



A progressive commercial business



creating significant value



beyond financial return

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## Continuing to evolve our integrated approach

### Why integrated reporting?

An integrated report is a concise communication about how an organisation creates value in the short, medium and long term. Sustainability is woven into the fabric of our business and is a driving factor behind our strategy and long-term commercial success; integrated reporting is an ideal way of expressing this.

An integrated report is aligned with The Companies Act 2006 (Strategic report and Directors' report) Regulations 2013. In the opinion of the audit committee, the International Integrated Reporting Framework has informed the development of this report and we would seek to be in accordance with it by 2015/16.

### What's new this year?

In this, our second integrated report, our focus has been on understanding and highlighting the importance of the resources and relationships\* that sustain our business and contribute to our success. This year we have also set out strategic objectives to deliver our vision, added a new 'Our Markets' section to explore the trends of the material issues that influence us, and the review of our portfolios now concentrates on the core activities. This has been done in a more concise way and on fewer pages.

### What next?

Our approach is still evolving and in future reports we intend to:

- review the way we measure our performance and develop robust indicators for all our strategic objectives
- further develop and integrate the way we measure value – what we call Total Contribution
- show improved connectivity between the different sections of our report
- demonstrate how we are embedding integrated thinking further into our business decisions and explore case studies to reveal how this is delivering greater value.

## Stay informed:

### Online

For the full Annual Report see

Corporate website:

[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

Online annual report:

[www.thecrownestate.co.uk/annualreport-2014/](http://www.thecrownestate.co.uk/annualreport-2014/)

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

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

> **International Integrated Reporting Council**  
[www.theiirc.org](http://www.theiirc.org)



\*Referred to as 'capitals' in the International <IR> Framework

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

Our role is to make sure that the land and property we invest in and manage for the nation are sustainably worked, developed and enjoyed to deliver the best value over the long term.

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

## Key highlights

**£267.1 million** +5.7%

Net revenue profit up 5.7 per cent compared to £252.6 million in 2013

**£9.9 billion** +14.6%

Capital value up 14.6 per cent compared to £8.6 billion in 2013

**£9.4 billion** +15.7%

Property value up 15.7 per cent compared to £8.1 billion in 2013 (including share of joint venture properties and other property investments)

**20%**

The Crown Estate total return. Outperforming our target 17.3 per cent (IPD bespoke benchmark)

**+2%**


Improvement in carbon intensity

**4.3 GW**

Renewable energy capacity installed to date

**2013**

Building Public Trust Awards for both our Integrated Annual Report and Accounts and sustainability reporting

PwC has provided limited assurance against ISAE 3000 for selected key data in 2014. Where you see the  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](http://www.thecrownestate.co.uk/pwc-statement)





Our values – commercialism, integrity and stewardship – lie at the heart of everything we do.

£267.1  
million  
record net  
revenue profit.

## A record performance

### Chairman's statement

**Another year of excellent results shows The Crown Estate making the most of a favourable wind in the property sector and the UK economy as a whole. The resourcefulness and energy of our management team have again produced market outperformance, growing the value of our property portfolio to £9.4 billion and delivering a 5.7 per cent increase in our net revenue profit to a record £267.1 million.**

These hard-won achievements demonstrate the effectiveness of The Crown Estate's commitment to its triple values of 'commercialism, integrity and stewardship', and the ability of a principled business with a long-term focus to respond to varying market conditions. Our ability to contribute £267.1 million to the nation's finances is a strong motivating force in the business, but we are increasingly aware that our Total Contribution to the UK extends well beyond the profit we make. Continuing investment and imaginative management of our assets goes hand-in-hand with engagement with the communities in which we work.

A significant feature of the year has been the strengthening of our partnerships with international investors, in particular on our London portfolio, and the crucial role we play in attracting and facilitating investment in offshore energy undertakings. We are now firmly recognised as a trusted partner and a capable manager of assets and complex development projects. Our reputation and our values are key to this recognition, but just as important are the capabilities, entrepreneurship and enthusiasm of our executive team, and, on behalf of the Board, I take this opportunity to congratulate them on their achievements and to thank them for their tireless commitment to The Crown Estate's success.

The severe winter weather has really tested the resilience of some of our partners and tenants right across our Rural and Coastal estates and in Windsor Great Park, and we have worked hard to support them through this particularly difficult time.

In line with our emphasis on long-term performance, the Board and the executive team have been working hard to shape a clear vision and strategy to guide the business to 2022. This means building on the strengths of our unique asset base and our proven business model to ensure that we not only deliver success today, but build strong foundations for future success. We were delighted to win the prestigious PwC Building Public Trust Award for our first Integrated Annual Report last year. This has reinforced our commitment to work with many other leading businesses to share our business model and thoughtful approach to how we create value – for The Crown Estate, our stakeholders and our customers. This also means mitigating the impact we make as a business on the environment and thinking consciously about what 'good business' means.

We continue to have strong working relationships across Government, especially with the Treasury and the devolved administrations. As Scotland prepares for the referendum on independence we remain firmly committed to our business in Scotland and the dedicated team we have there.

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

We will work with partners and stakeholders to grow our business, outperforming the market whilst delivering sustainable long-term returns and making a positive impact through our Total Contribution to the UK.

In everything we do, we are guided by our values – commercialism, integrity and stewardship.

In an increasingly complex and fast changing environment, it is critical that we keep abreast of best practice in terms of governance of the business. This year we have made a number of changes to streamline our processes and Board sub-committees. More details of these are set out in the Governance section of this report. For the first time, we have also undertaken an independent review of the effectiveness of the Board. The general tenor of the report was reassuring in respect of current arrangements, but a number of further changes will be made, including the establishment of a nominations committee.

The Board continues to focus on the strategic direction of the business and to ensure it has a clear understanding of the many diverse markets in which we operate. To inform our work we have an active programme of engagement, including a number of successful strategy days and visits. This year's visits have ranged from our many major development projects in the West End, to our offshore activities in Orkney (Scotland) and Thanet (Kent), to our wider regional retail and rural investments, including our potash mine at Boulby (North Yorkshire).

Strong relationships with stakeholders are very important to us and we hosted well-attended annual receptions in both Wales and Scotland; and in Northern Ireland we met individually with stakeholders.

As Chairman I am very conscious of the real skill and experience of Board Members to complement those of our excellent executive team. Later this month, Jenefer Greenwood will be stepping down from her role, following a decade of service as a Board Member and then as a Board Counsellor. Jenefer has brought invaluable knowledge to the Board from her many years in retail and property and has chaired the Remuneration Committee for over four years with great skill and judgement. We will miss her both as a friend and colleague. In January, we welcomed Peter Madden as a new Board Counsellor, and we look forward to drawing on his extensive business and sustainability expertise. In January I was re-appointed as Chairman, and Gareth Baird's re-appointment as our Scottish Commissioner will bring his wise contribution to the Board for a further term.

We finish the year feeling very proud of a great set of results, but also ambitious to realise for the benefit of the nation the potential we can see in our diverse assets. The business is in a strong position, and with signs of a much improved economic climate we look to the year ahead with optimism.



**Sir Stuart Hampson**  
Chairman



Conscious commercialism is a principle encompassing everything we do.

£9.9 billion capital value.

## Creating significant value

### Chief Executive's review

**I am absolutely delighted to announce another highly successful year for The Crown Estate as we continue to deliver a strong return for the UK and grow our business in line with our ten-year plan – Vision 2022. Our capital value is at an all-time high of £9.9 billion, our balance sheet is strong and our total return of 20 per cent means that we have, once again, outperformed the market.**

### Success is a team game

Every part of the business has contributed to this remarkable success story. I want to add my thanks, to those of the Chairman, to everyone at The Crown Estate for all their hard work, enterprise and commitment in delivering these results.

This year we have increased third party funds in our managed strategic joint ventures to some £968 million. We have extended our existing well-established partnership with NBIM and have entered into a new partnership with Oxford Properties, a major Canadian real estate investor, to help realise our ambitious St James's Market project.

Partnership working is a central feature of our business model and these relationships help us to continue to grow our business, expertise and long-term performance.

### An active and busy year

We have been busy this year, with almost £1 billion of capital activity – acquisitions, disposals and development projects. Once again London's West End has been a major focus for us, with market conditions supporting our ongoing transformation of Regent Street and St James's. Our development programme has delivered some superb new buildings, attracting the best tenants (office and retail) and premium rents. The demand for flagship stores has brought international names such as J.Crew and Karl Lagerfeld to Regent Street and luxury brands such as Osprey and Tiger of Sweden to St James's. We've also attracted an impressive list of restaurants, including Angela Hartnett's Café Murano and Philippe Le Roux's Villandry, further reinforcing the attractiveness of the West End as a destination of choice.

This year we've invested significantly in public realm improvements to Regent Street St James's and Waterloo Place and hosted traffic-free event days on Regent Street and community pop-up events within our regional retail business. This is placemaking at its best, enhancing the places where our assets are worked, managed and enjoyed.

Whilst the strength of the investment market has limited our opportunities to buy in the West End, it has afforded us the opportunity to sell well – both in London and in the regions. Nevertheless, where we've found value we have made some astute purchases, most notably further strengthening our regional retail portfolio (Silverlink in Newcastle, Coliseum in Cheshire and Banbury Gateway in Oxfordshire) and the Ellington Estate, a major rural acquisition in Northumberland.

Our Energy and Infrastructure team has faced a year of change and volatility as the Government's Energy Market Reform (ERM) has been finalised and the first CFDs (contracts for difference) awarded. This has led to some inevitable attrition in offshore wind, which we see as a positive

step in the maturing of the industry, as projects with the most potential come to the fore. Nevertheless, this year has, without doubt, been a landmark year for offshore wind with 1,450 turbines now in the water, including the largest offshore wind farm in the world – the London Array – which brings installed capacity to 4.3 GW. We welcomed the much awaited Siemens and ABP's £310 million investment in the Humber Marine Energy Park which should help boost the industry's supply chain and employment opportunities and further underpin the UK as one of the best places in the world to invest in offshore wind. Other highlights include emerging plans for the UK's first floating wind farm off the coast of Peterhead, Aberdeenshire and further progress with our two carbon capture and storage (CCS) projects. During a particularly harsh and windy winter period, offshore wind has really begun to prove its worth, generating an estimated 5 per cent of the UK's electricity in the three months to February. Given the challenges of climate change, binding decarbonisation targets and the importance of energy security, we remain committed to, and confident in, the potential of our offshore renewables business which delivered a record £15.6 million in revenue last year.

Our active asset management has driven success around our business. In our strategic land portfolio we've secured planning permission for over 1,200 new homes and our marine minerals business has seen steady revenue growth as a result of capitalising on an upturn in UK construction activity. The active management of our rural portfolio has resulted in another year of strong capital growth and our coastal portfolio continues to deliver a good revenue stream.

The Windsor estate has a very particular place in our portfolio and in the nation's heritage. We've invested in new visitor facilities this year at Virginia Water and Swinley Forest and attracted more visitors with a range of new events, including Lapland UK. This has helped to underpin a successful year, driving revenue forward and managing costs.

## A responsible business

This is our second integrated Annual Report and Accounts and is a visible commitment to how we have embedded sustainability right at the core of our business. We see being a *successful* business and being a *sustainable* business as one and the same, helping us drive our competitive advantage, to outperform the market and to deliver long-term value beyond financial return. We continue to push best practice on sustainability and I'm very proud of what we've been able to achieve this year, working with our customers, supply chain and partners.

We continue to make progress on the reduction of our carbon impact, achieving a two per cent improvement in emissions intensity this year, further decoupling our impact from our business growth.

We are a commercial business, but at all times we are conscious of our wider role, impact and influence. Across a very diverse portfolio this approach to what we call 'conscious commercialism' is a principle encompassing everything we do. I hope you will see many examples of this throughout this year's report from the story of our strong financial performance, to our approach to collaboration, to our commitment to stewardship across the business.

## Our team

Over the year we reaffirmed our philosophy of working as one business and one team with a common sense of purpose. We've continued to build a strong culture and set of behaviours based on our values. This strong team ethos sits at the heart of our continuing success. However, looking forward, attracting and retaining talent in an increasingly competitive marketplace is a critical business challenge.

We have strengthened and deepened our Corporate Affairs team, with a dedicated Director – Judith Everett – to lead on communication and external engagement. We continue to review other areas of our business to ensure that we have the right mix of skills and expertise to deliver our promises but also to run a tight and efficient business.

This year we see a change of leadership in Windsor as Philip Everett LVO, steps down as Deputy Ranger after 16 successful years. He will be succeeded by Paul Sedgwick, who join us from Yattendon Estates.

## Looking ahead

We start the new financial year in great shape, seeking to build on momentum, taking a long-term view of our core markets and emerging strategic opportunities. As always, the market has its challenges, but we feel confident that we are well positioned and that London will continue to thrive as a global city. Our investment strategy and business model have served us well and we will continue to take an agile and enterprising approach in seeking to deliver excellence and lasting value beyond financial return.



**Alison Nimmo CBE**  
Chief Executive



100 per cent of our annual revenue profit goes directly to the UK Treasury, and year-on-year we continue to add to the long-term value of our assets and the income they produce.

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



# One business, one team

## At a glance

### Urban

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

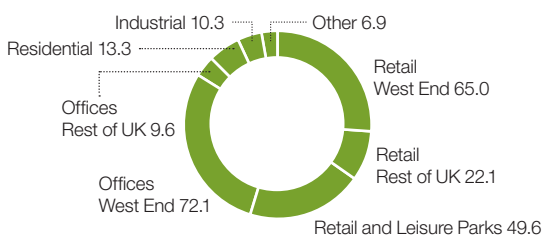
#### Revenue\* £m

2014	248.9
2013	239.5
2012	225.3
2011	226.9
2010	221.4

#### Property valuation\*\* £m

2014	6,867
2013	5,928
2012	5,480
2011	5,246
2010	4,704

#### Revenue by activity £m



### Rural and Coastal

We are one of the UK's largest rural and coastal landowners, managing and investing in a hugely diverse range of assets and interests. These include more than 139,000 hectares (343,000 acres) of agricultural land and forests, residential and commercial property, mineral rights, renewable energy, aquaculture, marinas, ports and harbours, and around half of the UK's shoreline. We actively manage these assets, applying our experience, skills and understanding to generate revenue and build value.

