

***Building
strong
partnerships***

Annual Report and Accounts
2010-2011

***The Crown Estate Annual Report and Accounts
2010–2011***

***Presented to Parliament pursuant to sections 2(1)
and 2(5) of the Crown Estate Act, 1961***

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Any enquiries regarding this publication should be sent to us at:

The Crown Estate
16 New Burlington Place
London
W1S 2HX

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The Crown Estate is committed to partnership.

Whether it's attracting overseas investors, leading the way with offshore energy or working to protect our customers' best interests, we believe in creating and nurturing positive partnerships.

Although Parliament decrees that we operate as a commercial organisation, we combine the commercial imperative with an equally firm commitment to integrity and stewardship. We believe in investing and improving for the long term and have built a strong reputation as a trustworthy partner.

Our vision is to be the UK's most respected property business because of the way in which we manage a diverse portfolio of assets on behalf of the nation.

To The Queen's Most Excellent Majesty

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



Available online:
www.thecrownestate.co.uk/annual_report

Other publications available:
Scotland Report 2011, Wales Financial Highlights 2011, Northern Ireland Financial Highlights 2011

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Understanding The Crown Estate

Who we are

Established by Act of Parliament, our organisation's role is to maintain and enhance the value of the hereditary estates of the Crown, on behalf of the nation.

Our vision is to be the UK's most respected property business because of the commercial and sustainable way we manage the diverse portfolio of assets you see opposite. The profit earned from our activities is paid to the Treasury, and over the last 10 years this has amounted to nearly £2 billion, whilst the capital value of the portfolio has increased by over £3 billion during the same period.

How we've performed

£230.9m

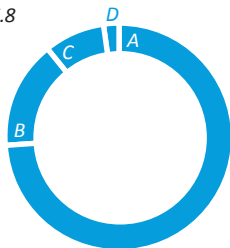
Net income surplus (profit)
(2010: £210.7 million)

£7.0bn

Property valuation (including indirect investments)
(2010: £6.2 billion)

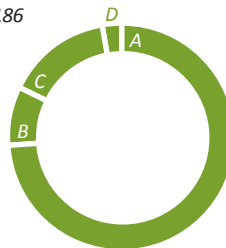
Revenue by estate 2011
£million (excluding service charges)

A Urban estate – 226.9
B Marine estate – 47.4
C Rural estate – 25.7
D Windsor estate – 6.8



Property valuation including indirect investments
£million

A Urban estate – 5,179
B Marine estate – 587
C Rural estate – 1,049
D Windsor estate – 186



Where we operate



Urban estate

The urban estate consists principally of major commercial holdings concentrated in London's West End and major towns and cities around the country, as well as a number of residential properties around London.

For more information:
Urban estate – pages 12 to 17



Marine estate

The marine estate includes around half of the UK's foreshore, the beds of tidal rivers and estuaries and almost all of the seabed out to the 12 nautical mile territorial limit around the UK. It also includes the rights to explore and utilise the natural resource (excluding hydrocarbons) of the UK continental shelf.

For more information:
Marine estate – pages 18 to 23



Rural estate

The rural estate is one of the largest in the UK with almost 144,000 hectares (356,000 acres) of agricultural land and forests, together with minerals and residential and commercial property in England, Scotland and Wales.

For more information:
Rural estate – pages 24 to 29



Windsor estate

The Windsor estate covers around 6,300 hectares (15,600 acres) and includes Windsor Great Park, Home Park, The Royal Landscape, forestry, residential properties and some commercial properties including Berkshire and Swinley Forest golf clubs and Ascot Racecourse.

For more information:
Windsor estate – pages 30 to 35

Chairman's statement

This has been a year of tremendous activity and achievement for The Crown Estate. The commercial measure of our performance is our net income surplus, or profit, and here we've produced a record return of £230.9 million to the Treasury. At the same time, we've held firm to our values of stewardship and integrity, ensuring the long-term sustainability of the nationally important assets under our care.

The foundations for many of the year's most significant initiatives, including the award-winning partnership with Norges Bank Investment Management (NBIM) on Regent Street (which completed 1 April 2011), were laid well before I took over as Chairman. The credit for these achievements lies in the vision and professionalism of my predecessor and of the management team over many years.

We often talk about the advantage of our long-term perspective and our consequent readiness to invest in ideas which might not come to fruition during our own watch, but this doesn't mean sitting and watching the grass grow! I've been delighted to see the full recognition – through awards and press coverage – of the way in which The Crown Estate actively manages its assets with professionalism, energy and ingenuity for the benefit of the nation.

A natural modesty and an inclination to let our actions speak for us are among the qualities which I like so much about The Crown Estate. Yet, people are very proud to be working here, and I'm pleased to count myself among them.

We're proud of the role we're playing as custodians of some of the UK's most important urban, marine and rural assets. We're proud that the profit benefits the nation's finances. We're proud to show that entrepreneurialism and flair can thrive in a public body. And we're proud of being able to demonstrate that an emphasis on stewardship and integrity is no barrier to progress, but rather adds to the distinction of our ambitions and our achievements.



“We’re proud of the role we’re playing as custodians of some of the UK’s most important urban, marine and rural assets. We’re proud that the profit benefits the nation’s finances. We’re proud to show that entrepreneurialism and flair can thrive in a public body.”

Over the last year, however, we’ve caught more of the limelight than we’re used to, for three reasons. Firstly, the boldness of many of our commercial initiatives has rightly raised our profile in the property and financial sector. Secondly, the Government has announced its intention to link the new Sovereign Grant to a proportion of the revenue of The Crown Estate, and this may well draw more attention to us when the Government announces exactly how this will be done. And thirdly, ‘the devolution of responsibility’ for The Crown Estate in Scotland has emerged as a priority for the newly elected Scottish Government.

The Crown Estate is a wholly apolitical organisation, and we’re accustomed to working with governments of all complexions and playing our part in achieving the national objectives they set. Nowhere is this more evident than in the offshore renewables sector, where we believe that the scale of The Crown Estate’s resources as a UK-wide body has been crucial in moving forward the ambitions of the Government and the devolved administrations.

We recognise that there’s a wider political debate surrounding The Crown Estate in Scotland, and it would not be appropriate for me to comment here on matters which are the responsibility of the UK Parliament. We do, however, stand by our record in Scotland on four key counts: as an active and committed supporter of the policies of the Scottish Government, most recently in relation to wind, tidal and wave energy; as an expert, professional and trusted intermediary for companies considering major investment in renewable energy in Scottish waters; as a promoter of Scottish companies and communities seeking to make the most of supply chain opportunities; and as an active and supportive landlord of our marine and rural holdings in Scotland. We shall continue to focus on making things happen in Scotland and across all the areas where we operate and on managing our assets with vigour, with our hallmark of integrity and with the advantages of our UK-wide scale.

Last year I signalled our intention to bring direct experience of the renewable energy sector onto our Board, and we’ve been delighted to welcome Dipesh Shah and Tony White as non-executive members during the year. Dipesh has an extensive background in business, particularly in the renewable energy sector; since 2009, he’s been a non-executive member of our offshore energy supervisory

committee, and he’s a non-executive director of several other organisations involved in the energy sector. Tony is also an expert in renewable energy, and, in addition to holding a number of relevant non-executive positions, he runs a consultancy which gives advice on the low carbon economy.

Martin Moore and Dinah Nichols have stepped down from their positions as non-executive Board members after each completing two four-year terms, and I wish to thank them for their passion for The Crown Estate and readiness to make themselves available and to offer wise counsel over the past eight years. I’m delighted that they’re maintaining their input to The Crown Estate as Board counsellors – so that without exceeding the statutory limit on the number of commissioners we’ve been able to maintain the breadth of experience engaging in discussion around the Board table.

I’ve referred above to the importance of engaging actively with the devolved administrations and being in tune with their particular concerns. The position of Scottish commissioner is already a long-standing arrangement at The Crown Estate, and now two Board members, Chris Bartram and David Fursdon, have agreed to take on specific responsibility for keeping a general oversight of our relationships in Wales and Northern Ireland respectively.

Although I’m extremely sorry that Roger Bright has decided to retire, I understand his reasons for it. During his 10 years as chief executive, The Crown Estate has been transformed into one of the UK’s most successful property businesses, one which has delivered some spectacular results including nearly £2 billion of profit earned during his tenure, paid to the Treasury for the benefit of the nation. No doubt Roger will notch up more credits in his remaining months at the helm, and I shall therefore reserve full comment on his exceptional contribution until the end of the year. The search for a new chief executive is well under way, and I hope to report a satisfactory conclusion in the near future.



Sir Stuart Hampson
Chairman

Chief executive's overview

This has in many ways been a landmark year for The Crown Estate, despite the broader UK economy experiencing only a modest recovery from the recession. Our profits stand at record levels and we also entered into a major partnership that will drive our performance for many years. However, we remain cautious about the prospects for 2011 and beyond.

In terms of GDP, 2008 and 2009 saw the UK suffer the toughest recession since before the war and the recovery during our last financial year was modest at best.

The property market was one of the first sectors into recession, but by the end of 2009 we were experiencing capital growth once more and this continued into the first half of 2010 before slowing again.

Against this background, 2010/11 has been a good year. We have seen our results bounce back and have reported a record year in profits, with the capital value currently standing at the highest levels in our history. Our revenue rose by 2.4 per cent to £306.8 million and we returned

£230.9 million in net income to the Treasury, up 9.6 per cent on the previous year. The total value of our directly-held property portfolio rose by 11.9 per cent to £6.7 billion and our total capital value at the end of the year was £7.3 billion, an increase of 9.2 per cent. We again outperformed the bespoke benchmark that we developed in conjunction with the Investment Property Databank (IPD). For 2010/11, our total return was 16.3 per cent, significantly ahead of the benchmark which showed a return of 12.8 per cent.

We celebrated our 250th anniversary during 2010 and marked the occasion in a way fitting for an organisation that takes the long-term view: we planted 3,000 trees, which we hope will bring enjoyment and environmental benefit to people well into the next century.

Among the many highlights of the year was the agreement of the deal which has seen NBIM, managers of the Norwegian Government Pension Fund Global, take a 150-year lease on Regent Street, on a 25 per cent stake. Under this landmark partnership, we are able to recycle profits from our previous investments in Regent Street into future investments and developments into our core sectors, as well as bringing our partner's capital alongside ours to continue our improvement programme in the Street.



As I reported last year, we welcomed the House of Commons Treasury Sub-Committee's report, which concluded in June that The Crown Estate "runs a very successful business operation". The report made a number of recommendations, primarily relating to transparency and relationships with stakeholders, which we are acting upon. It also referred to the proposed sale of our London housing estates and we believe that the deal we finalised with Peabody is the best possible outcome for The Crown Estate, existing tenants, and for the future provision of affordable housing for key workers in London.

The estates

As the following pages explain in detail, we work to enhance the value of the estate and the income from it. We are an active investment manager and regularly review our assets to ensure the most appropriate balance between our key specialist areas.

All four estates recorded good performances during the year. The urban estate delivered impressive results with revenue, excluding service charges, from directly-held property and inward investments rising by 2.5 per cent to £226.9 million. The value of the portfolio including indirect investments, increased by 11.6 per cent to £5.2 billion. On the marine estate, revenue rose by 1.7 per cent to £47.4 million and capital value by 32.3 per cent to £586.9 million. The rural estate saw revenue increase to £25.7 million up by 2.4 per cent, and capital values to £1.0 billion, a rise of 8 per cent. At Windsor the team held the deficit at a broadly similar level to the previous year, despite higher costs, with capital value increasing by 5.3 per cent to £185.9 million.

Building partnerships

Tenants, communities, businesses, governments, local authorities and other bodies all trust and depend on our willing support, as we do on theirs. Partnership is the theme for this year's annual report, and it is an aspect of our approach that will become even more significant in the future.

Partnership is important to us in two different ways. Firstly, under the terms of the Crown Estate Act 1961 we are precluded from borrowing, so partnerships such as that with NBIM on Regent Street and Healthcare of Ontario Pension Plan (HOOPP) on our Gateway development can give us access to new funds. Secondly, by working alongside others who share our values, we can make the most of our experience and expertise and add more value to the portfolio. Ours is an organisation that never focuses on short-term gain at the expense of long-term sustainable benefit, and we are keen to engage with partners who take a similar view. You can read more about some of our key partnerships throughout this report.

Looking ahead

The economic prospects for the coming year are uncertain. A number of indicators appear negative and substantial cuts in public expenditure and jobs are being implemented. The property market is likely to be stable but unspectacular. It will also be a year where the UK will continue to increase its attention on energy and is likely to undertake market reform in the sector designed to deliver long-term security of supply of low carbon energy.

At The Crown Estate, we will continue to do those things which we have done with significant success over the past several years: to build effective partnerships with all our stakeholders; to pursue our investment strategy; to take a long-term sustainable approach to all our activities; and to balance commercialism with integrity and stewardship.

2011/12 will see us continue to focus our urban portfolio on its core sectors of the West End and prime retail outside London, and actively support, with capital as well as expertise, the nascent wind, wave and tidal energy industry. We will also look to improve our own efficiency, and a number of changes are already being implemented, following a recent efficiency review.

It has been a great privilege to have held this job over the past 10 years, a period that has seen significant change at The Crown Estate. Our capital value has increased by some 73.5 per cent during those years, and we have delivered a total profit of some £2 billion to the Treasury for the benefit of the nation. At the same time, we have reshaped Regent Street into one of the world's leading retail and office destinations, helped realise the potential of offshore renewable energy and continued both to safeguard and enhance some of the UK's most important rural assets.

As I step down at the end of 2011, I would like to express my sincere appreciation to the three chairmen with whom I have served during that time: Sir Denys Henderson, Sir Ian Grant and Sir Stuart Hampson; to my fellow Board members; and to the enormously talented and committed staff of The Crown Estate, all of whom have played their part in making The Crown Estate the successful business it is today.



Roger Bright CB
Chief executive

Our objectives

Our values

To be commercial at all times and deliver clear financial benefit to the nation





What we mean by these

Investment strategy

- 1 Focus on our core sectors where we have competitive advantage
- 2 Continue to redevelop and invest in our core London holdings
- 3 Take advantage of market conditions to maximise returns and manage risks
- 4 Facilitate the development of renewables on our marine estate

How we measure our progress

KPIs

-  Achieve a revenue contribution to the treasury of £250 million by 2014
-  Consistently outperform the IPD (Investment Property Databank) total return index
- Capital growth

Other performance indicators

- Property valuation
- Gross surplus

 Indicates alignment with 'Going for Gold' ambitions

 For more information: **How we have performed** – Pages 10 and 11

To act with integrity



Partner of choice

We work closely alongside tenants, communities, businesses, governments, local authorities and our own people, as we strive to deliver our vision of being the UK's most respected property business and the natural partner of choice for all our stakeholders.



KPIs

- Enter The Sunday Times' list of good employers
- Win more nationally recognised awards

Other performance indicators

- Establish partnerships with other property owners through a flexible approach to investment and disinvestment
- Ensure Crown Estate employees and representatives actively embrace our core values

To be good stewards of important national assets



Take the long-term view

Our commercial drive is tempered with a clear recognition of our stewardship responsibilities. People rightly expect that we will always seek to do the right thing for the long-term wellbeing of assets which form part of the nation's heritage and fabric.



KPIs

- Achieve Gold in the Business in the Community (BitC) Corporate Responsibility Index

Other performance indicators

- Ensure we are regarded by our stakeholders as indispensable
- Establish a strong and respected customer brand, supported by excellent service from us and our service partners

How we have performed

Commercialism



KPIs



Achieve a revenue contribution to the Treasury of £250 million

We are holding to our ambition to achieve the £250 million mark by 2014, with a contribution of £230.9 million this year.

Alongside our commercial activities, we have achieved cost savings and improved business efficiency. Our successful performance enabled us to do this from a position of strength.

Net income surplus (profit) £million

2011		230.9
2010		210.7
2014 Target		250.0



Consistently outperform the IPD (Investment Property Databank) total return index

This year our total return was 16.3 per cent, from an industry wide benchmark of 3.5 per cent.

We have rebalanced the portfolio through a net disinvestment from central London by continuing sales from remaining non-core central London assets and bringing in third party investment into Regent Street.

IPD bespoke %

Actual		16.3
IPD bespoke		12.8
IPD Quarterly Index (including transactions)		11.3

IPD rolling three years %

Actual		4.6
IPD bespoke		2.9
IPD Quarterly Index (including transactions)		-0.8

Capital growth %

Actual		11.4
IPD benchmark		7.3
IPD Quarterly Index (including transactions)		4.9

Other performance indicators

Net income surplus (profit) £million

2011		230.9
2010		210.7
2009		226.5
2008		213.4
2007		200.1

Revenue (excluding service charge income) £million

2011		306.8
2010		299.7
2009		285.8
2008		266.8
2007		262.1

Gross surplus £million

2011		264.3
2010		246.8
2009		243.2
2008		191.7
2007		223.4

Capital value £million

2011		7,253
2010		6,640
2009		6,015
2008		7,334
2007		7,091

Property valuation (including indirect investments) £million

2011		7,001
2010		6,232
2009		5,726
2008		6,826
2007		6,614

Integrity and stewardship



KPIs



Achieve 'Gold' in the Business in the Community (BiTC) Corporate Responsibility Index

We achieved a high 'Silver' score in the 2011 BiTC CR Index, just 1 per cent from 'Gold'.

We have been shortlisted for the BiTC Environmental Leadership Award and are now a designated BiTC Big Tick company.

In addition, we also won the PwC Building Public Trust Award for our sustainability reporting for the second year running.



Enter The Sunday Times' List of good employers

The results for the 2011 survey showed that we had again reached a 'one to watch' status.

We have retained Investors in People accreditation by implementing an action plan to take on board feedback from the 2009 assessment.



Win five more nationally recognised awards

Among the many awards The Crown Estate won during 2010/11 the highlights were:

- Property Week Deal of the Year for the NBIM investment in Regent Street.
- Civic Trust Award for the diagonal crossings at Oxford Circus.
- The Glenlivet estate received the Dulverton Flagon award for innovation and diversity one of several awards at the Royal Highland Show.
- The forestry department at Windsor Great Park achieved a Certificate of Merit in the Duke of Cornwall's Award for Multipurpose Forestry as part of the Royal Forestry Society's Excellence in Forestry 2010.
- Our Pentland Firth programme won Euromoney and Ernst & Young 'Renewable Energy Landmark Renewable Deal of the Year award'. The award recognises the vision and focus in creating the world's first commercial scale wave and tidal leasing round in Pentland Firth and Orkney waters.

Other performance indicators



Establish a strong and respected customer brand, supported by excellent service from us and our service partners

We have introduced a new visitor services team across The Royal Landscape to improve the visitor experience.

In order to embed a customer focused culture in all parts of the business we are engaging colleagues with customer standards through a programme of activities, such as customer standards workshops.



Establish partnerships with other property owners through a flexible approach to investment and disinvestment

We agreed the partnership deal with the Norges Bank Investment Management (NBIM) taking a 25 per cent stake in all Regent Street properties.

We also completed a major partnership deal that sees the Healthcare of Ontario Pension Plan (HOOPP) take a 50 per cent stake in its £100 million, St James's Gateway development, London W1, together with the adjacent Clydesdale block.

To ensure the future of the offshore renewable energy supply chain The Crown Estate signed letters of intent with the Department of Energy and Climate Change and another with the Welsh Assembly Government on facilitating the development of manufacturing ports and harbours.



Ensure Crown Estate employees and representatives actively embrace our core values

A Code of Business Ethics has been developed which brings together and refreshes all existing individual policies. This articulates how The Crown Estate's values, responsibilities and obligations are to be delivered by employees and representatives in the course of business and will be launched during 2011.



Ensure we are regarded by our stakeholders as indispensable

We have developed the St James's strategy into a more detailed, publicly available document to promote a greater understanding amongst our key stakeholders of what we want to achieve.

A co-ordinated programme on the rural estate has been implemented, focusing on estates with significant development, leisure and recreational potential, seeking to engage with stakeholders ahead of any specific development proposal.

We highlighted the role that The Crown Estate can play in the UK's security of energy supply and in helping to meet the UK's CO₂ mitigation aspirations by:

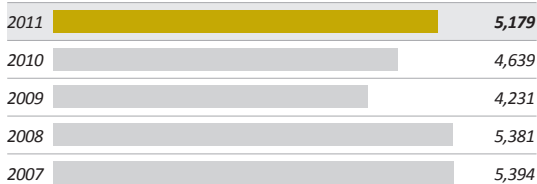
- Launching wave and tidal leasing rounds in Scotland in support of the Saltire Prize.
- We concluded the Pentland Firth and Orkney waters leasing round.

Urban estate

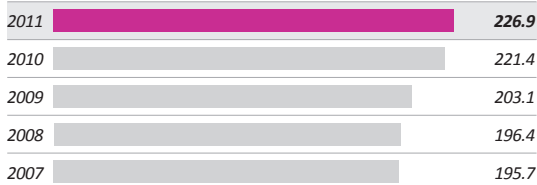
Revenue by activity 2011



Property valuation (including indirect investments) £million



Revenue (excluding service charge income) £million



The urban estate is principally focused on our two key markets of the West End of London and prime retail schemes outside of London.

This was another excellent year as we continued to outperform against our financial targets, develop our business model and improve the quality of our portfolio. Particular highlights included agreeing our partnership with Norges Bank Investment Management (NBIM), the commencement of our first development in St James's in a joint venture with Healthcare of Ontario Pension Plan (HOOPP) and key acquisitions of prime retail assets outside of London.

The urban estate remains the most valuable portfolio managed by The Crown Estate. In 2010/11 it accounted for some 74 per cent of our total property value, including indirectly held property, and around 77 per cent of our total gross income surplus.

Revenue from the urban estate, including indirect investment, rose during the year by 3.2 per cent to £238.0 million. Property valuations including indirect investments also increased, by 11.6 per cent from £4.6 billion in 2009/10 to £5.2 billion as property continued to recover from the lows experienced in the downturn. Net investment in the portfolio totalled £185 million including £87 million of development expenditure. In what was a very active year, total commercial transactions amounted to some £640 million, a turnover in excess of 13 per cent of the value of our commercial holdings.

The commercial element of the urban portfolio delivered a total return, as measured by IPD, of 14.9 per cent against a total return for the IPD quarterly index of 11.3 per cent.

This last financial year saw a measure of stability return to our core sectors: London's West End and prime retail markets. Transactions were up, for ourselves as well as for the industry in general, although we are still some way short of the activity seen prior to 2007. The underlying occupier

markets in the West End stabilised and we are now seeing rental growth in the office market. However, amidst the general optimism it should be noted that rental growth in this sector is driven more by the lack of supply of prime space than depth of demand. Our developments are timed to take maximum advantage of this shortage, with The Quadrant set to complete at the end of 2011 and further developments in St James's and Regent Street due for completion in 2013.

Retail demand in the capital has remained robust throughout the downturn, largely because of the increasingly international outlook of both retailers and customers. Overseas retailers remain strongly interested in representation in Regent Street which also continues to be popular with international visitors as well as shoppers from the UK.

Beyond London, the capital markets for prime real estate improved and this was particularly true within the retail sector. Although the overall retailing environment is likely to remain challenging for some time to come, the continuing polarisation of retail centres is improving the long-term prospects for dominant schemes. Consequently we have continued to concentrate our efforts on those dominant schemes which are in a position to benefit from medium- to long-term mismatches between occupational supply and demand. During the year this approach was evidenced by a low level of vacancies combined with encouraging levels of new tenant interest, particularly in the retail parks.

Forging partnerships to deliver our strategy

At the heart of our strategy lies the aim to balance exposure to our key sectors as efficiently as possible and to provide a flow of working capital for continued reinvestment into our business. In line with this objective, we have continued to invest in and develop Regent Street and St James's alongside our focus on prime retail assets outside London. We constantly review our holdings, taking opportunities where we see them and adjusting our focus in line with different business cycles.

A highlight of the year was our agreement of the landmark deal with NBIM. As a consequence, Regent Street will continue to benefit from being managed by The Crown Estate and will have access to both our own and our new partner's funds for future investment. Under the agreement



How The Crown Estate's Gateway project will look on completion. The Crown Estate has entered into a partnership with Healthcare of Ontario Pension Plan (HOOPP) which has taken a 50 per cent stake on the £100 million development, together with the adjacent Clydesdale block.

Michael Catford, Vice President, Real Estate, HOOPP: "St James's is one of London's most internationally renowned destinations and we look forward to being a part of its future and building on the strengths, values and heritage of this iconic area. St James's Gateway is HOOPP's first direct property investment outside of Canada and in The Crown Estate we have found a great co-venture partner."

with NBIM, which manages the Norwegian Government Pension Fund Global, we continue to own the freehold whilst NBIM gains a 150-year lease, giving it a 25 per cent stake. NBIM was selected from a strong shortlist, and we are delighted to be partnering with an organisation whose long-term approach is closely aligned with our core values of commercialism, integrity and stewardship. The capital generated by the deal will be reinvested across the whole of The Crown Estate including funding the ongoing development of Regent Street and St James's.

This ongoing commitment to our core West End holdings is embodied by our active development programme. In the last year we have spent some £87 million on development and during 2011 we will have in excess of 500,000 sq ft of core West End commercial and residential development on-site, more than any other organisation. On Regent Street, The Quadrant mixed-use redevelopment is set for completion by the end of 2011, almost three months ahead of schedule.



“The relationship with Land Securities on Princesshay Shopping Centre in Exeter and the Westgate Centre in Oxford are examples of The Crown Estate working in partnership with an eminent property owner. These joint ventures benefit from an alignment of interests and a sharing of expertise and knowledge to achieve mutually beneficial objectives of both The Crown Estate and Land Securities.”

*Joanna Lea
The Crown Estate*

“Our partnership with The Crown Estate has achieved a successful year, strengthening the two shopping centres. Both companies have similar cultures, which have added to a positive work environment. And we enjoy working with the team and look forward to help deliver added value and growth next year.”

Suzi Clay
Land Securities



This includes a 180,000 sq ft office building known as AirW1 which will be the only office development scheme over 60,000 sq ft to complete in the West End before the third quarter of 2012 and the single largest new office building in the area until at least 2013. Quadrant 1, the former Café Royal, continues to make good progress with completion on track for the second quarter of 2012. The Quadrant projects are part of a £1 billion redevelopment of Regent Street which includes several other schemes set to complete between 2013 and 2015.

Partnership was also a key feature for St James's during the year, where our active approach to its management gathered further momentum. We have a detailed strategy for the area, covering all the activities central to delivering our vision over the next decade and beyond. Our vision is to refine and enhance St James's whilst maintaining its unique character. In doing so we will enhance the cohesion and quality of our holdings, as well as make significant improvements to the public realm. As part of this vision we were delighted to enter into a major partnership deal with Healthcare of Ontario Pension Plan (HOOPP). This organisation has taken a 50 per cent stake on the £100 million Gateway development, together with the adjacent Clydesdale block. We retain the freehold of the blocks and will oversee the development and directly manage the properties on completion, which is expected in 2013. The mixed-use scheme involves a mixture of retained and new facades and will also deliver public realm improvements together with a striking new frontage along Piccadilly. As is the case with the NBIM partnership on Regent Street, this deal demonstrates our commitment to working with partners that share our values in order to fund continued investment in our core West End holdings.

Outside London, the regional portfolio has evolved significantly in recent years. We expect this trend to continue as we use some of the proceeds from our disposals and partnerships to make further selective investments, primarily in shopping centres and retail warehouse parks. During the year we sold offices in St Albans, Newcastle and Guildford and purchased high quality retail assets in Liverpool, Nottingham, Portsmouth and Hemel Hempstead for a total of £254 million. These acquisitions bring the number of major retail schemes in the regional portfolio to 16, comprising 11 retail parks and five shopping centres with

a total value of some £950 million. We also built on our established relationship with Land Securities to develop partnerships on the Westgate shopping centre in Oxford and Princesshay in Exeter both of which have prospects for further development.

As a result of this activity, we have increased the average lot size from £36 million to £42 million as well as significantly enhancing the quality and profile of the assets we own.

Securing the future for London's key workers

As documented in last year's report, we consulted widely with residents and other stakeholders regarding the proposed sale of our four housing estates across London.

Housing is not a core competence of The Crown Estate and our view was that the long-term needs of residents, many of whom are key workers living in affordable housing, would be better met by a housing specialist. Accordingly, we chose to sell the assets to Peabody, a well-respected housing association and charity. This is an excellent outcome for residents, for The Crown Estate – because it allows us to focus on our core skills – and also for all those who believe in the importance of affordable housing for key workers in London.

