5.6**	**25.4**	**1.6**	**32.6**
Additions	**0.1**	**3.1**	**0.3**	**3.5**
Disposals	**(0.9)**	**(2.8)**	**(0.7)**	**(4.4)**
Cost at 31 March 2016	**4.8**	**25.7**	**1.2**	**31.7**
Depreciation at 1 April 2015	**4.0**	**15.5**	**1.3**	**20.8**
Charge	**0.4**	**2.9**	**–**	**3.3**
Disposals	**(0.8)**	**(2.8)**	**(0.6)**	**(4.2)**
Total depreciation at 31 March 2016	**3.6**	**15.6**	**0.7**	**19.9**
Net book value at 1 April 2015	**1.6**	**9.9**	**0.3**	**11.8**
Net book value at 31 March 2016	**1.2**	**10.1**	**0.5**	**11.8**
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

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	Gingko Tree Investment Limited	Fosse Shopping Park, Leicester
Fosse Park West Limited Partnership	50%	August 2015	Gingko Tree Investment Limited	Castle Acres, Fosse Park, Leicester
The St James's Partnership Group:				
St James's Market Haymarket Limited Partnership	50%	September 2013	Oxford Properties	St James's Market development, London
St James's Market Regent Street Limited Partnership	50%	September 2013	Oxford Properties	St James's Market development, London
St James's Market Development Limited	50%	September 2013	Oxford Properties	St James's Market development, London

All joint ventures operate in the United Kingdom.

The Crown Estate's share of assets and liabilities and revenues and expenses of the joint ventures were:

	Gibratar LP[1] £m	Crown Point £m	Maple LP £m	St James's Market Partnership Group £m	Wexford Retail Limited Partnership £m	Other[2] £m	Total £m
Share of assets and liabilities as at 31 March 2016							
Non-current assets	198.6	66.3	121.9	192.8	174.2	131.5	885.3
Current assets	6.6	2.3	5.3	0.3	3.4	5.6	23.5
Gross assets	205.2	68.6	127.2	193.1	177.6	137.1	908.8
Current liabilities	(1.3)	(1.6)	(2.2)	(7.3)	(1.8)	(2.9)	(17.1)
Long-term bank loan	(71.3)	–	–	–	–	–	(71.3)
Share of net assets	132.6	67.0	125.0	185.8	175.8	134.2	820.4
Share of revenues and expenses for the year ended 31 March 2016							
Income	9.8	3.6	4.0	0.5	8.4	1.9	28.2
Expenses	(3.0)	(0.2)	(0.7)	(0.4)	(0.8)	(1.4)	(6.5)
Share of profit on ordinary activities reflected in the consolidated revenue account	6.8	3.4	3.3	0.1	7.6	0.5	21.7
Share of profit on disposal of property reflected in the consolidated capital account	0.7	–	–	–	–	–	0.7
Share of profit/(loss) on revaluation of investment reflected in the consolidated capital account	4.1	(0.7)	14.8	48.2	(2.1)	17.7	82.0
Total share of revenues and expenses	11.6	2.7	18.1	48.3	5.5	18.2	104.4

Notes to the consolidated financial statements continued

22. Investment in joint ventures continued

	Gibraltar LP[1] £m	Crown Point £m	Maple LP £m	St James's Market Partnership Group £m	Wexford Retail Limited Partnership £m	Other[2] £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

1 Gibraltar LP non current assets stated net of lease incentive £3.8 million.
2 Other: Westgate Oxford Alliance Limited Partnership, Princes Street (Co-ownership agreement) and Fosse Park West Limited Partnership.