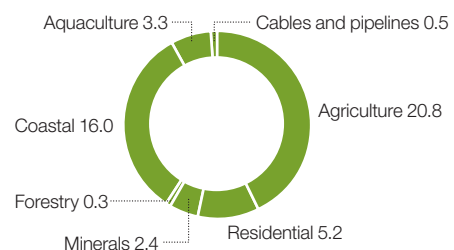
#### Revenue £m

2014	48.5
2013	46.5
2012	43.3
2011	43.0
2010	41.1

#### Property valuation £m

2014	1,559
2013	1,437
2012	1,393
2011	1,243
2010	1,143

#### Revenue by activity £m



\*Excluding service charge income

\*\*Including share of joint property and other property investments





- > **Review of activities**  
See pages 18 – 41
- > **Map of our activities**  
Visit [www.thecrownestate.co.uk/estates-map/](http://www.thecrownestate.co.uk/estates-map/)

## Windsor

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

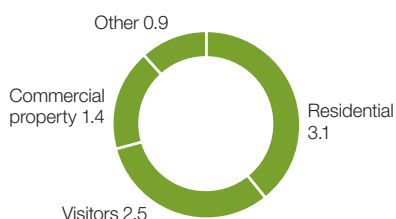
### Revenue £m

2014	7.9
2013	7.1
2012	7.4
2011	6.8
2010	6.6

### Property valuation £m

2014	225
2013	204
2012	196
2011	186
2010	177

### Revenue by activity £m



## Energy and Infrastructure

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

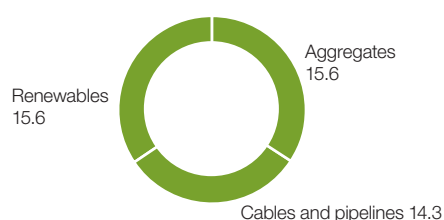
### Revenue £m

2014	45.5
2013	39.1
2012	38.2
2011	30.1
2010	30.6

### Property valuation £m

2014	759
2013	564
2012	521
2011	393
2010	265

### Revenue by activity £m



# Working together to create value

## Business model

**Our Vision statement sets out our commitment to delivering significant value beyond financial return, and our business model shows how we go about creating that value.**

It demonstrates how we draw upon different resources and relationships and transform these to deliver greater returns whilst making a positive impact through our Total Contribution to the UK. It is through these processes that we are able to grow our business and outperform the market with a spirit of conscious commercialism.



- > **Resources and relationships**  
See page 10
- > **Strategic objectives**  
See page 12
- > **Key performance indicators**  
See page 44
- > **Our Total Contribution**  
See page 11
- > **Material issues**  
See page 46



Making a positive impact

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



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



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



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

**Our networks**



Our outputs



# What we draw on to create value

## Resources and relationships

We have identified six different resources and relationships that are essential in how we create value. We draw upon these as vital inputs into our business and we are constantly increasing, decreasing and transforming them through our activities.

 <h3>Financial resources</h3> <p>The financial resources that are available to us to grow our business.</p> <p>For example, how we recycle capital when we sell an asset.</p>	 <h3>Physical resources</h3> <p>The land and property that we own and utilise.</p> <p>For example, the quality of the buildings that we own and manage. This resource is particularly relevant to our business sector.</p>	 <h3>Natural resources</h3> <p>The natural resources that we nurture, harness and harvest to sustain our business.</p> <p>For example, the quality of soil that supports the crops grown by our rural tenants.</p>
 <h3>Our people</h3> <p>The individual skills, competencies and experience of our people which create value and deliver our business objectives.</p> <p>For example, our organisation-wide commitment to working as one business, one team with one common sense of purpose.</p>	 <h3>Our know-how</h3> <p>Our collective expertise and processes, which provide us with competitive advantage.</p> <p>For example, our expertise in development management which allows us to execute extensive development projects in Regent Street and St James's.</p>	 <h3>Our networks</h3> <p>The relationships we have with customers, colleagues, communities, business partners and Government that are central to our business.</p> <p>For example, our strategic partnerships that build upon shared values and which provide ongoing investment across our core business.</p>

By these means we are creating greater value for ourselves, our stakeholders and the communities which support us.

These resources and relationships are all intrinsically linked and we recognise how important it is not to focus on maximising one of them at the expense of another. We will become more sustainable, and therefore more successful as a business, by optimising all our resources and relationships. For example, we invest our 'financial resources' in 'our people',

equipping them with the skills and training they need to enjoy fulfilling and rewarding careers; this increased 'know-how' can help ensure that on our land and property ('physical resources') we use 'natural resources' more efficiently, which in turn can generate greater 'financial resources' to grow our business.

These six resources and relationships are an integral part of our decision making processes. Their essential role in our business is represented throughout this

report, from the further development this year of our business model on the previous page and our material issues on pages 46 – 47 to describing their contribution in creating value for each of our core business activities on pages 18 – 41. Our Finance Director's review on pages 48 – 53 is also structured around the six resources and relationships, highlighting their importance in the creation of strong financial returns.



# Defining value beyond financial return

## Our Total Contribution

### What is Total Contribution?

Total Contribution is the way we measure and communicate the significant value we create beyond financial return. It covers economic, social and environmental contributions.

Our accounting approach is built upon three transparency principles:

**Credit** – going beyond direct impacts to include indirect activities (arising from work commissioned by us and carried out through our supply chain) and our enabled activities (those undertaken by others on our land).

**Confidence** – how confident we are in the results, particularly identifying where we are relying on established modelling and assumptions.

**Net Contribution** – taking into account the negative as well as positive outcomes, including connected activity elsewhere and things that ‘would have happened anyway’.

### Progress so far

Following the launch of our first Total Contribution report last year, we have been sharing our experiences with others to build momentum and consensus in value measurement. We have also been:

- Reviewing what we measure and the modelling we use to ensure they are relevant and to improve our confidence in the results.
- Consolidating our approach with the production of: a manual to set out responsibilities and timelines for collection, collation and reporting; an updated methodology document addressing changes in approach; and improved data collection tools. This has enabled us to build a baseline covering three years from which we will be able to measure improvement.
- Running pilot projects to identify the ecosystem services and cultural value that our natural resources provide to visitors and local communities.
- Incorporating Total Contribution thinking into decision making – examples include engagement with stakeholders such as planning authorities, and measuring the value of activities such as job creation, community education projects and embedded generation of renewable energy in development and refurbishment.

### What next?

We are working towards Total Contribution becoming one of our key performance indicators. This will allow us to measure our relative performance against a firm baseline. Total Contribution is also how we intend to measure our positive impact to the UK.

In order to do this we are looking at possible ways to sum up the year-on-year performance of the different things we are measuring, without losing their individual value. We are also working with an external third party to gain independent assurance on our approach and to validate our results.

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



Sustainability is integrated in our business as a driver of performance. Total Contribution is our tool for defining and measuring the value we are creating from our business performance. Looking forward, we will be developing this as a mechanism for demonstrating the financial, social and environmental benefits of our business.

**Vivienne King**  
Director of Business Operations and General Counsel

# A strategy to maximise value

## Strategic objectives

Our strategic objectives are designed to help guide us in setting our priorities and in assessing how we're doing against our vision.

# 1

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

# 2

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

# 3

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

# 4

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

# 5

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

# 6

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

# The markets in which we operate

## Our markets

The diversity of our business means that our markets are influenced by a wide variety of economic, social, political and technological factors. These will range from the health of the property market, to the emergence of a new technologically-dependent population both as workers and consumers and the need to move to a low carbon economy. We term the most significant of these factors our Material Issues, and review them on an annual basis.

### Analysing our markets – Our investment strategy

**Our investment strategy underpins our business performance and so the broader trends outlined in this section are those that are most relevant to our ability to deliver against this strategy.**

Our investment strategy focuses on sectors where we can outperform the market through our expertise and critical mass. These key areas are West End development, regional retail and leisure, strategic land within our rural portfolio and the offshore wind sector. As part of our investment strategy we also seek to ensure we continue to enjoy access

to capital through sales of non-core/ex-growth assets and the formation of strategic partnerships.

### The attractiveness of the UK, and London in particular, to international capital

With a substantial part of our Urban portfolio based in the West End of London, the strength of the city is vital to our future business success. In particular, we have seen considerable benefits from the truly global nature of London and its attraction as a location for both visitors and investors. This is

reflected in the significant international capital we have secured for our West End developments, the number of overseas brands and organisations that have opened flagship stores and headquarters on Regent Street and St James's and the amount of business generated by overseas visitors who shop in Central London.

It is clear that London's future success will depend on the UK continuing to be an open and welcoming environment within the global market. That means maintaining depth of liquidity, the rule of law, stable taxation and a safe environment, all of which are so valued by overseas investors.



Our investment strategy focuses on sectors where we can outperform the market through our expertise and critical mass.





## Our markets continued

### Occupier demand

As a property company, demand for office, retail and residential space is critical to our business. In our Urban portfolio that demand is strongly influenced by the wider economy and by improvements in the economic outlook during 2013/14 which resulted in strengthening occupier demand.

In the short to medium term, we believe that growth will continue and, in particular, we expect strong demand in London's office market for units of all sizes. This reflects the fact that supply of both new and second-hand space will remain relatively limited by historic standards. All of our current schemes are scheduled to complete by early 2016.

We will continue to focus on improving our assets in innovative ways, to provide the best possible space for our occupiers that meets contemporary workplace needs. This includes our extensive pipeline of schemes in the West End which provide high quality, attractive space for a very wide range of business occupiers.

### The changing nature of retailing and leisure

In our urban business, one of the central challenges for us will be to respond to changes in the nature of retailing. Technology-driven change is happening very fast and it is difficult to make accurate predictions of what the retail sector of the future will look like. However, it's likely that the most successful retailers will be those that manage the interaction between online, mobile and traditional in-store retail effectively. That flexibility is likely to become ever more important as new services such as 'click-and-collect' develop further.

We also expect the trading environment for many high streets to remain challenging and for a continuation of the movement to a smaller number of dominant schemes, both from existing retailers and new-entrants to the market. This is likely to lead to the further development of the best retail parks into broader leisure destinations in response to consumer trends.

These developments in the market are leading to fierce competition for the most desirable stock and we believe that our focus on investing in high quality shopping parks in strong regional locations will drive returns over the medium to long term. This further underlines the importance of placemaking and the need to continue our investment in making our properties, and the areas around them, sustainable and attractive places to visit.

### Planning

With growing pressure on land use and the need for high quality sustainable development, planning policy will have an important influence across our portfolios. The reforms to planning legislation under the National Planning Policy Framework have helped stimulate the residential development market. This, combined with ongoing pressure for more housing, means we expect demand for strategic land will continue to increase. We see this as an ongoing driver of returns in our rural business and, in response, our pipeline of strategic land sales has been accelerated. We will be looking to replenish this portfolio over the longer term.



In the short to medium term, we expect strong demand in London's office market for units of all sizes.





Overall, we believe that the market for residential property is likely to remain strong, especially for high quality developments in good locations. However, in the longer term there is a risk that an oversupply of less well located/high quality stock, especially in London, could affect pricing.

Planners will also need to ensure their decisions prevent the economic strength of central London leading to fragmentation of the city in a way that causes social or economic tensions. We know that there are particular challenges for those who work in London and we have signed up to the Mayor's housing covenant to provide homes for working Londoners. Effective planning decisions will help to manage those differing needs and sustain a mixed community in central London.

Looking to the retail sector, the West End has seen continued demand for units in the best locations, from both domestic and international occupiers. Outside of London there are early signs of improvement in the retail landscape, particularly for the best retail parks and, after a period of stagnation, rental growth is likely to return over the next year or two.

In more rural areas, we see the competing demand for land use and natural resources becoming more acute in the years ahead as the demands for land for farming, conservation, energy and leisure grow. The potential impacts of climate change are also a concern. The UK loses about 70,000 hectares (173,000 acres) every year to development, including renewable energy projects. As a result, planners will face increasing needs to balance those different demands for land and ensure that it is used efficiently. The Crown Estate will continue to review its rural portfolio to understand the locations and types of land that will achieve the best returns.

## Infrastructure

Good quality infrastructure is vital for economic development and plays a central role across all our portfolios. This ranges from the importance of Crossrail for our developments in the West End to the need for the connections required to develop the UK's offshore renewables sector.

The Crown Estate will continue to play a critical role in facilitating energy infrastructure. We expect increasing demand for cables and pipelines for efficient transmission of energy from offshore generation, as well as for transporting carbon dioxide to carbon capture and storage projects and for gas storage. This part of our business will also play a key role in telecommunications and broadband as more remote areas of the UK become connected. In our marine minerals business, we anticipate continued growth in the demand seen over recent years from a range of construction and infrastructure projects.



Good quality infrastructure is vital for economic development and plays a central role across all our portfolios.



## Our markets continued

### Government policy

The Crown Estate has strong working relationships across Government, especially with the Treasury and the devolved administrations including the Scottish government. An area of our business that is particularly related to government policy is the Energy and Infrastructure portfolio. The recent energy market reform has brought welcome clarity and we can see a clearer pathway towards future growth and attractive investment opportunities in the maturing offshore wind industry. However, we believe that some projects will prove too costly or construction too challenging and we expect some further attrition in the pipeline of projects.

We also expect further development in wave and tidal projects and carbon capture and storage. While these are still emerging technologies, we believe, given the right policy framework, there is clear potential for them to play a significant role in the UK's future energy markets.

The combination of the need to move to a lower carbon economy and underpin the UK's energy security means that we expect continued focus on enabling renewable energy developments, leading to a significant growth in installed capacity from 2018–2022.

### Analysing our markets – Our material issues

While our investment strategy underpins our commercial business approach, we are also conscious of the material issues which impact our ability to deliver on our strategic objectives. We follow a structured process for the annual review of material issues, based upon economic impact and stakeholder interest as well as likely future impact – which means many of our material issues are present in this analysis of our markets.

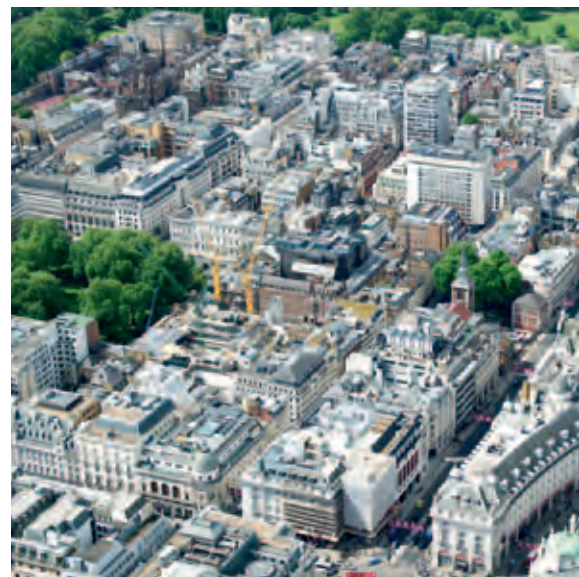
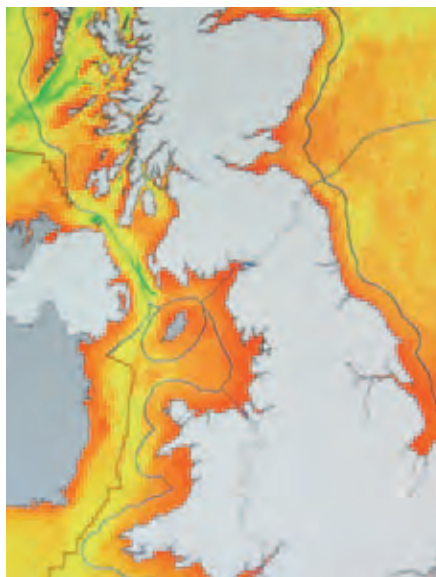
#### Our material issues are:

- Optimisation of the portfolio for sustained and profitable growth
- Attraction of suitable commercial partners and investors
- Reputation and trust
- Government policy
- Attraction, nurturing and retention of best talent
- Governance
- Health and safety
- Availability of natural resources
- Customer focus
- Health of the economy
- Effect of climate change
- Successful placemaking

 **Material issues**  
See pages 46 – 47



We are also conscious of the material issues which impact our ability to deliver on our strategic objectives.