Awards and accolades

We are recognised by peers and stakeholders alike for the clarity of our strategy and its implementation. As the financial year closed, we were delighted to win the Deal of the Year award from Property Week, for our Regent Street partnership with NBIM. During the year we received several other awards, including: the award for heritage from the annual Royal Town Planning Institute, for Regent Street; the workplace project of the year award from the Smarter Travel Awards, also for Regent Street; and the award for urban design from The Chartered Institution of Highways and Transportation, for the Oxford Circus crossing – which also won awards from the Civic Trust, the RICS and National Transport and were highly commended by the Landscape Institute.

At the same time, we also gained plaudits for a number of initiatives that generated real benefits to local communities. For example our Regent Street workplace co-ordination initiative, managed by the Regent Street team, has ensured that over 60 out of work Westminster residents are now fully employed in Regent Street shops.

Active asset management

Looking ahead on the urban estate, we will continue to actively manage our assets to maximise long-term returns by focusing principally on our key sectors. At the same time, we will seek to ensure the business has access to sufficient working capital to reinvest in the portfolio.

The relationship between our central London and regional holdings will remain flexible, with our weightings being allowed to expand or contract as market conditions dictate. We anticipate further consolidation in our regional assets, with prime retail dominant. We will also remain alert to opportunities and will be sufficiently agile to seize those that arise, regardless of sector, where we can see value and a relatively clear route to liquidity.

However, capital market activity will only represent part of the story for all of our holdings. During the course of next year we will continue to implement our strategies for St James's as well developing our specialist asset management capabilities within the regional retail sector. In order to drive returns from the impressive portfolio of prime assets we have built up over the past two or three years, our management approach must match, and be perceived by customers and key stakeholders to match, the standards we have already set in the West End. To achieve this, we intend to define and promote our management style to ensure we have a clear and positive reputation for outstanding management in this sector.

Across the property sector as a whole, we expect a further period of relative stability in prime capital pricing with continued instability and distress in secondary and tertiary markets. In our occupier markets we expect a continued improvement in West End office rents, driven principally by a lack of new office supply and consistent demand for retail space, but with more modest growth rates than in recent years. Despite the problems within the broader retailing environment, we anticipate relative outperformance from dominant schemes.



Top

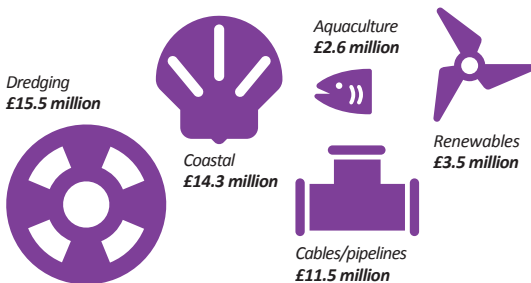
Aintree Retail Park, bought in 2010 adds to our growing portfolio of retail parks.

Below

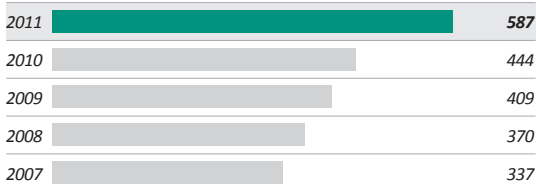
Regent Street where we finalised an agreement for the partnership with Norges Bank Investment Management (NBIM). The deal sees NBIM take a 25 per cent stake in Regent Street in return for a 150-year lease.

Marine estate

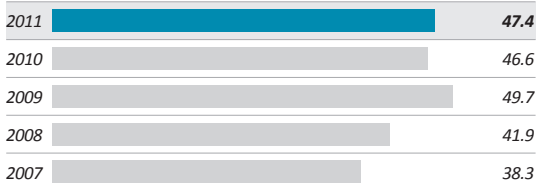
Revenue by activity 2011



Property valuation £million



Revenue £million



The marine estate includes around half of the foreshore of the UK and almost all of the seabed out to the 12 nautical mile territorial limit. It also comprises the rights to explore and utilise the natural resources of the UK continental shelf.

Through our active support and asset management, these coastal waters are providing increasingly significant financial benefit to The Crown Estate and valuable jobs to local communities, whilst helping to underpin the Government's commitment to renewable energy and a reduction in CO₂ emissions.

During 2010/11, revenue for the marine estate increased by 1.7 per cent to £47.4 million. Total property value rose to £586.9 million, up 32.3 per cent on the previous year resulting in a total return of 36.0 per cent.

As the UK construction industry continued to decline in the face of tough economic conditions the demand for dredged aggregates fell for the second consecutive year, down by 11 per cent to £15.5 million. However, this was offset by an increase in income from renewables, which rose by 34.6 per cent to £3.5 million as our work to facilitate and enable this fledgling industry gathered momentum. The coastal estate, which comprises marinas, ports, harbours and other coastal activity, added £14.3 million to our revenue, an increase of 8.5 per cent. The aquaculture sector enjoyed a good year, with revenue up by 13.0 per cent to £2.6 million whilst income from cables and pipelines increased to £11.5 million, up 8.5 per cent on 2009/10.

Supporting our established business sectors

The marine estate has continued to provide active support, including capital, to help the established businesses that currently generate the majority of our income.

On the coastal estate, where we are responsible for ports, harbours and marinas, we carried out a number of projects to improve moorings and strengthen infrastructure, notably at Tarbert and Tobermory. At Rhu Marina on Scotland's Firth of Clyde, we announced an investment of £1.4 million in a new breakwater system and 58 new berths that will significantly enhance the marina's growing reputation in the sailing community.

Aquaculture, which provides many jobs around our coastline, most especially in Scotland, recorded a very positive year. UK suppliers maintained the strong hold on export markets that they established during 2009, following supply problems in Chile, a major international competitor. The bi-annual Scottish Marine Crown Estate Aquaculture Awards is a well established vehicle for showcasing industry best practice and encouraging innovation to a wider public and political audiences. Among the winners at this year's ceremony, The Scottish Salmon company were announced as best aquaculture company 2011. David Duffy of Scottish Sea Farms picked up the accolade of farm manager of the year and Wester Ross Fisheries Ltd was awarded with the stewardship award.

Similarly, our Marine Stewardship Programme promotes good stewardship of the marine estate. Over the past 12 months we have invested £746,660 to support a range of projects including research at three universities into marine mammal interaction with the infrastructure associated with renewables, such as offshore turbines.

Realising the potential of renewables

Efforts by the marine estate to realise the full potential of its renewable energy assets are a high priority to the business and we have seen exponential growth in activity. Encouraging this new industry sector is a key component of The Crown Estate strategy. By supporting developers as they harness the potential of wind, wave and tide through some of the largest infrastructure projects in the world, we are also helping to provide valuable jobs to local communities and underpinning the Government's commitment to renewable energy and a reduction in CO₂ levels, as well as an increase in energy security.

The marine estate business strategy was developed during the year and ratified by the Board in January 2011. It sets out our strategic direction and defines our vision and direction over the next 10 years. Given the extraordinary opportunity that offshore renewable energy presents to the marine estate, development of its full potential is a high priority within the strategy.

We have already committed over £100 million in order to help develop offshore wind projects. The marine estate funds, and otherwise supports, a huge range of initiatives, from carrying out complex geotechnical surveys of the seabed to undertaking expensive but very important surveys of the mammal and bird populations. The results of this work are made freely available to existing and potential developers. In the summer of 2010 we also awarded offshore wind test sites to four companies, in response to the industry's need to evaluate and demonstrate new turbines and other technologies in a real environment.



Top

Tarbert Harbour, Scotland, where we have carried out work to improve moorings and strengthen infrastructure.

Below

A salmon farm in Argyll and Bute, Scotland. The aquaculture industry has performed well this year and the strong position of this industry safeguards many jobs around our coastline.

Marine estate continued

“Round 3 contract managers from The Crown Estate are located with the developers in their development office. Through their involvement in the SMart Wind consortium, Mainstream has embraced this situation. Their transparent and proactive manner has resulted in an excellent interaction between the two businesses. Mainstream provides valuable input to The Crown Estate’s programme-wide activity.”

*Will Apps
The Crown Estate*





“Mainstream has enjoyed a collaborative relationship with The Crown Estate for a number of years. Both are delivery-focused organisations that place strong emphasis on shared values; particularly around respect and integrity. The success of the partnership lies in the fact that our common goals were clearly aligned from the outset; to see safe, cost effective and efficiently delivered wind farms that have minimal impacts on stakeholders and their local environments.”

*Chris Hill
Mainstream*

Marine estate continued

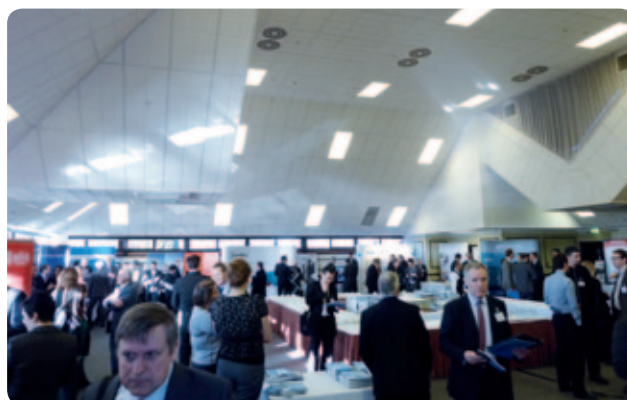
Our approach has been endorsed by a report from Ernst & Young which found that from an investor perspective, the UK is the most attractive country in the world for offshore wind development. This conclusion is further endorsed by the presence of major global players throughout the supply chain, including Mitsubishi, GE and Siemens.

In addition, we have invested in our own resources, management processes and, crucially, skills in order to further speed development. During the year the marine estate team increased in size, from 55 to 73 people, as we recruited the engineers, scientists, project managers and support staff we need in order to build our knowledge base.

There was significant construction activity around our coastline during 2010/11: the Round 1 offshore wind programme is almost complete and operational, and more than half of the projects in Round 2 are either under construction or already operational. During the year, both rounds benefited from project extensions which could create over 2 GW of additional renewable energy for the UK – enough to meet the electricity needs of 1.4 million homes.

The third round of offshore wind farm development, Round 3, is providing another step-change in momentum as it alone could provide around 25 per cent of the UK's total electricity needs by 2020. We are successfully building relationships with developers in nine zones located around the UK's waters. Each of our partners now has a marine estate manager based in their office in order to enable a closely aligned working relationship. Our work on Round 3 includes extensive use of our marine spatial planning system (MaRS). In itself, MaRS won two important awards during the year: the ESRI 'Award for Return on Investment'; and the 'Innovation and Achievement, Return on Investment' award from the Association for Geographic Information.

Although wave and tidal technology is less mature than offshore wind, it nevertheless offers great potential. In 2010/11 we awarded a lease for the Inner Sound tidal project, bringing the number of Pentland Firth projects to 11. Together, these developments have the capacity to provide 1.6 GW of power and are able to compete for the Scottish Government's Saltire prize, a £10 million incentive to encourage the development of wave and tidal stream energy.



Top

Scroby Sands offshore wind farm off the coast of Norfolk. This is a Round 1 project; almost all projects in this Round are now operational.

Below

Over 2,000 people attended our Round 3 offshore wind energy supply chain briefing events around the country, like this one in Birmingham.

In other energy related dealings, we again made good progress in maximising the return from our assets, signing an agreement which allows the depleted Deborah field in the North Sea to be used to store up to 4.6 billion cubic meters of gas. This innovative deal, on which we worked closely with the Department of Energy and Climate Change (DECC), is a first for the UK and enhances energy security by more than doubling the nation's storage capacity.

As reported last year, we support the principles of carbon capture and storage and now have a basic framework in place to govern issues such as lease structures and sharing risk with the Government. We anticipate that the first projects could be underway as early as 2015.

The partner of choice

In doing our job of managing nationally important assets for the UK, we recognise that it is important that we are seen to be a partner of choice by national and international investors and operators who are involved in the marine sectors of business.

We work with a wide range of stakeholders and partners, from agencies of the devolved governments in Scotland, Wales and Northern Ireland to multinational developers, local businesses, communities and, of course, agencies of the UK Government. We aim to be the enablers of development on the marine estate, bringing businesses and communities together and providing the structures for them to make progress on what are challenging, immense and hugely important projects.

For example, we facilitated the establishment of the Offshore Wind Farm Developers Forum and launched our second series of seven UK supply chain events for the offshore wind industry, following up on those held in the previous year. Attended by around 2,000 people, these events create an opportunity for local and regional companies to meet and do business.

During the year we continued to work with Ofgem and the energy industry to address infrastructure issues. The proliferation of wind farms, particularly along the east coast, allied to the closure of a number of power stations, is driving a great change in energy transmission patterns in the UK. Alongside our partners, we are keen to see the development of a new and more efficient network.

With respect to our marine minerals business, we partnered with customers to help them drive better value from their licences as demand for their products continued to fall, due to the recession. We adopted a flexible approach to relationships during 2010/11, helping customers utilise their resources more effectively, lower their costs and improve their competitiveness.

We also engaged with many local communities, ensuring that their voices were heard at an early stage in proposed developments. Some 700 people from Orkney, Caithness and North Sutherland attended presentations to find out more about the world's first commercial wave and tidal stream energy projects in the Pentland Firth and Orkney waters.

The coming 12 months will see another surge in activity on the marine estate, particularly in the renewables sector where a number of key projects will move closer to completion.

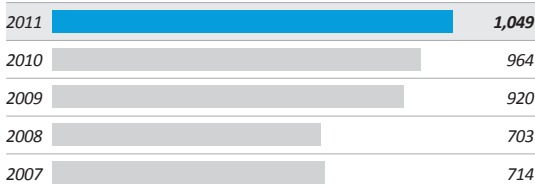
“We aim to be the enablers of development on the marine estate, bringing businesses and communities together.”

Rural estate

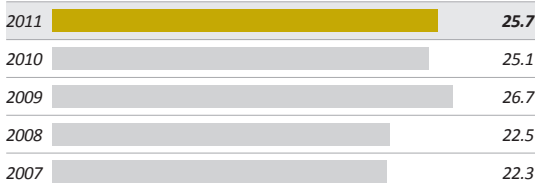
Revenue by activity 2011



Property valuation £million



Revenue £million



The rural estate consists of 144,000 hectares (356,000 acres) of agricultural land and forests, together with minerals and residential and commercial property.

Focusing on the core values of commercialism, integrity and stewardship, the estate has continued to deliver a very good financial performance, whilst also working in partnership to help tenants achieve their own business objectives.

This has been a year of achievement for the rural estate, with revenue up by 2.4 per cent to £25.7 million and property valuations increasing by 8 per cent to above £1 billion. The total return was 12.1 per cent. Active asset management and restructuring have paid dividends, with attention to detail reducing costs and minimising rent arrears.

For our farming tenants, 2010/11 was a mixed year, with an element of 'up corn, down horn'. Arable crop prices soared on the back of worldwide trends and concerns about food supply. It is increasingly apparent that even relatively minor shifts in global supply quickly ricochet around the industry and impact close to home. However, what is good for arable farmers puts pressure on their livestock counterparts, and the rising costs of feed and energy require careful management. The dairy industry experienced mixed fortunes, with returns varying markedly between efficient businesses on premium contracts and less efficient operations supplying commodity markets. The range of business performance is widening – and projected higher interest rates will accentuate this in the coming years.

Land values were strong throughout the year and we carried out a number of deals, taking profits and seizing opportunities to make strategic purchases to add value to our existing holdings. The main sales during the year included the Garton on the Wolds estate in Yorkshire and the bulk of the Aldingham estate in Cumbria in addition to selective local disposals, including several small development sites. We acquired Threselfords Farm at Feering in Essex alongside a number of other tactical purchases.

Overall, the farming industry is currently closer to the expansionary environment prevailing in the 1970s than it has been at any time since. Over the past three years, profits in agriculture have been higher than at any time since the mid-1990s. There is growing confidence in the prospects for farming, endorsed by many international bodies and commentators. The key issue for us is to ensure that we play our part in maximising the contribution of The Crown Estate to national and international food supply challenges, whilst helping tenants identify and reach their own business objectives.

Delivering the investment strategy

Our principal aim is to ensure long term, sustainable performance from active management and to outperform our IPD rural benchmark, whilst taking opportunities for co-investment with stakeholders that will deliver mutual benefit.

In 2010/11 we took important steps towards realising added value on our estates at Taunton in Somerset, Bingham in Nottinghamshire and Fochabers in Scotland. For three key development projects, we carried out major stakeholder engagement exercises before applying for planning consent shaping our proposals to meet the emerging needs and concerns of local people.

At Bingham, for example, we benefited from constructive dialogue with over 500 local residents during a three-day public exhibition of our plans to create 1,000 new homes. Other features of 'Future Bingham' include a lake, wildlife habitats, a community centre, improvements to healthcare facilities, allotments and a school. The development has the potential to provide over 1,000 jobs during the next 10 years and almost a third of the land area will be public open space. The public consultation highlighted a range of issues that were important to the community, including transport issues and key elements of the revised plan now include new car parking and the re-routing of traffic.

Our ambition to develop a new neighbourhood for Taunton includes 630 new homes, local facilities, parkland and 15,000 new trees. As at Bingham, public consultation in Taunton helped to refine our plans, including enhancements relating to affordable housing, cycle and bus routes, and improvements to the local road network. We believe that the updated plans will make a very positive contribution to the future of Taunton.



Top

The public consultation event we ran at Bingham informing the local community of our plans to create 1,000 new homes, a community centre, a school and other improvements.

Below

The Crown Estate is committed to maximising the contribution we can make to national and international food supply challenges.



“We have been pleased to work in partnership with Chris and his family to develop a number of diversifications and commercial lets at Roundway Hill Farm enabling them to add value to the farming business. Working jointly with the Combe family has made it possible for The Crown Estate and our tenant to enhance business performance for mutual benefit.”

*Danny Connolly
The Crown Estate*

“I have worked closely with The Crown Estate to develop a range of commercial buildings and businesses on the farm. In addition to providing a valuable source of income, unrelated to the fluctuations of agricultural commodity prices, this has resulted in the restoration of some Victorian farm buildings and led to the employment of over 100 people.”

Chris Combe
Roundway Hill Farm



At Mosstodloch on our Fochabers estate, we have received permission that will enable the development of 58 high-quality homes of which 14 will be designated affordable houses. The final application incorporated suggestions made by residents and others during public consultation, including a new rural footpath and amendments to maximise privacy. The development will include single and two storey properties with the layout reflecting that of traditional villages in the north east of Scotland. Extensive landscaping will create an avenue of trees and a welcoming environment.

The high quality of earlier development schemes have been recognised by a number of awards, including 'Best Small Development' for our Burnhill Green scheme in South Staffordshire.

Providing mutual benefit through partnership

By its nature, the rural estate takes a long-term perspective and the development of close and well-established working relationships are essential to its success.

We aim to go forward in partnership with our tenants, helping them to develop sustainable businesses for mutual financial benefit.

During the year we partnered with a wide range of organisations to deliver value to the estate and to be a positive influence in the lives and businesses of our tenants and their communities. Our 'Business Deal' continues to help tenants take advantage of the many and growing opportunities that are opening up to the farming sector. For example, we have committed to provide capital for co-investment and to facilitate the promotion and marketing of high quality products and services. The 'Management Deal', which ensures the consistent application of our values and guiding principles by managing agents and other suppliers, is now also well established. An ongoing programme of 'one to one' market research ensures that we get feedback on our commitment to 'say what we do' and 'do what we say'.

We continue to develop our supply chain project, looking to add value to our many farming businesses. This initiative will become a key component of a new initiative called 'Project 2020', currently underway with English Food and Farming Partnerships (EFFP) and the Scottish Agricultural Organisation Society (SAOS). This project aims to optimise sustainable food productivity and ensure The Crown Estate and our tenants play an active part in addressing future national and international food supply challenges.

Throughout all our relationships with tenants, we aim to be firm but fair. We are keen to ensure a progressive approach, looking forward to improving performance for mutual benefit – and we are always open to bright ideas and new business opportunities. At Ashby St Ledgers in Northamptonshire, for example, we are seeing demonstrable rewards generated by long-term investment on our part being matched by innovation and commitment from our tenants. Originally purchased in 2005, this estate has experienced significant change but is now in very good shape to face an exciting future with confidence.

At Dunster, on the edge of Exmoor, we are working with the community to enhance economic activity, with a particular focus on tourism. In addition to establishing 'The Tall Trees Trail', which allows visitors to appreciate England's tallest tree in a magnificent woodland setting, we have invested alongside local people in a range of businesses. With new four-star B&B and holiday property businesses next to a successful racehorse training business, adjacent to a sheep milking operation, venison business, ice cream manufacturer and many more ventures – all within a spectacular 4,000 hectare setting, Dunster is a fine example of entrepreneurialism in action.

At Glenlivet, in the Highlands of Scotland, our partnership approach responded to challenging circumstances, when extreme weather conditions, including very heavy snowfall, led to collapsed buildings and business disruption. A rapid response programme, involving our management team and tenants, implemented the cost efficient reinstatement of damaged facilities to ensure our tenants' businesses were restored to full operational capacity as quickly as possible.



Top

Tomintoul on our Glenlivet estate in the Highlands of Scotland where we worked closely with tenants whose homes had been damaged by the heavy snowfall this year.

Below

The Tall Trees Trail on the Dunster estate which was opened in 2010. The trail allows visitors to appreciate England's tallest tree in a beautiful woodland setting.

A sustainable future

Under our renewable energy strategy, we are helping businesses take advantage of new technologies to generate energy, revenue and cut their energy costs. Several tenants are benefiting from small scale projects whilst commercial scale opportunities across the rural estate are at various stages of implementation, with a programme set to deliver 500 MW. Micro generation provides an excellent opportunity for The Crown Estate and our tenants to benefit from green energy. At farms across the south of England and at a stone factory in Portland, we are investing in photovoltaic panels where a positive business case can be demonstrated.

As anticipated in last year's annual report, our publication 'Good Design Matters' which covers the core principles to be applied on all future residential developments, has now been published. It includes important guidelines and key principles that are also relevant to other forms of development.

2010 was the International Year of Biodiversity and we took the opportunity to identify biodiversity priorities for all of our principal rural estates, where we are engaging with tenants and other partners to develop a wide range of initiatives to enhance the environment. These range from providing nesting sites for golden eagles at Glenlivet to clearing non-native species of plants at Dunster and introducing our 'Forests for the Future' education pack to local schools.

During the coming year, we will work with our tenants to finalise the key values that will define the way that the estate and its tenants can work together. We have already identified the principles that could provide the basis for this framework, which form the next layer of partnership beyond the business and management deals.

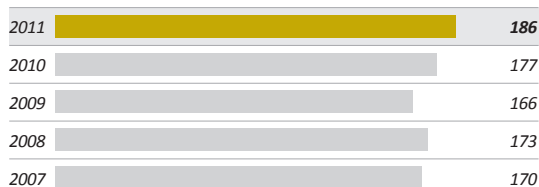
The industry as a whole is characterised by cautious optimism. There is undoubtedly a 'spring in the step' of most members of the farming community, and although there have been – and will be – highs and lows over the course of a year, the medium-term prospects appear to be very good. Those businesses that engage positively with the challenges ahead will perform well and we plan to use our extensive experience and progressive approach to ensure mutual benefits and long-term success.

Windsor estate

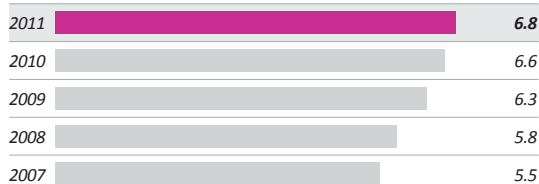
Revenue by activity 2011



Property valuation £million



Revenue £million



The Windsor estate covers 6,300 hectares (15,600 acres) of the Surrey and Berkshire countryside. It includes the Great Park, farms, Ascot Racecourse, forests, golf courses and residential and commercial properties. Within the Great Park is The Royal Landscape, including the renowned Savill and Valley Gardens.

We maintain this beautiful resource for the public to enjoy, and we have a duty to maintain its character as a Royal Park and forest. Despite increases in costs, good estate management principles ensured that the net deficit remains at the low level achieved in the previous year.

Building on the good performance in 2009/10, the 12 months to 31 March 2011 saw a further increase in revenue, which rose by 3 per cent to £6.8 million. Capital value increased to £185.9 million, up by some 5.3 per cent.

The cost of maintaining the estate was £8.3 million, an increase of 1.2 per cent due largely to inflationary pressures on construction materials, fuel and utilities, together with the new bonus scheme for employees which came into force for the first time during the year. These costs were offset by income from commercial and residential property, which rose by 7.3 per cent to £5.9 million, and from agriculture and forestry which remained stable at £0.9 million. The Royal Landscape, which incorporates our iconic Savill and Valley Gardens, was again very popular and although visitors spent less in our retail outlets, income from catering and car parking increased significantly. We also benefited from residual income associated with two major films which were filmed in the Great Park in 2009, and from increased sales of Christmas trees. The net operating deficit of the estate is comparable to that of 2009/10, which was itself some 20 per cent lower than the previous year.

The Great Park is the jewel in the estate's crown. Part of a vast Norman hunting chase, its varied landscape and sweeping deer lawns, woods, coverts and huge solitary ancient oaks are home to a tremendous range of wildlife. Visitor numbers to the Great Park increased slightly to over 1.75 million during the year, a very pleasing figure given that the winter, which was one of the harshest on record, did little to encourage people to venture outdoors.

Almost half of the estate is covered by forestry and we were pleased that the expertise of our forestry team was recognised during the year, with the award of a 'Certificate of Merit' in the Royal Forestry Society's Excellence in Forestry scheme.

Working with our partners

With the Olympic Games now just over a year away, we have been working closely alongside the local authority and other stakeholders to ensure that the rowing events, which will be held at nearby Eton College, take place as smoothly as possible. The estate has been selected to host one of the official car parks for the Olympic park and ride scheme, and we have consulted widely to understand potential traffic flows and bottlenecks so that competitors and spectators can enjoy the events with minimum disruption to the local community.

We have also continued to partner with Natural England on our Sites of Special Scientific Interest (SSSIs). The estate harbours the greatest concentration of SSSIs in this part of the UK and we hold regular meetings with Natural England to co-ordinate the ways in which we can work together to improve these important habitats.



Top

The Long Walk in Windsor Great Park. One of the park's many attractions that drew in 1.75 million visitors during the year.

Below

The Windsor estate harbours the greatest number of SSSIs in this part of the UK and we work hard to improve these important habitats.



“We are extremely grateful for the support the Forestry Commission have given to our ambitious project of clearing over 120 hectares of rhododendron from the forests at Windsor.

The Forestry Commission has long been an important partner for The Crown Estate at Windsor, supporting many initiatives from long-term forest plans to recreation management and we look forward to this continuing into the future.”

*John Deakin
The Crown Estate*

“The Forestry Commission has worked in a close, enjoyable and rewarding partnership with The Crown Estate for over 30 years, helping to achieve a wide range of aims and objectives. Subsequently, over this period The Crown Estate has created an exemplar estate which the Forestry Commission are proud to be associated with. We look forward to working closely together for many more years to come.”

Andy Glover
Forestry Commission



“During the year we began the process of introducing smart meters to help tenants monitor and reduce energy consumption.”

The tenants who occupy our residential and commercial properties are key partners for the estate. Among other initiatives, during the year we began the process of introducing smart meters to help them monitor and reduce energy consumption, and also carried out a number of projects to improve and enhance the fabric of the estate, including the conversion of former stables into five residential properties. We provide help and encouragement to tenants in a variety of ways, from supporting the farm shop in making a further investment into what is an already thriving business to working with the chairman of Guards Polo Club to help his organisation through a difficult period, following the untimely death of its chief executive.

Enhancing sustainability

The waste handling system on the estate continues to deliver demonstrable benefit. Following the successful introduction of two compactor skips last year, we are now helping two tenants to follow our lead. Through the scheme, we have seen the amount of estate waste that goes to landfill reduce by some 85 per cent and anticipate that these tenants will also experience significant reductions.

Although its introduction was delayed by the winter weather, the environmentally friendly sewage treatment system is now fully operational. Using a network of lagoons and natural bacteria, the system is currently processing around 25 per cent of the sewage produced on the estate.