Summary of movement in investment in joint ventures

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
At start of period	**646.8**	396.3
Net equity additions	**90.9**	212.0
Share of profit/(loss) on sale of property	**0.7**	(6.8)
Surplus on revaluation of investment properties	**82.0**	71.0
Share of joint venture's fair value movements on interest-rate swaps treated as cash flow hedges	**(1.2)**	(0.6)
Distributions received	**(20.5)**	(42.1)
Share of revenue profit	**21.7**	17.0
At end of period	**820.4**	646.8

In respect of The Gibraltar Limited 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 £92million under the facility for the period from 19 April 2012 until 29 March 2017 were entered into at a rate of 1.37 percent. The margin on the facility is 2.5 per cent. The swaps were valued on 31 March 2016 with a combined fair value deficit of £3.6 million of which The Crown Estate's share was £1.8 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 dates from 31 March 2016 to their contract 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 the 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 2016 £m	31 March 2015 £m
Share of revenue profit	2.1	1.7
Share of revaluation of investment reflected in the consolidated capital account	6.6	2.6
Total	8.7	4.3
Share of net assets reflected in the balance sheet	85.6	79.0

24. Other investments

Other investments comprise antiques and paintings.

	31 March 2016 £m	31 March 2015 £m
Opening balance	10.4	10.2
Additions	–	0.2
Closing balance	10.4	10.4

25. Receivables due after one year

	31 March 2016 £m	31 March 2015 £m
Other financial assets	1.8	1.8
Other receivables	62.2	55.6
	64.0	57.4

26. Inventories

	31 March 2016 £m	31 March 2015 £m
Stores	0.1	0.1

Notes to the consolidated financial statements continued

27. Trade and other receivables

	31 March 2016 £m	31 March 2015 £m
Trade receivables	**17.6**	23.2
Other financial assets	**0.1**	0.1
Other receivables	**21.6**	4.7
Prepayments	**0.2**	–
Accrued income	**11.5**	11.1
	51.0	39.1

Trade and other receivables are shown after deducting the provision for bad and doubtful debts of £5.1 million (31 March 2015: £4.8 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.

Trade and other receivables outside their payment terms not yet provided are:

	31 March 2016 £m	31 March 2015 £m
Within credit terms		
Past due date but not impaired:		
0-1 month	**0.3**	4.3
More than 2 months	**0.7**	0.5
	1.0	4.8
Impairment of receivables		
Other expenditure includes the movement on the provision for impairment of receivables as follows:		
Provision at the beginning of the year	**4.8**	5.4
Income written back/(off) during the year	**0.1**	(0.1)
Increase/(decrease) in the provision for the year	**0.2**	(0.5)
Provision at the end of the year	**5.1**	4.8

28. Payables

	31 March 2016 £m	31 March 2015 £m
Amounts falling due within one year:		
Trade payables	**5.0**	6.0
Rents received in advance	**61.4**	59.2
Taxes and social security	**12.8**	10.6
Other payables	**18.0**	8.9
Consolidated Fund	**11.6**	6.8
Accruals and deferred income	**30.3**	31.5
Deferred income on receipt of lease premiums	**13.8**	12.0
Obligations under finance leases	**0.3**	0.3
	153.2	135.3
Amounts falling due after more than one year:		
Deferred income on receipt of lease premiums	**1,366.7**	1,176.7
Obligations under finance leases	**4.4**	4.4
	1,371.1	1,181.1

29. Provisions

	£m
At 1 April 2015	**0.8**
Provision released	**(0.2)**
Reorganisation provision	**0.9**
At 31 March 2016	**1.5**
At 1 April 2014	
Provision released	–
Reorganisation provision	0.8
At 31 March 2015	0.8

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 44 years to expiry. The future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

	31 March 2016 £m	31 March 2015 £m
Less than one year	**288.6**	273.1
Between two and five years	**964.3**	915.0
More than five years	**4,436.5**	3,910.0
	5,689.4	5,098.1

Contingent rents receivable were £39.8 million at 31 March 2015 (£34.2 million at 31 March 2015).

Obligations under finance leases

Finance lease liabilities are payable as follows:

			31 March 2016			31 March 2015
	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**	**(0.2)**	**0.9**	1.1	(0.1)	1.0
More than five years	**50.2**	**(46.7)**	**3.5**	50.2	(46.8)	3.4
	51.6	**(46.9)**	**4.7**	51.6	(46.9)	4.7

The amount recognised as an expense in the year in respect of contigent rentals is £0.3 million (31 March 2015: £0.3 million).