Our investment strategy is influenced by our markets and underpins our approach to business.

We outline what we have been doing across our portfolios through our core activities of investment, asset, development and property management.



# What we've been doing

## Review of activities

Throughout this section we discuss the main activities we undertake. Whilst producing it we have been taking into consideration the resources and relationships that we are reliant upon and how they interconnect to create greater value.

**Whether it is investing in our people and their know-how to build better networks and make better deals for all parties or the efficient use of natural resources, all that we do aims to enhance our physical assets and deliver stronger financial returns.**

### Investment management

During the course of the last financial year, we have continued with our primary strategy of investment into our core sectors, where we have critical mass and a high level of expertise, as well as timely disposals of non-core assets. We also launched another strategic partnership which released capital for reinvestment, spreads our development risk, and strengthens our existing relationships.

Over the year we invested £263.6 million in acquisitions, £248.1 million in capital expenditure and made disposals realising £457.2 million.

### Urban

Within the Urban portfolio our key sectors are focused on the West End of London and in prime regional retail and leisure space around the UK. Across the West End there has been continued investment from domestic and overseas capital which has driven pricing, and the sector has witnessed record breaking investment volumes during 2013/14. Outside London, our investment markets have also experienced an increase in investor appetite not just for prime investments but also in secondary markets which began to recover in many

regions during the course of the year. This has created strong competition for the most desirable stock, but our continued investment within these core areas has added value to the quality of our portfolio and will drive returns over the medium to long term.

In the West End we have been able to consolidate our position through the acquisition of adjoining interests and merging existing ones through leasehold purchases. This has increased our footprint in these areas and allowed us further control of key areas within our portfolio. This strategy has been applied in the purchases of 13 Charles II Street, 106 and 115 Jermyn Street which are in St James's, and Goldsmith's House within the Regent Street Partnership. This allows us to build on our know-how



Our development plans for St James's continue apace, this year attracting quality fashion brands such as Barbour, Duchamp, Sunspel and Tiger of Sweden alongside desirable restaurant offerings including Villandry, Chop Shop and Cicchetti.





to create world-renowned shopping and restaurant destinations, alongside providing first-class office space.

Our acquisitions outside London included the purchase of Silverlink, on the outskirts of Newcastle, which is a prime retail park in the North East. The park was acquired for £131 million and is one of the country's most successful shopping parks.

The value of our portfolio of retail parks now stands at over £1.2 billion (including our share of joint ventures) and our position was further strengthened through our acquisition of the Coliseum shopping park in Cheshire for £81 million. As part of our focus on increasing our portfolio of prime retail and leisure schemes, we have also made a commitment to fund the development of the £80 million Banbury Gateway fashion park in Oxfordshire. This new park will have 285,000 sq ft of prime retail, restaurant and leisure space and will further cement our position as a leading operator within the retail park sector – we are the 5th largest direct owner in the UK.

Our strategic partnership with Norges Bank Investment Management (NBIM) was extended further in a deal that allowed us to release capital for further re-investment and provided NBIM with a 25 per cent interest in the £390 million Quadrant 3 development on Regent Street. This deal is the 12th and largest concluded by the Regent Street Partnership since its formation in 2011 and will further support the £1 billion investment programme that is transforming this world-class street.

The Crown Estate now manages £968 million of partnership capital within strategic joint ventures on behalf of institutional investors. They include, in addition to NBIM, the Healthcare of Ontario Pension Plan (HOOPP) and Oxford Properties Group, the real estate investment division of the Ontario Municipal Employee Retirement System (OMERS). We will continue to look for opportunities to strengthen these relationships across our networks, and develop new ones, by leveraging our prime assets and skills through partnerships in which we share our assets, release capital and manage third party funds.

The strength of the market has also allowed us to complete non-core sales during the course of the year. Sales of such non-core assets included Cabot Park in Avonmouth for £31 million and the Zenith Industrial Park in Basildon for £18.8 million.

### Rural and Coastal


It has been another active year for investment in our Rural and Coastal portfolio. In line with our policy of disposing of land that does not fit our long-term strategy we sold two major assets. The Cranwell and Roxholm Estate in Lincolnshire, a 1,200 hectare (3,000 acre) mixed farm, was sold to a private buyer and the 560 acre Quadring Fen Farm, also in Lincolnshire, was sold to the Duchy of Lancaster.

Our principal acquisition was the 1,400 hectare (3,500 acre) Alcan Farms agricultural land portfolio in Northumberland from Rio Tinto. This purchase includes agricultural land, farm buildings, 19 houses, and an operational 13 turbine wind farm leased to ScottishPower Renewables, and will now be known as the Ellington Estate.



# 3,500 acre

Ellington Estate was the principal investment on our Rural and Coastal portfolio, which includes agricultural land, farm buildings, 19 houses, and an operational wind farm.






Seeing the  
big picture  
helps create



bigger shops  
and offices





and more  
attractive places  
for people  
to enjoy

## West End

Because we can see the big picture and take a long-term view, we are able to work with our investment partners to develop bigger and better shops and offices and improve public spaces. This is transforming an iconic location and creating a sustainable, world-class retail and business environment, that in turn is attracting more major brands and leading companies, more employees and visitors than ever before.



## Review of activities continued

This gives us a diverse range of income sources in areas where The Crown Estate has specialist skills. In particular, we see opportunities to improve the asset through increasing the long-term value of the farms, progressive and sustainable farm management and investing in better drainage.

We have also continued to review our residential assets to determine where there is a case for investing in improvements to meet emerging requirements in areas such as energy efficiency and where disposal would be more in line with our business priorities. These sales generated £7.4 million over the year.

### Windsor

Investment at Windsor is focused on maintaining the 6,400 hectare (15,800 acre) estate and managing existing assets for the enjoyment of the three million visitors the park receives each year. A good example being the £1.3 million investment made last year in a new pavilion at Virginia Water which opened in September. In the past year we acquired eight houses from the Metropolitan Police on the edge of the estate. The purchase reflects our intention to enhance the performance of our property portfolio, where we are aiming to provide an extra 40 properties for rent on the open market over the next ten years. This is part of investing in the estate to create additional income and support a sustainable financial future.

### Energy and Infrastructure

In what has been a landmark year for the offshore wind industry, including the opening of the world's largest offshore wind farm, London Array, and the implementation of the Government's Electricity Market Reform package, we have witnessed the crucial role our investments have made to help the industry come of age. In light of the Energy Act and our work to facilitate offshore renewable investment,

developers, governments and suppliers are gaining a better understanding of feasibility and affordability within the sector as it matures. We are continuing this investment approach in offshore wind where we are co-investing up to £100 million with developers in origination and consenting of future projects.

We play a key facilitating role in the UK's offshore energy and infrastructure projects, using our networks and expertise to demonstrate the benefits of the sector and secure third party investment. Our own investment focus is on de-risking projects by addressing technical, physical and environmental constraints. To date our investment has reached £122 million since 2008/09, encompassing the support of technological developments, research and development, and the provision of data.

Our work, for example, has included investment in the Offshore Renewables Joint Industry Programme, which aims to reduce the risks around gaining consent for offshore wind farms and accelerate development. Over the next three years, £3 million of public and private sector funding will be provided for research, of which we are providing £400,000. Through the Offshore Wind Programme Board we have also commissioned an update to our 2012 report on cost reduction to aid the sector.

We launched the Wave and Tidal Knowledge Network to support developers with key grid connection and environmental information, in partnership with the Department of Energy and Climate Change (DECC) as part of its Marine Energy Programme Board. As we look forward, this data will become increasingly important as the industry begins to identify specific projects for development in light of the UK Government, devolved administrations and the European Commission offering over £50 million in support for first array wave and tidal projects.

## Asset management

Dynamic and active asset management is at the centre of the way we do business and how we secure strong returns. Across our portfolios, by using our specialist expertise, networks and partnerships, we have been able to develop and improve our assets in innovative ways, to provide high quality space for our occupiers, unlock opportunities and drive our future performance.

### Urban

In the Urban portfolio our focus remains on enhancing the value of our core assets in London's West End and across our regional portfolio. Within the West End office market, occupational demand improved throughout the year, whilst the supply of both new and second-hand space remained relatively limited by historic standards. Vacancy rates also remained below the long-term average and these fundamentals are likely to continue to support future rental growth over the medium term. In the retail park sector, the trend for retailer consolidation continued, which saw declining occupation on the high street and an increase in the relocation of occupiers to out-of-town destinations, both from existing retailers and new-entrants to the market.

The letting programme at St James's Gateway demonstrates our expertise in asset management and has been one of the many successes over the last year. Since practical completion of this landmark development in July 2013, each of the six office floors has been let, all of the residential flats have been sold or let and 70 per cent of the retail space is also let. The office tenants include Virgin Money and Haymarket Financial. Equally, our commitment to improving the retail provision, in and around Jermyn Street, was reflected in the arrival of Tiger of Sweden, Barbour International, Grosvenor Shirts, Osprey London, Duchamp and Sunspel.



On Regent Street we welcomed J.Crew and Watches of Switzerland as tenants of our new W4 development and celebrated ten years of public art with the opening of 'An Age, An Instant' sculptural gates.



Our largest development project to date, Quadrant 3, part of the Regent Street Partnership with NBIM, is now fully let. This year we saw Twitter take two of the office floors, joining Telefonica, Halfords Media, and Top Right Group in this RIBA London award-winning building.

On our W4 development we let all retail space within a month of completion, to fashion brand J.Crew – their first store to open outside of the USA – and to Watches of Switzerland. Tudor Capital Europe and Ares Management have taken four of the five and a half floors of office space within the building, which is known as 10 New Burlington Street. Karl Lagerfeld and a flagship Hackett store have also opened on Regent Street during the year.

Within our St James's portfolio, Trafalgar House has been comprehensively restored following an extensive refurbishment project and is now fully let. We have also welcomed several new restaurant offerings to the area, which will support our activities in the retail and office markets. Over the year, we saw new openings including Villandry, Café Murano, Chop Shop and Cicchetti.

Similarly, in our regional portfolio we have continued to expand the restaurant and leisure offerings at our retail parks, helping to improve the customer experience wherever possible. In Newcastle, ZaZa Bazaar, a banquet restaurant that offers a selection of global cuisines,

opened at the Gate and in Nottingham, the Victoria Retail Park welcomed Subway, McDonalds, Frankie & Benny's and Costa.

The Victoria Retail Park re-development opened in summer 2013 and footfall has since increased by 40 per cent year-on-year. Significant improvements have been made to the car park, including better landscaping with a tree-lined pedestrian walkway to improve the overall environment of the centre. A new Halfords store and the creation of two new units, which are pre-let to M&S Simply Food and TK Maxx, are planned to open in early 2015.

### Rural and Coastal

Our focus in managing our diverse rural and coastal assets is to look for innovative and creative ways to optimise the return they make over the long term. That ranges from working to make sure our prime agricultural land is as productive as it can be, to growing a sustainable aquaculture sector in Scotland and managing opportunities from our property portfolio. We ensure that any residential development is high quality and we protect and preserve our coastline while enhancing the opportunities for leisure and commercial use.

We have continued to review our rural assets to ensure we manage them in the most effective way. In particular, we have focused on developing fresh

management approaches including looking at the greater use of farm business tenancies which can, in the right circumstances, offer more flexibility to both our tenants and us.

We ensure that our portfolio managers listen to tenants' particular needs and ambitions for investment, succession or retirement, and then look to develop modern tenancies that help them meet those aims. For example, negotiating new agreements that allow extended security and investment to facilitate improvement in business performance for the tenant and raise the value of our asset. As active asset managers we are committed to this progressive approach and it is becoming more widely adopted across the industry.

A central part of our strategy is to manage our assets actively to ensure that we optimise their use. An example of our work in this area is the 405 hectares (1,000 acres) of grade 1 land that had been leased to Moulton Parish Council for many years. The Council had found it hard to manage the land with its large numbers of smallholders and so we negotiated the surrender of the lease and developed direct relationships with the tenants. This active management benefits tenants and makes it easier to enhance the productivity of the land. We continue to explore opportunities where the surrender of headleases or subleases would give us directly managed relationships with the tenants.






Helping secure  
the future  
of offshore



by demonstrating  
the benefits





of putting the  
wind to work

# Offshore energy

Offshore energy is an exciting new industry that's already making a major contribution to the UK's energy infrastructure. As managers of the UK seabed, we're applying our experience, knowledge and expertise to help de-risk and develop the industry, encouraging investment and creating opportunities for our partners, our business and the country as whole.

## Review of activities continued

As part of our commitment to engaging with local communities, we continue our work to develop local management agreements (LMAs). These give not-for-profit organisations access to areas of the foreshore and seabed, and, with specialised support from The Crown Estate, they can develop a business case for projects that deliver direct benefits to the local community. Our initial focus has been in Scotland where we now have three LMAs in Skye, North Uist and the island of Gigha in Argyll and Bute. LMAs have helped coastal communities in these locations benefit from our expertise, develop projects that meet their particular local needs and then manage them locally.

Within our coastal portfolio we have continued to demonstrate commitment to long-term relationships with tenants and a willingness to support their work to enhance their business. We invested in improving the pontoon moorings on the Hamble giving greater choice for users, meeting customer needs and improving the value of the facilities. On the tidal stretch of the Lymington River we agreed a new 28-year lease that will facilitate

the management of some 1,600 river moorings and walk-ashore pontoon moorings. This will enable investment in further protection works to secure the long-term future of the harbour and help it to attract more leisure users.