In addition to the smart meters, we have installed air source heat pumps in 11 of our properties and will look to extend this technology to others in the coming months. At Easter 2011 we switched on the innovative LED lighting at the Savill Building, and we expect this to lead to a marked reduction in our carbon footprint.



Top

Our 'forest school' event which enables schoolchildren to come into the forests that we own and learn more about the work we do here.

Below

Our waste handling system and recycling facilities are working well and delivering real benefit for the estate. We are now rolling the system out to our tenants.

Community initiatives

The estate plays an important role in the local community, giving people the opportunity to enjoy fresh air and leisure activities in a glorious setting. During 2010/11 we organised and promoted many activities that were appreciated by local people as well as visitors from afar. These included estate tours, the annual Easter egg hunt, free entry to the Savill Garden on Mother's Day, several competitions, such as one for the heaviest pumpkin, and a wide range of Christmas activities.

We held our bi-annual open day for local schoolchildren during 2010. Around 1,700 children attended and were given the opportunity to learn about the countryside and our role within it. All our departments were involved in a day that was costly to manage but, in our view, extremely worthwhile as it gave local children the chance to gain a true understanding of the countryside.

Our 'forest school', which enables youngsters to learn outside in the Great Park, is also proving exceptionally popular with local schools. Although we initially envisaged around 12 of these taking place during an average year, we already have over 30 booked for 2011.

In the coming 12 months, our team will be organising and preparing for several important upcoming events. The Duke of Edinburgh's 90th birthday in June 2011 will be marked by a series of celebrations, including several equestrian events on the estate. In addition to the Olympics, 2012 will also see the Queen's Diamond Jubilee, with many activities planned for Windsor Castle and the estate.

Financial review

For the year ended 31 March 2011 we returned our best-ever financial performance, recording a net income surplus (profit) of £230.9 million. This notable achievement surpasses the previous highest revenue surplus of £226.5 million (in 2008/09) and represents an increase of £20.2 million (9.6 per cent) on last year.

Our property portfolio once again delivered an excellent performance outperforming our bespoke Investment Property Databank (IPD) benchmark.

Our objectives and the strategies through which we aim to achieve them and the ways in which we measure our progress are highlighted earlier in this annual report, on pages 8 to 11.

During the past 10 years, we have seen the net income surplus grow by 41.4 per cent and delivered a total of nearly £2.0 billion to the Treasury for the benefit of the nation. Rising capital values have driven a corresponding increase in the value of the property portfolio in the last decade, generating capital growth of 73.5 per cent and an annualised total return of 10.8 per cent.

We have delivered an increase in our net income surplus for the year to 31 March 2011 because:

- we took advantage of our strong capital position by undertaking significant investment activity (acquisitions and disposals) across the estate totalling £977.1 million, which led to an increase in revenue;
- we recovered some substantial debts that had previously been provided against;
- we have made a concerted effort to reduce costs;
- we pursued active asset management initiatives including lease regearings and lettings.

Taking out the impact of the write-back of the provisions, the underlying revenue performance continues to show a year-on-year upward trend, as demonstrated by our increased operating surplus. Our capital investment programme, together with investment and asset management activity, should see a continued upward trend in our operating surplus across the estates over the medium to long term.

During the year, interest rates remained at record low levels. Given the size of the capital funds we need to maintain, this continued to have a negative impact on our revenue performance.

During 2010/11, we made a concerted effort to reduce administration costs through business efficiencies and cost reduction schemes. This resulted in a reduction of £1.4 million (7.6 per cent) year-on-year.

Net assets

The capital value of The Crown Estate at 31 March 2011 was £7.3 billion, an increase of 9.2 per cent over its value of £6.6 billion at 31 March 2010. The increase in value is principally attributable to higher property valuations.

Cash flow

At the start of the year our cash reserve was £462.9 million. During the year we undertook significant capital activity totalling £977.1 million. This included acquisitions with a total value of £304.5 million, principally the purchases of Aintree Retail Park, Ocean Retail Park in Portsmouth, Apsley Mills Retail Park, Hemel Hempstead, Westgate Shopping Centre in Oxford and Victoria Retail Park in Nottingham. Capital expenditure totalling £266.5 million was made which included £111 million on development projects, particularly on the urban central London estates, as well as a significant commitment to renewable energy. Disposals realising £406.1 million were made during the year. Overall, our capital activity led to a net outflow of funds of £192.2 million compared with a net inflow of £22.3 million in 2009/10. On 1 April 2011 we completed the historic lease arrangement for Regent Street with Norges Bank Investment Management (NBIM) which increased the cash balance by £452 million. We intend to use these cash reserves during 2011/12 to deliver our investment strategy.

Indirect investments

During the year we added to our holdings through indirect investment. In May 2010 we entered into a 50:50 joint venture arrangement with Land Securities Group PLC for the acquisition of Westgate Centre in Oxford for a consideration of about £28 million (share). We also formed the Maple Investment Limited Partnership with the Healthcare of Ontario Pension Fund in November 2010. The partnership was granted a 150-year head lease interest in the St James's Gateway development in London W1. Including our investment in the Lend Lease Retail Partnership, we now have six indirect investments with a total value of £298.1 million at the end of March 2011 (£242.7 million at 31 March 2010).

The property portfolio

In 2008/09 we worked with IPD to develop a bespoke benchmark which is weighted to reflect the diversity of The Crown Estate including our exposure to marine and rural assets and our high weighting to central London. The aim is to measure our asset management performance in relation to our existing properties together with the quality of our strategic investment decisions. 95 per cent of our property assets are submitted to IPD with the remainder being properties such as Windsor Great Park. We now have three years of data and it is pleasing to report that over one and three years we have outperformed our benchmark as well as the IPD all property universe.

The total property valuation of The Crown Estate, inclusive of indirect holdings, increased by 12.4 per cent to £7 billion for the year ending 31 March 2011. Growth has been experienced across the board and highlights include:

- at £7 billion, this is the highest-ever value for the property portfolio, as at our financial year end;
- the urban portfolio is now valued at £5.2 billion, its highest since March 2008;
- the rural portfolio is now worth, for the first time, in excess of £1 billion;
- the marine portfolio has grown by 32 per cent to £587 million, principally due to progress made on offshore wind farms.

The urban commercial portfolio has performed broadly in line with the market, with our core West End properties outperforming the remainder of the portfolio. Across the West End we have seen capital growth of 14 per cent driven by a 5 per cent growth in rental values and equivalent yields compressing from 5.4 per cent down to 5 per cent. Outside London the market has been much more subdued with capital growth of just 1.7 per cent.

Transactional activity has been high as we focus the commercial portfolio on the West End and dominant retail holdings outside London. Disposals accordingly centred on the office sector, with sales in St Albans, Guildford, Newcastle, and the City raising over £180 million, whilst some £280 million was invested in four retail parks and the Westgate shopping centre in Oxford. Within the West End, we restructured the head leases on 10 properties, opening

“The capital value of The Crown Estate at 31 March 2011 was £7.3 billion, an increase of 9.2 per cent over its value of £6.6 billion at 31 March 2010.”

up future asset management and development opportunities. After net investment of £82 million we now have direct management of six more properties, four of which are in St James's. Net investment in commercial property was £211 million with a total turnover of £641 million representing 13.5 per cent of the year end value.

The rental value growth in the West End has been driven more by a shortage of Grade A space rather than excess occupier demand. This shortage has vindicated our foresight in 2008 to start developing The Quadrant, as its value rose by £120 million on the back of £80 million of development expenditure.

Similarly, prime residential property in London has bucked the national trend and we have seen the value of our portfolio in Regent's Park and Kensington increase by nearly 15 per cent to £368 million with capital receipts of £9 million.

The value of our rural portfolio has broken through £1 billion, rising by 8 per cent with net capital receipts of £22 million, principally from the sale of the Garton estate. The fundamental driver of values across the portfolio is the value of agricultural land with vacant possession. This market continues to be characterised by a shortage of supply and strong demand fuelled by commodity prices, together with the attraction of land as a safe investment. In terms of rental values, soft commodity prices are back to the high levels last seen in spring 2008 but are probably now more sustainable. At the same time, costs of inputs such as fuel, fertiliser and labour have also been rising. For livestock and dairy farms the outlook for rental growth is less positive and lies almost entirely in the residential element.

The marine estate has increased in value by 32.3 per cent to £587 million, driven by an increase in the value of offshore wind farms. The increase in value of Rounds 1 and 2 is largely due to increased certainty over the expected income. Last year, there were 31 approved schemes of which 13 were generating and five were under construction. This year there are 37 schemes of which 16 are generating and five are under construction. 2 GW have now been installed with 1.5 GW under construction. In addition, this year we valued Round 3 and schemes within Scottish Territorial Waters for the first time.

The principal valuers are DTZ on our core West End holdings, Jones Lang LaSalle on our regional and residential properties and Savills on the rural portfolio. This year we have also appointed Jones Lang LaSalle to oversee the valuation of our wind farm interests.

The Crown Estate Act

The Crown Estate Act 1961, places certain obligations and restrictions on the way we do business and report our financial results. These include:

- an inability to borrow in order to finance investment;
- special accounting arrangements, similar to a trust, that aim to maintain a balance between income and capital;
- a requirement that our income account is kept separate from our capital account, with no element held for capital investment other than for very specific minor exceptions.

The final point above means that any capital investment can only be generated from capital activity or from permitted appropriations from income.

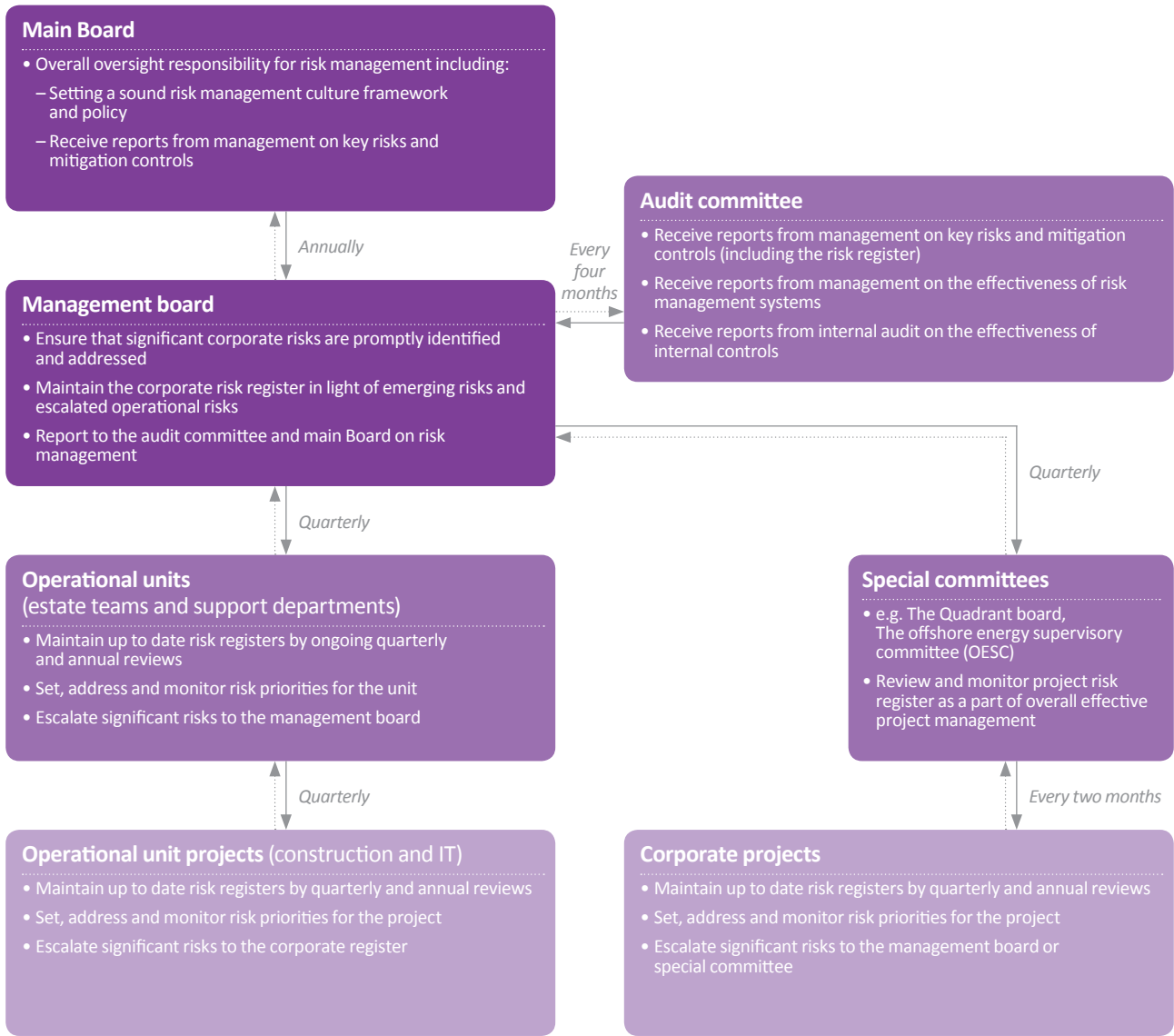
In order to maintain the distinction between income and capital and at the same time comply with International Financial Reporting Standards (IFRS), our statement of income and expenditure is presented in a three-column format. This shows the contribution to the surplus from the income account and capital account separately.

Risk factors and risk management

Risk management

The Crown Estate's approach to risk management policy builds on central Government requirements and best practice, including HM Treasury's Management of Risk – Principles and Concepts (Orange Book), and forms a central element of our corporate governance arrangements. Furthermore, risk management is embedded in our management processes, with all managers responsible for ensuring that risks are managed in all functions, projects and contracts under their management, with allocated risk owners. Risks that threaten the achievement of The Crown Estate's corporate and departmental objectives are identified and assessed by management: on an ongoing basis (as part of daily business activities and as part of management of key projects); quarterly (by way of formal risk registers and senior management reviews); and annually (as part of the business planning process). Key risks reported by management are considered and discussed by the management board and reported to the audit committee. The management board also performs an annual risk assessment to identify and assess strategic risks facing the organisation. This is illustrated in the risk management reporting and responsibilities diagram on page 39.

Risk management reporting and responsibilities



→ Monitors actions and informs
 ← Reports to on risk management activities

Principal risks and uncertainties

The principal corporate risks faced by The Crown Estate are shown below. They are largely portfolio related and typical of a real estate organisation. These are not the only risks associated with The Crown Estate. The risks fall into five main categories:


- investment performance
- developments
- people
- stakeholders
- sustainability

The impact of these risks are on the organisation's structure, revenues, net surplus, net assets, liquidity and resources.


Principal corporate risks

Risk	Impact	Principal mitigations	Residual risk rating
Investment performance			
<p>Opportunities or threats presented by the economic downturn are not capitalised on or mitigated against resulting in capital or revenue returns not being optimised.</p> <p>Underperformance compared to industry due to limitations under the Crown Estate Act (limited availability/timing of access to funds) restricting investment activity and ability to optimise investment portfolios.</p> <p>Poor portfolio management or poor implementation of strategy impacts on ability to meet revenue targets or has adverse impact on portfolio valuation.</p>	<ul style="list-style-type: none"> • Revenue targets are not achieved or consistent underperformance in capital growth compared to the market. 	<ul style="list-style-type: none"> • Linked investment strategy and business planning monitoring processes. • Economic and market monitoring. • Strong investment (acquisitions and disposals) appraisal process. • Exploration of joint venture investments. • Portfolio diversification and performance monitoring. • Detailed review and assessment of investment strategy. • Retrospective investment appraisal process. • Robust monitoring of key portfolio data. 	
Developments risks			
<p>Failure of key suppliers and third party advisers in the current economic environment have an impact on operations (development, property and asset management).</p> <p>Significant delays and cost overruns on major developments.</p> <p>Disruption is caused to the operation of the business due to the impact of the Localism Bill on planning applications.</p>	<ul style="list-style-type: none"> • Development programme delays impacting reputation, financial loss and delays in letting. 	<ul style="list-style-type: none"> • Monitoring of supplier/third party costs and performance. • Third party due diligence. • Contingency planning • Robust evaluation of business cases. • Liaising with and influencing of key stakeholders. 	New risk
People risks			
<p>Inability to attract, motivate or retain key staff, resulting in underperformance across key areas of the business.</p> <p>Inadequate succession planning for key roles at Board and management level impact ability to meet corporate objectives.</p> <p>The impact of the London 2012 Olympics causes major disruption to staff and our business (including our development programme) and tenants and their businesses.</p>	<ul style="list-style-type: none"> • Loss of key talent or inability to attract the right type of staff impacts adversely on future success. • Short-term disruption to achievement of business objectives. 	<ul style="list-style-type: none"> • Strong recruitment processes. • Succession planning framework in place. • Effective learning and development plan in place across organisation. • Remuneration committee support and liaison with HM Treasury. • Planning in place to ensure adequate staffing and the impact of transport disruption is kept to a minimum. • Analysis of impact on developments and liaison with our developers. 	New risk

Stakeholder risks

<p>Failure to assess and evaluate the expectations of customers and tenants will adversely affect The Crown Estate's reputation.</p>	<ul style="list-style-type: none"> • Adverse publicity from tenants and other key stakeholders results in reputational damage. 	<ul style="list-style-type: none"> • Customer focus programme. • Market research. • Processes in place both within the organisation and with agents to resolve customer concerns. 	
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Sustainability risks

<p>Failure to comply with current and anticipated climate change legislation and meet the expectations of key stakeholders resulting in fines and or other sanctions and/or loss of reputation.</p> <p>Loss of value from our portfolio because of lack of strategic planning in investment decisions not taking into account climate change factors.</p>	<ul style="list-style-type: none"> • Compliance failure resulting in negative publicity and possible fines or penalties. • Decline in overall portfolio valuation and revenue. 	<ul style="list-style-type: none"> • Approved internal sustainability strategy in place across the business. • Champions network in place. • Monitoring of new legislation and requirements. • Sustainability considered in investment and development. 	
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■ Medium risk ■ Low risk

Charitable donations

We provided donations totalling £17,000 in the year ended 31 March 2011 (£100 in the year ended 31 March 2010), as permitted by the Crown Estate Act 1961, section 4(2).

Donations in excess of £2,000 were made to: Cheddon Fitzpaine Parish Church (£2,500), The Norfolk Archaeological Trust (£2,500) and Exmoor National Park Authority on behalf of the Dunster Working Group (£5,000).

Supplier payment performance

The Crown Estate payment policy is to pay all suppliers within 30 days of receipt of a correctly documented invoice, or on completion of service where a fee is recoverable from a third party, or according to contract where a shorter payment period is agreed. During the year ended 31 March 2011, we paid 67 per cent of invoices from suppliers within this period. The figures include invoices under dispute and amounts recoverable from third parties. On average, invoices from suppliers are paid within 39 days of receipt. We observe the principles of the 'Better Payment Practice Code'.

Our employees

Our highly skilled, professional and experienced staff have played a vital role in enabling us to deliver excellent financial results in what has been a difficult year for the property sector and the economy as a whole. In doing so they have stayed true to our core values of commercialism, integrity and stewardship.

This has been complemented by their customer focused approach to the business ensuring a continued commitment to be great people to do business with across the breadth and diversity of all of our operators.

All our staff can learn about, and contribute to our strategy through formal and informal channels. This year we have enhanced these with the appointment of an internal communications manager and established a programme of regular business meetings between the chief executive and staff representatives.

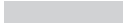

We took part in the Best Companies survey to support our goal of being in *The Sunday Times*' Top 100 companies to work for and to underline the importance we place on creating a rewarding and fulfilling workplace. For the second year running we achieved a 'one to watch' status, reflecting the commitment and pride that our employees have working for us. In response to the survey results, we have decided to invest in the delivery of a management and leadership programme during 2011 to support our managers in achieving a consistent approach to management and leadership. We continue to enjoy accreditation as an 'Investor in People'.

Pay and pensions



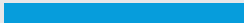
The final phases of our revised reward strategy were completed this year. During 2010/11 we rolled-out the final elements of this strategy to all our employees based at The Savill Building visitor centre and introduced 'MyChoices' our flexible benefits reward platform. These flexible and competitive reward policies and practices allow us to attract, retain and motivate employees and help to develop a high

Financial review continued

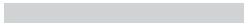
Total average number of employees during the year

General administration		215
Operating activities		208
Total		423




Total days lost

General administration		864
Operating activities		1,591
Total		2,455

Average percentage working days lost

General administration		1.5
Operating activities		3.0
Total		2.2

Long-term days lost as a percentage of total days lost

General administration		40.7
Operating activities		58.6
Total		52.3

performance culture that supports the achievement of our business goals. This is particularly important to us for two major reasons: firstly, our reward policies need to be flexible and competitive so that we retain the best employees through both good and bad times; secondly, given our considerable investment in the renewable energy sector, we need to offer remuneration packages that are competitive in this global market. Only by attracting the best qualified and experienced individuals will we be able to successfully facilitate the development of the renewable energy sector.

A key element of our reward strategy was the introduction of new pension, sickness and redundancy arrangements to bring them more into line with the private sector. While this has enabled us to be more flexible in our remuneration arrangements, it has also meant that we have reduced and restricted not only the contribution which we make annually to employees' pensions, but also future liabilities associated with these benefits.

As outlined in the notes to the financial statements, we operate two pension schemes: the Civil Service Pension Scheme; and The Crown Estate Pension Scheme. Each scheme comprises a number of sub-sections, which offer different pension benefits. Both these schemes operate sections that are now closed to new members, which provide retirement and related benefits to all eligible employees based on individual final emoluments. Entry to The Crown Estate Pension Scheme sections which offer pension and related benefits on individual final emoluments was closed to new employees at the end of 2007. In March 2009 we closed entry to the existing defined benefit sections provided by the Civil Service Pension Scheme.

New pension sections were introduced to The Crown Estate Pension Scheme in March 2009. The new section includes a hybrid scheme which provides the option of retirement benefits to all eligible employees based on final emoluments capped at £25,000 of earnings, but also includes the option of additional retirement benefits provided through a defined contribution arrangement or an arrangement that is based solely on defined contribution benefits.

As at 31 March 2011, a total of 67 employees were members of The Crown Estate hybrid pension scheme and a further 34 elected to receive a cash pension allowance.

Wellbeing

We value the contribution that employees make to our success and work with all our staff to encourage a healthy lifestyle. This has benefits all round – for the health and wellbeing of our employees and for minimal absences and improved contributions to The Crown Estate.

We offer beneficial rates for health insurance, dental and optical care and provide flu vaccinations and free confidential advice and counselling services. We continue to monitor sickness absence closely and support and educate our employees with the aim of reducing days lost through sickness.

We are an equal opportunity employer and are committed to ensuring that no employee or applicant is treated less favourably on the grounds of race, religion, ethnic origin, disability or sexual orientation. We are fortunate to have a diverse and talented workforce who enjoy the challenging and unique environment offered by The Crown Estate. As a consequence, our staff turnover remained stable at 10 per cent in 2010/11 compared with 9.5 per cent in 2009/10.

Looking ahead

At an all property level, the market was fairly stable over the course of 2010/11 with capital growth of 4.7 per cent but with significant variations between the property segments. This was against a backdrop of a sluggish recovery from the recession, low bond yields, high inflation and falling disposable incomes. To a large extent we expect more of the same in 2011/12 with relatively low bond yields continuing to support prime property values.

We are monitoring closely the West End development pipeline but the lack of a strong supply response to the current shortage of Grade A space, combined with economic recovery, suggests that London offices will continue to outperform. This in turn provides confidence for our development pipeline with three major schemes due to be delivered by the end of 2013. Outside London, we see strength in the retail sector starting to emerge around 2014 as the economy returns to trend levels of growth and consumption.

Within the rural portfolio we have taken the opportunity during the recession to work up planning applications. It has been difficult to make progress on large strategic sites as the planning regime changes. However, the market for smaller uncomplicated development sites has been improving and we expect to deliver a number of these to the market over the next year.

Within marine, wind farms will again be the driver of growth and, as the industry expands, opportunities may arise to invest in the associated coastal infrastructure. A number of new work streams are underway for other uses of the seabed including the storage of gas and CO₂. Next year we aim to complete the first ever agreement for lease for CO₂ storage for the winning project in the UK DECC demonstration competition.

The business is well positioned for medium and long-term revenue growth. There may be short-term challenges ahead, particularly in the replacement of non-recurring income due to the economic headwinds. However, we are confident that through active investment and asset management, we will continue to grow our revenue surplus.



John Lelliott
Finance director

Sustainability

Introduction

Sustainability is fundamental to shaping the future of The Crown Estate. It is important to us across the diverse property portfolio we manage and our commitment to sustainability reflects our ability to take the long-term view.

As the director with responsibility for sponsoring sustainability in the business I am very pleased to be able to report on a year of significant success for The Crown Estate's sustainability strategy, its first full year of implementation. In July 2010, over 100 stakeholders attended its formal launch, since when we have been achieving ever more recognition for our innovative approach to delivering sustainability. Our sustainability report won the PwC Building Public Trust Award for the second year running. We achieved 'Silver' in our first submission to the Business in the Community's Corporate Responsibility Index and were awarded a 'Big Tick' in BiTC's Awards for Excellence 2011, all of which are substantial achievements.

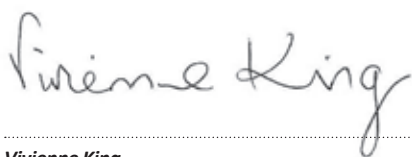
All of our executive board directors have taken forward their responsibilities for leading the employee network groups which champion the sustainability issues which are of key concern to The Crown Estate and I would like to thank each member of these champions network groups for their commitment to our success.

Given the risk posed by asset obsolescence through climate change and energy security, this year has also seen the development of an innovative tool to enable us readily to integrate sustainability factors into our business decision making. We expect this to become operational in the coming year.

As is the case with other property businesses with major heritage portfolios, preparation for the Carbon Reduction Commitment Energy Efficiency Scheme has been demanding. But we expect our efforts to pay dividends through the installation of 'smart meters' across our directly managed urban portfolio and significantly improving our carbon accounting. We are confident of achieving certification to the Certified Emissions Measurement and Reduction Scheme in 2011.

This year has also brought the publication of our inaugural policy for community investment, heralding a consistent approach which respects the diverse nature of our business. We have gone on to develop a working tool to guide colleagues in the selection of projects for investment, identification of partners and project implementation.

We have made notable progress in the effective delivery of sustainability for the long-term advantage of our business. Nevertheless, we recognise and welcome a world of rapidly mounting expectations which we remain focused on meeting in our stated aim of being recognised as an innovator in sustainability. Details of our achievements, work in progress and future plans are given in the following pages and in more depth on our website.



Vivienne King

Director with responsibility for sustainability

Achievements

<p>Silver Achieved 'Silver' in the BiTC CR Index and awarded 'Big Tick'</p>	<p>UK UK wave and tidal power strategy developed</p>
<p>New New tool to qualitatively evaluate risks from effects of climate change on investment decisions</p>	<p>7 more Seven more offshore wind supply chain events held (19 to date)</p>
<p>90% Quadrant 3 – 90 per cent of non-hazardous waste reused or recycled; 17 per cent of recycled materials used in construction; BREEAM Excellent</p>	<p>Achieved ISO 14001 and ISO 18001 certification achieved for three more offices</p>
<p>78% 78 per cent of non-hazardous waste diverted from own offices and directly managed portfolio</p>	<p>New New framework to incorporate sustainability into marine decision making</p>
<p>11 events 11 community events held</p>	<p>Guide New internal guide for application of community investment policy</p>
<p>43 more 43 more Westminster residents placed in full-time work (62 to date)</p>	<p>Awarded Awarded the Building Public Trust Award for our Sustainability Report 2010</p>
<p>532 hours 532 hours of volunteering by 15 per cent of employees</p>	

Challenges

<p>Increase Increasing our influence – securing desired performance in those parts of the business where we do not have control, but can only use our influence, such as properties held on very long leases</p>	<p>Develop Developing ways to measure the benefits of our community investment strategy</p>
<p>Improve Improving our carbon footprint and reduction opportunities, particularly with older buildings and where we have limited control</p>	<p>Continue Continuing to build open and transparent relationships by enhancing the way we engage and work with stakeholders</p>
<p>Reduce Reducing water consumption</p>	

Our strategy

Sustainability is integral to our values of commercialism, integrity and stewardship. During 2009 we implemented a new sustainability strategy and the last 12 months have seen us put this into practice.