Notes to the consolidated financial statements continued

31. Reconciliation of operating surplus to net cash inflow from operating activities

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Operating surplus – consolidated revenue account	**317.9**	301.1
Increase in employee benefits	**0.4**	0.1
Increase in receivables	**(8.8)**	(25.0)
Increase in payables	**11.3**	20.6
increase in provisions	**0.7**	0.8
Net cash generated from operating activities	**321.5**	297.6

32. Analysis of change in cash and cash equivalents

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Balance at start of year	**552.5**	552.0
Net cash inflow	**354.8**	0.5
Balance at end of year	**907.3**	552.5

33. Subsidiary undertakings

The financial statements include the financial statements of the group and subsidiaries.

Shown below are the group's subsidiaries and other significant holdings, together with the interest owned by the group and registered office.

Purple Holdco Limited (100% interest)
Purple Investment Management LLP (100% interest)
Maple Investment GP Limited (50% interest)
Maple Investment, LP (50% interest)
Maple Nominee Limited (50% interest)
Wexford Retail GP Limited (50% interest)
Wexford Retail LP (50% interest)
Wexford Retail Nominee Limited (50% interest)
Fosse Park West GP Limited (50% interest)
Fosse Park West LP (50% interest)
Purple Investment GP Limited (100% interest)
TCE Purple Investment, LP (100% interest)
Anther GP Limited (100% interest)
Anther Partners LP (100% interest)
Shoemaker GP Limited (100% interest)
Shoemaker LP (100% interest)
Shoemaker Nominee Limited (100% interest)
St James's Market Haymarket GP Limited (50% interest)
St James's Market Haymarket LP (50% interest)
St James's Market Regent Street GP Limited (50% interest)
St James's Market Regent Street LP (50% interest)
SJM Three (North Block) GP Limited (50% interest)
SJM Three (North Block) LP (50% interest)
SJM Four (South Block) GP Limited (50% interest)
SJM Four (South Block) LP (50% interest)
St James's Market Development Limited (50% interest)
St James's Market Development (No. 2) Limited (50% interest) Urban lease Property Management Limited (100% interest)

The registered office of the above companies is 16 New Burlington Place, London W1S 2HX

Gibraltar General Partner Limited (50% interest). Registered office – York House, 45 Seymour Street, London W1H 7LX
The Gibraltar Limited Partnership (50% interest). Registered office – York House, 45 Seymour Street, London W1H 7LX
Gibraltar Nominees Limited (50% interest). Registered office – York House, 45 Seymour Street, London W1H 7LX
Westgate Oxford Alliance GP Limited (50% interest). Registered office – 5 Strand, London WC2N 5AF
Westgate Oxford Alliance Limited Partnership (50% interest). Registered office – 5 Strand, London WC2N 5AF
Westgate Oxford Alliance Nominee No.1 Limited (50% interest). Registered office – 5 Strand, London, WC2N 5AF
Westgate Oxford Alliance Nominee No.2 Limited (50% interest). Registered office – 5 Strand, London, WC2N 5AF

Notes to the consolidated financial statements continued

34. Capital commitments

At 31 March 2016 The Crown Estate had committed to make capital expenditure of £495.3 million (31 March 2015: £457.2 million) and had authorised additional expenditure of £155.8 million (31 March 2015: £291.8 million).

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 £3.1 million (2014/15: £2.1 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:

Chris Bartram was a Board Consellor until 31 December 2015. He 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 December 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 2016 (31 March 2015: £nil) on this tenancy.

Savills where David Fursdon, Board Counsellor is a non-executive director, is a non-executive consultant. During the year Savills were paid £3.0 million (£2.8 million in the year ended 31 March 2015). David Fursdon had no involvement in determining either the appointment or remuneration of Savills in this capacity.

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 practice 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% total investment value) or is the landlord.

David Shaw, an employee of The Crown Estate, was appointed Chairman of The Pollen Estate during 2015/16. The Crown Estate owns a 6.4% interest in The Pollen Estate Trust.

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 2016 The Crown Estate held £24.8 million (31 March 2015: £25.8 million) on deposit on behalf of third parties.