### Windsor

A key element in our management of the Windsor estate is to encourage visitors by offering new activities and facilities and making better use of our woodland assets to help raise income. In encouraging visitors, major events on the estate require careful management and site selection to ensure that they do not have a detrimental environmental impact. An example of this was the Lapland UK event that took place in December, where we identified Whitmoor bog as the most suitable location. The attraction was in place for four weeks and was hugely popular, bringing in 42,000 visitors. Through our careful management, the operator then cleared and restored the site very effectively without impacting the environment. We also apply this considered management approach in offering our land for filming purposes,

where we have become a location of choice and developed strong working relationships with BBC, SKY and Disney among others, and work closely with Natural England to ensure habitats aren't disturbed in the filming process.

We also recognise that we have a role in supporting the long-term sustainable development of the communities around the estate. In particular, we are working closely with our local planning authorities as they develop their Neighbourhood Plans. This includes exploring options for revitalising Ascot town centre where we have been able to draw upon the expertise from our development and strategic land parts of the business.

### Energy and Infrastructure

We actively manage the use of our marine holdings to secure opportunities in energy, minerals and grant leases. Our focus in these areas reflects our aims of both supporting the broader national requirements to develop low carbon energy and deliver increased returns from our assets. Another important part of our work is to manage activity on our seabed effectively to avoid conflicts.



# 1,450

wind turbines currently installed in UK waters, more than any other country in the world. Our latest test and demonstration round is looking to drive forward investment and development in floating wind turbine technology.



Marine minerals represents a major part of this portfolio's business and it has seen another successful year, generating returns of £15.6 million, an uplift of 1.6 per cent on last year. This was partly due to the robust recovery in the UK construction market that has led to increased extraction rates, with 16 million tonnes of marine aggregate produced in 2013/14 within our licensed areas. This year, we also invited companies to bid for rights to explore and develop new licences for marine aggregates, with the tender process expected to continue throughout 2014 and successful bidders confirmed in 2015.

Among the many other users of our marine assets are utility companies, to whom we license use of the seabed and foreshore to install infrastructure. Our revenue over the year in our cables and pipelines business was £14.3 million, representing approximately one third of our Energy and Infrastructure revenue, with 160 active cable and pipeline assets under agreement.

One of the most significant developments in cables and pipelines during the year was the lease we agreed with ScottishPower Transmission and National Grid in September for the Western High Voltage Direct Current (HVDC) Link, the first ever subsea electricity link between Scotland, England and Wales. The HVDC submarine cables will have a capacity of approximately 2,000 MW, enough capacity to meet the electricity demands of more than four million homes. We also agreed principles with BT for subsea cables in the Highland and Islands of Scotland and the Isles of Scilly as part of the national plan to provide broadband to more rural parts of the UK. The work in the Highlands and Islands will require 400 kilometres of cables and will be the biggest subsea engineering project ever undertaken in the UK.

We are a hub for information, bringing together data on a very broad range of issues from different partners. We protect and share this information on behalf of the industry, using platforms we have invested in and developed in-house. These include the Marine Data Exchange, which provides access to survey data and reports collated during the planning, building and operating of offshore renewable energy projects. Additionally, the Marine Resource System (MaRS) maps the increasingly complex interactions between competing development interests, environmental and conservation demands and legislative and regulatory frameworks, and has been instrumental in identifying areas for development across the Energy and Infrastructure portfolio.

A major new platform introduced this year was our System Performance, Availability and Reliability Trend Analysis (SPARTA) project. This collaboration between the Offshore Renewable Energy Catapult, The Crown Estate, and offshore wind farm owner/operators will improve wind turbine operational performance by increasing safety, reliability and availability. This £850,000 project will provide a way of sharing anonymised information about offshore wind farm performance. This access to benchmarked data will mean operators can identify opportunities to improve efficiency and so reduce costs.

## Development management

A high quality development pipeline in our core sectors remains key to the progress of our business model. We work with a range of partners and developers across our networks to ensure that all our projects are implemented in line with our development sustainability principles. These principles address the use of natural resources, which we believe helps to enhance the long-term value of our assets.

### Urban

Whilst West End development has seen a modest increase in space under construction in the past year, the supply of prime office space remains constrained when set against historic standards. In contrast, The Crown Estate has an extensive pipeline of schemes and we are well placed to take advantage of the anticipated supply shortage. We will deliver several schemes over the coming years into a market place where we expect demand for prime space in the West End to remain strong.

One of the most significant landmarks achieved over the last year has been our partnership deal with Oxford Properties Group to deliver the £320 million St James's Market scheme. The scheme is set to deliver 210,000 sq ft of offices and 50,000 sq ft of high quality retail and restaurant space, alongside wider improvements to the public realm in the area. Demolition work began in September and completion is planned for early 2016. The scheme is integral to our wider St James's strategy, in which we will invest over £500 million into the area over the next ten years. This will enhance the area's position both in the West End office market and as one of the capital's foremost destinations for high quality shopping and dining.



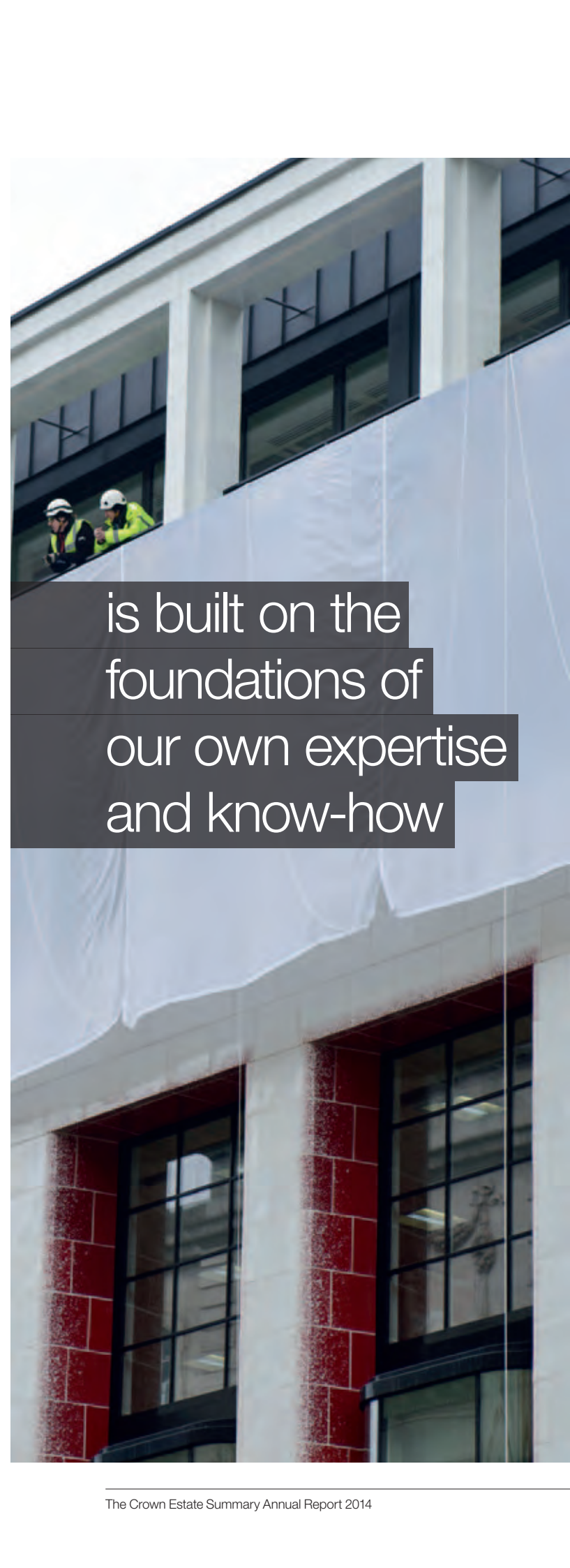


Developing in key  
historic locations



and successful  
delivery of our  
urban strategy





is built on the  
foundations of  
our own expertise  
and know-how

## Development

Successful delivery of our commercial investment plans for Regent Street and St James's requires an industry-leading approach to sensitive redevelopment built on expertise, innovation and collaboration. By extensively consulting key stakeholders and the community right from the start, setting the highest standards of sustainability and applying our accomplished in-house knowledge of development management, we're creating an exciting new vision for the West End from the ground up.

## Review of activities continued

Our continuing strategy to improve the retail and office space on Regent Street took another major step forward when work commenced on the W5 South project in April 2013. This is due to complete in December 2015, and will provide 78,000 sq ft of offices, alongside an additional 32,000 sq ft of retail and leisure space onto the street. The scheme has attracted the attention of some of the largest global fashion retailers. The neighbouring W4 development was completed in March and provides 33,000 sq ft of flagship retail space and brings a further 97,000 sq ft of prime office space to the West End.

Structural refurbishment work began at Quadrant 2 South, Regent Street in December 2013, where Grade II listed properties are being refurbished behind the original retained façades. The project will provide 48,000 sq ft of modern office space and is expected to complete by summer 2015. In line with our development principles, the building will have a number of features to reduce its energy use and carbon emissions. It will have access to power from the UK's first molten carbonate fuel cell which The Crown Estate installed at the nearby Quadrant 3 development and the use of photovoltaic panels will further enhance the green credentials of this innovative development project.

Our recently completed projects include the major refurbishment of Trafalgar House that has provided 15,000 sq ft of high quality office space and was fully let within eight months of completion. Another key project, St James's Gateway, a £100 million scheme developed in a 50:50 joint venture between The Crown Estate and HOOPP, completed in May 2013. Designed by leading architect, Eric Parry, it provides over 100,000 sq ft of mixed use space to St James's. The substantial refurbishment of British Columbia House is on schedule to complete in the second half of 2014.

As a listed building, it has required the application of a range of our specialist skills to preserve its history, whilst creating a property that meets contemporary occupier demands. Our target is that all of our large development projects achieve BREEAM excellent.

Linked to these projects are a number of residential developments which include both affordable and private rented schemes, several of which completed during the year. At Ogle Street, W1 we facilitated the provision of 21 affordable homes and at Albany House, Regent Street and 80-82 Mortimer Street a further 24 residential flats, both linked to our W4 and W5 South schemes, were completed. Work has started on the residential schemes linked to the St James's Market project and these will provide 32 new residential homes, 12 of which will be affordable housing.

Outside London, our projects have included the leisure extension to our MK1 fashion park in Milton Keynes. Following on from the fashion park's success, we are investing a further £32 million to fund the development of a new leisure park with an IMAX cinema and seven restaurants. The investment is a part of our wider strategy to increase leisure activities at our retail parks to enhance the experience of visitors and increase the time they spend there.

In partnership with Land Securities we have achieved outline planning consent to transform the existing shopping centre at the Westgate Centre in Oxford. The project will provide a new 800,000 sq ft retail destination in the centre of town and we see this sector as a natural extension to our growing specialism in prime retail.

### Rural and Coastal

We continue to look for opportunities in our portfolio to develop strategic sites for residential and other types of development. The strategic land portfolio realised more than £5 million in 2013/14, with sales worth over £20 million in progress.

During the year, we secured planning permission for over 1,200 homes in five different locations. There are planning decisions pending for another 1,800 homes including a project in Thetford where we are working with other local landowners to deliver a major urban extension for the town. In Bingham, the agreed consented development will provide 1,050 new homes, a business park, a new primary school and a £7 million investment in local infrastructure. We also began marketing residential development opportunities in Taunton, Elsenham, Dunster and Fochabers.

Our aim on each site is to secure a commercially viable scheme that will provide an attractive place for people to live and work. We select our developer partners on the basis of their track record for quality design, sustainable development and community approach as well as financial offer. We will continue to set sustainability standards for the new buildings where appropriate. This year we required properties in one key development to meet Level 4 standard in the Code for Sustainable Homes.

Another element in our work to enhance the value of our assets is our engagement with tenants to help them develop business cases for investment which we can then consider pursuing as joint initiatives. Developments that have emerged through this route include a new grain store on the Wingland estate and dairy facilities on a property in Essex. We are reviewing carefully emerging planning policy on the use of farm buildings and will support development where it can enhance our physical and natural resources and benefit the local economy.

A similar approach is also reflected in a number of projects in our Coastal portfolio. This is illustrated by our partnership with ABP, Morgan Sindall and the City Council to enhance the waterfront around the Royal Pier in Southampton. It is expected that this will create new office space and improve the Mayflower Park, creating a single site





Office lettings have remained strong. Regent Street Quadrant 3 is now fully occupied with Twitter taking two floors, while at One Eagle Place in St James's all six floors have been let since completing in July 2013 with tenants including Virgin Money and Haymarket Financial.



for the Boat Show and other activities. The Crown Estate has provided land to facilitate the development as well as sharing our know-how, including from our Energy and Infrastructure portfolio to advise on the dredging needed. In return we have negotiated a share in the returns from the use of the Mayflower Park, where we remain the freeholder.

## Windsor

This year saw the completion of our new Virginia Water Pavilion, a £1.3 million investment which provided improved catering, visitor information and enhanced views to Virginia Water Lake. The building has been developed with a range of advanced energy efficiency measures including photovoltaic panels, rainwater harvesting and ground source heating. Its design fits in with the landscape of the park thanks to its timber cladding, made from commercially managed trees on the estate.

Development also started on a new £3.25 million biomass power generation plant which will supply power to many of the offices and houses on the estate. A wood chip boiler, supplied by sustainably sourced timber chippings from the estate, will have a capacity of 1,000 KW and is expected to be completed later this year.

We have also continued to invest in provision for our staff with the opening of new mess room facilities and storage depot. As well as the improvement in the physical environment for those working on the estate, these new developments also provide an opportunity for the teams to come together more frequently which helps in our collaborative approach to managing the park.

## Energy and Infrastructure

As a result of our activity this year we will have 0.7 GW of offshore wind turbine capacity under construction by summer 2015, with a further 4.9 GW consented pre-construction and 11 GW in planning. The significant potential of energy generation from offshore wind as these projects progress through the development process was highlighted in December 2013, when electricity generated by offshore and onshore wind facilities supplied nearly 10 per cent of the UK's energy needs, a new record.

The ongoing development of offshore wind projects, as well as the overall attractiveness of the UK as a location for renewables sector investment, gained a major boost with the announcement of Green Port Hull. This landmark investment agreement between Siemens and Associated British Ports is estimated to bring 1,000 direct jobs to the regional economy in the

fabrication and manufacture of offshore wind turbines for the energy sector. We played a major facilitating role in the deal, bringing together key regional and national stakeholders.

In significantly improving the development process for offshore wind projects, and bringing major employment and economic benefits, the agreement was symbolic of the positive progress made in the offshore renewables industry this year. In addition, this year saw major progress in the ABLE Marine Energy Park project, a renewable energy manufacturing site also based on Humberside. In partnership with our Rural and Coastal team we are arranging a lease of the site which has the potential to bring a further boost to both the sector and local economy.