We have a well-established governance structure for sustainability that clearly defines roles and responsibilities and helps us implement our strategy. The sustainability committee, chaired by our chief executive, has overall responsibility for our strategy and performance. The four sustainability pillars have dedicated employee ‘champions groups’, each led by a management board director. Their remit is to embed sustainability and develop the way forward. Each group’s progress is reported quarterly to the sustainability committee.

How we operate

The way we manage our diverse portfolio broadly falls into two categories: ‘control’ – where we directly manage the property, typically through managing agents; and ‘influence’ – where our degree of direct management control is limited, for example over those properties held on long leases.

Where we directly manage property, we take clear and decisive action to implement our sustainability strategy. Our approach is to communicate our sustainability aspirations clearly, identify common goals, offer expertise and collaborate effectively with our customers. The sustainability performance data in this report covers the properties and activities under our control.

In those parts of our portfolio where we don’t have control, the challenge is to influence activities so that they are carried out in line with our sustainability aspirations. We do this increasingly by engaging with tenants and other stakeholders, funding research and recognising best practice through awards. Our online sustainability report details where we have control and influence across all of the activities carried out on each of our estates.

Engagement and materiality

We regularly engage with stakeholders across our business to better understand and manage their key issues. We aim to be responsive and to share knowledge inside and outside the organisation. A steering group uses a materiality process to analyse issues – taking account of our business goals and the perspectives of our stakeholders.

Integrating sustainability

Integrating sustainability into our business decisions and operations is at the core of our sustainability strategy and we have continued to make significant progress. This year we have been working to integrate sustainability into urban investment decisions, rural tenant engagement, marine business sector decisions, and how we align our community and education activities with our business goals.

Sustainability strategy

We have a responsibility to bring benefits to our business and at the same time benefit the economy, communities and the environment over the long term.

Tackling climate change and energy security

Reducing our carbon footprint, adapting to a changing climate, and enabling renewable energy generation.

For more information: See page 46

Driving environmental value

Improving our performance and reducing our impacts.

For more information: See page 48

Sustaining communities

Investing in and supporting communities.

For more information: See page 50

Working together

With our people, our customers, business partners and stakeholders.

For more information: See page 52

Tackling climate change and energy security

Climate change presents physical, financial and regulatory risks and opportunities to our business and to society as a whole.

Buildings currently account for 36 per cent of the UK's total annual greenhouse emissions through heating, cooling and power. The property sector therefore has an important role to play in reducing the UK's carbon footprint.

A changing climate – from incremental changes to more severe and frequent extreme weather events – could affect our diverse estate both directly and indirectly. We need to understand and prepare for the predicted changes.

Energy security remains a concern for the UK. Renewable energy has an important role in improving the country's energy security and carbon footprint.

Our approach

We are working hard to tackle the risks posed by climate change and enable the huge potential of renewable energy to be realised.

Our approach can be summarised as:

Mitigation

Reducing our carbon footprint.

Adaptation

Understanding and adapting to changes in climate.

Energy security

Enabling the development of renewable energy.

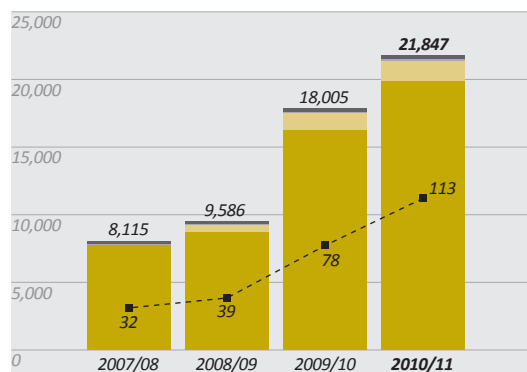
Reducing our carbon footprint

Last year we set an ambitious target to reduce the carbon emissions from activities we control by 34 per cent by 2020, from a 2007/08 baseline. Because our portfolio evolves over time as properties are bought and sold, we are now measuring our progress on the basis of emissions per square metre of the net area to be let. Since 2007/08 we have achieved a reduction in emissions per square metre of 25 per cent. Until last year, we measured progress on a 'like-for-like' basis, using directly comparable properties.

During 2010/11, we developed a strategic carbon management plan. As a large proportion of the buildings that comprise our portfolio will remain in use for many years, improving the footprint of existing buildings plays a key part in this plan. For example, we engage with the managers of our properties using our environmental performance index (EPI) quarterly progress monitoring process. For new developments, our urban sustainability guide sets out our energy efficiency requirements.

Carbon emissions: absolute emissions
Tonnes CO₂ eq

- Fleet and car hire (petrol and diesel)
- Business travel emissions
- Gas, heating fuel and electricity used in buildings except urban
- Gas, heating fuel and electricity used in buildings in our urban portfolio
- Number of urban properties included



Breakdown of 2010/11 absolute carbon emissions
Tonnes CO₂ eq

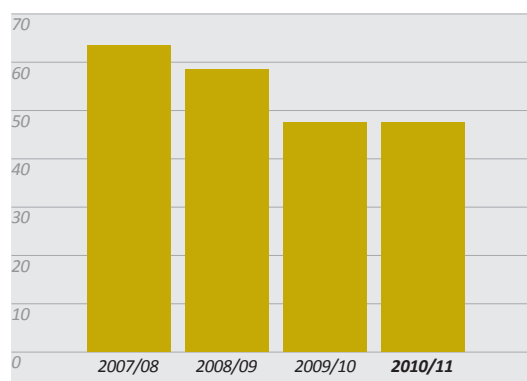
Urban	20,539
Windsor	671
Total for urban and Windsor	21,210¹
Rural	52
Housing Business Group (HBG)	161 ²
Fleet and car hire (petrol and diesel)	198
Other business travel	226
Total emissions	21,847

¹ Our selected absolute emissions of 21,210 tonnes relate to emissions, where we procure energy, from almost 100 per cent of our urban portfolio (113 out of 115 properties – two were excluded due to faulty meters) and, for the first time, 66 per cent of the properties on our Windsor estate (the remainder were excluded due to incomplete data). It is this data only (selected absolute emissions of 21,210 tonnes) upon which PricewaterhouseCoopers LLP has provided limited assurance.

² This figure relates to the first six months' data from HBG (sold February 2011).

Carbon emissions: per net lettable area
kgCO₂ eq/m²

- Urban and Windsor estate combined



Understanding and adapting to changes in climate

A changing climate brings opportunities and risks, so we are working to understand the potential consequences and ways to adapt our business. The location and physical characteristics of our property assets will affect how well-suited they are to a changing climate and the changing requirements of our customers. We have already undertaken risk assessments on key parts of our marine and rural estates. Work is ongoing to import the data into MaRS, our marine spatial planning tool, to assist in business decision making. Work also continues to develop mechanisms to quantitatively evaluate climate risks for integration in urban investment decisions.

Enabling the development of renewable energy

We believe that renewable energy will play a key part in meeting the UK's energy demand and help to tackle climate change by reducing reliance on fossil fuels. As the custodian of an important natural resource, we have a central role to play in enabling developers to realise the potential of offshore wind, wave and tidal energy. The expansion of electricity generation from offshore wind represents a massive long-term investment opportunity which has the potential to generate thousands of jobs in the UK as well as securing a marine renewable electricity source. Round 3 offshore wind energy generation aims to deliver a quarter of the UK's total electricity needs by 2020.

This year we announced that four companies have pre-qualified to submit tenders for new wave and tidal stream energy projects, each up to 30 MW capacity.

Onshore, we have continued to implement our renewable energy strategy, working in partnership with tenants to provide cheap, renewable energy for their businesses. We commissioned a solar photovoltaic project on our rural estate and at Windsor 11 oil fired boilers have been replaced with domestic air source heat pump systems. On our urban estate, renewable energy options are evaluated for each development and we recently completed a strategic review to identify further opportunities.

CRC Energy Efficiency Scheme

The Government has been reviewing the Scheme with the aim of simplification. We have been focusing on our immediate priorities – ensuring that we have complete and accurate carbon footprint data and the right management tools in place. As well as implementing a strategic carbon management plan, we have installed 108 'smart meters' covering most of our directly managed urban portfolio. We expect to achieve certification to the Certified Emissions Measurement and Reduction Scheme.

Sustainability in investment decisions

We are developing a mechanism to quantitatively evaluate the risks of climate change on our investment decisions, with work to date focusing on the urban portfolio. We have created a framework that assesses mitigation, adaptation and energy security risks alongside market trends. We have been applying the framework to a sample of properties in order to develop key quantitative measures. The next step is to include these criteria in our financial model to estimate financial impacts.

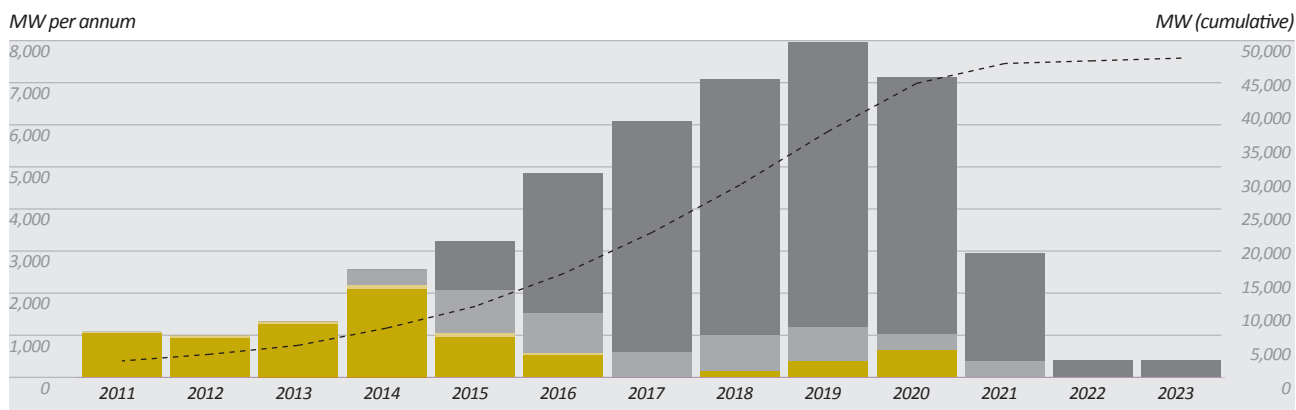
Next steps

- Expand our 'smart meter' installation programme to cover our rural and Windsor offices
- Carry out a cost abatement analysis of the first full year of smart meter data and set an interim target for 2015
- Progress our onshore renewable energy programme, including small-scale photovoltaic (PV) schemes on farm buildings and also integrating such schemes into new rural buildings, where appropriate
- Develop an internal communications programme to enhance awareness and action on climate change and energy security
- Implement a programme of lighting replacement with LEDs at Windsor

Opportunity for generating capacity from all current leasing rounds

Round 3
 Scottish Territorial Waters
 Demo sites
 Round 1 and 2 (including extensions)

--- Cumulative installed and installing (on right axis)



Driving environmental value

Our unique portfolio of holdings in the rural, urban and marine environments brings highly specific environmental responsibilities and challenges. We believe that the efficient and responsible use of resources drives value for our own business and our customers – not only by managing costs effectively but by creating opportunities.

Our approach

We meet our responsibilities and drive value by:

Promoting better estates

Applying a systematic approach for continuous improvement

Cutting water use and reducing waste

Using resources efficiently and responsibly

Managing biodiversity

Acting in accordance with our biodiversity action plans.

Our approach is founded on applying environmental management systems to the activities we control. Through our environmental performance index (EPI), we monitor performance quarterly on waste, water and biodiversity. Beyond the areas we control directly, we work with business partners, customers and wider stakeholders to better understand environmental issues and ways in which we can work together to manage them.

Better estates

This year we expanded coverage of our operations under ISO 14001 certified environmental management systems. Building on last year's achievement of gaining certification for both our urban property management and head office functions, we gained certification at our Bell's Brae office in Scotland and depots at Fochabers and Tabley. We are now preparing for certification of the remaining rural depots in 2011/12 and Windsor estate in 2012/13, which will mean that all of our directly managed property will be covered by certified management systems.

For new developments and major refurbishments, Sustainability Implementation Plans (SIPs) and targets are developed and tracked. On the rural estate this year we carried out a review of our direct let housing stock against our new Residential Quality Standard, underlying our commitment to raising standards.

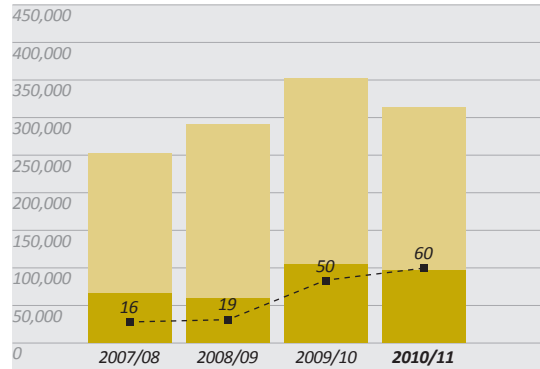
Water

Most water consumption in properties under our control occurs on our urban and Windsor estates and we have been working for a number of years to improve water efficiency. Following a review during 2010/11, we are implementing a long-term pipework upgrade plan at Windsor to eradicate multiple leaks from old pipes, and installing water meters at appropriate junctions to improve water monitoring. On our urban estate, our EPI process now monitors water use from all 60 properties where we are responsible for supply, compared with 50 properties last year.

P48

Water: absolute water consumption m³

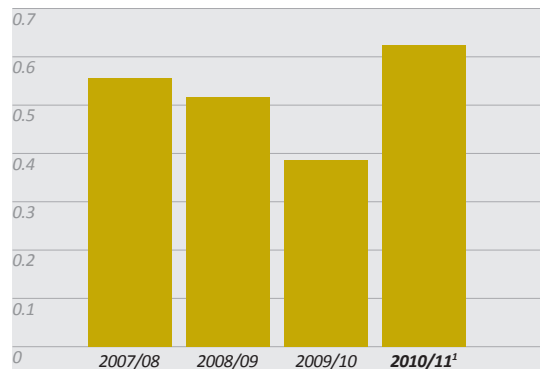
- Windsor estate (including HBG and Rural)¹
- All buildings in our urban managed portfolio
- Number of urban properties where we are responsible for supply



¹ Including HBG and Rural for 2009/10 and 2010/11.

Water: efficiency m³/m²

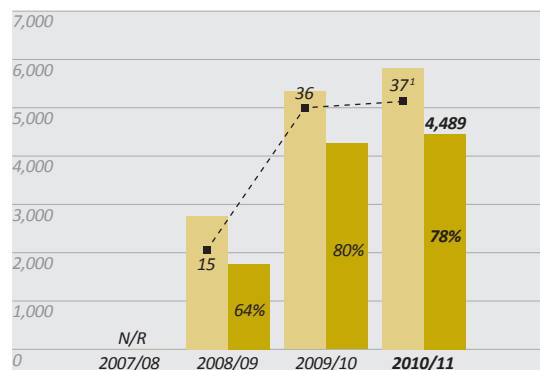
- Water efficiency



¹ Data included an extra 21 buildings, some of which are high water consumers.

Waste: operational waste Tonnes

- Operational waste from buildings where we provide waste services and Windsor
- Operational waste diverted from landfill (tonnes and % diverted)
- Number of urban properties where we manage waste



N/R – Not reported.

¹ Data includes 14 additional tenants.

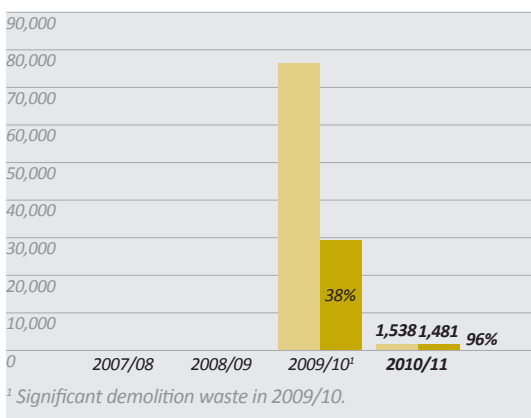
Waste

Our aspiration is to send zero non-hazardous waste to landfill. Waste targets for developments and major refurbishments are set in SIPs according to our urban sustainability development guide. For the second year we are reporting on construction and demolition waste performance. At the Quadrant, our main construction site, 96 per cent of waste was recycled and the recycled content in materials used reached 17 per cent.

In addition to extending our waste management strategy at Windsor (see page 34), 14 additional tenants on our St James's estate, London, have accepted our offer to provide waste services. We aim to increase this number, as we believe that the economies of scale we can provide will deliver further improvements in performance.

Waste: construction waste
Tonnes

- Construction waste generated
- Construction waste diverted from landfill



Biodiversity

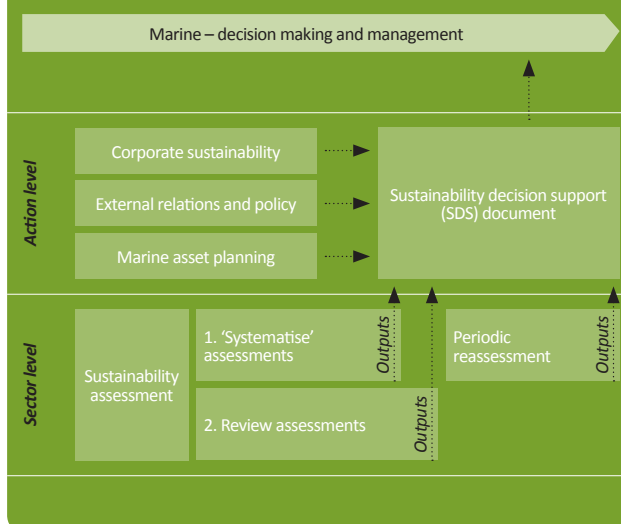
This year 97 per cent of our Sites of Special Scientific Interest (SSSI) reached 'favourable' or 'recovering' condition, exceeding the Government target of 95 per cent. We are now working towards at least 95 per cent of our SSSIs being assessed as 'favourable' by 2020. This progress has been supported by the biodiversity action plans we put in place for each of our estates in 2009. In 2010/11 we developed a new biodiversity strategy for our rural estate which includes the development of distribution maps of priority species and inventories of all key habitats.

Marine estate business strategy

Between now and 2020, we have a major role to play in ensuring that our marine estate continues to be managed properly for future generations. At the same time, we are committed to maintaining our global lead in marine-based renewable energy. We have developed a comprehensive business strategy that defines where we are now and what we wish to achieve by 2020. To support the delivery of the strategy, we have developed a decision support process that integrates sustainability into our business decisions. The process uses a set of bespoke tools to analyse the sustainability of activities on the marine estate.

These tools include our multi award-winning marine asset planning system, MaRS, which enables us to streamline complex Geographic Information System (GIS) analyses when planning development activities. The ability to assess economic and sustainable value to the UK is essential in order to ensure that the marine estate is managed sustainably for future generations.

Sustainability in marine decision making



Next steps

- Achieve certification to ISO 14001 for our functions at the remaining three estate offices (Applegirth, Dunster and Glenlivet)
- Implement our new biodiversity strategy for the rural estate including identifying actions to sustain at least one species or habitat per estate
- Put systems in place to increase recycling at our regional depots and offices
- Work with tenants to investigate new and improved methods of food production
- Further develop the marine strategy 'sustainability decision support' process and test on one marine market sector

Sustaining communities

Our activities have a direct influence on many communities by supporting employment and helping develop future economic activity, such as residential and commercial property and the UK renewable energy industry. In addition to benefits from our core activities, we support specific funds, local groups and projects designed to enhance the quality of life in local communities.

We believe that working for mutual benefit in this way is essential for the long-term success of our business, not only by supporting communities in need but also by helping us retain tenants and increase the value of our portfolio.

Our approach

Our approach is to work constructively in partnership with communities in and around our core holdings with particular emphasis on three focus areas identified as relevant to our business strategy and where we believe we can make a difference to local communities. Our 'Triple E' focus areas are:

Education

Supporting appropriate educational initiatives

Enterprise development

Helping to create lasting jobs

Estate access and experience

Enhancing the experience of visiting, living and working on our estate.

Community investment

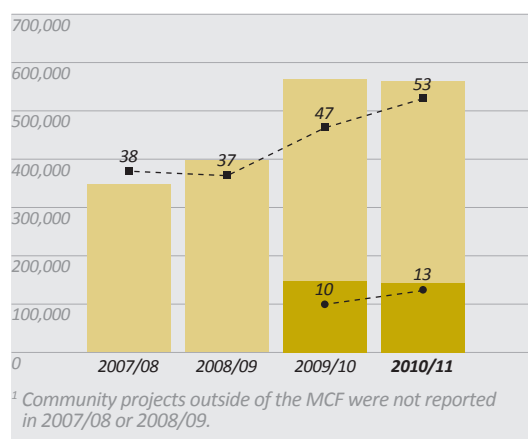
The community investment strategy developed by our 'sustaining communities' employee champions is now being implemented across our business. This strategy prioritises our investment activity in the communities on, or near, the core holdings that make up a significant part of our estate over the long term.

We work with communities in various and innovative ways. For example, we support social enterprise, reach long-term strategic agreements and provide a Marine Communities Fund. In addition to grants, we provide in-kind donations, such as the use of our facilities, and our employees also give their time. We aim to work in partnership with other organisations in order to benefit from their skills and funds in delivering community projects. Our Glenlivet estate won the Dulverton Flagon award for its keen and enthusiastic focus on innovation, and drawing in partners and resources to contribute to, and benefit from, the estate. Our overarching aim is to promote positive community relations and community investment in each of our three key areas:

Community investment

£

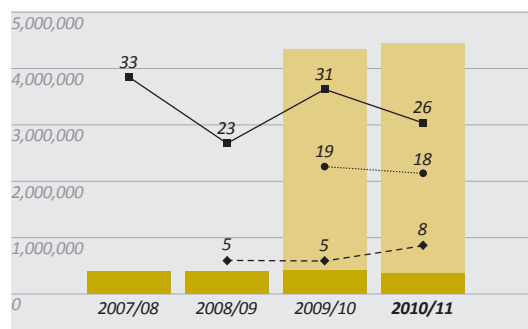
- Marine Communities Fund (MCF)
- Community projects outside the MCF
- Number of MCF projects
- ◆ Number of community projects outside the MCF¹



Other community-related investment

£

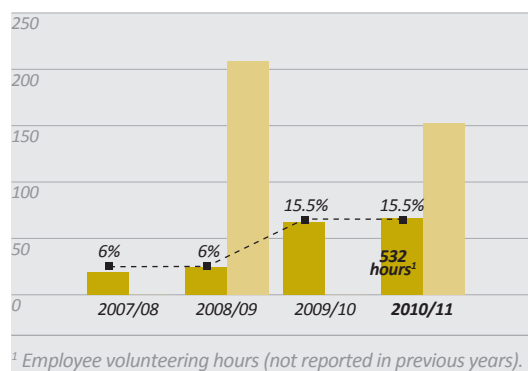
- Projects outside the Marine Research Fund (MRF)
- Marine Research Fund
- Number of MRF projects
- ◆ Number of projects outside the MRF
- ◆ Marine Research Reports published



Employee volunteering

Number

- Number of employees volunteering
- Proportion of employees volunteering
- Windsor schools visit programme held every two years



Education

Forests for the Future is a standalone educational resource package which provides learning tools and activities for teachers. Developed in partnership with the Forestry Commission, the focus is on a mix of classroom and outdoor learning based on developing an understanding and awareness of the role of forests and the carbon cycle.

Initially intended for use in a range of primary schools on or close to our rural estates, the aim is for Forests for the Future to be accessible by every school in the UK via the web.

Enterprise development

We have produced ‘Your Career in Offshore Wind Energy’ to provide valuable information to school leavers and careers advisers on the opportunities available in the renewable sector. The guide includes extensive information on the skills and qualifications required for a range of roles, together with a tour of the supply chain and profiles of people involved in specific jobs. It also covers company details and paints a broad picture of the potential of the renewable energy industry.

Estate access and experience

We are keen to help provide office space for community groups based in Westminster and have launched a project to enable local charitable or not-for-profit organisations to access rent-free space in units which we would otherwise not be able to let. To be considered for the project, the community group must currently operate within a 10-minute walk from Regent Street and the majority of its activities should directly benefit the Westminster community. To date, 12 groups have been identified as fitting the criteria and three organisations are currently using spaces.

Other ways we support communities

We support wider community activities that enhance communities and benefit those who work and run businesses on and near our core holdings. Activities undertaken this year include:

Public realm: our Quadrant development will deliver a traffic-free Glasshouse Street which will be the largest new public space in London since Trafalgar Square.

Empowering our tenants: we launched a new website for Regent Street office occupiers: www.regentstreetlocal.info. The site provides targeted travel information, including our Walking Guides.

Marine Research Fund: since 1999 we have invested almost £3.5 million in projects focusing on practical solutions to understand and mitigate the impacts of aggregate dredging, aquaculture and other marine activities.

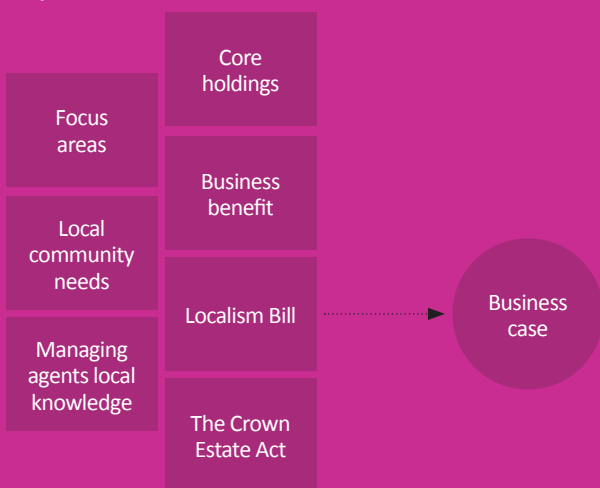
Community investment guide

Our approach to communities is guided by our ‘sustaining communities’ champions group but is delivered by each business. To help our businesses make decisions about and manage community investment, this year we developed an internal community investment guide. The guide also aims to ensure an appropriate level of consistency in the selection and management of projects across The Crown Estate. The guide covers:

- Identifying and selecting projects – community needs and the business case
- Identifying and working with partners and others on the projects
- Internal approval and project management processes
- Measuring the success of the projects

The guide also incorporates an analysis of the community needs on and near our core holdings to help our employees to develop programmes that meet real local needs. The analysis is based on economic, social and wellbeing facts and data collected by local authorities and Government departments.

Project identification and selection



Next steps

- Complete community needs assessment across our core holdings
- Implement our new community investment guide across the business to ensure all future projects are in line with the community investment policy
- Assess the number of existing projects that meet the criteria of the community investment policy
- Develop designs to improve Waterloo Place as part of the St James’s public realm improvements
- Further develop the Regent Street website to enable the cross promotion of Regent Street businesses, and develop our preferred supplier scheme

Working together

The diversity of our activities means that we need to work together with a tremendous range of internal, local, regional and national stakeholders, balancing different and occasionally conflicting interests. We recognise that we have a responsibility to act in a way that demonstrates we can be trusted today and over the long term.

Our approach

Our 'working together' champions group strives to ensure that we build open, transparent and mutually beneficial relationships with all our stakeholders.

We work together with:

Employees

Creating a fulfilling work environment

Customers

Providing quality service, choice and flexibility

Suppliers

Building relationships which create value for us and for the wider market

Wider stakeholders

Ensuring that we are good people to do business with.

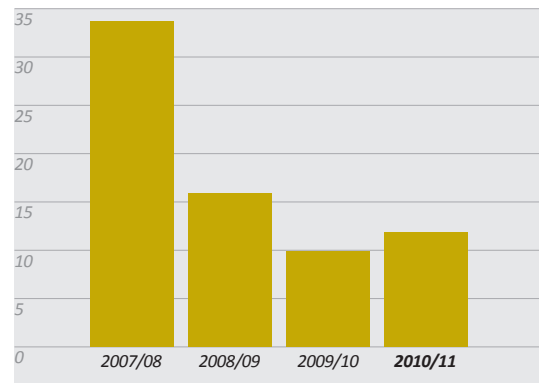
Employees

We strive to create a working environment in which our employees feel pride and fulfilment. This year we maintained accreditation to the Investors in People standard (IIP) and achieved 'one to watch' status in *The Sunday Times*' 100 Best Companies to Work For. Action will be taken over the coming year to deliver management development, which has been identified as a focus area by both the IIP and 100 Best Companies survey.

In 2011 we gained certification to the OHSAS 18001 occupational health and safety management system at our Bell's Brae office in Scotland and depots at Fochabers and Tabley. This built on last year's achievement of gaining certification at our head office. We are now preparing for certification of the remaining rural depots in 2011/12 and the Windsor estate in 2012/13, which will mean that all of our directly managed property will be covered by certified management schemes.