38. Non adjusting post-balance sheet event

The UK is set to hold a referendum on 23 June on whether or not to remain a member of the European Union (EU). These accounts were certified on 16 June 2016, prior to the referendum being held. If the decision is to leave the EU, there is likely to be significant uncertainty with substantial and prolonged reduction in market activity and liquidity while the UK renegotiates its relationships with the EU and other nations. This is likely to have an impact on the valuation of the portfolio; however this impact is not quantifiable in the short term. We expect these influences to be removed if there is a decision to remain within the EU.

39. Issue of accounts

On 6 June 2016 the financial statements were approved by the Audit Committee on behalf of the Board prior to certification by the Comptroller and Auditor General on 16 June 2016. 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:

	2007 £m	2008 Restated £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	**2016 £m**
Income account										
Revenue (excluding service charge income)	262.1	231.9	285.8	299.7	306.8	314.2	332.2	350.8	373.1	**395.1**
Direct operating costs (including net service charge expense)	(38.7)	(40.2)	(42.6)	(52.9)	(42.5)	(41.8)	(49.0)	(45.9)	(51.1)	**(54.2)**
Gross surplus	223.4	191.7	243.2	246.8	264.3	272.4	283.2	304.9	322.0	**340.9**
Administrative expenses	(13.3)	(15.5)	(17.0)	(18.5)	(17.1)	(18.4)	(19.8)	(20.0)	(20.9)	**(23.0)**
Indirect operating expenses	(0.8)	(0.7)	–	–	–	–	–	–	–	**–**
Net revenue account profit	**200.1**	**213.4**	**226.5**	**210.7**	**230.9**	**240.2**	**252.6**	**267.1**	**285.1**	**304.1**
Consolidated Fund payment	200.0	211.0	230.0	210.0	231.0	240.2	251.8	266.2	285.1	**304.1**
Balance sheet										
Investment, development and owner occupied properties	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	**12,448.8**
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	**820.4**
Other property investments	42.1	38.6	27.5	30.0	33.1	34.0	35.7	35.8	79.0	**85.6**
Other plant, property and equipment	5.6	4.9	8.5	8.3	7.1	7.7	7.6	6.5	11.8	**11.8**
Other investments	4.9	4.9	4.9	4.9	5.3	5.3	5.4	10.2	10.4	**10.4**
Receivables due after one year	13.8	3.2	11.4	13.3	21.4	23.7	29.3	39.8	57.4	**64.0**
Current assets (excluding assets held for sale)	494.6	590.1	421.9	480.6	311.0	608.7	610.6	571.3	591.7	**958.4**
Pension asset	–	0.9	0.9	–	2.3	2.8	6.8	5.0	5.3	**6.0**
Current liabilities	(42.0)	(103.1)	(164.9)	(104.6)	(102.3)	(121.3)	(115.5)	(110.9)	(136.1)	**(154.7)**
Non-current liabilities	–	(666.7)	(776.2)	(837.1)	(859.9)	(914.2)	(920.5)	(992.5)	(1,181.1)	**(1,371.1)**
Capital and reserves	**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**	12,879.6

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 IPD Annual March Universe 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-2016/

Regional publications

Scotland Report 2015/16
Wales Highlights 2015/16
Northern Ireland Highlights 2015/16

Social media & updates

Follow us on Twitter:
@TheCrownEstate

Sign up to RSS or email alerts:
www.thecrownestate.co.uk/get-updates

Sign up for an online annual report notification at:
www.thecrownestate.co.uk/reportsignup

FSC www.fsc.org RECYCLED Paper made from recycled material FSC® C001785

Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Cocoon 100 Offset, a paper containing 100% post consumer recycled fibre, which is either Process Chlorine Free (PCF) or Totally Chlorine Free (TCF).
If you have finished reading this report and no longer wish to retain it, please pass it on to other interested readers, return to The Crown Estate, or dispose of it in your recycled paper waste. Thank you.

Designed by mslgroup.co.uk

Illustrations by Zoë More O'Ferrall

The backbone of the West End

We continue to transform Regent Street and St James's, delivering world-class office, retail and public realm while retaining the distinct characteristics of this iconic part of London. This is conscious commercialism in action: smart, long-term thinking that generates value for ourselves, our partners, our customers and the community in which we operate.

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

thecrownestate.co.uk
@TheCrownEstate

ISBN 978-1-4741-3431-6
9 781474 134316