The UK-wide benefits of the offshore renewables sector are demonstrated by the positive progress made in development work off the coasts of Wales and Northern Ireland. Construction is well underway at Gwynt y Môr wind farm off the north coast of Wales which will be capable of powering 400,000 homes once fully completed. Two tidal demonstrator projects in Strangford Lough in Northern Ireland have also made good progress this year, while surveys and feasibility studies are being undertaken for an offshore wind scheme off the County Down coast.






More welcoming environments



attract more customers





benefiting  
shoppers, retailers  
and us

## Regional retail parks

Making regional retail parks more welcoming places for shops and shoppers is not only good for retailers, but good for our business too. We draw on our expertise to get the right mix of tenants, improve the built environment and enhance the shopping experience for everyone. Ensuring that more people spend more of their time at our retail parks, more often.



## Review of activities continued

During the year we announced a new leasing programme to encourage further investment in a range of offshore wind test and demonstration projects which included projects to develop arrays of up to 15 machines utilising floating foundations. We expect the results of these tenders and the stakeholder engagement later in 2014, with a view to enabling projects to start construction in 2017.

By facilitating these opportunities we can show how advances in new technology drive further cost reduction, and so increase market confidence and encourage investment in the industry that will be needed for sustained growth.

In addition, we have applied our know-how and understanding of developer requirements to identify seven areas of seabed that are suitable for wave and tidal test and demonstration projects and have subsequently shaped the provision of access to the seabed and leased some of these Zones. We have now leased around 40 wave and tidal projects in the UK with a total potential capacity of up to 2 GW.

The past year has also seen further developments in tidal range energy schemes with more projects under development or in operation in UK waters than any other country in the world. This includes 150 MW of potential capacity for which statutory consents have been obtained. The Crown Estate has played a key part in facilitating this, spending £3 million on enabling actions to date. During 2013/14 we provided around £70,000 for a research study into how the Pentland Firth and Orkney waters wave and tidal projects could be developed in harmony with local fishing activities.

In response to strong interest from the market we are now examining what seabed rights could potentially be released for tidal range projects.

Another important potential use of our assets is in CCS where there was further progress during the year. We have granted seabed and subsurface storage rights to Shell for the depleted Goldeneye gas field, 65 miles from St Fergus, north east Scotland (associated with the Peterhead CCS Project) and to National Grid for an offshore saline aquifer approximately

70 miles from the East Yorkshire coast (associated with the White Rose CCS project in the Humber Valley). These two projects have now been awarded a total of £100 million in funding from the Department of Energy and Climate Change (DECC) to develop Front End Engineering and Design studies.

### Property management

We place great importance on placemaking as a way of enhancing the customer experience and improving our physical resources. Our property management activities are focused around understanding our customers and their businesses as we aim to be the landlord of choice across our core sectors.

### Urban

Our asset teams have worked very closely with our property managers to ensure that our vacancy rate has remained low throughout 2013/14. In particular, voids caused by previous tenant failures have re-let well and this is a testament to the quality of our portfolio.



# £1.3 million

Virginia Water Pavilion investment provides new catering facilities and has seen an uplift in visitors to this area of Windsor Great Park. Our Lapland UK event hosted at Windsor was a great success, attracting 42,000 people in four weeks.





Placemaking has remained a key focus across our regional retail portfolio, including public realm improvements to Victoria Retail Park in Nottingham and pop-up community events at Crown Gate in Worcester.



We believe that there is clear evidence that enhancing the streets and public realm around our buildings is an important factor in the long-term outperformance of our properties. That has been shown in the improvements we have undertaken in Regent Street over the last decade and we have continued this approach into our St James's holdings. Works are currently underway to improve Waterloo Place and Regent Street south of Piccadilly Circus. These will deliver a new London square and wider footways in St James's, improving the flow of pedestrian traffic and giving the area some much needed additional public space.

The Regent Street lighting scheme is being extended south to Waterloo Place and will continue in Haymarket; completion is scheduled to coincide with the opening of the St James's Market scheme, ensuring the landmark development is fully supported by its surrounding public space.

We hope to extend this approach to Jermyn Street and St James's Street in the coming years. As well as physical improvements to the streets, we also

look to improve the area by working closely with Westminster City Council, Transport for London and the Mayor to reduce traffic levels. For example, our Regent Street delivery consolidation scheme reduced the number of vehicle movements to participating retailers by 80 per cent. We are now looking to extend this approach to bring similar benefits to St James's.

Hosting events in St James's and on Regent Street helps raise the profile of our assets and bring a new audience to these areas, extending their influence as world-renowned shopping and leisure destinations.

During 2013/14 our events included the RIBA Regent Street Windows Project that brought unique retail design and contemporary architecture to the shops on the street. The annual Motor Show in November saw a parade of 300 vehicles along Regent Street, whilst the Concours d'Elegance vintage car rally in St James's proved a huge success. The St James's Fayre saw 500 stakeholder guests take part in a spectacular night of carol singing at St James's Church, Piccadilly; whilst the Regent Street Christmas lights

were turned on by a host of celebrities, accompanied by performances from a range of bands and singers. Each of these distinctive events helped to draw in new visitors and reinforce the international appeal of Regent Street and St James's.

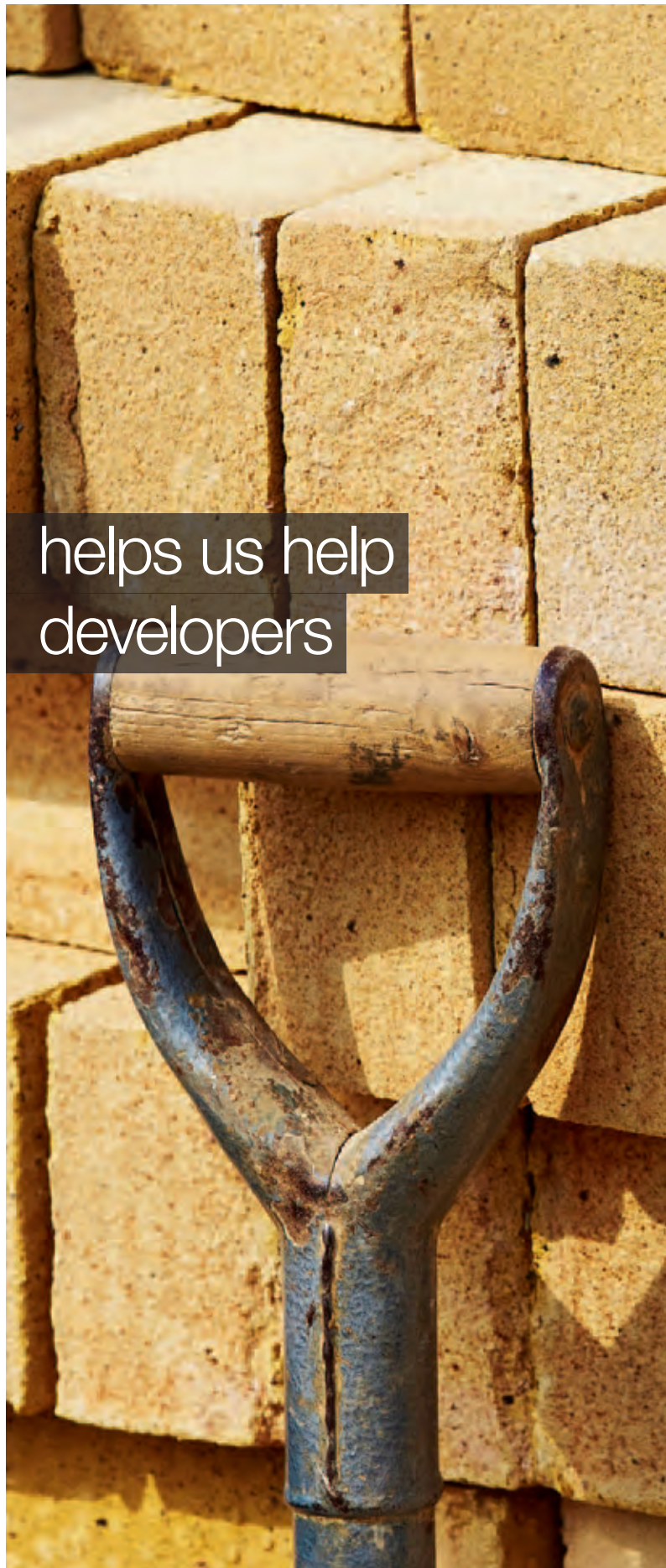
In our regional developments, we also took a number of steps to improve the wider public realm around our buildings. We have secured planning permission to upgrade the external appearance of the Coliseum retail park in Cheshire Oaks, develop a new children's playground facility and provide enhanced landscaping. Another important aspect of our work on improving facilities is to engage the local community and we are working with a local community group, the Youth Federation Group (YFG) on improvements to the rose garden that will encourage biodiversity.

We are committed to the high quality management of all aspects of our properties and were pleased to reward a number of our managing agents at our 2014 Urban Sustainability Conference. Regent Street Direct were recognised for their management of the Quadrant 3






Taking a  
long-term view



helps us help  
developers





bring more  
homes to market

## Strategic land

The strategic development of rural land can play a key role in meeting housing demand around the UK. We take a long-term approach and consult extensively with local authorities and local communities. This makes us more effective at bringing forward suitable development land for new homes to be built, contributing both to our own revenues and the UK's housing stock.

## Review of activities continued

development (20 Air Street), introducing a range of initiatives that make the building more environmentally sustainable as well as for their work on education and engagement related to biodiversity. Our agents in the Crowngate Shopping Centre in Worcester also received an award for the creation of 'pop up' shops for retail and community use and for their work on developing occupier and stakeholder relationships within the city.

### Rural and Coastal

As part of our commitment to the effective stewardship of our physical and natural resources we've continued to invest in improving the resilience of our estate to extreme weather. However, the storms and record rainfall during the year presented major challenges for our tenants and we are working closely with them as they deal with the problems caused by flooding.

At Sunk Island near Hull we spent £450,000 to upgrade the flood protection and drainage system. The works are designed to protect the high grade agricultural land and heritage of the island.

They included a £100,000 investment in the Spragger Clough doors which prevent the River Humber flooding the estate at high tide. This challenging project involved work on structures which were originally built in 1883, and had to be finished before the end of September 2013 to avoid affecting the overwintering birds in the Humber Estuary. These repairs proved their worth in December's East Coast storm, helping to prevent flooding to the Island.

There was also some flooding on the Friskney Estate, although work to improve the resistance of vulnerable properties limited the damage. The weather also caused problems for aquaculture where fish could not be harvested in the storm conditions causing a shortfall in supply.

Another important element in ensuring the long-term performance of our rural portfolio is the need to find ways of managing our resources sustainably and, in particular, to address the pressure on the soil. Our policy on new lettings is to fully test the soil prior to the tenancy and we plan to extend this testing policy across our estate. We are also talking

to other landowners and stakeholders about the best approach to maintaining the quality of soils and using technology to develop our understanding of the problem and identify solutions.

As well as their contribution to the environment we recognise that our properties also have a role to play in supporting their neighbouring communities. One way we do this is through providing career development opportunities for local people. We have launched a pilot scheme on our Whitehill Estate to develop the skills of young people with a view to helping them enter into careers in countryside management. The same principles of careful stewardship also apply to our coastal portfolio and this year our Marine Stewardship Programme has continued to support community initiatives that improve and enhance the coastal and marine environment.



# 1,050

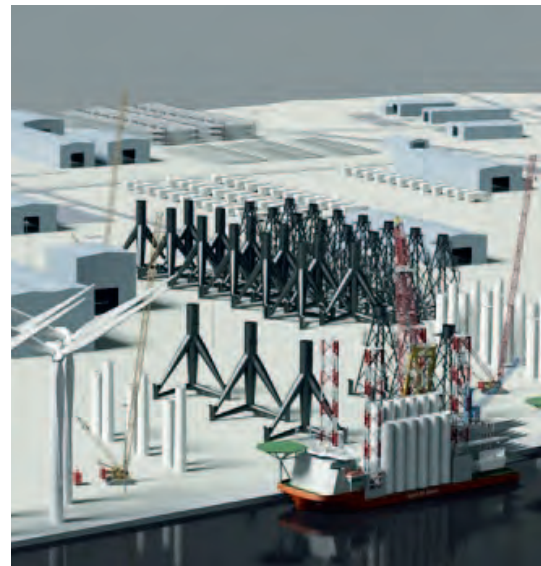
new homes will be built in Bingham following consent for a community scheme which includes a new school and business park. In the past 12 months we secured planning for over 1,200 new homes within the year across five sites in England and Scotland.







Collaborative expertise between our Rural and Coastal and Energy and Infrastructure teams is facilitating the landmark £450 million Able Marine Energy Park on Humberside, potentially bringing a major boost to the local economy and offshore renewables sector.



## Windsor

We made a number of enhancements to our physical and natural resources across the park this year, including completion of a scenic avenue of limes leading from Cumberland Lodge, with another avenue set to complete in 2014. We are also improving three boundary gates into the Great Park to make them more welcoming, building on the extensive landscaping work that has taken place over the past ten years.

As in many areas of our Rural and Coastal portfolio, Windsor also saw significant damage caused by the weather. A large number of trees were brought down in the gales and some of the land next to the River Thames flooded, but there was limited damage to property. We will continue to work closely with tenants to support them in dealing with the challenges caused by extreme weather.

An important aspect of our management approach at Windsor is to support our tenants in developing their businesses.

Last year we agreed a sublet agreement with one of our tenants for the planting of vines on their land. These were harvested for the first time in 2013/14, with the assistance of volunteers from the estate and will produce 8,000 bottles of sparkling wine for Christmas 2014.

## Energy and Infrastructure

The past year saw the wind power capacity of turbines installed in UK waters reach 4.3 GW of which 3.8 GW is operational, enough to power three million homes with electricity, with a further 0.7 GW to be completed by summer 2015.

Our management responsibilities in the energy and infrastructure sector include researching the impact of development on particular species, both to protect biodiversity and help project developers. Our recent research on a protected species of sea worm showed that the species could live alongside dredging and renewable energy activity on the seabed. Valuable data like this on understanding the marine environment can help our marine aggregate and offshore developer partners gain consents for their activities.

In marine aggregates we focused on providing information and guidance to help the industry operate in sustainable ways, a major landmark being the production of a 15-year review of marine aggregate dredging in the UK, detailing how the industry developed from 1998 to 2012 and its impact on the seabed and coastline. With funding by the Department for Environment Food and Rural Affairs (DEFRA) from the marine aggregate levy we also published an overview of

recent research and industry practice on aggregate dredging, summarising the results of £25 million of research carried out between 2002 and 2011. We have committed to reviewing all dredging licences over a rolling five-year period and we publish annual reports on the extent of dredging in any given area. Stakeholders have welcomed the high levels of transparency we provide about this activity.