Training Hours

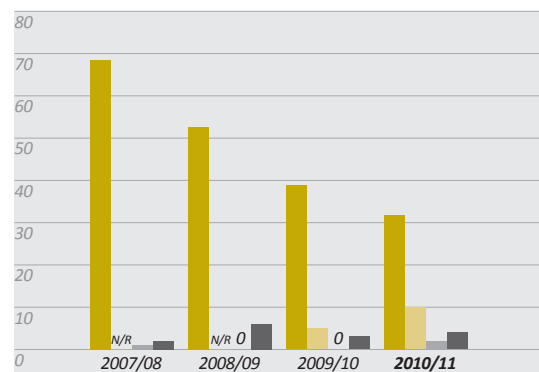
■ Average hours of training per year per employee



Health & safety incidents

Number

■ Total employee workplace incidents¹
 ■ Lost time instances
 ■ Occupational diseases
 ■ Number of total incidents reportable under RIDDOR



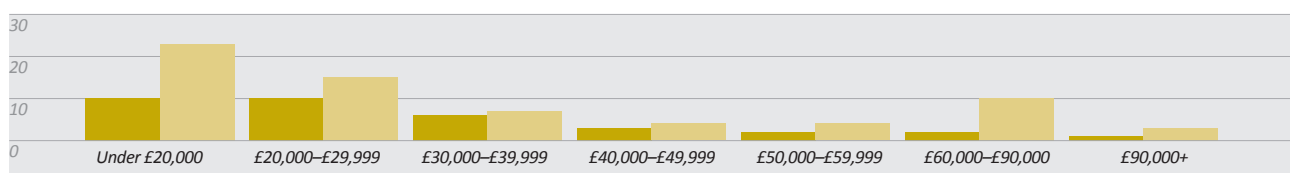
¹ All employee related workplace incidents that resulted in injury.
 N/R – Not reported.

Employee salary ratios by gender

%

■ Percentage of female employees ■ Percentage of male employees

Total employees: Male 67% Female 33%



Customers

We aim to deliver excellent customer service at all times. In 2010/11, we implemented our new customer standards through workshops which to date have involved over 95 per cent of employees. Each business team has also developed action plans that focus on specific areas for improvement.

The rural team has carried out a number of customer service surveys during the year, including one with new tenants and those who have had repair and redecoration work carried out. Additionally, 12 tenants were contacted at random by telephone regarding customer service generally, with 91 per cent of interviewees saying that they would recommend The Crown Estate to others.

Suppliers

We work with our suppliers and agents to integrate sustainability into our supply chain. We engage with them on our expectations, including regular forums to share best practice, and monitor progress as part of our EPI process. The remuneration of our business partners takes account of how they work in accordance with our targets, which has the effect of driving sustainability in their supply chains. They are encouraged to give priority to those with ISO 14001 certification which has resulted in a number of contractors achieving the standard.

Wider stakeholders

We value the views of stakeholders; empathise with their objectives and work to engage with them in many ways.

For example, during 2010/11 we successfully progressed the sale of four of our housing estates, following a lengthy consultation process with residents. This resulted in the preservation of arrangements for key workers, the honouring of existing tenancy rights and additional community facilities for the tenants. As part of the Dunster Project in West Somerset, we are currently seeking feedback from the community, landowning and other agency interests in the designation of the woodland areas on the estate as a Forest Park. The designation will attract visitors, stimulate new business opportunities, and enhance community and education facilities and services in the area.

Sharing our skills and our time

We completed five pilot projects during the year in order to create an education programme focused on developing employee skills and knowledge-sharing using volunteering, secondments and internships.

The volunteering programme was reviewed in order to promote and encourage the take-up of opportunities by employees. A revised policy was launched at a volunteering fair, which played host to volunteering organisations such as Thames21, Contact the Elderly, the RNLI, The Peel Centre and RICS Disaster Management. As a result we have exceeded our target by achieving 532 hours of volunteering during 2010/11, undertaken by 68 (15 per cent) of our employees.

In 2011/12 we will be implementing our 'working together' education programme – to share knowledge, skills and experience for the benefit of our business, our partners and the wider community. We are working together with: academic institutions to help address key sustainability challenges for business; schools to enthuse and excite young people about the world around us; and are using secondments, work experience and internships to share and develop key skills and experience.

Education

Working together to share knowledge, skills and experience for the benefit of our business, our partners and the wider community.



Next steps

- Further refine the framework of the working together education programme
- Roll-out the code of business ethics internally and to our business partners
- Implement a new induction programme for employees and to business partners
- Adapt the rural carbon education pack to enable its introduction to inner city schools
- Develop and implement a behavioural-based safety programme

Our targets: progress against 2010/11 targets and new targets

In addition to the next steps itemised at the end of each of the major sections of this report, we have identified a number of key targets for the years ahead.

Tackling climate change and energy security			
Target	Due date	Progress	Comment/new target
Reduce carbon emissions from property under our direct control by 34 per cent from our 2007/08 baseline	2020	Progressing towards achievement	
Evaluate the benefits of implementing Display Energy Certificates (DECs) across our non-domestic property portfolio voluntarily, and take appropriate action	31 March 2011	Achieved	New target: obtain DECs for the top 20 energy consumers in our commercial portfolio by 31 March 2012
Develop a mechanism to quantitatively evaluate risks from the potential effects of climate change on investment decisions	31 March 2011	Partly achieved	Progressing towards achievement New target: complete and implement our approach to integrating climate change risks into the urban property investment decision process
Facilitate the installation of 8 GW of renewable energy generation capacity on our estate, including offshore wind, wave and tidal	2015	Progressing towards achievement	
Deliver at least 500 MW of renewable energy across our rural estate through the implementation of a range of renewable technologies	2015	Progressing towards achievement	
Driving environmental value			
Target	Due date	Progress	Comment
Achieve BREEAM 'Excellent' rating on at least 75 per cent of all new build and major redevelopment projects	Ongoing	Achieved	Same target for 2011/12
Divert 90 per cent of non-hazardous waste from landfill from our own offices, the Windsor estate and our directly managed portfolio (where we provide waste services)	31 March 2011	Not achieved	78 per cent of waste diverted from landfill Same target for 2011/12
Reuse or recycle 80 per cent of non-hazardous waste from demolition, excavation, refurbishment strip-out and construction	2015	Achieved	Amended target: reuse or recycle 80 per cent of non-hazardous waste from demolition, excavation, refurbishment strip-out (projects over £300,000 in value) and construction (2015)
Total waste generated on all development projects over £100,000 will be no greater than 15m ³ per 100m ² of floor area, and a minimum of 15 per cent recycled materials (by value) to be used in projects over £300,000 in value	2012	Achieved	Achieved ahead of deadline Same target for 2011/12
Reduce water consumption to 6m ³ per employee (full time equivalents) in our own offices	2017	Progressing towards achievement	Action plan being developed New target on biodiversity: 95 per cent of Sites of Special Scientific Interest (SSSIs) to be in 'favourable' condition by 2020

Sustaining communities

Target	Due date	Progress	Comment
Apply our new community investment strategy to 80 per cent (by value) of our community activities (the remaining 20 per cent is to allow for the transition of activities)	31 March 2012	Progressing towards achievement	
Assess the impacts of at least four projects, one per estate, carried out under our community investment strategy	31 March 2011	Achieved	New target: measure outputs from significant community investment projects (with a value of over £10,000)
Support and deliver 10 community events across The Crown Estate in liaison with third parties	31 March 2011	Achieved	Same target for 2011/12
Contribute to the development of three public realm initiatives together with two further initiatives to promote public spaces	31 March 2011	Achieved	New target: contribute to the implementation of three public realm initiatives by 31 March 2012
No fewer than 20 extra out-of-work Westminster residents to be placed in full-time occupation by the workplace coordinator	31 March 2011	Achieved	New target: 40 out-of-work London residents to be placed in full-time occupation by the workplace coordinator by 31 March 2012

Working together

Target	Due date	Progress	Comment
Achieve 500 hours of employee volunteering, involving at least 15 per cent of employees	31 March 2011	Achieved	New target: achieve 600 hours of employee volunteering by 31 March 2012
Achieve a 'one star' rating in <i>The Sunday Times</i> ' 100 Best Companies 2010 survey, by addressing the top two areas of employee concern	31 March 2011	Not achieved	Attained 'one to watch' status New target: at least 90 per cent of our managers to undertake the core leadership and management programme by 31 March 2012
Achieve a 5 per cent reduction in lost time incidents compared with 2009/10 levels	31 March 2011	Not achieved	Lost time incidents increased New target: site based employees to complete at least 90 per cent of all job related health and safety training as determined by The Crown Estate training matrix by 31 March 2012
Management board directors to deliver 90 per cent of the monthly safety briefings to their departments	31 March 2011	Achieved	New target: management board directors to deliver 90 per cent of the safety briefings to their departments by 31 March 2012
As part of our education programme, pilot at least three projects focusing on employee skills and two-way knowledge transfer with education institutions, business and special interest and community groups, using mechanisms such as volunteering, secondments and internships	31 March 2011	Achieved	New target: implement our education programme to include working with academic institutions on at least four research projects; 15 schools (knowledge sharing projects); and 10 students (work experience and internships) by 31 March 2012

Assurance

Independent Assurance Report to the Commissioners of The Crown Estate on the statement of selected absolute carbon emissions.

We have been engaged by the Commissioners of The Crown Estate to perform an independent assurance engagement in respect of selected absolute carbon emissions (hereafter 'Selected Carbon Information') contained in The Crown Estate's Annual Report for the year ended 31 March 2011.

Scope and subject matter

The Selected Carbon Information for the year ended 31 March 2011 subject to limited assurance consists of the statement of absolute carbon emissions associated with energy use in directly managed properties within the urban portfolio and Windsor portfolio which The Crown Estate procured energy for, on page 46.

We read the other information included in the The Crown Estate Annual Report and consider whether it is consistent with the knowledge gained from our procedures. We consider the implications for our report if we become aware of apparent material misstatements or inconsistencies. Our responsibilities do not extend to any other information.

Respective responsibilities of the Commissioners and PricewaterhouseCoopers LLP

The Commissioners are responsible for the content of the Annual Report and the preparation of the Selected Carbon Information in accordance with the criteria set out in The Crown Estate's Reporting Guidance (see www.thecrownestate.co.uk/sustainability).

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Carbon Information has not been fairly stated in all material respects in accordance with The Crown Estate's Reporting Guidance.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared for the Commissioners of The Crown Estate as a body, to assist the Commissioners in reporting The Crown Estate's corporate sustainability performance and activities. We permit the disclosure of this report within the Annual Report for the year ended 31 March 2011, to enable the Commissioners to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Carbon Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commissioners as a body and The Crown Estate for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('ISAE 3000').

Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the Selected Carbon Information;
- making enquiries of management;
- validating key management controls;
- limited testing, on a selective basis, of the preparation and collation of the Selected Carbon Information prepared by The Crown Estate and of third party documentation that supports the data stated within the Selected Carbon Information.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Carbon Information in the context of The Crown Estate's Reporting Guidance at www.thecrownestate.co.uk/sustainability.

In particular, the conversion of energy used to carbon emissions is based upon, inter alia, information and factors derived by independent third parties as explained in The Crown Estate's Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2011, the Selected Carbon Information has not been fairly stated in all material respects in accordance with The Crown Estate's Reporting Guidance.

PricewaterhouseCoopers LLP
Chartered Accountants, London
17 June 2011

Governance

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The Board



From left:

Dipesh Shah

OBE, MSc, FRSA

Non-executive Board member

Appointed to the Board on 1 January 2011.

Dipesh has an extensive background in renewable energy, utilities and infrastructure and currently holds a number of non-executive appointments with Thames Water, JKN Oil & Gas Plc and the 2020 European Fund for Energy, Climate Change and Infrastructure (Marguerite Fund).

He studied economics at Warwick University, gained an MSc at London University and later attended Harvard Business School and Templeton College, Oxford. Recent appointments include: chief executive of the UK Atomic Energy Authority, 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.

He is a Trustee of the British Youth Opera and a Governor of Merchant Taylor's School.

Aged 57.

Chris Bartram

MA, FRICS

Non-executive Board member

Appointed to the Board on 1 January 2007.

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. He 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.

Aged 61.

David Fursdon

FRICS, FAAV

Non-executive Board member

Appointed to the Board in January 2008.

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). He is now an English Heritage Commissioner, Chairman of SW Chamber of Rural Enterprise, Chairman of the SW Board for the 2012 Games and SWRDA Board member. He is also the chairman of Governors for Blundell's School, Parish Chairman, Deputy Lieutenant for Devon and a former member of the Government's Affordable Housing Commission. Previously he has been a civil servant, a teacher and an equity partner of a firm of Auctioneers and Chartered Surveyors.

Aged 57.

Roger Bright

MA (Cantab), CB

Chief executive

Roger Bright graduated from Cambridge in 1973 and joined the Department of the Environment, where he went on to hold a series of senior positions, including Principal Private Secretary and Press Secretary to the Secretary of State. He left the civil service and became Deputy Chief Executive Officer of the Housing Corporation in 1991, before holding senior posts at the Personal Investment Authority, including Chief Executive, and subsequently Head of the Investment Business (Personal Investment Authority firms) Department at the Financial Services Authority.

Roger Bright joined The Crown Estate in June 1999 as Director of Finance and Administration and was appointed to the Board in April 2000. In June 2001 he was appointed chief executive of The Crown Estate, taking up the post on 1 September 2001. In addition, he is a member of the Governing Council of City University; and a non-executive director of London First and of Heritage of London Trust.

Aged 59.



Jenefer Greenwood

BSc, FRICS

Non-executive Board member

Appointed to the Board on 19 February 2004.

Jenefer joined Grosvenor in May 2003 as Retail Strategist to give advice on retail positioning across the portfolio. She previously worked for CB Hillier Parker for 25 years, where she was Head of Retail. One notable project during this time included the retail plan and branding of Regent Street.

Within Grosvenor she has recently been appointed Director – Sales & Lettings for Great Britain and Ireland across all retail, commercial and residential estates.

Jenefer is Chairman of the Advisory Board of the National Skills Academy for Retail. She is a past President of the British Council of Shopping Centres (BCSC) and member of the ICSC European Advisory Board. She is also a Governor of Westonbirt School.

Aged 53.

Sir Stuart Hampson

Chairman

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

Sir Stuart joined The Crown Estate on 1 January 2010. He was born in 1947 and 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. 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 2005/06. He was knighted in 1998 for services to retailing.

Aged 64.

Gareth Baird

DL, FRAgS

Non-executive Board member and Scottish commissioner

Appointed to the Board on 1 October 2009.

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. He is Chairman of Scott Country Potato Growers Ltd, Vice Chairman of Grainco Ltd, and a Director of Scotland Food and Drink and of the Royal Highland and Agricultural Society of Scotland. He has been involved with farming co-operatives for many years, and it was this commitment to co-operation that led to his chairmanship of the Scottish Agricultural Organisation Society (SAOS) for two separate three-year terms.

He also chairs the South of Scotland regional advisory board of Scottish Enterprise. He is a fellow of the Royal Agricultural Societies and Deputy Lord Lieutenant for Roxburgh, Ettrick and Lauderdale.

Aged 53.

Dr Tony White

Non-executive Board member

Appointed to the Board on 1 January 2011.

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 to them, and others, through his company BW Energy Limited.

He is a non-executive director of the National Renewable Energy Centre at Blyth and Green Energy Options. He is a member of the British Government's Nuclear Liabilities Financing Assurance Board and its High Level Strategy Group for the Built Environment. He also sits on the Advisory Boards of Jacob & Co., CCC's clean technology fund and Sussex University's Energy Group. He was awarded an MBE in 2004 for services to UK energy policy.

Aged 58.

Management board



Clockwise from top left

Roger Bright, chief executive

Christopher Bouchier, director of the rural estate

Paul Clark, director of investment and asset management

Vivienne King, legal director

John Lelliott, finance director

Robert Hastings, director of the marine estate

Governance report



Introduction

Good corporate governance is the cornerstone of the way in which The Crown Estate operates and pursues its business objectives. The Crown Estate is in a unique position as both a public body sitting outside Government and a statutory corporation operating on a commercial basis. There is no single set of standards governing The Crown Estate's corporate governance; instead we seek to apply the standards which are most appropriate to the various elements of the business in pursuit of applying best practice.

I am, as are the Board of Commissioners (the Board) committed to business integrity, high ethical values and professionalism across all its activities – all in accordance with the organisation's core values of commercialism, integrity and stewardship. As an essential part of this commitment, I recognise the importance of high standards of governance and have ensured that we have in place a corporate framework document setting out the basis on which The Crown Estate operates and the formal structure for decision-making.

The UK Corporate Governance Code issued by the Financial Reporting Council is widely acknowledged as representing best practice in governance. Although The Crown Estate is not obliged to comply with the requirements of the Code, its Board nevertheless supports the principles and provisions set out in the Code; and in so far as the code provisions are applicable to the circumstances of the organisation, The Crown Estate seeks to comply with the code where this is appropriate. Many areas of our governance, however, are governed by the Crown Estate Act 1961, HM Treasury guidance or other government guidance where relevant/appropriate.

In November, the Board noted the new provisions in the new UK Corporate Governance Code and the applicability of changes in relation to The Crown Estate.

As part of The Crown Estate's governance monitoring processes, the corporate governance monitoring group meets regularly to review developments in corporate governance relevant to The Crown Estate, to help ensure that we are aware of and adopt best practice, as appropriate.

The following section of the report provides information on The Crown Estate, including the statutory position of the Board, the composition of the Board, delegated authorities, Board effectiveness and information on Board Committees.

A handwritten signature in black ink, reading "Stuart Hampson". The signature is written in a cursive style.

Sir Stuart Hampson
Chairman

Statutory Position of The Crown Estate and Crown Estate Commissioners (the Board)

The Crown Estate Act 1961 (the Act) was enacted by Parliament in pursuance of the recommendations of the Report of the Committee on Crown Lands which visualised the role of The Crown Estate Commissioners as analogous to that of trustees of a trust fund. The Crown Estate Act 1961 charged the Commissioners with the management of The Crown Estate.

The Crown Estate may be traced back to the reign of King Edward the Confessor and, until the accession of King George III, the Sovereign received its rents, profits and expenses. However since 1760, the annual surplus, after deducting management costs, has been surrendered by the Sovereign to Parliament to help meet the costs of civil government. In return, the Sovereign receives the civil list and the Government meets other official expenditure incurred in support of the Sovereign.

The duties of the Commissioners are to maintain The Crown Estate as an estate in land (with such cash or investments as may be required for the discharge of their functions) and to maintain and enhance its value and the return obtained from it, but with due regard to the requirements of good management. By the Civil List Act 1952 the net income from The Crown Estate, after defraying costs of collection and management, is required to be paid into the Treasury and made part of the Consolidated Fund (general government revenues). The Commissioners have authority to do on behalf of the Crown in relation to The Crown Estate all such acts as belong to the Crown's right of ownership, subject only to the detailed restrictions set out in the Act. The Board must comply with such directions, as to the discharge of their functions under the Act, as may be given to them by the Chancellor of the Exchequer and the Secretary of State for Scotland. The Commissioners submit annually to the Treasury a forecast of their activities in a corporate plan covering the following and two ensuing years. The Crown Estate is not the property of the Government, nor is it the Sovereign's private estate. It is part of the hereditary possessions of the Sovereign in right of the Crown.

The Crown Estate Commissioners are a statutory corporation; they are not a company for the purposes of the Companies Act.

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

The Crown Estate has no general powers to borrow, either for capital purposes or for working balances, and there is thus no external indebtedness in the balance sheet.

Under the Crown Estate Act 1961 (First Schedule, para. 5) monies are provided by Parliament (Resource Finance) towards the cost of the Commissioners' salaries and the expense of their office.



Dinah Nichols

CB
Board councillor

Appointed as Board councillor in January 2011; previously a Board member from January 2003 to December 2010.

Dinah read history at Bedford College, University of London. She is a non-executive Director of Pennon Group plc (the parent company of South West Water and Viridor Waste) and of Shires Smaller Companies Investment Trust. In 2005 she became Chair of the National Forest Company, a project to regenerate a large area of central England through multi-purpose forestry and major landscape change. Until 2002 she was Director-General Environment in DEFRA, where her responsibilities covered policy for sustainable development, climate change, air and water quality, waste, chemicals and the environmental aspects of farming. In her previous posts in the civil service she dealt with housing, construction, property, regeneration and transport. She is also a Trustee of The Land Trust and Keep Britain Tidy and a member of CPRE's Policy Committee.

Aged 67.



Martin Moore

MRICS
Board councillor

Appointed as Board councillor in January 2011; previously a Board member from April 2002 to December 2010.

Martin is Managing Director of PRUPIM (Prudential Property Investment Managers) and Director of M&G Ltd, the UK and European investment management arm of Prudential plc. He is a Board member and past President of the British Property Federation. He is a past Chairman of the Investment Property Forum and Westminster Property Owners Association, was a member of the CABE Design Review Committee and has worked on various property related panels for both the Association of British Insurers and the Royal Institution of Chartered Surveyors.

Aged 54.

Composition of the Board

At 31 March 2011 the Board comprised eight members: a chairman (who is non-executive), chief executive and six non-executive Board members. The composition of the Board is defined by the Crown Estate Act 1961.

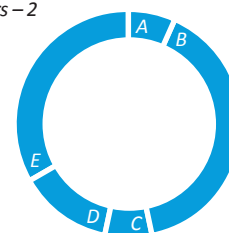
Jenefer Greenwood was appointed as senior independent director following Martin Moore's Board member term expiring on 31 December 2010.

Chris Bartram was appointed as the new chairman of the audit committee following Martin Moore's Board member term expiring on 31 December 2010.

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

Balance of non-executives and executive directors at Main Board Meetings

- A Independent non-executive chairman – 1
- B Independent non-executive Board Members – 6
- C Chief executive and member of the Board – 1
- D Independent non-executive Board counsellors – 2
- E Executive directors – 5



Brief biographies of each of the current members are set out on pages 58 and 59.

Duties

The main duties of the Board are to:

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

Delegated authorities

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

- approving the annual report and accounts;
- approving the annual budget and strategic plan;
- agreeing capital expenditure or disposals over £20 million for urban transactions and over £10 million for rural and marine transactions;
- agreeing investment strategy;
- granting or varying authority levels for Board committees and the chief executive.

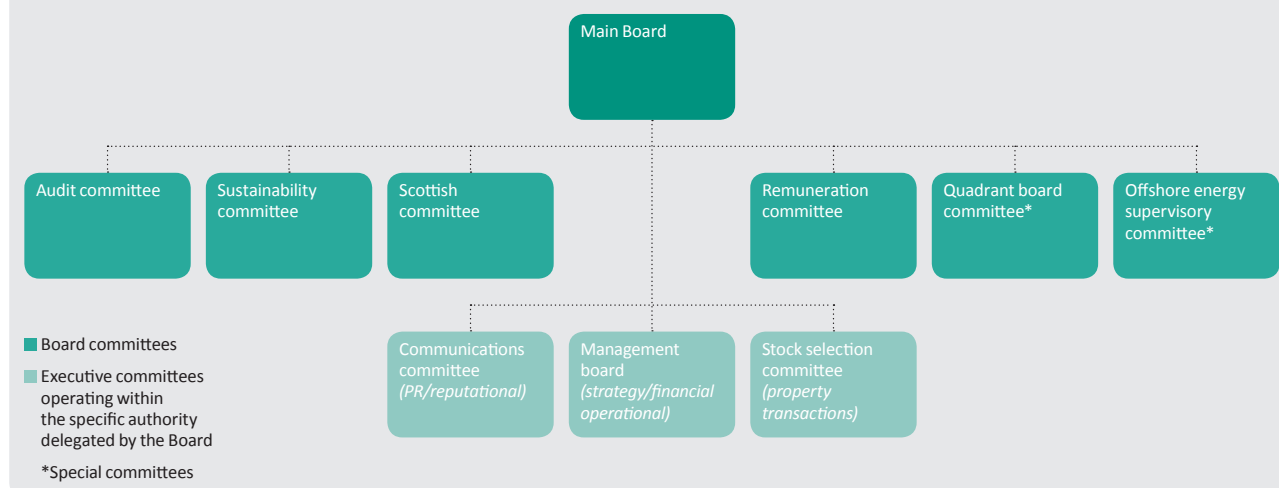
Certain matters are delegated to committees of the Board and these are described in the terms of reference of the committees in question. The duties of the audit committee, sustainability committee, remuneration committee, Scottish committee, Quadrant board committee, and offshore energy supervisory committee are summarised later in this report. Other issues are delegated to executive committees which include the management board (including investment and strategy matters), stock selection committee and communications committee.

The Boardroom table



■ Non-executive chairman ■ Chief executive ■ Executive directors ■ Non-executive Board members ■ Non-executive Board counsellors

Structure of Boards and Committees



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

The chief executive, Roger Bright is responsible for directing and promoting the profitable operation and enhancement of The Crown Estate. His duties include responsibility for the development of The Crown Estate and its effective operation, strategic planning, ensuring implementation of objectives, policies and strategies approved by the Board, including sustainability targets and objectives, being responsible for public relations and acting as the Treasury's appointed accounting officer for The Crown Estate.

The non-executive members

The non-executive members are Martin Moore (appointment expired 31 December 2010), Dinah Nichols (appointment expired 31 December 2010), Jenefer Greenwood, Christopher Bartram, David Fursdon, Gareth Baird, Dipesh Shah (appointed 1 January 2011) and Tony White (appointed 1 January 2011). The Board reviews annually the independence of each of its non-executive members to ensure that they bring an objective viewpoint and none of the factors implying a lack of independence applies. None of the non-executive members has (to his or her knowledge) any conflict of interest which has not been disclosed to the Board.

The Board considers annually the commitments of the non-executives and is satisfied that each of the non-executive members commits sufficient time to the fulfilment of his or her duties as a Crown Estate commissioner.

Jenefer Greenwood is the nominated senior independent director on the Board as from 1 January 2011. The senior independent director role is defined in our Boards and committees terms of reference. The role includes appraising the performance of the chairman, representing the Board on selection panels and acting as an intermediary for other Board members.

Each of the non-executive Board members has a formal letter of appointment, recording current best practice in this area.

The role of Board secretary is held by Vivienne King, legal director. In addition to other executive duties, the Board secretary's responsibilities include supporting and advising the chairman, ensuring that all Board procedures are followed and ensuring good information flow to Board members. The head of human resources, Valerie Burns, acts as secretary to the selection panel for new Board appointments, and facilitates the induction of new Board members upon appointment. All Board members, including the non-executives, have access to the advice and services of the Board secretary.

Appointments process

Crown Estate Commissioners, who are alternatively known as Board members, are appointed in accordance with the Office of the Commissioner for Public Appointments (OCPA) Code of Practice. One of the key principles of this Code of Practice is selection based on merit, after fair and open competition, and with the aim of achieving a balance of relevant skills and backgrounds on the Board, with minimal conflicts of interest with their outside activities.

Board members are nominated for appointment following interview by a selection panel which comprises: the chairman (who chairs the selection panel), the chief executive, a Board member, a representative of HM Treasury and an OCPA registered independent assessor. HM Treasury is responsible for recommending The Crown Estate appointments to the Prime Minister and Her Majesty the Queen.

Similar arrangements apply to the appointment to the role of chairman and chief executive.

Appointments are made by Royal Warrant for a term of four years with the possibility of extension for a further four-year term. Under new rules the maximum term which a non-executive Board member, in any capacity, can serve on the Board is 10 years.

Time served by Board members at 31 March 2011

Appointment	Date of most recent appointment	Date of expiry	Total length of service at 31 March 2011
Sir Stuart Hampson (chairman)	1 January 2010	31 December 2013	1 year
Roger Bright (chief executive)	1 September 2009	30 August 2013	10 years
Jenefer Greenwood (senior independent director as from 1/1/2011)	1 January 2008	31 December 2011	7 years
Chris Bartram	1 January 2011	31 December 2014	4 years
David Fursdon	1 January 2008	31 December 2011	3 years
Gareth Baird	1 October 2009	30 September 2013	1 year
Dipesh Shah ¹	1 January 2011	31 December 2014	3 months
Tony White ²	1 January 2011	31 December 2014	3 months
Martin Moore ³	22 April 2006	31 December 2010	9 years
Dinah Nichols ⁴	16 January 2007	31 December 2010	8 years

1 Dipesh Shah's appointment commenced on 1 January 2011.

2 Tony White's appointment commenced on 1 January 2011.

3 Martin Moore's appointment expired on 31 December 2010, together with his role as senior independent director. But he has been retained as Board counsellor for 2011.

4 Dinah Nichols' appointment expired on 31 December 2010; she has been retained as Board counsellor for 2011.

Non-executive main Board counsellors

As referred to in the chairman's statement in the 2010 annual report, Martin Moore and Dinah Nichols have continued to work with the Board as Board counsellors following the expiry of their terms as Board members at the end of 2010. This has helped retain the balance of traditional expertise at the Board table following the appointment of two new Board members with renewable energy expertise.

The Crown Estate's terms of reference for the Boards and its committees have been amended to provide for the appointment of up to two Board counsellors whose role is to provide exemplary knowledge, experience and competence to supplement the knowledge of the main Board and inform decision making; main Board counsellors are non-voting co-optees to the main Board.

Main Board counsellors are responsible to the chairman and the main Board, and attend all routine and ad-hoc main Board meetings, functions, site visits etc. They are additionally available to serve on Board committees (other than audit committee and remuneration committee) at the invitation of the chairman.

Main Board counsellors are appointed at the invitation of the chairman in consultation with the main Board; they may be drawn from retiring Board members or from external third parties. The appointment of an external party who was not previously a Crown Estate main Board member would be a matter for the main Board as a whole to agree on.

Time served as Board counsellors as at 31 March 2011

Appointment	Date of most recent appointment	Date of expiry	Length of service as Board counsellor
Martin Moore	1 January 2011	31 December 2011	3 months
Dinah Nichols	1 January 2011	31 December 2011	3 months

Succession planning

Board members' appointments and re-appointments are staggered to allow the managed transition of the Board's business. Non-executive Board members are normally only re-appointed for one further term, but this can be extended up to a maximum of 10 years.

Board meetings

The Board held eight scheduled meetings and three special meetings of the main Board during the year ending 31 March 2011. As well as meetings in London the Board also met in Windsor. In addition, there were four scheduled meetings of the audit committee, three meetings of the sustainability committee, four meetings of the remuneration committee, two of the Scottish committee, two meetings of The Quadrant committee and eight of the offshore energy supervisory committee. In addition to scheduled Board meetings, each year the Board attends a special meeting which takes place over two days at which broad strategy, external factors and the direction of the business is discussed in depth. This year's meeting was held in London.

Information flow

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

Board papers encompass regular reports from the chief executive, finance director and others on a planned basis. Formal minutes of all Board meetings are circulated to Board members.

Between Board meetings other information is circulated as necessary to keep Board members informed on relevant issues, and outside of formal meetings the Board may be asked to make decisions 'out of committee'. Board members have access to up-to-date corporate and market information as required.

Information flow

Number of papers

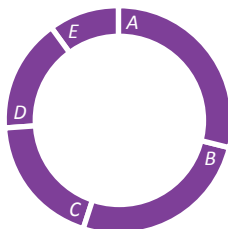
A Strategy (including formulation, implementing and monitoring) – 26

B Transactions – 23

C Finance – 17

D Governance – 14

E Others (including reports) – 9



Board processes

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

Liability

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

Board effectiveness

Board performance evaluation

During the last financial year, the chairman carried out an annual appraisal with each of the non-executive Board members. These evaluations were conducted against the background of a comprehensive checklist which ensured that there was opportunity to gain assurances or comments in respect of areas which required action. The evaluation included the perspective of the non-executive Board member (covering the view from his/her position and from the Board), and the chairman's assessment points.

Also during the year the non-executive Board members reviewed the performance of the chairman and the relationship between themselves, the chairman and the chief executive.

The two parts of the Board performance appraisal process were then followed up at the Board away day in November with discussion about issues raised. There were no major issues arising. Those areas identified for improvement have been actioned.

Induction

All new Board members receive a full, formal and tailored induction on joining the Board. The process is overseen by the head of human resources. This involves the provision of necessary background information, briefing by key management personnel and implementing training where appropriate.

The induction programme for new Board members Dipesh Shah and Tony White included meetings with:

- the chairman about the composition of the Board, expectations of Board members, key challenges facing the Board, and the chairman's approach to managing Board meetings;
- the chief executive about the overview of The Crown Estate, the management team and the challenges for the business;
- the legal director about the Crown Estate Act and corporate governance;
- the director of finance on the organisation's finances;
- the estate directors and others about their respective estates and investment strategy;
- the Board secretariat about Board meeting processes and procedures, distribution of Board papers and annual processes including Board appraisals and declaration of interests;
- the head of human resources about HR strategy and health and safety;
- Other senior managers as appropriate.

Estate visits are organised throughout the year to help Board members familiarise themselves with The Crown Estate.

Board committees

The Board has established a number of both non-executive and executive committees and ensures that each committee is provided with sufficient resources to enable it to undertake its duties.

A summary of the role and duties of the six Board committees (audit, sustainability, remuneration, Scottish, Quadrant and offshore energy supervisory) is given below. The terms of reference of these committees are available on our website.

In addition to these six Board committees, three other executive committees, the management board, stock selection committee and communications group operate with specific authority delegated by the Board.

Audit committee

Members

The current members are:

Christopher Bartram

Committee chairman (as from 1 January 2011).

David Fursdon

Non-executive Board member.

The secretary to the audit committee is Sally Sugden.

The chairman of the Board believes that the financial knowledge and experience of the audit committee meet the needs of the business. The audit committee is authorised by the Board to obtain outside or independent professional advice and such advisers may attend meetings as necessary.

Meetings are held three times a year. The following executives ordinarily attend meetings: the chief executive, the director of investment and asset management, the finance director and the legal director. The head of internal audit and the financial controller are also in attendance. The external audit partner (National Audit Office audit director) is invited to attend scheduled meetings. The committee submits an annual report to the main Board, reporting on its activities during the year.

The audit committee assists the Board in fulfilling its oversight responsibilities for financial reporting and audit process; system of internal control and management of risks; and The Crown Estate's process for monitoring compliance with legislation and regulation.

Duties

The main duties of the audit committee are to:

- review the annual financial statements, with particular attention to accounting policies, areas of judgement, audit adjustments and level of unadjusted errors;
- consider the external audit appointment, the audit fee and the nature and scope of the external audit;
- review reports from the external auditor;
- review the risk management process;
- set internal control policies and receive regular reports on the effectiveness of internal control;
- review annually the scope, authority and resources of internal audit;
- review reports on compliance with laws, regulations, tax and litigation matters.

The audit committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information that it requires from any employee, consultant or contractor and call for documentary evidence of any transaction.

'Whistleblowing'

A 'whistleblowing' policy is in place within the organisation.

This policy is regularly reviewed and updated as and when required to bring it in line with best practice. The Crown Estate is committed to the highest standards of quality, probity, openness and accountability. As part of that commitment, it encourages employees or others with serious concerns about any aspect of The Crown Estate's work to take appropriate action by coming forward and expressing those concerns. In many cases, concerns or complaints will be dealt with through normal procedures. However, in some cases, it is recognised that employees will need to come forward on a confidential basis. It is made clear that they can do so without fear of reprisal or victimisation and the Public Interest Disclosure Act 1998 provides adequate protection for those who voice genuine and legitimate concerns.

If any employee believes that they are required to act in a way which:

- is illegal, improper or unethical;
- means a criminal offence has been committed or is likely to be committed;
- may involve possible maladministration, fraud or misuse of public funds;
- is a failure to comply with legal obligations;
- may be a danger to health and safety;
- is likely to cause damage to the environment;
- is a breach of a code of conduct;
- is an attempt to cover up any of these.

They should either raise the matter through their management line or else approach in confidence the head of internal audit. Employees should also draw attention to instances where they believe there is evidence of any of the above elsewhere in the organisation, although they have not themselves been involved.

The Comptroller and Auditor General

Under the provisions of the Crown Estate Act 1961 the Comptroller and Auditor General is the statutory auditor of The Crown Estate. The National Audit Office (NAO) undertakes the audit on his behalf. The appropriate NAO director is invited to attend meetings of the audit committee and has complete access to all financial and other information.

Report of the committee's activities

During the year, the committee met three times for routine business and once for a valuation meeting and considered all matters within the committee's terms of reference, as set out above. Additionally, the committee also considered the pension scheme, litigation and annual valuation in 2010/11.

Remuneration committee

The committee's membership, terms of reference and activity is described in the remuneration committee report on pages 75 to 77.

Sustainability committee

Members

The current members are:

Roger Bright

Committee chairman

Dinah Nichols

Board counsellor

Christopher Bouchier

Director of the rural estate

Paul Clark

Director investment and asset management

Robert Hastings

Director of the marine estate

Vivienne King

Legal director

John Lelliott

Finance director

The secretary to the sustainability committee is Jane Baptist, a member of the sustainability team.

Meetings are held quarterly. The committee reports to the main Board particularly in relation to relevant policy statements or decisions and the achievements against objectives and targets.

The committee's main purpose is to ensure that there is an established framework in place for delivery of the sustainability strategy and the achievement of 'innovator' status; and that the organisation's reputation as a responsible landowner continues to be enhanced.

Duties

The main duties of the sustainability committee are to:

- formulate policy and strategy in relation to sustainability for approval by the Board;
- drive implementation of the strategy and policies;
- approve all sustainability targets and monitor progress against them;
- oversee production of the annual sustainability report;
- ensure sustainability is incorporated into business planning and other decision-making frameworks;
- provide representation from amongst members and the head of sustainability for The Crown Estate at external events relating to sustainability.

Report of the committee's activities

During the year, the committee met three times and considered all matters within the committee's terms of reference, in particular:

- external launch of the sustainability strategy;
- progress made by the four champions network groups;
- setting objectives and targets;
- performance against targets;
- Carbon Reduction Commitment Energy Efficiency Scheme and progress against the early action metrics;
- BiTC CR Index.

The work of the committee is reflected in the sustainability section of the annual report and accounts and the online sustainability report.

Scottish committee

Members

The current members are:

Gareth Baird

Committee chairman

Roger Bright

Chief executive

Christopher Bouchier

Director of the rural estate

Paul Clark

Director investment and asset management

Robert Hastings

Director of the marine estate

Dermot Grimson

Head of external affairs, marine

Alan Laidlaw

Head of the Edinburgh office

The secretary to the Scottish committee is Alan Laidlaw, head of Edinburgh office.

Meetings are usually held two or three times a year.

Duties

The main duties of the Scottish committee are to:

- operate within the strategic and policy parameters established by the Board and other specialist committees, including in particular the sustainability committee, the management board, and the communications group;
- take decisions within this framework reporting as necessary to the appropriate Board or committees;
- take decisions on significant issues within the appropriate delegations affecting Scotland;
- consider any major investment or divestment decision affecting Scotland and report its views to the appropriate Board or committee exercising higher capital delegations;
- determine the interpretation of broad policy insofar as it specifically affects The Crown Estate's interests in Scotland;
- maintain an overview of the performance of Scottish interests against quarterly and annual financial targets;
- take decisions in relation to the implementation of the communications programme for Scotland;
- consider, appraise and appoint principal outsourcing contracts in Scotland.

Report of the committee's activities

During the year the committee met twice and considered all matters within the committee's terms of reference, in particular:

- political position in Scotland;
- monitoring financial performance;
- stewardship;
- investment/divestment;
- communication;
- business planning.

Quadrant committee

Members

The current members are:

Roger Bright

Committee chairman

Chris Bartram

Non-executive Board member

Jenefer Greenwood

Non-executive Board member

Martin Moore

Board counsellor

The secretary to The Quadrant committee is Philomena Sullivan.

During 2010/11 the committee met twice. For 2011/12 it is anticipated that meetings will be arranged as required. The following executives ordinarily attend meetings: director of investment and asset management, legal director, finance director and head of Regent Street portfolio.

Duties

The main duties of The Quadrant committee are to:

- review and comment at strategic level progress on The Quadrant project;
- review the approach to, and effectiveness of, risk analysis and mitigation;
- approve expenditure arising between full Board meetings provided such expenditure does not exceed £19 million;
- approve satisfaction of any pre-conditions to an earlier decision of the full Board, in relation to specific issues in respect of which the Board has previously given express delegated authority to the committee.

Report of the committee's activities

This committee will exist until wound up by the main Board. Minutes of the meetings are reported to subsequent main Board meetings.

Offshore energy supervisory committee

Members

The current members of the committee are:

Roger Bright

Committee chairman

David Fursdon

Non-executive Board member

Dipesh Shah

Non-executive Board member from 1 January 2011

Paul Clark

Director of investment and asset management

Robert Hastings

Director of marine estate

John Lelliott

Finance director

Vivienne King

Legal director

The following non-executive Board advisers have been appointed to the committee to bring knowledge, experience and expertise to the benefit of the chairman and Board of The Crown Estate in relation to the specialist areas of energy and carbon management:

Chris Geoghegan

Non-executive Board adviser

Dipesh Shah

Non-executive Board adviser (up until 31 December 2010)

John Burnham

Non-executive Board adviser

Matts Lundgren

Non-executive Board adviser

The secretary to the committee is Morag Wilson. Meetings are held at such frequency as may be appropriate for the purposes of consideration of offshore energy matters. The following executives from the marine estate ordinarily attend meetings: the head of external relations, policy and planning, the head of development and asset management and the head of energy and technology.

Duties

The main duties of the offshore energy supervisory committee are:

- to ensure the responsibilities which have been mandated or delegated to the executive of The Crown Estate by the main Board are being executed;
- to ensure that the decisions being taken by the main Board of The Crown Estate in relation to offshore energy matters are being conducted in a manner which ensures that due process is applied in the performance of the statutory duties of the Board in delivering the business objectives of The Crown Estate. This is to apply to both development and asset management of the following typical areas of business for The Crown Estate:
 - energy from offshore wind;
 - energy from ocean waves;
 - energy from tidal streams, barrages and lagoons;
 - storage of carbon dioxide in seabed geological formations;
 - natural gas storage in seabed geological formations;
 - the transmission of electricity using subsea cables, either through networks or point to point;
 - the transmission of carbon dioxide using subsea pipelines, either through networks or point to point;
 - such further activity involving offshore energy as arises on The Crown Estate marine portfolio.

Report of the committee's activities

During the year the committee met eight times and considered a range of matters within the committee's terms of reference. In particular offshore wind and wave and tidal energy programmes, related enabling actions and carbon dioxide storage.

Attendance at Board and committee meetings

Attendance by individual members at Board, audit, sustainability, remuneration, Scottish, Quadrant and offshore energy supervisory committee meetings, which they were eligible to attend, was as follows:

	Main Board	Board awayday strategy	Audit committee	Sustainability committee	Remuneration committee	Scottish committee	Quadrant committee	Offshore energy supervisory committee
Number of meetings	11	1	4	3	4	2	2	8
Sir Stuart Hampson	10	1	n/a	n/a	n/a	n/a	n/a	n/a
Roger Bright	11	1	3	2	4	2	2	4
Jenefer Greenwood	10	1	n/a	n/a	4	n/a	1	n/a
Chris Bartram	11	1	3	n/a	n/a	n/a	2	n/a
David Fursdon	10	1	4	n/a	4	n/a	n/a	5
Gareth Baird	11	Missed due to adverse weather conditions	n/a	n/a	4	2	n/a	n/a
Martin Moore ¹	7	1	3	n/a	n/a	n/a	2	n/a
Dinah Nichols ²	6	1	n/a	2	n/a	n/a	n/a	n/a
Dipesh Shah ³	3	n/a	n/a	n/a	n/a	n/a	n/a	2
Tony White ⁴	2	n/a	n/a	1	n/a	n/a	n/a	n/a

n/a = not applicable.

1 Martin Moore's appointment as Board member expired on 31 December 2010.

2 Dinah Nichols' appointment as Board member expired on 31 December 2010.

3 Dipesh Shah's appointment as Board member commenced on 1 January 2011; Dipesh previously served on the offshore energy supervisory committee as an external adviser.

4 Tony White's appointment as Board member commenced on 1 January 2011.

In addition, Board members have taken part in formal visits to rural estates in England, Scotland and Wales. Visits were also made to parts of the London portfolio, including major development projects.

Management board

Members

The current members of the management board are:

Roger Bright

Chief executive and chairman

Christopher Bouchier

Director of the rural estate

Paul Clark

Director of investment strategy and asset management

Robert Hastings

Director of the marine estate

Vivienne King

Legal director

John Lelliott

Finance director

The secretaries to the management board are David Purkis and Philomena Sullivan. Meetings are usually held on a fortnightly basis.

The management board operates within the delegated financial limits available to the chief executive (decisions within the delegated authority of the investment and asset management director, other directors or heads of portfolio/department will not be taken by the management board unless the requirements or sensitivities are such as to justify referral to the management board). The management board is responsible for the delivery of business objectives and targets within the overall strategies and control framework agreed annually by the Board.

Duties

The main duties of the management board are to:

- implement the strategic direction of The Crown Estate;
- set and ensure the achievement of corporate objectives, including financial and operational performance;
- keep under review The Crown Estate's investment strategy in the light of economic market conditions;
- monitor investment performance against bespoke benchmarks and financial performance against revenue targets;
- ensure that business risks are properly identified and managed;
- ensure health and safety issues are monitored and reported effectively;
- exercise oversight and control over The Crown Estate's financial, human and other resources;
- promote sustainability and customer focus throughout the business.

Report of management board's activities

During the year, the Board met 19 times. Attendance by individual members of the Board was as follows:

	Number of meetings
Roger Bright	14
Christopher Bourchier	18
Paul Clark	16
Robert Hastings	17
Vivienne King	17
John Lelliott	19
Total	19

Other executive committees

The stock selection committee considers, amongst other things, specific investment and divestment proposals, reviewing them against strategy. The third executive committee is the communications group whose duties include considering questions of public relations policy and reviews and recommends an annual strategy and programme of public relations activities.

There is no nominations committee as the appointment of Board members is conducted in line with principles approved by the Government for public appointments.

Auditors

The financial statements of The Crown Estate are audited by the Comptroller and Auditor General in accordance with section 2(6) of the Crown Estate Act 1961. The audit certificate appears on page 78. No fees have been incurred in respect of non-audit services. The audit fee for work performed in the year of account was £140,000.

Statement on disclosure of relevant audit information to The Crown Estate's auditors

So far as the accounting officer is aware there is no relevant audit information of which the The Crown Estate's auditor is unaware; and the accounting officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that The Crown Estate's auditor is aware of this information.

Health and safety

Building on the programmes from previous years, The Crown Estate continues to improve standards of health and safety control across all areas of its business. The focus of the past 12 months has been the further expansion of the integrated safety, health and environmental management system, accredited to both OHSAS 18001: 2007 and ISO 140001: 2004, to our directly managed estates. Additionally, The Crown Estate has recognised the need to further support its marine estate through the appointment of a Marine Health and Safety adviser.

As with the previous year, The Crown Estate entered the International Safety Awards (operated and accredited by the British Safety Council), and again has achieved an International Safety Award (with merit, scoring 53 out of 60). Our score last year was banded as a 'pass', so to gain an award in the 'merit' banding this year is considered by the British Safety Council to show 'a significant improvement'. The Crown Estate continues to review accident and incident information, so that emerging trends can be identified, lessons learnt and preventative actions applied.

It is intended over the coming year to develop a programme of behavioural safety initiatives to further improve performance and to continue in the expansion of the ISO 14001: 2004 and OHSAS 18001: 2007 accreditation process across the business on a rolling programme. The focus of all of these programmes and action is to provide The Crown Estate with an externally verified and audited integrated management system that complies with the requirements of internationally recognised standards.

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

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

In preparing the accounts the Commissioners are required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis;
- the Treasury has appointed the chief executive and second commissioner as the accounting officer for The Crown Estate. His responsibilities as accounting officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in 'Managing Public Money'.

Statement on internal control

Scope of responsibility

The Board has overall responsibility for the system of internal controls, including risk management and corporate governance and direction over appropriate strategic, financial, operational and compliance issues. The Board has delegated to executive management the implementation of the system of internal controls. It has also delegated to the audit committee the review of the effectiveness of the system of internal controls, on behalf of the Board.

As accounting officer, the chief executive is responsible for maintaining a sound system of internal control that supports the achievement of The Crown Estate's aims and objectives as set out in the Crown Estate Act 1961, and for reviewing its effectiveness.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Crown Estate's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Crown Estate for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Executive management is accountable to the Board for establishing and monitoring the system of internal control and for providing assurance to the Board that it has done so. All employees have responsibility for internal control as part of their accountability for achieving their objectives. All staff are encouraged to become familiar with these requirements during their induction process and through on-the-job training and awareness. They collectively have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal controls. This includes an understanding of The Crown Estate, its objectives, the industries and markets in which it operates, and the risks it faces. The Crown Estate seeks to draw out and disseminate good practice on the handling of risk through the rest of the organisation. Key elements of The Crown Estate's system of internal controls include:

- strategic objectives and corporate planning;
- risk management;
- management structure, reporting lines and accountability;
- Board committees such as the offshore energy supervisory committee;
- investment appraisal including oversight by stock selection committee;
- budgeting and financial planning, monitoring and control;
- delegated financial approval limits;
- policies and procedures;
- information and communication;
- regulatory compliance;
- competent people;
- code of conduct; and
- independent assurance.

The risk and control framework

Risk management is well established within The Crown Estate for all departments, key processes and projects. The vision of risk management is to move from 'established' to 'fully embedded' and to raise the awareness of risk at all levels of the organisation in such a way that all significant business decisions are risk informed. Key elements of The Crown Estate's risk management processes include:

- established risk management policy and guidelines designed to provide support to management in their risk assessment responsibilities and consistency of results across all departments and projects; and to define clear accountabilities, processes and reporting formats;
- line management identifying and assessing, managing, monitoring and reporting on the key risks and the effectiveness of the related system of internal control in managing the significant risks, on an ongoing basis, as part of their business activities;
- a hierarchy of risk registers (for departments, projects and business processes) used as the basis for quarterly and annual reviews of risk at management board level;
- executive management considering the significant risks that threaten the achievement of The Crown Estate's corporate objectives on an ongoing basis and, as part of the annual corporate planning process and risks identified by line management on a quarterly basis;

- management board review of risks reported by line management having regard in particular, to any significant weaknesses in internal control that have been identified by line management, on a quarterly basis;
- maintenance by the management board of a corporate risk register in light of emerging risks and escalated operational risks, including reporting of risk management activity to the main Board;
- management board having regard to cumulative risks that manifest in different areas of the business (including on projects) and reviewing these for the combined likely impact across the organisation as a whole.

The Crown Estate has in place various robust and specific arrangements to ensure information security, which are in line with Cabinet Office guidance and the Security Policy Framework (SPF), including an information security policy with related policies that apply to all staff. This suite of policies has been developed during the year to align The Crown Estate with the requirements of the SPF. Furthermore, The Crown Estate has introduced a formal Information Security Management System (ISMS) to secure compliance with the ISO 27001 standard for information security. The Crown Estate's ISMS received accreditation in July 2010 and is monitored by an ISMS Committee. The Crown Estate also has a register of its information management system assets and also an information assets owner's log, which identifies responsible officers and enables The Crown Estate to help them manage their responsibilities in respect of these systems and data properly, particularly in respect of confidential and personal data. Other control measures in place include arrangements for:

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

Review of effectiveness of internal controls

As accounting officer, the chief executive has responsibility for reviewing the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within The Crown Estate who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The accounting officer is advised on the implications of the result of the review of the effectiveness of the system of internal control by the Board, the audit committee and cross-departmental risk committee (as set-out below), and a plan to address weaknesses and ensure continuous improvement of the system is in place. The key sources supporting the review of the effectiveness of internal control are set out below:

- audit committee (communicates the results of its oversight and monitoring role to the Board, which enables it to build up a cumulative assessment of the state of internal controls and the effectiveness with which risk is being managed);
- executive management (responsible for establishing, maintaining and monitoring the system of internal controls, and for considering changes since the last annual assessment in the nature and extent of significant risks, and the ability to respond to changes in its organisation's business and in the external environment);
- the management board's regular review of corporate risks to ensure that they are promptly identified and addressed;
- National Audit Office (by way of comments contained in their management letter);
- internal audit (provides the audit committee with independent and objective assurance on the effectiveness of the system of internal controls, including risk management and corporate governance); and
- external consultants and other providers of assurance.

Internal audit, under the oversight of the audit committee, has reviewed the system of internal controls, including risk management and corporate governance, and concluded that adequate controls are in place and operating effectively.



Roger Bright CB
Chief executive
20 June 2011

Remuneration report

The Remuneration report has been prepared in line with the principles and requirements set out in The Combined Code. The remuneration committee is appointed by and reports to the Board. The current members of the remuneration committee are:

Jenefer Greenwood (committee chairman)
Gareth Baird, non-executive Board member
David Fursdon, non-executive Board member

The meetings are held twice annually. The following executives ordinarily attend: the chief executive and finance director, who absent themselves if matters relating to their individual reward packages are discussed. The secretary to the remuneration committee is Valerie Burns, head of human resources. The committee submits an annual report to the main Board reporting on its activities during the year.

Terms of reference

The primary purpose of the remuneration committee is to ensure scrutiny and oversight of the reward packages for senior managers, ensuring that rewards are appropriate to recruiting and retaining the skills and experience necessary to take the business forward. During the year the committee met on four occasions and considered all matters within the committee's terms of reference.

Duties

The main duties of the remuneration committee are:

- retaining oversight of the process whereby senior management reward systems and packages are agreed;
- ensuring fair and transparent remuneration of senior management at The Crown Estate;
- ensuring that senior management remuneration is sufficient to attract and retain the skills and experience necessary to take the business forward;
- expressing its view in relation to total compensation for the chief executive;
- scrutinising, and holding The Crown Estate responsible for, any procedures where appropriate remuneration for senior managers is formulated and agreed;
- signing-off proposed reward strategies for senior managers;
- satisfying itself that sufficient and appropriate performance management arrangements are in place;
- considering all performance-related proposals in respect of individuals as put forward by the chief executive; and ensuring that decisions are equitable and taken with due diligence.

Remuneration and pension entitlements of the Board were as follows:

Board member	2010/11 Total remuneration excluding bonus £	2009/10 Total remuneration excluding bonus £	Real increase in pension at 60 £	Total accrued pension at 60 at 31 March 2011 £	Cash equivalent transfer value as at 31 March 2011 £	Cash equivalent transfer value as at 31 March 2010 £	Real increase in cash equivalent transfer value £
Sir Stuart Hampson (chairman)	50,000	12,500	–	–	–	–	–
Roger Bright (chief executive)	203,891	203,891	(427)	81,236	1,547,797	1,517,516	28,427
Gareth Baird	19,371	9,686	–	–	–	–	–
Chris Bartram	19,371	19,371	–	–	–	–	–
David Fursdon	19,371	19,371	–	–	–	–	–
Dipesh Shah* (appointed 1 January 2011)	–	–	–	–	–	–	–
Jenefer Greenwood	19,371	19,371	–	–	–	–	–
Tony White (appointed 1 January 2011)	4,843	–	–	–	–	–	–
Martin Moore (appointment expired 31 December 2010)	14,528	19,371	–	–	–	–	–
Dinah Nichols (appointment expired 31 December 2010)	14,528	19,371	–	–	–	–	–

* Dipesh Shah received no remuneration as a Board member during 2010/11, but received £34,369 (2009/10 – £37,125) as a member of the offshore energy supervisory committee.

The above information is covered by the Comptroller and Auditor General's audit opinion.

Remuneration report continued

The chairman and non-executive members of the Board are initially appointed for terms of four years with the prospect of renewal for a further term. Roger Bright, the chief executive, is also appointed on a four-year contract with a notice period of six months. He has announced his retirement and will be leaving at the end of 2011.

Roger Bright, the chief executive, is entitled to receive a non-pensionable annual bonus up to a maximum of 40 per cent of his salary which is geared to specific targets and is approved by the Treasury. At the year end the amount payable had yet to be determined. The maximum bonus receivable in respect of 2010/11 was £81,556. In 2009/10 he was awarded a bonus of £79,517 but chose to receive £59,500.

With effect from 1 January 2011, Martin Moore and Dinah Nichols were retained as Board counsellors for a period of one year. For the period 1 January 2011 to 31 March 2011 they each received a total of £4,843.