As a business we are committed to health and safety. This year we continued to support the RenewableUK Health and Safety Award which aims to improve safety in the renewables industry through an annual award scheme and worked in partnership with a range of government bodies and trade associations. In all these relationships we share our know-how and access to information so we have a better understanding of the marine environment and the requirements of those who use this vital national resource.






By listening to  
our rural tenants



and taking  
a wider  
commercial view





we create new  
agreements that  
work for us all

## Rural

As a progressive commercial business we take an active approach as rural landlords, and work closely with tenants when they seek to expand or develop their own businesses. By understanding their needs, taking a flexible approach, and investing our own capital and expertise where required, we can form new agreements that benefit all parties and encourage innovation in the rural business sector.

Across our business, throughout the year, we are involved in a range of activities that deliver value beyond financial return by enhancing the way our assets are worked, managed and enjoyed both now and in the long term.



## Creating value beyond financial return

### Our stewardship work

**Stewardship, one of our three core values, plays a vital role in our active asset management approach and we see it as an integral component to delivering a successful and a sustainable business in the long term as part of our Vision 2022 objectives. Highlights from our stewardship work over the past 12 months include:**

**Our Marine Stewardship Programme** supports community initiatives and scientific research that help promote the long-term sustainable management of our coastal portfolio. Since being established in 1999 we have invested some £10 million in projects across the UK through the programme. We helped 45 projects through the Marine Stewardship Programme this year, with our support covering four main categories of Environment, Education, Access and Biodiversity. An example of our Environmental support is The Green Blue, an organisation that encourages greater environmental awareness among the

recreational boating community in order to reduce overall impact and generate cost savings through changes to energy use, recycling and water use.

Our Education work this year included funding for P1 Marine Foundation who help to increase appreciation and understanding of our coastal environment among youngsters in Kent and Greater London through actively demonstrating coastal resources and the need for conservation. Among our Access projects, we helped the Craignish Boat Club community project to develop boating facilities and a pontoon at Craignish, Argyll with a focus on providing access for young people from the local area to enjoy water sports such as sailing and kayaking.

In Northern Ireland an example of one of our Biodiversity projects, North Coast Living Seas, completed this year. The project has raised awareness of the marine environment around Northern

Ireland amongst local communities and government.

**Our Workplace Coordinator scheme** has placed over 730 people within the West End, contributing around £6.8 million to the UK economy. The scheme, which was this year rebranded as 'Recruit West End', was established in 2009 and works in partnership with local Government stakeholders and West End tenants to secure jobs for unemployed people in the local area. The project has gained widespread recognition within the industry and we have been proud to share our learnings and approach with fellow commercial property organisations. We have placed people in retail and leisure positions at prized employers across our portfolio.

**Through the U-Explore platform** our Energy and Infrastructure portfolio has explored ways to increase awareness of the sector in order to encourage the





Image courtesy of Cycletherapy

future development of skills and expertise in the industry. This year we invested in U-Explore interactive offshore wind education resource, a dedicated portal to showcase offshore wind industry careers to secondary school option takers, older students aged 12 and above as well as parents.

**Enhancing the value of our assets** through improving the places where people work, live and play is a key part of our approach across the Urban portfolio. This year we celebrated placemaking with a new publication marking ten years of public art on Regent Street and where we have invested £25 million in wider public realm improvements over the last decade. The occasion was marked with the unveiling of two new public art pieces as part our latest W4 development, at 10 New Burlington Street and New Burlington Mews. We also hosted a number of traffic-free street events, including an NFL on Regent Street

day and Summer Streets series throughout July.

**Using our land for education and recreation** we are able to facilitate understanding of the natural environment across our portfolio. At Windsor, over the past year we have accommodated 700 children in Forest Schools, enabling them to gain hands-on experience outside of the classroom. A new 24.2 km cycling network was opened in Swinley Forest providing a range of routes suitable for all abilities. The site receives over 170,000 visitors each year and has been designed to channel cyclists to protect the extensive conservation value of the forest as a Special Protection Area. On our forestry estates, education and conservation are also a key part of our approach. Highlights at Dunster this year included embarking on a ten-year programme to bring 30 hectares of heathland habitat SSSI into favourable condition and working with local schools to conserve the endangered black

poplar. At Glenlivet we have hosted two successful community orchard planting events and have looked to help the local economy benefit from our conservation work through a business workshop demonstrating the opportunities provided by our new mountain bike trails there.

**Looking ahead**, over the next 12 months we have committed to extending and developing our current Marine Stewardship Programme right across the entirety of our business. The extended programme will empower portfolios and departments to identify, fund and enable projects that will bring about additional benefits in support of our business priorities beyond day-to-day activity, making investments that underpin our commercial delivery across all business areas, while supporting our commitment to 'conscious commercialism'.

**> Finance Director's review 'Education'**  
See page 53

# Measuring our success

## Key performance indicators

### Why these indicators?

It is through these indicators that we measure our performance against our strategic objectives. They cover both financial and non-financial indicators, communicating the broader value we create beyond financial return.

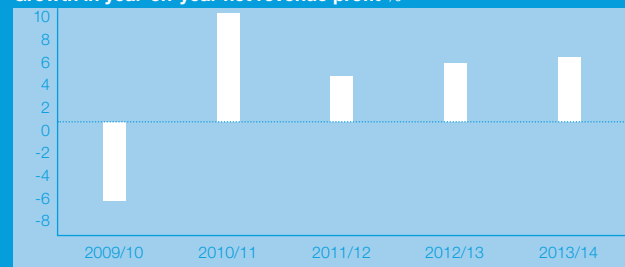
We have reduced the number of key performance indicators this year as part of our review of how we measure performance and intend to develop new indicators this year to ensure that they are better suited to deliver our vision.

> **These are our key performance indicators, but there are other ways we measure performance which can be found throughout this report and on our website.**  
[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

### Net revenue profit

£267.1m

#### Growth in year-on-year net revenue profit %



#### Our targets

To deliver a year-on-year increase in annual revenue profit.

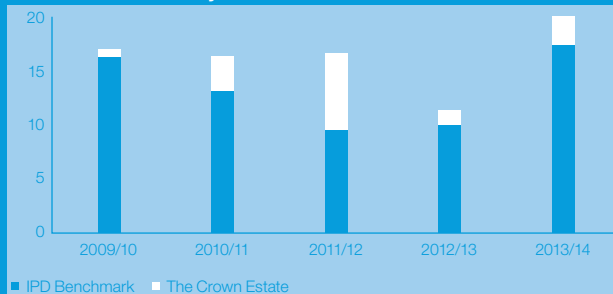
Strategic objective **1** **5**  
 See page 12

### Total return compared to IPD bespoke benchmark

20.0%

Total return compared to IPD bespoke benchmark of 17.3%

#### Performance over five years %



#### Our targets

To outperform our IPD bespoke benchmark.

Strategic objective **1**  
 See page 12

### Working hours without a reportable incident

260,144 working hours without a reportable incident<sup>(A)</sup>

3 reportable incidents in the year

#### Our targets

400,000 working hours without a work-related incident.

Strategic objective **3**  
 See page 12

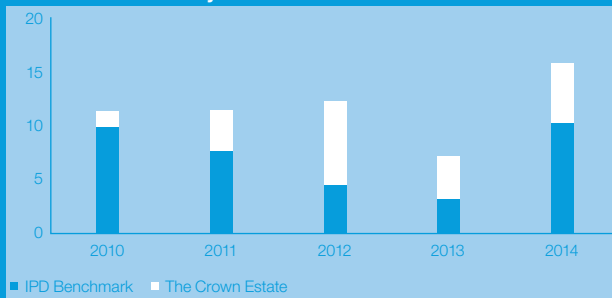


Capital growth compared to IPD bespoke benchmark

# 15.7%

Capital growth compared to IPD bespoke benchmark of 10.2%

Performance over five years %



**Our targets**

To outperform the IPD bespoke capital growth index.

Strategic objective **1** **5**  
See page 12

External recognition

# Awards

Throughout the year we have been externally recognised for our performance, these are some of the awards we have won:

**2014 British Council for Offices awards**

Best Commercial Workspace  
*1 Eagle Place development*

**Property Week Sustainability**

Initiative of the Year 2014  
*Quadrant 3 Fuel Cell*

**IP Real Estate Gold Awards**

*Best Large Real Estate Investor*

**2013 Building Public Trust Awards**

Integrated Annual Report and Accounts 2013 and sustainability reporting award  
*Recognition in the Public Sector for Excellence in Reporting*

**RIBA London National Awards 2013**

Quadrant 3, Regent Street

**Business in the Community Corporate Responsibility (CR) Index** – Platinum Big Tick 2013

Strategic objective **6**  
See page 12

Greenhouse gas emissions intensity indexed trend

# 2% improvement in emissions' intensity

Between 2012/13 and 2013/14  
Trend based on measurement of kgCO<sub>2</sub>e/m<sup>2</sup>.  
Intensity for 2013/14 is 98<sup>Ⓐ</sup>. Results weighted based upon relative impact of asset type.

**Our targets**

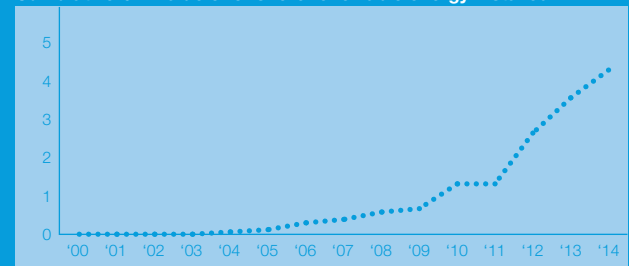
To improve carbon emissions' intensity by a further 50 per cent from a 2012/13 baseline for property under our direct control by 2022.

Strategic objective **5**  
See page 12

Renewable energy capacity installed

# 4.3 GW installed

Cumulative GW value of offshore renewable energy installed



0.7 GW installed in 2013/14<sup>Ⓐ</sup>

**Our targets**

To facilitate the installation of 5–8 GW of renewable energy generation capacity on our portfolio by 2015.

Strategic objective **5**  
See page 12

# Key factors affecting our performance

## Material issues

Our material issues are factors that could potentially influence our ability to deliver our strategic objectives. We have a structured process for determining these based upon economic impact, stakeholder interest and likely future impact. The Management Board, chaired by the Chief Executive, and facilitated by an external third party, review these every year.

### Optimisation of the portfolio for sustained, profitable growth

#### Resources and relationships affected



#### What we're doing

Continuing to grow our revenue surplus and so increase our contribution to Treasury, outperforming our peer group at a total return level.

#### How we measure performance

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

**Key performance indicators**  
See pages 44 – 45

### Attraction of suitable commercial partners and investors

#### Resources and relationships affected



#### What we're doing

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

#### How we measure performance

The amount of third party funds under our management

**Finance Director's review**  
See pages 48 – 53

### Reputation and trust

#### Resources and relationships affected



#### What we're doing

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

#### How we measure performance

Through our stewardship programme and external, independent recognition as a leader in:

- Managing strategic property assets
- Enabling offshore low carbon energy projects
- Being the partner of choice

**Review of our activities**  
See pages 18 – 41

### Government policy

#### Resources and relationships affected



#### What we're doing

We work with the grain of Government and need to anticipate and be responsive to changes in policy that may impact our business.

#### How we measure performance

- Regular review of relevant policy
- Active participation in key policy reviews, openly communicated through corporate channels

### Attraction, nurturing and retention of best talent

#### Resources and relationships affected



#### What we're doing

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

#### How we measure performance

- Employee turnover
- Training hours per employee
- Employee salary ratios by gender
- We intend to baseline performance on staff satisfaction before we introduce a KPI

**Finance Director's review**  
See pages 48 – 53

### Governance

#### Resources and relationships affected



#### What we're doing

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

#### How we measure performance

See our Governance report pages 54 – 83 of the main Annual Report  
[www.thecrownestate.co.uk/annualreport-2014/](http://www.thecrownestate.co.uk/annualreport-2014/)



**Key to resources and relationships:**



**Health and safety**

**Resources and relationships affected**



**What we're doing**

Creating a positive culture towards health and safety and wellbeing that enables the business to operate in a safe and sustainable manner.

**How we measure performance**

- Working hours without a reportable incident (KPI)
- Accident frequency, severity and incident rates (see Finance Director's review)

**Visit our website**  
[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

**Availability of natural resources**

**Resources and relationships affected**



**What we're doing**

Identifying the risks, opportunities and value of the natural resources we use and are responsible for.

**How we measure performance**

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

**Visit our website**  
[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

**Customer focus**

**Resources and relationships affected**



**What we're doing**

Pursuing specific customer focus initiatives to enhance our business performance and reputation, whilst we develop a business-wide customer focus strategy.

**How we measure performance**

We are using the Institute of Customer Service survey to establish a baseline in assessing colleagues' views on how our strategy, organisation, culture and processes enable us to deliver excellent customer service.

**Health of the economy**

**Resources and relationships affected**



**What we're doing**

Increasing our contribution to the UK economy. Our performance is influenced by the economy – as economic conditions improve so do the opportunities for us.

**How we measure performance**

Our Total Contribution

**Visit our website**  
[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

**Effect of climate change**

**Resources and relationships affected**



**What we're doing**

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

**How we measure performance**

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

**Finance Director's review**  
 See pages 48 – 53

**Visit our website**  
[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

**Successful placemaking**

**Resources and relationships affected**



**What we're doing**

Creating successful places where people want to be.

**How we measure performance**

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

**Review of our activities**  
 See pages 18 – 41

**Visit our website**  
[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

# Delivering sustainable results

## Finance Director's review

**Creating value and achieving long-term sustainable growth is essential to the continuing delivery of our corporate objectives. It is our approach to value creation, articulated in our business model, which has enabled us to deliver a record net revenue profit of £267.1 million for the year ended 31 March 2014, an increase of £14.5 million (5.7 per cent) on last year.**

This performance continues our track record of year-on-year increases in net revenue profit and strong total returns. We have now delivered a total of £2.2 billion to the Treasury over the last ten years, and have consistently outperformed our IPD bespoke benchmark.

Continued delivery of our objectives will be achieved through an active asset management approach with a focus on our core sectors where we have critical mass and expertise. This was exemplified over the year in the acquisitions made within our regional retail portfolio, strategic land sales, and continued facilitation and enablement of the offshore renewables sector.

Investment and development in the West End will be critical going forward, and this year saw new development work start at Quadrant 2 and W5 on Regent Street as well as St James's Market, coupled with the successful letting of completed prime office space and the attraction of international brands across our Regent Street and St James's portfolios.