The salary and pension entitlements of the members of the management board were:

Board member		2010/11 Total remuneration £'000	2009/10 Total remuneration £'000	Real increase in pension at 60 £	Total accrued pension at 60 at 31 March 2011 £	Cash equivalent transfer value as at 31 March 2011 £	Cash equivalent transfer value as at 31 March 2010 £	Real increase in cash equivalent transfer value £
Christopher Bouchier	Salary	135–140	130–135	274	48,167	1,188,334	1,022,676	163,832
	Bonus	30–35	35–40					
Paul Clark	Salary	175–180	175–180	1,373	5,287	109,512	68,858	38,800
	Bonus	50–55	50–55					
Robert Hastings*	Salary	145–150	155–160	1,794	10,633	135,896	119,469	12,101
	Bonus	40–45	40–45					
Vivienne King	Salary	125–130	125–130	992	21,311	487,052	398,029	87,197
	Bonus	35–40	35–40					
John Lelliott	Salary	135–140	130–135	(2,126)	60,372	1,818,807	1,668,583	149,010
	Bonus	35–40	35–40					

* Robert Hastings also received a non-pensionable Long Term Incentive Payment (LTIP) of £141,400 during 2010/11 (nil in 2009/10).

The above information is covered by the Comptroller and Auditor General's audit opinion.

Members of the management board are appointed on permanent contracts which provide for a notice period of between three and six months. The contracts of Roger Bright, John Lelliott and Christopher Bouchier provide for a six month notice period, the 2008 contracts of Paul Clark, Robert Hastings and Vivienne King provide for a three month notice period. All appointments made after 2005 provide for a three month notice period. Their remuneration is determined by reference to individual job responsibilities and market data and is reviewed periodically.

Total remuneration includes salary, performance bonuses, flexible benefit and leave converted into salary. In addition to salary, non-pensionable bonuses are payable to members of the management board. Members of the management board, excluding the chief executive, are eligible to receive individual levels of non-pensionable discretionary performance-related bonus up to a maximum of 30 per cent of their salary. The amount of non-pensionable bonus that can be awarded is dependent upon both individual performance and The Crown Estate performance which is measured against predetermined targets. Robert Hastings is also entitled to receive a discretionary non-pensionable Long Term Incentive Payment (LTIP) up to a maximum of 50 per cent of annual base pay at 1 January each year. The amount of LTIP payable is dependent on the delivery of specific targets related to renewable energy. All non-pensionable bonuses to members of the management board are scrutinised and approved by the remuneration committee. Members of the management board, excluding the chief executive, also receive a non-pensionable flexible benefit of 5.3 per cent of base pay. This benefit is also paid to all office-based employees.

Pensions

The Crown Estate operates two pension schemes: the Civil Service Pension Scheme and The Crown Estate Pension Scheme. Each scheme comprises a number of sections, which offer different pension benefits.

The sections of the Civil Service Pension Scheme which provide defined benefit are the Classic and Premium sections which provide retirement and related benefits to all eligible employees based on individual final emoluments. The NUVOS section provides defined benefit retirement and related benefits to all eligible employees based on a career average emoluments scheme. The Partnership section provides defined contribution benefits to all eligible employees. Since March 2009 no new employees have been admitted to the Civil Service Pension Scheme.

The sections of The Crown Estate Pension Scheme which provide defined benefits are the Opal and Quartz sections. The Opal section, which is closed to new employees, provides retirement and related benefits to all eligible employees based on individual final emoluments.

The Quartz section provides retirement benefits to all eligible employees based on final emoluments capped at £25,000 of earnings but includes the option of additional retirement benefits provided through a defined contribution arrangement. The Topaz section provides defined contribution benefits to all eligible employees.

The Quartz and Topaz sections of The Crown Estate Pension Scheme were introduced in March 2009 as part of the implementation of The Crown Estate's new reward strategy. This strategy sought to introduce market-related salary and benefits, while also taking steps to reduce the contribution which The Crown Estate annually makes to employees' pensions and to limit The Crown Estate's future pension liability. This objective was achieved by repackaging the various elements of the reward package, including the provision of less expensive pension arrangements.

As at 31 March 2011, a total of 67 employees were members of the open sections of The Crown Estate Pension Scheme and a further 34 have elected to receive a cash pension allowance.

The Crown Estate Board members with the exception of Roger Bright, chief executive, are non-executive appointments and are not members of either The Crown Estate Pension Scheme or the Civil Service Pension Scheme.

Pension benefits are provided to Roger Bright, chief executive and members of the management board through the Civil Service Pension Scheme or The Crown Estate Pension Scheme. Roger Bright is a member of the Civil Service Pension Classic section, and Robert Hastings is a member of the Civil Service Pension Premium section. The remaining members of the management board are members of the Crown Estate Pension Scheme Opal section. Roger Bright's bonus is non-pensionable. During the year John Lelliott left The Crown Estate Pension Scheme Opal section and transferred to The Crown Estate's new employment contract arrangements and receives a cash pension allowance in lieu of pension. The Trustees of The Crown Estate Pension Scheme Opal section have adopted a more up-to-date mortality table this year. This, together with economic factors arising from the assumption relating to lower equity returns and a fall in gilt yields, have given rise to the change in the real increase in the cash equivalent transfer values for members of that scheme.

The Civil Service Pension Scheme (Classic and Premium Sections) and The Crown Estate Pension Scheme (Opal section) provide benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service except for the Civil Service Pension Premium Scheme which is 1/60th. In addition a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings with the exception of the members of the Civil Service Pension Premium Scheme which is 3.5 per cent. Pensions payment increase is in line with the retail price index for The Crown Estate Pension Scheme and the consumer price index for the Civil Service Pension Scheme. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, a lump sum benefit of four times pensionable pay is payable to Crown Estate Pension Scheme members. This benefit has also been extended to Roger Bright and Robert Hastings. Both schemes provide a service enhancement in computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.



Roger Bright CB
Chief executive
20 June 2011

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

I certify that I have audited the financial statements of The Crown Estate for the year ended 31 March 2011 under the Crown Estate Act 1961. These comprise the statement of income and expenditure, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in capital and reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of The Crown Estate commissioners, the accounting officer and auditor

As explained more fully in the statement of The Crown Estate commissioners' and accounting officer's responsibilities, the Board and chief executive as accounting officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Crown Estate Act 1961. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Crown Estate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Crown Estate; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with the Crown Estate Act 1961 and directions issued thereunder by HM Treasury, of the state of The Crown Estate's affairs as at 31 March 2011 and of its surplus; and
- the financial statements have been properly prepared in accordance with the Crown Estate Act 1961 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Crown Estate Act 1961; and
- the information given in the "overview, sustainability and governance" sections of the annual report as identified in the contents page for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the statement on internal control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

23 June 2011

Statement of income and expenditure

For the year ended 31 March 2011

	Note	Year ended 31 March 2011			Year ended 31 March 2010		
		Income account £m	Capital account £m	Total £m	Income account £m	Capital account £m	Total £m
Revenue	4	329.8	10.6	340.4	321.3	19.3	340.6
Costs	4	(85.1)	–	(85.1)	(95.8)	–	(95.8)
Operating surplus		244.7	10.6	255.3	225.5	19.3	244.8
Recovery of capital expenditure under the Crown Estate Act 1961	9	(24.7)	24.7	–	(22.9)	22.9	–
Net revaluation gains on investment property (including profits on disposal)	10	–	550.7	550.7	–	542.8	542.8
Share of profit from jointly controlled entities	17	9.6	–	9.6	7.7	28.7	36.4
Share of profit from other property investments	18	1.5	2.8	4.3	1.5	2.5	4.0
Parliamentary Resource finance	12	2.3	–	2.3	2.3	–	2.3
Statutory transfers	13	(8.4)	8.4	–	(9.6)	9.6	–
Net operating profit before financing		225.0	597.2	822.2	204.5	625.8	830.3
Investment revenue	5	5.9	–	5.9	6.2	–	6.2
Net surplus		230.9	597.2	828.1	210.7	625.8	836.5
Consolidated Fund payment	14	(231.0)	–	(231.0)	(210.0)	–	(210.0)
Surplus after Consolidated Fund payment		(0.1)	597.2	597.1	0.7	625.8	626.5

The total column represents the Income Statement of The Crown Estate.

All results are derived from continuing operations.

Statement of comprehensive income

For the year ended 31 March 2011

	Note	Year ended 31 March 2011			Year ended 31 March 2010		
		Income account £m	Capital account £m	Total £m	Income account £m	Capital account £m	Total £m
Net surplus for the year		230.9	597.2	828.1	210.7	625.8	836.5
Unrealised surplus on owner occupied properties	10	–	14.1	14.1	–	2.1	2.1
Unrealised surplus on other investments	10	–	0.7	0.7	–	–	–
Actuarial profit/(loss) on retirement benefits	8c	1.3	–	1.3	(3.8)	–	(3.8)
Other comprehensive income		1.3	14.8	16.1	(3.8)	2.1	(1.7)
Total comprehensive income		232.2	612.0	844.2	206.9	627.9	834.8

Balance sheet

As at 31 March 2011

		31 March 2011	31 March 2010
	Note	£m	£m
Assets			
Non-current assets			
Investment properties	15	7,449.7	6,607.4
Property plant and equipment:			
Owner occupied property	15	102.6	89.0
Other property, plant and equipment	16	7.1	8.3
Investment in jointly controlled entities	17	265.0	212.7
Other property investments	18	33.1	30.0
Other investments	19	5.3	4.9
Receivables due after one year	20	21.4	13.3
Total non-current assets		7,884.2	6,965.6
Current assets			
Non-current investment property assets held for sale	15	17.5	135.1
Inventories	21	0.2	0.2
Trade and other receivables	22	31.6	17.5
Cash and cash equivalents		279.2	462.9
Total current assets		328.5	615.7
Pension asset	8a	2.3	–
Total assets		8,215.0	7,581.3
Liabilities			
Current liabilities			
Trade and other payables	23	102.3	104.3
Pension fund provision	8a	–	0.3
Total current liabilities		102.3	104.6
Non-current liabilities	23	859.9	837.1
Total liabilities		962.2	941.7
Net assets		7,252.8	6,639.6
Capital and reserves			
Revenue reserve available for distribution to The Consolidated Fund		2.1	3.4
Reserves relating to the capital account		7,231.5	6,634.3
Total reserves arising from the Statement of income and expenditure		7,233.6	6,637.7
Revaluation reserve		16.9	2.1
Pension reserve		2.3	(0.2)
Total capital and reserves		7,252.8	6,639.6



Roger Bright CB

Second Commissioner and Accounting Officer
20 June 2011

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Cash flow statement

For the year ended 31 March 2011

		31 March 2011	31 March 2010
	Note	£m	£m
Cash generated from operating activities	25	222.2	239.8
Interest received		5.8	6.6
Distributions from investment in jointly controlled entities		8.7	8.3
Distributions received from other property investments		1.5	1.5
Net cash inflow from operating activities		238.2	256.2
Cash flows from investing activities			
Purchase of properties		(304.5)	(216.4)
Capital expenditure on properties		(266.5)	(178.0)
Proceeds from disposal of investment properties		406.1	419.0
Net (investment)/disinvestment in jointly controlled entities		(25.7)	2.9
Investment in other property investments		(0.3)	–
Purchase of plant and equipment		(1.1)	(2.7)
Sale of plant and equipment and antiques		0.1	0.1
Loan repayment		0.9	0.1
Other cash flows from investing activities		(1.2)	(2.7)
Net cash (outflow)/inflow from investing activities		(192.2)	22.3
Cash flows from financing activities			
Parliamentary Resource finance		2.3	2.3
Net cash inflow from financing activities		2.3	2.3
Net increase in cash and cash equivalents before Consolidated Fund payment		48.3	280.8
Consolidated Fund payment		(232.0)	(208.0)
(Decrease)/increase in cash in the year after Consolidated Fund payment		(183.7)	72.8
Cash and cash equivalents at start of year		462.9	390.1
Cash and cash equivalents at end of year	26	279.2	462.9

Statement of changes in capital and reserves

For the year ended 31 March 2011

	Income account £m	Capital account £m	Total reserves arising from income £m	Revaluation reserve £m	Pension reserve £m	Total capital and reserves £m
As at 1 April 2010	3.4	6,634.3	6,637.7	2.1	(0.2)	6,639.6
Net surplus for the year	230.9	597.2	828.1	–	–	828.1
Revaluation surplus of owner occupied properties	–	–	–	14.1	–	14.1
Revaluation surplus of other investments	–	–	–	0.7	–	0.7
Actuarial profit on retirement benefits	–	–	–	–	1.3	1.3
Total comprehensive income for the year ended 31 March 2011	230.9	597.2	828.1	14.8	1.3	844.2
Pension reserve adjustment	(1.2)	–	(1.2)	–	1.2	–
Payments to the Consolidated Fund	(231.0)	–	(231.0)	–	–	(231.0)
As at 31 March 2011	2.1	7,231.5	7,233.6	16.9	2.3	7,252.8
As at 1 April 2009	5.4	6,008.5	6,013.9	–	0.9	6,014.8
Net surplus for the year	210.7	625.8	836.5	–	–	836.5
Revaluation surplus of owner occupied properties	–	–	–	2.1	–	2.1
Actuarial loss on retirement benefits	–	–	–	–	(3.8)	(3.8)
Total comprehensive income for the year ended 31 March 2010	210.7	625.8	836.5	2.1	(3.8)	834.8
Pension reserve adjustment	(2.7)	–	(2.7)	–	2.7	–
Payments to the Consolidated Fund	(210.0)	–	(210.0)	–	–	(210.0)
As at 31 March 2010	3.4	6,634.3	6,637.7	2.1	(0.2)	6,639.6

Notes to the financial statements

1. Notes to the financial statements

1a. Basis of preparation

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

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

Impact of the Crown Estate Act 1961 on the financial statements

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

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

To meet the requirements of the Crown Estate Act 1961, and the directions made by the Treasury, the movements in the Statement of income and expenditure and in the statement of comprehensive income are analysed between income and capital accounts.

The capital account includes profits or losses arising on the sale of investment properties, the realisation of revaluation gains, the income arising on the grant of operating leases over land in exchange for a premium and the transfers between the capital and income account as required by Statutory provisions and Treasury Agreements.

IFRS cannot be complied with in one respect due to the Crown Estate Act 1961. Where a lease premium is received in respect of an operating lease of less than 30 years the Crown Estate Act 1961 requires that the income is taken direct to the income account in the Statement of income and expenditure. This conflicts with the treatment required by SIC 15 – Operating Leases incentives, which requires such income to be spread over the lease term. However, the impact is not regarded as material. This treatment is consistent with prior years.

Treasury agreements

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

1b. Changes in accounting policies

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. The financial statements are prepared on a consistent basis with the prior year financial statements except that The Crown Estate has adopted IAS 17 – Leases (amendment). The impact of this change has not been material. The Crown Estate has not adopted any standards or interpretations in advance of the required implementation dates.

There are no new standards and interpretations issued by the IASB and IFRIC with an effective date after the date of these financial statements which may have a material effect on the financial statements in future periods.

2. Significant accounting policies

2a. Properties

Properties are valued by independent external valuers at the balance sheet date. The valuations have been carried out in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties and those held for development are held at fair value. They are valued on the basis of open market value. When The Crown Estate begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. Such properties are valued at the market value of the partially-built development.

Marine and mineral assets are valued only where a letting or licence exists, where an entry has occurred, or where an interest is expected to provide either a revenue cash flow or capital receipt within the foreseeable future. Offshore wind farms have been valued using a Special Assumption (as defined in the Red Book) that all sites where an option has been granted or a site allocated by The Crown Estate within Round 1, Round 2, Round 3 and Scottish Territorial Waters of the wind farm tender process are included even if the option is yet to be exercised and an Agreement for Lease is yet to be signed. Mineral bearing land, including marine dredged aggregates, is valued on the basis of market value.

Any surplus or deficit arising on revaluing investment properties is recognised in the Statement of income and expenditure in the capital account column.

Owner occupied properties

Any surplus or deficit arising on the revaluation of properties occupied by The Crown Estate is taken to revaluation reserve unless any loss in the period exceeds any cumulative gains previously recognised in the revaluation reserve. In this case the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the Statement of income and expenditure. These properties include dwellings occupied by The Crown Estate employees and pensioners at the Windsor estate.

Disposals

Disposals are recognised at the date of legal completion. Profits and losses arising on disposal are recognised through the Statement of income and expenditure in the capital account column. The profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period and costs of sale. Properties are transferred between categories at the estimated market value on the date of transfer.

Non-current property assets held for sale

Properties held with the intention of disposal at the balance sheet date are shown in the balance sheet within current assets.

2b. Leases

The Crown Estate as lessor – operating leases

Leases granted to tenants where substantially all the risks and rewards of ownership are retained by The Crown Estate as lessor are classified as operating leases. Where a premium is received in exchange for the grant of a long leasehold interest, the premium is taken to deferred income and released to revenue in the capital account column over the life of the lease.

Under the requirements of the Crown Estate Act 1961 lease premiums received on the grant of a lease with a lease term of 30 years or less is taken to the Statement of income and expenditure in the year that it is granted. Such receipts are reflected in revenue in the income account column.

The Crown Estate as lessee – finance leases

Leasehold properties are recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

2c. Other property, plant and equipment

These assets are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

Vehicles: 4–10 years depending on nature of vehicle

Plant and equipment: 4–10 years

Pontoons: 25 years

Computer equipment and software: 4 years

Office equipment: 4 years

Useful lives and estimated residual values are reviewed annually.

2d. Jointly controlled entities

Jointly controlled entities (joint ventures) are those entities in which The Crown Estate has joint control over the financial and operating policies. Jointly controlled entities are accounted for under the equity method. The balance sheet incorporates The Crown Estate's share of the net assets of jointly controlled entities. The Statement of income and expenditure incorporates the share of the jointly controlled entity's profit after tax including The Crown Estate's share of revaluation of investment properties.

2e. Jointly controlled assets

Jointly controlled assets are those assets which involve joint control and ownership by The Crown Estate and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. The Crown Estate accounts for its share of the jointly controlled assets, its share of any liabilities jointly incurred with other venturers and its share of income and expenditure arising from these assets.

2f. Other investments – antiques and paintings

Antiques and paintings are shown at fair value. Any surplus or deficit arising from changes in fair value are recognised directly in the revaluation reserve. The last valuation was carried out during the year ended 31 March 2011. They are valued by recognised experts every three years on a rolling basis.

2g. Revenue

Revenue is recorded net of VAT and represents the total value of:

Rental income

Rental income is recognised on a straight-line basis over the term of the lease. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of the lease commencement to the earliest termination date.

Royalties

Royalty income is received in return for the extraction of minerals, including aggregates, from the land and seabed.

Other income

Other income categories comprise income from the sale of produce, service charge income, miscellaneous fees and sundry income.

2h. Taxation

The Crown Estate is not subject to corporation, income or capital gains tax. The income surplus is paid to the Exchequer on an annual basis and will be used for the benefit of the taxpayer.

2i. Pensions – defined benefit plans

Two defined benefit pension schemes operate within The Crown Estate providing retirement and related benefits to all eligible employees based on individual final emoluments. The schemes are as follows:

a. The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme. The Crown Estate is unable to identify its share of the underlying assets and liabilities and as such has accounted for the scheme as a defined contribution scheme. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

b. The Crown Estate Pension Scheme

The Crown Estate pension scheme has a defined benefit section (closed to new entrants with effect from 1 January 2008), a defined contribution section and a hybrid section (defined benefit for salaries up to £25,000 per annum with money purchase above that level). The assets of the scheme are held separately from those of The Crown Estate, in an independently administered fund. In accordance with IAS 19 the current service cost of the scheme is charged to the income account. The current service cost is The Crown Estate's share of the cost of the accruing benefits over the year on the IAS 19 assumptions. The contributions are agreed by The Crown Estate and the Trustees on the basis of triennial valuations using the projected unit method. The remuneration report contains further details of the operation of the scheme.

Actuarial gains and losses are recognised in the Pension reserve. Following the implementation of IFRIC 14, pension scheme surpluses are only recognised to the extent that The Crown Estate has an unconditional right to utilise the surplus.

3 Significant judgements, key assumptions and estimates

3a. Trade receivables

The basis of arriving at the bad and doubtful debts provision is as follows:

For both rental and non-rental debts the managing agents responsible for the dealing are instructed to review each debt and what part of the debt should be provided for. Management centrally also review the exposure to different market sectors and make further provision where there is objective evidence of impairment.

3b. Unsettled rent reviews

Where the rent review date has passed, and the revised annual rent has not been agreed, rent is accrued from the date of the rent review based upon the estimation of the revised annual rent. The estimate is derived from knowledge of market rents for comparable properties.

3c. Operating leases

The Commissioners have exercised judgement in identifying that in all material respects, where The Crown Estate is the lessor such leases are operating leases. In exercising this judgement consideration has been given to the nature and economic life of the buildings which are all held within investment properties, and whether the risks and rewards of ownership remain with The Crown Estate. In instances where a premium has been received on the grant of a long lease the same considerations have been applied. In instances where a long lease has been granted in exchange for a premium and the building is 'substantial' in nature, the useful economic life of the building is judged to be greater than the lease length regardless of the lease term.

3d. Risk management

The Crown Estate actively monitors and mitigates risks. A detailed description on this process is included within 'The risk and control framework' section of the Governance report.

3e. Property valuations

Investment properties, investment properties being redeveloped and owner occupied properties are shown at market value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income.

4. Segmental analysis

Business segmental analysis

All The Crown Estate operations are in the UK and are currently organised into five operating divisions.

The divisions are: urban estate, marine estate, rural estate, Windsor estate and The Crown Estate Headquarters.

These divisions are the basis on which The Crown Estate monitors its operations and upon which decisions are made by the Board.

Note	Year ended 31 March 2011						Year ended 31 March 2010					
	Urban £m	Rural £m	Marine £m	Windsor £m	Crown HQ £m	Total £m	Urban £m	Rural £m	Marine £m	Windsor £m	Crown HQ £m	Total £m
Reflected in the income account:												
Rent and royalties	225.4	25.3	47.3	4.1	–	302.1	220.1	24.7	46.5	3.9	–	295.2
Sales of produce	–	0.2	–	0.3	–	0.5	–	0.2	–	0.2	–	0.4
Other income	1.5	0.2	0.1	2.4	–	4.2	1.3	0.2	0.1	2.5	–	4.1
Revenue recognised in the income account (excluding service charge income)												
	226.9	25.7	47.4	6.8	–	306.8	221.4	25.1	46.6	6.6	–	299.7
Service charge income	23.0	–	–	–	–	23.0	21.6	–	–	–	–	21.6
Service charge expense	(30.5)	–	–	–	–	(30.5)	(31.3)	–	–	(0.1)	–	(31.4)
Net service charge expense	(7.5)	–	–	–	–	(7.5)	(9.7)	–	–	(0.1)	–	(9.8)
Direct costs:												
Management fees and costs	(9.2)	(3.9)	(2.6)	(5.1)	–	(20.8)	(9.3)	(3.9)	(2.2)	(5.1)	–	(20.5)
Repairs and maintenance	(3.0)	(2.0)	(0.1)	(0.6)	–	(5.7)	(3.2)	(2.7)	(0.2)	(0.7)	–	(6.8)
Other expenditure	(4.3)	(0.4)	(1.2)	(2.6)	–	(8.5)	(11.2)	(1.0)	(1.3)	(2.3)	–	(15.8)
Total direct costs	(16.5)	(6.3)	(3.9)	(8.3)	–	(35.0)	(23.7)	(7.6)	(3.7)	(8.1)	–	(43.1)
Gross surplus	202.9	19.4	43.5	(1.5)	–	264.3	188.0	17.5	42.9	(1.6)	–	246.8
Indirect costs:												
Administrative expenses	6 (0.3)	(0.8)	(1.2)	–	(14.8)	(17.1)	(0.5)	(0.7)	(0.9)	–	(16.4)	(18.5)
Depreciation of tangible fixed assets	16 (0.2)	–	–	(0.3)	(1.8)	(2.3)	(0.3)	–	–	(0.3)	(2.2)	(2.8)
Loss on sale of plant and equipment	–	–	–	–	(0.2)	(0.2)	–	–	–	–	–	–
Total indirect costs	(0.5)	(0.8)	(1.2)	(0.3)	(16.8)	(19.6)	(0.8)	(0.7)	(0.9)	(0.3)	(18.6)	(21.3)
Total costs	(17.0)	(7.1)	(5.1)	(8.6)	(16.8)	(54.6)	(24.5)	(8.3)	(4.6)	(8.4)	(18.6)	(64.4)
Operating surplus reflected in the income account	202.4	18.6	42.3	(1.8)	(16.8)	244.7	187.2	16.8	42.0	(1.9)	(18.6)	225.5

4. Segmental analysis continued

Note	Year ended 31 March 2011						Year ended 31 March 2010						
	Urban £m	Rural £m	Marine £m	Windsor £m	Crown HQ £m	Total £m	Urban £m	Rural £m	Marine £m	Windsor £m	Crown HQ £m	Total £m	
Income from sale of leases reflected in the capital account	10.6	–	–	–	–	10.6	19.3	–	–	–	–	19.3	
Net valuation profit including profits on disposal	10	335.2	99.3	113.9	2.3	–	550.7	464.3	50.2	19.2	9.1	–	542.8
Share of profit in jointly controlled entities	17	9.6	–	–	–	–	9.6	36.4	–	–	–	–	36.4
Share of profit in other property investments	18	4.3	–	–	–	–	4.3	4.0	–	–	–	–	4.0
Parliamentary Resource finance	12	–	–	–	–	2.3	2.3	–	–	–	–	2.3	2.3
Investment revenue	5	0.2	–	0.1	–	5.6	5.9	0.2	0.1	0.1	–	5.8	6.2
Total net surplus reflected in the Statement of income and expenditure		562.3	117.9	156.3	0.5	(8.9)	828.1	711.4	67.1	61.3	7.2	(10.5)	836.5
Balance sheet													
Non-current assets:													
Investment properties	15	5,701.1	1,041.8	586.9	119.9	–	7,449.7	5,085.4	964.0	443.7	114.3	–	6,607.4
Owner occupied property	15	36.4	0.2	–	66.0	–	102.6	26.5	0.2	–	62.3	–	89.0
Other property, plant and equipment	16	0.6	0.1	0.2	0.7	5.5	7.1	0.6	–	0.2	0.8	6.7	8.3
Investment in jointly controlled entities	17	265.0	–	–	–	–	265.0	212.7	–	–	–	–	212.7
Other property investments	18	33.1	–	–	–	–	33.1	30.0	–	–	–	–	30.0
Other investments	19	–	–	–	–	5.3	5.3	–	–	–	–	4.9	4.9
Receivables due after one year	20	21.3	0.1	–	–	–	21.4	13.2	0.1	–	–	–	13.3
Total non-current assets		6,057.5	1,042.2	587.1	186.6	10.8	7,884.2	5,368.4	964.3	443.9	177.4	11.6	6,965.6
Unallocated current assets							330.8						615.7
Unallocated liabilities							(962.2)						(941.7)
Net assets							7,252.8						6,639.6
Capital expenditure		523.1	14.6	29.7	3.6	–	571.0	358.3	18.8	15.5	1.8	–	394.4

5. Investment revenue

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Bank interest income	5.8	6.3
IAS 19 retirement benefits – net financing surplus/(cost)	0.1	(0.1)
	5.9	6.2

6. Administrative expenses

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Salaries, national insurance and pension costs	7.5	8.0
Reorganisation and early retirement costs	0.5	1.4
Commissioners' remuneration	0.5	0.5
Management and administration expenses	8.5	8.4
Auditors' remuneration	0.1	0.2
	17.1	18.5

Auditors' remuneration does not include any fees for non-audit services (year ended 31 March 2010: £nil).

7. Staff costs

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

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Wages and salaries	18.1	16.4
Reorganisation and early retirement costs	0.5	1.4
National insurance costs	1.7	1.5
Current service cost – defined benefit scheme	0.7	0.4
Past service costs – defined benefit scheme	0.1	–
Pension contributions – other pension schemes	2.1	2.1
Total staff costs	23.2	21.8
Less capitalised staff costs	(8.9)	(6.6)
Staff costs reflected in the income account	14.3	15.2

The average number of permanent full-time equivalent employees during the year was made up as follows:

	Year ended 31 March 2011		Year ended 31 March 2010	
	Parliamentary Resource account	Crown Estate income account	Parliamentary Resource account	Crown Estate income account
Commissioners	8	–	8	–
General administration	26	189	29	161
Operating activities	–	208	–	207
	34	397	37	368

8. IAS 19 retirement benefits

The Crown Estate's policy is to recognise actuarial gains and losses immediately in each full year.