Creating value through our focus on these key areas is represented in our financial performance. However, the value we deliver goes beyond financial return, as it also includes the social and environmental contribution we make and the wider benefits we bring to our stakeholders, partners and the communities in which we operate.

A key ingredient in delivering value beyond financial return is in harnessing the expertise and experience of our staff. Across a varied portfolio we are able to add value through connecting people, ideas and opportunities in ways that recognise our common sense of purpose. Just one example of where we have applied our expertise collaboratively this year includes our purchase of Alcan Farms, which brought together our specialist knowledge of

rural management and renewable energy. With the diverse range of income sources on this site we see significant opportunities to use our specialist knowledge to improve the asset and so increase its long-term value.

We continue to drive forward efficiencies and during the year we undertook reviews of a number of our support functions, enabling us to improve delivery, reduce costs and provide value for money. Our business has a progressive commercial outlook, and as we develop we look for continued improvement.

As I outlined last year, we are taking an integrated approach to our business from corporate planning through to our decision making. In this our second of a three year plan to integrate our reporting our focus has been on understanding and highlighting the importance of the resources and relationships that sustain our business and contribute to our success. You will have seen how our performance is framed by these resources and relationships from our business model through to our review of activities.



  
We are taking an integrated approach to our business from corporate planning through to our decision making.

**£2.2 billion**  
delivered to the Treasury over the last ten years.

It is important to underline that integrated reporting is not simply about the way we describe our activities externally but it also helps us to apply integrated thinking to the way we conduct our business. This integrated approach to what we do ensures that we take a broader, long-term view of our business and the way we manage our assets which, in turn, delivers sustainable value.

## Financial resources

### Annual revenue profit

Annual revenue profit was £267.1 million, representing a 5.7 per cent increase on last year which represents a record profit for The Crown Estate. This improved performance reflects the successful implementation of our investment strategy. During the year we benefited from the successful lettings of development properties coming on stream as well as strong rent reviews in the West End of London, low void and failure rates and successful asset management initiatives as well as an increased contribution from renewables.

### Net assets

The capital value of The Crown Estate at 31 March 2014 was £9.9 billion, an increase of nearly 15 per cent over the previous year's value. Over £1 billion of this is a result of property revaluation gains. The property revaluation section below gives more details of this.

### Cash flow

At the start of the year, our cash reserve was £585.5 million. During the year our capital activity amounted to nearly £1 billion. We made £263.6 million of acquisitions including the purchases of Silverlink Retail Park, The Coliseum Shopping Park and Alcan Farms, and incurred £248.1 million on capital expenditure on investment properties. We made disposals which realised £457.2 million, including a 25 per cent disposal of Quadrant 3, the sale of the Intercontinental Hotel, Cabot Park,

Avonmouth and Cranwell and Roxholme Farm. We also formed The St James's Market Partnership, a joint venture with Oxford Properties, and contributed the St James's Market development site to the joint venture. Overall our total capital activity led to a net outflow of funds to the value of £61.7 million compared with an inflow of £6.1 million in 2012/13.

## Physical resources

### Assets under management

With the addition of our partners' share of St James's Market and Quadrant 3, we now have £968 million of partner assets under our management, a 59 per cent increase on last year. Regent Street, which we manage on behalf of Norges Bank Investment Management (NBIM), continued to make up the majority of the assets which we manage for third parties.

### Property valuation

The total property value of the estate, including the share of joint venture and other property investments increased to £9.4 billion at 31 March 2014, an increase of 15.7 per cent over the figure of £8.1 billion at 31 March 2013.

Performance this year has been driven by our West End portfolio. Capital growth from standing investments was 15 per cent, driven in equal part by yield compression and rental value growth. However, after transactions and development activity are taken into account, the underlying capital growth increased to 22 per cent. Particularly strong contributions came from our development programme, associated lettings ahead of forecast plus planning permissions to return listed office properties to their former residential use.

Outside of London, capital growth on standing investments was more muted at 5.2 per cent. Principally through acquisitions, the value of the portfolio has grown by 19 per cent to £1.8 billion. However, with over 80 per cent concentrated on the prime end of the retail sector it did not benefit from the increased investment appetite and associated yield compression

experienced in the south-east office and industrial sectors.

Nevertheless, the combined Urban commercial portfolio delivered an exceptional total return of 21 per cent beating the IPD Annual Index by 6.7 per cent. Of that outperformance, 2.3 per cent came from held investments, 1.1 per cent from transactions and 2.9 per cent from development activity – a strong vindication of our active approach to asset management.

The combined Rural and Coastal portfolio has increased in value by 8.5 per cent to £1.56 billion. However after taking account of net receipts of £19 million the underlying capital growth was 9.9 per cent. The fundamental driver of values across the portfolio was the increase in value of prime agricultural land with vacant possession. The market continues to be characterised by a shortage of supply and strong demand fuelled by commodity prices and the attraction of land as a safe investment. Significant contributions also came from planning permissions gained on strategic land. On a regional basis, growth continues to be stronger on commercial arable farms in East Anglia and the East Midlands. Growth was weaker on the estates with smaller livestock farms with a higher residential weighting.

The coastal element of the portfolio has remained flat with capital values up by 5.5 per cent to £218 million. On the leisure side turnover rents remain under pressure but performance from the commercial ports has been robust.

The Energy and Infrastructure portfolio has grown in value by 34.6 per cent to £759 million. Net investment across the portfolio totalled £17 million. The majority of this was invested in the facilitation of the offshore wind industry but we are supporting a number of other projects across the portfolio including the wave and tidal programme and carbon capture storage. The principal growth area was offshore wind which increased by 50 per cent due to a combination of physical progress, improved energy production data and an inward movement of yields as the industry matures.



## Finance Director's review continued

There is now 4.3 GW of installed capacity, 0.7 GW under construction by summer 2015 and 4.9 GW consented. Elsewhere, the offshore aggregates valuation increased by 23 per cent to £118 million in recognition of an improving market and extended licence terms. Aggregate extraction is however still at 75 per cent of its pre-recession peak.

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

### Natural resources

#### Accounting for natural resources

We recognise that we not only have responsibility for natural resources on our land but also that we are reliant upon natural resources in our supply chain, particularly for our development activity. To better understand where specific risks and opportunities lie, we have been developing an internal management framework that maps this at a corporate level, and converts it into a practical tool that can be used on the ground to make better informed decisions.

We continue to have a proactive management programme for the good management of our natural resources, from the completion this year of the clearance of 104 hectares (257 acres) of Rhododendrons in Swinley Forest and coppice management of 40 hectares (100 acres) of ancient semi-natural oak woodland, and restoration of a further 20 hectares (50 acres) of oak woodland within Dunster Forest.

Building upon our own supply chain standards, we have also this year developed guidance for occupiers of our buildings who are carrying out fit-out work to help them to make more environmentally friendly decisions in the construction materials they use.

Through our Total Contribution approach we have been undertaking pilot projects to value the ecosystem services that natural resources deliver. Over the past year we have contributed, with other leading organisations, to the work of the Natural Capital Committee (NCC) Landowners Group and The Prince's Accounting for Sustainability (A4S) to help ensure that this information informs decision making. Furthermore we have joined the Natural Capital Coalition to help to build consensus on a harmonised framework for natural and social capital accounting.

Going forward we intend to build upon our pilot projects and develop a comprehensive system of valuation for our entire business. We also plan to roll out an ecological masterplan covering our core holdings in the West End of London to improve biodiversity, the health of the local environment and portfolio value.

#### Climate change

Climate change is a material issue for The Crown Estate as it presents physical, financial and regulatory risk and opportunity to our business. In response we are focusing on mitigation, adaptation and enabling the development of low carbon energy. This year we have launched a range of tools to help us to continue to reduce our carbon impact and ensure that sustainability is integrated in our decision making, including sustainability in investments, development principles and fit-out guides. Work is also underway on how we adapt to a changing climate on our rural estate for example through forest resilience programmes and recognising and incentivising good soil management.

Our carbon emissions intensity (kgCO<sub>2</sub>e/m<sup>2</sup> weighted against relative impact of asset type) improved by two per cent over the past financial year. This is a considerable achievement against a backdrop of continued business growth and increasing absolute emissions (nine per cent) which are largely due to the addition of newly developed or refurbished properties and more tenants.

Global GHG Emissions Data –  
1 April 2013 – 31 March 2014

	2013/14 Emissions (tCO <sub>2</sub> e)	2012/13 Emissions (tCO <sub>2</sub> e)
<b>Scope 1</b> Direct emissions from fleet and the heating of buildings	<b>7,096</b>	5,789
<b>Scope 2</b> Emissions from generated electricity usage	<b>21,201</b>	20,054
<b>Gross scope 1 and scope 2 emissions</b>	<b>28,297</b>	<b>25,843</b>
Purchased green tariff	<b>21,694</b>	21,004
<b>Net scope 1 and scope 2 emissions (Gross minus purchased green tariff electricity)</b>	<b>6,603</b>	<b>4,839</b>
<b>Emissions Intensity (weighted kg CO<sub>2</sub>e/m<sup>2</sup>)</b>	<b>98</b>	<b>100</b>

**Data note:** We have used the GHG protocol Corporate Accounting and Reporting Standard to calculate our emissions. We have reported all sources of emissions that are under our operational control apart from de minimis sources.

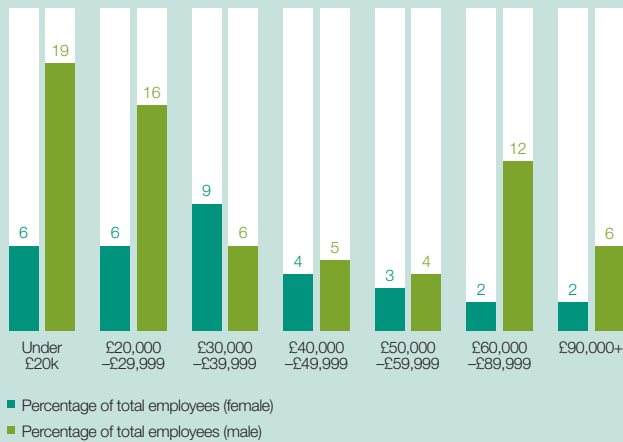
The emissions for 2012/13 have been restated due to amendments to the DEFRA emissions conversion factors (details can be found on [www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)).

We have also measured indirect Scope 3 emissions of 3,768 tCO<sub>2</sub>e from energy used exclusively by our tenants, where we were able to obtain it, from business travel and car hire, and from electricity transmission and distribution losses. The equivalent figure for 2012/13 was 3,456 tCO<sub>2</sub>e (not including transmissions and distribution losses). Therefore our total gross scope 1, 2 and 3 emissions for 2013/14 were 32,065 tCO<sub>2</sub>e.<sup>6</sup>

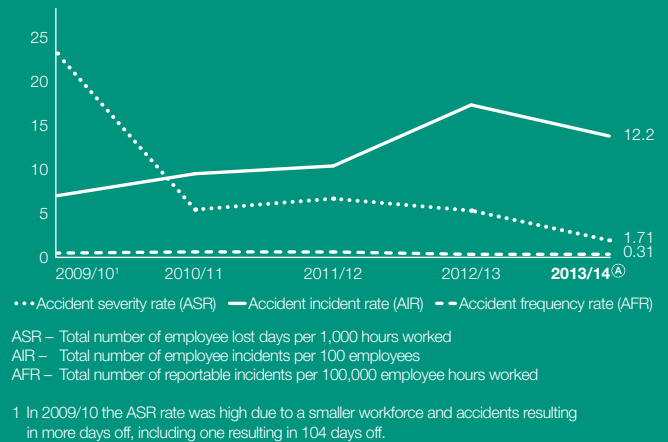
We will continue to find ways to reduce our direct impact but we recognise that most of the emissions from our estate are created by others and are therefore outside of our direct control and not included in the table above. Through our Total Contribution we are measuring the emissions produced, avoided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

The activities section of this report outlines some of the work we are currently undertaking to play our part in addressing the challenges of climate change, both directly and in enabling initiatives of our customers.

**Employee salary ratios by gender 2013/14**  
(68% Male, 32% Female) %



**Health and safety incidents**



## Our people

### Equal opportunities and diversity

The Crown Estate is committed to eliminating discrimination and encouraging equality and diversity amongst our workforce.

We recognise and encourage the varied contributions that a diverse workforce makes to our business and we create an environment in which they are valued.

We ensure compliance with equalities legislation. We are also members of the Employers' Forum on disability.

The gender diversity of our employees is 32 per cent female as shown above split by salary, whilst 20 per cent of our Main Board (including Board Counsellors) and 19 per cent of our senior managers are female.

### Reward

We aim to offer competitive reward packages (salary and performance related bonuses) and these are set around the market median for the majority of roles, benchmarked against comparable organisations in the sectors in which we operate. We also provide a range of flexible employee benefits, including pensions, season ticket loans and sickness pay. Salary ratios by gender are shown above.

### Human rights

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

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

### Health and safety

Health and safety is a key business challenge and risk. We are committed to applying a positive and proactive health and safety culture across all areas of our business.

Over the last year we have introduced a new behaviour safety programme on our Windsor estate and Rural and Coastal portfolio. This has focused on challenging perceptions and attitudes towards safety and creating a positive health and safety culture. It included a range of activities from safety leadership training and safety tours, to a supplier Safety, Health and Environmental Forum to engage and share best practice and

risk culture workshops, which were built on the principle, "I can prevent someone else's injury".

The Accident Incident Rate (AIR), as shown in the chart above, shows a general increase over the past five years. This is due to a higher level of reporting as a result of our programme to encourage employees to report all incidents. Whilst we are reporting more incidents, the severity and impact has reduced, as shown in the decrease in the Accident Frequency (AFR) and Accident Severity (ASR) rates. This provides a positive picture in terms of our safety performance.

We have had three reportable incidents this year including one which involved an employee falling from height while working at our Windsor estate. The employee has returned to work and as part of our behavioural safety programme has been inspiring his colleagues to take a more proactive approach to their safety by speaking about the real personal impacts of his experience.

As we continue to improve our measurement and reporting we have expanded our external assurance this year to incorporate Health and Safety.

We have also improved how we recognise employee good health and safety practice, by including health and safety as one of the categories in our new

## Finance Director's review continued

quarterly superstar awards, along with Sustainability and Customer Focus.

We are very pleased to have secured a Gold achievement award in the RoSPA (Royal Society for the Prevention of Accidents) Occupational Health and Safety Awards 2014 representing an on-going commitment to raising health and safety standards for our retail park portfolio. As well as winning awards we also jointly sponsor the Renewable Energy Health and Safety Awards to promote the sharing of best practice in health and safety across the renewable sector.

Looking forward we intend to roll out the second year of our behaviour programme, at higher risk locations and introduce an appropriate programme across other areas of our business.

### Wellbeing

The contribution of our employees is critical to our success and we support our staff in leading healthy lifestyles that increases their wellbeing and reduces absence from work. This is part of our support for staff to reduce days lost through sickness.

We provide beneficial rates for health insurance and dental services and free confidential advice and counselling services.

In order to encourage employees to adopt a healthy lifestyle both personally and professionally, we have this year introduced a series of activities including a running club. Our new employee led, Green Workplaces initiative has also inspired volunteer juice bars which have proved to be very popular.

### Culture and behaviours

As part of our Vision 2022 programme we have introduced a set of key behaviours which we think will help underpin our future success. Employees at all levels have committed to these behaviours, which range from being 'open and honest with each other and the people we work with' to being 'enterprising in how we create value, agile and considered in how we do business'. A significant part of these behaviours is that they are to be embedded within our employee performance reviews as well as integrated into everything we do.

## Our know-how

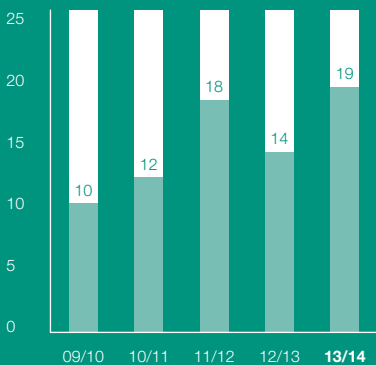
### Training

We continue to invest in training to ensure our employees have the skills that are critical to successful business performance, including investment in leadership and management capability. This is demonstrated by the fact that our average training hours per person for 2013/14 stands at 19 hours and average spend per person was £680. We have been recognised as an Investors in People (IIP) employer since 2003 and this year we were awarded with an IIP bronze standard.

We also invest in the development of our leadership team and encourage them to build their expertise through involvement with other organisations – for example as Non-Executive Directors or by sitting on boards and volunteering for charities. This has the double benefit of contributing to the wider community as well as enhancing their leadership capability.

The average number of employees increased in the year to 31 March 2014, from 456 in 2012/13 to 458 in 2013/14. Our employee turnover rate for voluntary leavers excluding retirements was 7.6 per cent, with overall employee turnover at 10.6 per cent.

Average hours of training per year per employee



We continue to invest in training to ensure our employees have the skills that are critical to successful business performance.



## Our networks

### Charitable donations

As permitted by the Crown Estate Act 1961 (Section 4(2)) we made donations of £nil in the year to 31 March 2014 compared with £1,750 in the previous year.

### Supplier payment performance

We observe the principles of the 'Better Payment Practice Code' and our payment policy is to pay all suppliers within 30 days of receipt of a correctly documented invoice, or on completion of a service where a fee is recoverable from a third party or according to contract where a shorter payment period is agreed. During the year to 31 March 2014, we paid 75 per cent of supplier invoices within the period. This includes disputed invoices and amounts recoverable from third parties. On average suppliers' invoices are paid within 30 days of receipt.

### Customer focus

In addition to working with our customers on a day-to-day basis on each of our portfolios, our cross-business customer focus group continues to explore and implement specific initiatives designed to benefit our customers and enhance our business performance. During the year we joined the Institute of Customer Service as a means of furthering our commitment to excellence in how we do business.

### Education

As part of our approach to stewardship, we initiate, facilitate and participate in educational programmes and events. These involve children of all ages, university students and adults. Much of our unique landscape including forest and parkland is used to teach young children about how proactive management of these natural habitats can play an important role in addressing climate change, food security and biodiversity.

As well as hosting educational activities on our portfolio, we are raising awareness and access to information on digital platforms through backing 'Forests for the Future', an online resource

enabling children to learn more about the natural environment. In our Energy and Infrastructure portfolio we are also investing in an offshore wind educational resource through the U-Explore website.

We started a new initiative in February 2013 to provide work experience to children from less advantaged and diverse backgrounds in order to help address the imbalance within the professions that The Crown Estate represents. We linked up with two charities, IntoUniversity and the Reading Real Estate Foundation, and in 2013/14 we have provided work experience to nine students from both charities as well as hosted a learning event for a group of 13–15 year olds at our offices during which our professionals provided them with advice on the real estate profession.



**John Lelliott**  
Finance Director

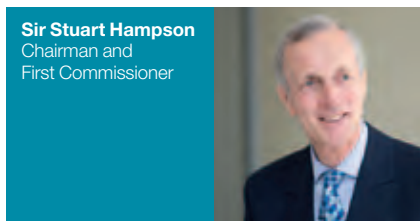
 **Strategic report 'Our stewardship work'**  
See pages 42 and 43



A key ingredient in delivering value beyond financial return is in harnessing the expertise and experience of our staff.

**5.7%**  
increase in net revenue profit.

# Board Members



**Sir Stuart Hampson**  
Chairman and  
First Commissioner

#### Appointment

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

#### Key strengths

- Leadership
- Strategic overview
- Government relations

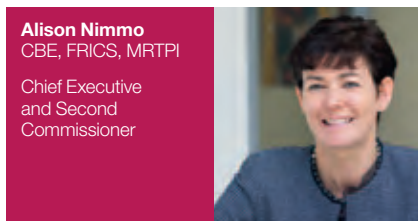
#### Experience

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

#### External appointments

Sir Stuart chaired the Business in the Community team tackling economic renewal in deprived communities, and he is one of the Prince of Wales's Ambassadors in this area. Sir Stuart was President of the Royal Agricultural Society of England in 2005/2006. He was knighted in 1998 for services to retailing.

Age 67.



**Alison Nimmo**  
CBE, FRICS, MRTPI

Chief Executive  
and Second  
Commissioner

#### Appointment

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

#### Key strengths

- Leadership
- Corporate overview
- Government relations
- Urban regeneration

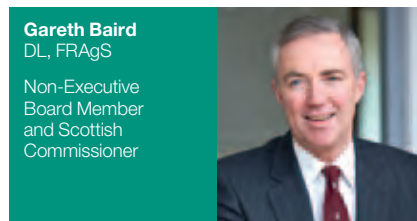
#### Experience

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

#### External appointments

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

Age 49.



**Gareth Baird**  
DL, FRAGS

Non-Executive  
Board Member  
and Scottish  
Commissioner

#### Appointment

Appointed to the Board on 1 October 2009.

#### Key strengths

- Scottish affairs
- Farming
- Enterprise

#### Experience

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

#### External appointments

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

Age 56.



**David Fursdon**  
DL, FRICS, FAAV

Non-Executive  
Board Member

#### Appointment

Appointed to the Board on 1 January 2008.

#### Key strengths

- Rural land/business
- Public bodies

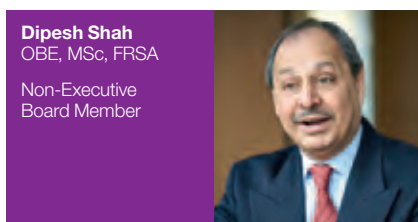
#### Experience

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

#### External appointments

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

Age 61.



**Dipesh Shah**  
OBE, MSc, FRSA

Non-Executive  
Board Member

#### Appointment

Appointed to the Board on 1 January 2011.

#### Key strengths

- Energy including renewables and infrastructure

#### Experience

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

#### External appointments

Dipesh currently holds a number of non-executive appointments with Thames Water, JKK Oil & Gas Plc and the 2020 European Fund for Energy, Climate Change and Infrastructure (Marguerite Fund). He is a Trustee of the British Youth Opera and a Governor of Merchant Taylor's School.

Age 60.



**Dr Tony White**  
MBE

Non-Executive  
Board Member

#### Appointment

Appointed to the Board on 1 January 2011.

#### Key strengths

- Low carbon energy and investment
- Competitive energy markets

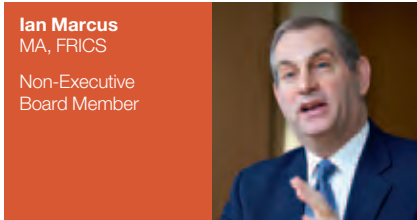
#### Experience

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

#### External appointments

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

Age 61.



**Appointment**  
Appointed to the Board on 1 January 2012.

**Key strengths**

- Real estate investment banking

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

**External appointments**  
Ian is Chairman of the Bank of England Commercial Property Forum, Chairman of The Prince's Regeneration Trust, on the Advisory Board of Redevco and a senior advisor to both Wells Fargo Securities and Eastdil Secured. Ian's previous roles have included the Presidency of the British Property Federation and Chairmanship of the Investment Property Forum. He is a member of the Real Estate Advisory Board of the Department of Land Economy at the University of Cambridge, an Eminent Fellow of the RICS and a Member of the Chartered Surveyors Company.

Age 55.



**Appointment**  
Appointed to the Board on 1 January 2007.

**Key strengths**

- Urban asset management and investment

**Experience**  
Chris is currently Chairman of Orchard Street Investment Management and was Managing Director of Haslemere NV which was floated on the Amsterdam Stock Exchange in 1999. He was previously Managing Partner of Jones Lang Wootton.

**External appointments**  
Chris is a Non-Executive Director at Land Securities Group plc and is Chairman of Estate Management Development Fund at Cambridge University. He is also a Wilkins Fellow of Downing College, Cambridge. Past appointments include: President of the British Property Federation and Chairman of the Bank of England Property Forum.

Age 64.



**Appointment**  
Appointed to the Board on 1 January 2004 and appointed as Board Counsellor on 1 January 2012.

**Key strengths**

- Urban asset management
- Retail strategy

**Experience**  
Jenefer has over 35 years' experience in the retail real estate sector. She was Retail Executive Director at CB Hillier Parker and latterly Director, Sales & Lettings at Grosvenor Britain and Ireland. She retired in 2012 and continues to provide consultancy advice on location analysis, retail positioning and asset management.

**External appointments**  
Jenefer is a Non-Executive Director of Assura Group Ltd, where she also chairs the Remuneration Committee. Jenefer sits on the Board of the National Skills Academy for Retail, and was the first Chairman. She is a past President of the British Council Shopping Centres (BCSC) and member of the ICSC European Advisory Board. She is also a Governor of Westonbirt School.

Age 56.



**Appointment**  
Appointed as Board Counsellor on 1 January 2014.

**Key strengths**

- Sustainability
- Urban innovation

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

**External appointments**  
Peter is an Advisory Board Member for Center for Energy Efficiency and Sustainability, and a member of the UK Government Smart Cities Forum. His previous posts have included Head of Policy at the Environment Agency, Ministerial Adviser at Defra, Director of Green Alliance and Head of Policy at Christian Aid.

Age 49.



# Management Board



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

## **Alison Nimmo** CBE, FRICS, MRTPI Chief Executive

Alison took up the post of Chief Executive of The Crown Estate on 1 January 2012. Prior to this, she spent five years with the Olympic Delivery Authority (ODA) where, as Director of Design and Regeneration, she was responsible for delivering the overall design and early delivery of many of the venues for the London 2012 games. (See page 54 for full biography.)

Age 49.

## **John Lelliott** FCCA Finance Director

John became Finance Director in 2001, having joined The Crown Estate in 1985. He has responsibility for Finance, 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.

Age 61.

## **Rob Hastings** BSc, MBA Director of Energy and Infrastructure

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

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

His penultimate role was as a Director and Chairman of Shell Wind Energy Limited. He has also served as a Director of the British Wind Energy Association (now Renewable UK). He is currently serving on the Offshore Wind Industry Council and the CCS Developers Forum. He is also chairing the Finance Steering Group for the EU Ocean Energy Forum.

Age 51.

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

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

Previously, he was responsible for the Church Commissioners' £1.7 billion property investment portfolio. Significant recent initiatives have included establishing major joint ventures with HOOPP and Oxford Properties in St James's as well as the Regent Street Partnership with NBIM, completion of major development projects in the West End (including 10 New Burlington Street and Eagle Place) and establishing a clear and focused investment strategy for the business.

Age 51.

## **Vivienne King** BSoc Sci Director of Business Operations and General Counsel

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

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

A member of the City of London Solicitors Company and Chief Legal Officer Network, Vivienne was named a 'Power General Counsel' in 2013 by *Legal Week* magazine.

Vivienne is a trustee of The Womens Pioneer Housing Trust.

Age 53.

## **Ken Jones** BSc (Hons), FRICS, FAACI Director of Rural and Coastal

Ken joined The Crown Estate in November 2012 following a 31 year career at Savills managing 40 staff and an annual turnover of £3 million.

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.

Age 61.

## **Judith Everett** MA, MBA Director of Corporate Affairs

Judith joined The Crown Estate in 2013.

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

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

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

Age 50.

# Glossary

## **Bespoke benchmark**

An IPD benchmark based upon the Quarterly Index but weighted to reflect our ownership as at 31 March 2008.

## **Book value**

The amount at which assets and liabilities are reported in the financial statements.

## **Capital employed**

The capital value of an asset at the beginning of a period plus net capital invested over the period.

## **Capital value**

The net assets of The Crown Estate held as capital for Her Majesty and Her Successors.

## **Carbon Intensity**

The amount of carbon dioxide produced per square metre of floor space.

## **Consolidated Fund**

The UK Government's general bank account held at the Bank of England. Taxation and other monies paid to the Treasury are paid into this fund.

## **Development pipeline**

Development projects under construction or planned, listed according to the date of completion.

## **Direct expenditure**

Expenditure incurred that relates directly to the operation of the properties from which revenue is received.

## **Equivalent yield**

The constant capitalisation rate applied to all cash flows, that is, the internal rate of return from an investment property reflecting reversions to current market rent.

## **ERV**

The estimated market rental value of lettable space.

## **Finance lease**

A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

## **Head lease**

A leasehold interest held directly from the freeholder and subject to one or more underleases in the whole, or part of the property.

## **IFRS**

International Financial Reporting Standards

## **Indirect investments**

Investment in property through jointly controlled entities 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 has 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 surplus.

## **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.

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[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

 @TheCrownEstate

## Stay informed:

### Online

Corporate website:

[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

Online annual report:

[www.thecrownestate.co.uk/annualreport-14/](http://www.thecrownestate.co.uk/annualreport-14/)

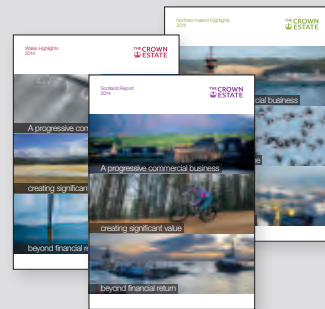


### Regional Publications

Scotland Report 2014


Wales Financial Highlights 2014

Northern Ireland Financial  
Highlights 2014



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