The Crown Estate operates a scheme in the UK with a defined benefit section (closed to new entrants with effect from 1 January 2008), a defined contribution section and a hybrid section (defined benefit for salaries up to £25,000 per annum with money purchase provision above that level). This disclosure covers the defined benefit sections only.

At 30 September 2008, the value of the scheme's assets was £20.9 million and the actuarial value of the technical provisions exceeded these assets by 32 per cent. The actuarial assumptions used for the statutory funding valuation are that the pre-retirement investment yield would in the long term exceed earnings increases by 2 per cent per annum and the post-retirement investment yield would exceed pension increases by 1 per cent per annum. The Trustees and The Crown Estate have agreed a seven-year recovery plan to eliminate the deficit. Consequently, an additional amount of £100,000 per month is being paid to the scheme by The Crown Estate. Furthermore, the regular employer contribution rate has increased to 32.5 per cent of pensionable earnings per annum.

A full actuarial valuation was carried out as at 30 September 2008 and updated to 31 March 2011 by a qualified independent actuary.

8. IAS 19 retirement benefits continued

a Balance sheet and notes

	31 March 2011 £m	31 March 2010 £m
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at beginning of year	27.1	18.9
Current service cost	0.7	0.4
Interest cost	1.5	1.2
Members' contributions	–	–
Actuarial (gain)/loss on plan liabilities	(0.5)	7.4
Benefits paid	(2.0)	(0.8)
Past service costs	0.1	–
Present value of defined benefit obligation at end of year	26.9	27.1
Analysis of the defined benefit obligation		
Present value of the unfunded defined benefit obligation	–	–
Present value of the funded defined benefit obligation	26.9	27.1

	31 March 2011 £m	31 March 2010 £m
Reconciliation of fair value of plan assets		
Fair value of plan assets at start of year	26.8	19.8
Expected return on plan assets	1.6	1.2
Actuarial gain on plan assets	0.8	3.5
Contributions by The Crown Estate	2.0	3.1
Contributions by Members	–	–
Benefits paid	(2.0)	(0.8)
Fair value of assets at end of year	29.2	26.8
Amounts to be recognised in the balance sheet		
Present value of funded obligation	(26.9)	(27.1)
Fair value of scheme assets	29.2	26.8
Net asset/liability in the balance sheet	2.3	(0.3)

b Amounts to be recognised in the statement of income and expenditure

	31 March 2012 projected £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Interest on obligation	1.4	1.5	1.2
Expected return on plan assets	(1.6)	(1.6)	(1.1)
Net financing (surplus)/cost – note 5	(0.2)	(0.1)	0.1
Current service cost	0.7	0.7	0.4
Past service cost	–	0.1	–
Total expense	0.5	0.7	0.5

8. IAS 19 retirement benefits continued

c Total amount recognised in the statement of comprehensive income

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Actuarial profit/(loss) recognised in the statement of comprehensive income	1.3	(3.8)

d Cumulative amount recognised in the statement of comprehensive income

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Cumulative (loss) recognised in the statement of comprehensive income	(2.7)	(4.0)

e Scheme assets

	Planned 2012	£m	%	£m	%	£m	%
			2011		2010		2009
Equities	40%	11.4	39%	11.5	43%	6.5	33%
Index linked gilts	60%	17.8	61%	15.4	57%	13.3	67%
Other	–	–	0%	–	–	–	–
Total market value of assets		29.2	100%	26.9	100%	19.8	100%
Expected rate of return on scheme assets		5.6%		5.8%		5.5%	

The overall expected return on assets is calculated as the weighted average of expected returns on each individual asset class. The expected return on equities is the sum of inflation, the dividend yield, economic growth and investment expenses. The return on gilts and bonds is the current market yield on long-term gilts and bonds. The expected return on other assets is the current interest rate set by the Bank of England. The expected return is based on the planned asset mix shown above.

The amount of Crown Estate related investments included in the fair value of the plan assets was £nil (31 March 2010 – £nil).

	31 March 2011 £m	31 March 2010 £m
Actual return on scheme assets	2.4	4.7

Principal actuarial assumptions at the balance sheet date

	2011	2010	2009
Discount rate	5.50%	5.50%	6.50%
Expected return on scheme assets at the end of the year	5.64%	5.80%	5.50%
Rate of increase in salaries	4.60%	4.75%	3.75%
Price inflation	3.60%	3.75%	2.75%
Pension increases	3.60%	3.75%	2.75%
Mortality	PNXA00LC	PNXA00LC	PNXA00MC
Underpin	with 1% underpin	with 1% underpin	with 1% underpin
Projection	Birth year	Birth year	Birth year

8. IAS 19 retirement benefits continued

The assumed life expectations on retirement at age 60 are:

	31 March 2011	31 March 2010
Retiring today:		
Male	88.9	88.8
Female	91.5	91.4
Retiring in 20 years:		
Male	91.2	91.0
Female	93.6	93.5

Sensitivity analysis of the principal assumptions used to measure scheme liabilities:

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1%	Increase/decrease by 19%
Rate of inflation	Increase/decrease by 1%	Increase/decrease by 15%
Rate of salary growth	Increase/decrease by 1%	Increase/decrease by 2%
Rate of mortality	Increase/decrease by 1%	Increase/decrease by 3%

f History of experience gains and losses

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Present value of defined benefit obligation (£m)	26.9	27.1	18.9	20.3	22.6
Fair value of assets (£m)	29.2	26.8	19.8	21.1	19.1
Surplus/(deficit) (£m)	2.3	(0.3)	0.9	0.8	(3.5)
Experience (loss)/gain on scheme liabilities:					
Amount (£'000)	(195)	63	342	(275)	61
Percentage of the present value of the scheme liabilities	-1%	0%	2%	-1%	0%
Difference between the expected and actual return on scheme assets					
Amount (£'000)	805	3,556	(3,783)	(64)	(207)
Percentage of scheme assets	3%	13%	-19%	0%	-1%

For 2010/11, employer contributions were £1.9 million (2009/10 – £3.1 million). The Crown Estate's estimate of contributions to be paid to the Scheme in 2011/12 is £1.8 million. The employer's best estimate of contributions to the scheme by employees next year is £75,000.

For 2010/11, employer contributions to the Principal Civil Service Pension Scheme (PCSPS) were £1.9 million (2009/10 – £1.4 million).

For 2010/11, employers' contributions were payable to the PCSPS at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. For 2011/12 the employer contribution will be between 16.7 per cent and 24.3 per cent of pensionable pay. Employer contributions are to be reviewed every four years following a full scheme valuation by the Scheme Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

9. Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
By agreement with the Treasury the income account is charged with an amount as disclosed in note 1c	24.7	22.9
Total recovered from the capital account	24.7	22.9
Depreciation of fixed assets charged as costs in the income account	2.3	2.8
Total recovered under the Treasury agreement	27.0	25.7

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

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Reflected in the statement of income and expenditure:		
Surplus on revaluation of investment properties	620.0	428.1
Adjustment for gross up for deferred rent movement	22.8	58.9
(Loss)/gain on disposal of investment properties	(92.1)	55.8
Net revaluation gains on investment property	550.7	542.8
Share of revaluation gains in jointly controlled entities	–	28.7
Share of revaluation gains in other property investments	2.8	2.5
Total reflected in the capital account	553.5	574.0
Loss on disposal of plant and equipment	(0.2)	–
Total reflected in the statement of income and expenditure	553.3	574.0
Reflected in the statement of comprehensive income:		
Surplus on revaluation of owner occupied property	14.1	2.1
Surplus on revaluation of other investments	0.7	–
Total reflected in the statement of comprehensive income	14.8	2.1
Total	568.1	576.1

11. Financial instruments

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

The cash holdings not needed for operational purposes are maintained in overnight 'on call' accounts with major United Kingdom clearing banks, thereby avoiding liquidity risks. These deposits are held on a floating interest basis. There is no currency risk as The Crown Estate only holds funds in sterling and there are no significant transactions in currencies other than sterling. The Crown Estate monitors the rates offered by the banks and transfers deposits as appropriate to maximise returns. As The Crown Estate is not permitted to place money for periods longer than overnight there is no maturity profile in respect of cash deposits.

The financial assets held by The Crown Estate are cash equivalents and trade and other receivables (note 22). The Crown Estate's credit risk is primarily attributable to its trade receivables. The amount shown in the balance sheet is net of provision for trade receivables. An allowance for impairment is made where there is evidence that the debt may not be received under the original terms of the receivable concerned. The balance for trade receivables is relatively low in relation to the value of the balance sheet and therefore the credit risk attributable to receivables is considered to be low.

The financial liabilities held by The Crown Estate are trade and other payables (note 23), and the fair value of these liabilities equals their carrying value.

12. Parliamentary Resource finance

The Crown Estate Act 1961 provides that monies are provided by Parliament in respect of Board members' salaries and the expense of their Office. The total of such expenses chargeable to the Resource account for the current year is shown on the face of the income account and the detail is reported separately to Parliament as a Resource account.

13. Statutory transfers

Under the provisions of the Crown Estate Act 1961 the following amounts are carried to the capital account from the income account.

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Moieties:		
Mineral dealings	8.4	9.6

14. Consolidated Fund payment

In accordance with section 1 of the Civil List Act 1952, the income surplus is due to the Consolidated Fund. As The Crown Estate is not permitted by statute to borrow, the payment to the Consolidated Fund in respect of the net surplus for the year is agreed with the Treasury taking into account The Crown Estate's short-term financing requirements. £220 million was paid to the Treasury prior to the year end and a further £11 million is included within payables and was paid to the Treasury in May 2011.

15. Properties

	Investment properties freehold £m	Investment properties leasehold £m	Total investment properties £m	Owner occupied property £m	Total properties £m
At 1 April 2010	6,371.0	236.4	6,607.4	89.0	6,696.4
Less: deferred income from lease premiums received	(840.9)	–	(840.9)	–	(840.9)
Less: head lease liabilities	–	(1.9)	(1.9)	–	(1.9)
At valuation 1 April 2010	5,530.1	234.5	5,764.6	89.0	5,853.6
Additions	267.1	37.4	304.5	–	304.5
Capital expenditure	265.2	1.2	266.4	0.1	266.5
Disposals	(321.9)	(50.4)	(372.3)	(0.6)	(372.9)
Revaluation	606.8	13.2	620.0	14.1	634.1
At valuation 31 March 2011	6,347.3	235.9	6,583.2	102.6	6,685.8
Deferred income from lease premiums received	863.7	–	863.7	–	863.7
Head lease liabilities	–	2.8	2.8	–	2.8
At 31 March 2011	7,211.0	238.7	7,449.7	102.6	7,552.3
At 1 April 2009	5,905.5	81.2	5,986.7	86.5	6,073.2
Less: deferred income from lease premiums received	(782.0)	–	(782.0)	–	(782.0)
Less: head lease liabilities	–	(0.6)	(0.6)	–	(0.6)
At valuation 1 April 2009	5,123.5	80.6	5,204.1	86.5	5,290.6
Additions	77.4	139.0	216.4	–	216.4
Capital expenditure	175.4	2.2	177.6	0.4	178.0
Transfers	24.5	(24.5)	–	–	–
Disposals	(261.6)	–	(261.6)	–	(261.6)
Revaluation	390.9	37.2	428.1	2.1	430.2
At valuation 31 March 2010	5,530.1	234.5	5,764.6	89.0	5,853.6
Deferred income from lease premiums received	840.9	–	840.9	–	840.9
Head lease liabilities	–	1.9	1.9	–	1.9
At 31 March 2010	6,371.0	236.4	6,607.4	89.0	6,696.4

The historic cost of the properties at 31 March 2011 was £2,582.2 million (31 March 2010 – £2,307.7 million).

Investment properties identified by the Board as held for sale of £17.5 million at 31 March 2011 (31 March 2010 – £135.1 million) are included within disposals and are reclassified as current assets in the balance sheet.

The property portfolio was valued on 31 March 2011 by external valuers on the basis of open market value in accordance with the Appraisal and Valuation standards published by The Royal Institution of Chartered Surveyors (RICS). Offshore wind farms were valued on 31 March 2011 on the basis of market value, in accordance with RICS Valuation Standards. In this valuation a Special Assumption (as defined in the Red Book) has been made that all sites where an option has been granted or a site allocated by The Crown Estate within Round 1, Round 2, Round 3 and Scottish Territorial Waters of the wind farm tender process are included even if the option is yet to be exercised and an Agreement for Lease is yet to be signed. This valuation assumption is consistent with that adopted at 31 March 2010.

16. Plant and equipment

	Plant and machinery £m	Office equipment £m	Motor vehicles £m	Total £m
Cost at 1 April 2010	1.7	17.7	1.7	21.1
Additions	0.2	0.8	0.1	1.1
Disposals	–	(0.2)	–	(0.2)
Cost at 31 March 2011	1.9	18.3	1.8	22.0
Depreciation at 1 April 2010	1.2	10.3	1.3	12.8
Charge	0.2	2.0	0.1	2.3
Disposals	–	(0.2)	–	(0.2)
Total depreciation at 31 March 2011	1.4	12.1	1.4	14.9
Net book value at 1 April 2010	0.5	7.4	0.4	8.3
Net book value at 31 March 2011	0.5	6.2	0.4	7.1
Cost at 1 April 2009	1.5	15.6	1.6	18.7
Additions	0.4	2.1	0.2	2.7
Disposals	(0.2)	–	(0.1)	(0.3)
Cost at 31 March 2010	1.7	17.7	1.7	21.1
Depreciation at 1 April 2009	0.9	8.0	1.3	10.2
Charge	0.4	2.3	0.1	2.8
Disposals	(0.1)	–	(0.1)	(0.2)
Total depreciation at 31 March 2010	1.2	10.3	1.3	12.8
Net book value at 1 April 2009	0.6	7.6	0.3	8.5
Net book value at 31 March 2010	0.5	7.4	0.4	8.3

17. Investment in jointly controlled entities

The Crown Estate's investment in jointly controlled entities is described below:

Name of jointly controlled entity	Percentage owned	Formation date	Partner	Property interest
The Gibraltar Limited Partnership	50%	April 2007	Hercules Unit Trust	Fort Kinnaird Shopping Park, Edinburgh Gallagher Retail Park, Cheltenham Shires Retail Park, Leamington Spa
Co-ownership agreement	50%	June 2008	Aviva Investors Global Services Limited	Crown Point Shopping Park, Leeds
Co-ownership agreement	66.67%	December 2008	CGNU Life Assurance	Property in Princes Street, London
Westgate Oxford Alliance Limited Partnership	50%	May 2010	Land Securities Group PLC	Westgate Centre, Oxford
Maple Investment Limited Partnership	50%	November 2010	The Healthcare of Ontario Pension Plan	St James's Gateway development, London

All joint ventures operate in the United Kingdom.

17. Investment in jointly controlled entities continued

The Crown Estate's share of assets and liabilities and revenues and expenses of the jointly controlled entities were:

	Gibraltar LP £m	Crown Point £m	Princes Street £m	Westgate LP £m	Maple LP £m	Total £m
Share of assets and liabilities as at 31 March 2011:						
Non-current assets	216.8	60.8	6.6	29.5	17.9	331.6
Current assets	31.0	1.8	0.3	1.6	4.3	39.0
Gross assets	247.8	62.6	6.9	31.1	22.2	370.6
Current liabilities	(2.8)	(1.3)	(0.1)	(1.2)	(0.2)	(5.6)
Long-term bank loan	(100.0)	–	–	–	–	(100.0)
Share of net assets	145.0	61.3	6.8	29.9	22.0	265.0
Share of revenues and expenses for the year ended 31 March 2011:						
Income	11.5	3.3	0.2	1.7	0.2	16.9
Expenses	(6.5)	(0.2)	(0.1)	(0.5)	–	(7.3)
Share of profit on ordinary activities reflected in the income account	5.0	3.1	0.1	1.2	0.2	9.6
Share of profit/(loss) on revaluation of investment reflected in the capital account	1.2	1.9	2.1	(0.2)	(5.0)	–
Total share of income/(loss) reflected in the statement of income and expenditure	6.2	5.0	2.2	1.0	(4.8)	9.6
Share of assets and liabilities as at 31 March 2010:						
Non-current assets	214.6	58.5	4.5	–	–	277.6
Current assets	37.7	1.6	0.3	–	–	39.6
Gross assets	252.3	60.1	4.8	–	–	317.2
Current liabilities	(3.2)	(1.2)	(0.1)	–	–	(4.5)
Long-term bank loan	(100.0)	–	–	–	–	(100.0)
Share of net assets	149.1	58.9	4.7	–	–	212.7
Share of revenues and expenses for the year ended 31 March 2010:						
Income	11.4	3.4	0.3	–	–	15.1
Expenses	(6.9)	(0.4)	(0.1)	–	–	(7.4)
Share of profit on ordinary activities reflected in the income account	4.5	3.0	0.2	–	–	7.7
Share of profit on revaluation of investment reflected in the capital account	18.2	10.2	0.3	–	–	28.7
Total share of income reflected in the statement of income and expenditure	22.7	13.2	0.5	–	–	36.4

17. Investment in jointly controlled entities continued

Summary of movement in investment in jointly controlled entities

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
At start of year	212.7	185.7
Net equity additions	51.4	(2.9)
Surplus on revaluation of investment properties	–	28.7
Distributions receivable	(8.7)	(6.5)
Share of profit	9.6	7.7
At end of year	265.0	212.7

In respect of The Gibraltar Limited Partnership, the partnership is dependent for its working capital requirements on cash generated from operations and a £200 million credit facility. The partnership is required to comply with a number of covenants in relation to its credit facility, the principal of which is that the amount of the loan drawn must not exceed 35 per cent of the value of the partnership properties. As at 31 March 2011 the partnership has placed £46.7 million (31 March 2010 – £55 million) of cash loaned from the limited partners in a blocked account in order to maintain compliance with this covenant. The General Partner is of the view that the properties will not decrease in value over the next 12 months and therefore that this covenant will not be breached. In the event of a covenant breach, the General Partner considers, at such a low Loan to Value covenant, it would be possible to negotiate an increased covenant, albeit a higher margin on the loan.

18. Other property investments

In September 2006, The Crown Estate acquired a 4.9 per cent share of Lend Lease Retail Partnership, an English Limited Partnership. The Partnership provides an equity interest in both Bluewater Shopping Centre, Kent and Touchwood Court Shopping Centre, Solihull.

	31 March 2011 £m	31 March 2010 £m
Net income received	1.5	1.5
Share of revaluation of investment	2.8	2.5
Reflected in the Statement of income and expenditure	4.3	4.0
Share of net assets reflected in the balance sheet	33.1	30.0

19. Other investments

	31 March 2011 £m	31 March 2010 £m
Antiques and paintings	5.3	4.9

20. Receivables due after one year

	31 March 2011 £m	31 March 2010 £m
Mortgages and loans	0.1	1.0
Other financial assets	1.7	1.8
Other receivables	19.6	10.5
	21.4	13.3

21. Inventories

	31 March 2011 £m	31 March 2010 £m
Inventories for resale	0.1	0.1
Stores	0.1	0.1
	0.2	0.2

22. Trade and other receivables

	31 March 2011 £m	31 March 2010 £m
Trade receivables	13.6	10.1
Other financial assets	0.1	0.1
Other receivables	15.1	5.7
Prepayments	–	0.1
Accrued income	2.8	1.5
	31.6	17.5

Trade and other receivables are shown after deducting the provision for bad and doubtful debts of £10.9 million (£22.7 million at 31 March 2010). The decrease in the trade receivable impairment reflects the application of The Crown Estate's provisioning policy in respect of bad and doubtful receivables.

The Board considers that the carrying amount of the trade and other receivables approximates to their fair value.

	31 March 2011 £m	31 March 2010 £m
Trade and other receivables outside their payment terms not yet provided are:		
Within credit terms	–	–
Past due date but not impaired:		
0–1 month	12.2	10.3
1–2 months	1.3	1.0
More than 2 months	0.1	1.7
	13.6	13.0
Bad and doubtful debts receivables provision		
Other expenditure includes the movement on the provision for bad and doubtful receivables as follows:		
Provision at the beginning of the year	22.7	19.5
Income written off during the year	(7.9)	(1.3)
(Decrease)/increase in the provision for the year	(3.9)	4.5
Provision at the end of the year	10.9	22.7

23. Payables

	31 March 2011 £m	31 March 2010 £m
Amounts falling due within one year:		
Trade payables	1.7	1.4
Rents received in advance	47.5	46.1
Taxes and social security	6.0	6.7
Other payables	7.6	6.0
Consolidated Fund	11.0	12.0
Accruals and deferred income	19.8	23.7
Deferred income on receipt of lease premiums	8.3	8.1
Obligations under finance leases	0.4	0.3
	102.3	104.3
Amounts falling due after more than one year:		
Rents received in advance	0.3	0.8
Deferred income on receipt of lease premiums	855.4	832.8
Obligations under finance leases	4.2	3.5
	859.9	837.1

24. Leasing

Operating leases with tenants

The Crown Estate leases out all of its investment properties under operating leases for average lease terms of 34 years to expiry. The future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

	31 March 2011 £m	31 March 2010 £m
Less than one year	220.1	209.6
Between two and five years	729.4	661.8
More than five years	3,366.6	3,417.7
	4,316.1	4,289.1

Contingent rents receivable were £16.6 million at 31 March 2011 (£20.0 million at 31 March 2010).

Obligations under finance leases

Finance lease liabilities are payable as follows:

	31 March 2011			31 March 2010		
	Minimum lease payments £m	Future finance charges £m	Present value of lease obligations £m	Minimum lease payments £m	Future finance charges £m	Present value of lease obligations £m
Less than one year	0.4	–	0.4	0.3	–	0.3
Between two and five years	1.6	(0.3)	1.3	1.1	(0.2)	0.9
More than five years	54.4	(51.5)	2.9	51.7	(49.1)	2.6
	56.4	(51.8)	4.6	53.1	(49.3)	3.8

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

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Operating surplus – income account	244.7	225.5
Loss on disposal of plant and equipment	0.2	–
Depreciation	2.3	2.8
(Increase)/decrease in receivables	(23.1)	11.9
Decrease in payables	(1.9)	(0.4)
Net cash inflow from operating activities	222.2	239.8

26. Analysis of change in cash and cash equivalents

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Balance at start of year	462.9	390.1
Net cash (outflow)/inflow	(183.7)	72.8
Balance at end of year	279.2	462.9

27. Subsidiary undertakings

Several Crown Estate properties are managed by management companies under the control of, or in joint venture with, The Crown Estate Commissioners.

These subsidiary and joint venture undertakings are not material by value or in the context of The Crown Estate financial results and therefore consolidated statements have not been prepared.

The companies concerned, all of which are registered in England, are as follows (held 100 per cent by The Crown Estate Commissioners unless stated):

- Fitzgeorge and Fitzjames Management Company Limited
- Urbanlease Property Management Company Limited
- Maple Holdco Limited/Maple Investment Management LLP
- Gibraltar Management Limited
- TCE December GP (Holdco) Limited

28. Capital commitments

At 31 March 2011 The Crown Estate had committed to make capital expenditure of £405.7 million (£448 million at 31 March 2010) and had authorised additional expenditure of £140.5 million (£20.0 million at 31 March 2010).

29. Contingent liabilities

At the balance sheet date The Crown Estate had no contingent liabilities.

30. Related party transactions

During the year, none of the Board members, members of the key management staff or other related parties have undertaken any material transactions with The Crown Estate with the exception of Philip Everett, the Deputy Ranger at Windsor Great Park who is employed in a personal capacity through Smiths Gore where he is a salaried partner and David Fursdon, non-executive director who is a non-executive consultant of Smiths Gore. Smiths Gore are amongst The Crown Estate's managing agents and as such receive fees for their services. Neither Philip Everett nor David Fursdon had any involvement in determining either the appointment or remuneration of Smiths Gore in this capacity. During the year, Smiths Gore were paid a total in fees of £2.0 million (£1.9 million in the year ended 31 March 2010), for services they provided across the whole of The Crown Estate.

31. Third party deposits

At 31 March 2011 The Crown Estate held £18.2 million (£16.0 million at 31 March 2010) on deposit on behalf of third parties.

32. Post balance sheet event

On 1 April 2011 The Crown Estate received £452 million from Norges Bank Investment Management in exchange for granting a 150-year lease on a 25 per cent stake in Regent Street, London W1.

33. Issue of accounts

On 14 June 2011 the financial statements were approved by the audit committee on behalf of the Board prior to certification by the Comptroller and Auditor General on 23 June 2011. On this date the financial statements are deemed to be authorised for issue. Post balance sheet events were considered up to this date.

Ten-year record (unaudited)

Based on the financial statements for the years ended 31 March:

Income account	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 Restated £m	2009 £m	2010 £m	2011 £m
Revenue (excluding service charge income)	223.5	230.0	237.8	245.4	252.3	262.1	231.9	285.8	299.7	306.8
Direct operating costs (including net service charge expense)	(30.1)	(27.3)	(30.2)	(31.9)	(31.6)	(38.7)	(40.2)	(42.6)	(52.9)	(42.5)
Gross surplus	193.4	202.7	207.6	213.5	220.7	223.4	191.7	243.2	246.8	264.3
Administrative expenses	(10.7)	(11.3)	(11.0)	(11.7)	(12.3)	(13.3)	(15.5)	(17.0)	(18.5)	(17.1)
Indirect operating expenses	–	–	(0.9)	(2.0)	(1.0)	(0.8)	(0.7)	–	–	–
Net revenue surplus	163.3	171.1	176.9	184.8	190.8	200.1	213.4	226.5	210.7	230.9
Consolidated Fund payment	163.5	170.8	173.0	185.7	188.0	200.0	211.0	230.0	210.0	231.0
Balance sheet										
Investment and owner occupied properties	4,032.7	4,067.4	4,408.9	4,812.0	5,685.4	6,572.5	7,245.6	6,073.2	6,696.4	7,552.3
Non-current investment property assets held for sale	–	–	–	–	–	–	12.0	221.9	135.1	17.5
Investment in jointly controlled entities	–	–	–	–	–	–	203.3	185.7	212.7	265.0
Other property investments	–	–	–	–	–	42.1	38.6	27.5	30.0	33.1
Other plant, property and equipment	2.1	2.1	2.2	3.2	4.6	5.6	4.9	8.5	8.3	7.1
Other investments	4.0	4.0	4.1	5.0	5.0	4.9	4.9	4.9	4.9	5.3
Receivables due after one year	–	–	–	0.1	0.1	13.8	3.2	11.4	13.3	21.4
Current assets (excluding assets held for sale)	167.0	185.4	214.1	306.7	287.1	494.6	590.1	421.9	480.6	311.0
Pension asset	–	–	–	–	–	–	0.9	0.9	–	2.3
Current liabilities	(26.0)	(39.8)	(36.1)	(36.6)	(45.6)	(42.0)	(103.1)	(164.9)	(104.6)	(102.3)
Non-current liabilities	–	–	–	–	–	–	(666.7)	(776.2)	(837.1)	(859.9)
Capital and reserves	4,179.8	4,219.1	4,593.2	5,090.4	5,936.6	7,091.5	7,333.7	6,014.8	6,639.6	7,252.8

The 2008 figures are restated to reflect the adoption of IFRS. The figures shown in prior year columns are as previously reported under UK GAAP.

Glossary

Balanced scorecard	A tool to measure and monitor progress against our corporate objectives.	Lease premium	The price paid for the purchase of a leasehold interest.
Bespoke benchmark	An IPD benchmark based upon the Quarterly Index but weighted to reflect our ownership as at 31 March 2008.	Market rent	The estimated amount for which a lettable unit should lease for between a willing lessor and a willing lessee on appropriate terms, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
Book value	The amount at which assets and liabilities are reported in the financial statements.	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 had each acted knowledgeably, prudently and without compulsion.
Capital employed	The capital value of an asset at the beginning of a period plus net capital invested over the period.	Net income surplus	Profit payable to the Treasury.
Capital value	The net assets of The Crown Estate held as capital for Her Majesty and Her successors.	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.
Consolidated Fund	The UK Government's general bank account held at The Bank of England. Taxation and other monies paid to the Exchequer are paid into this fund.	Operating lease	Any lease that is not a finance lease.
Development pipeline	Development projects under construction or planned, listed according to the date of completion.	Over rented	A property which is let at a rent which is greater than the current open market rent.
Direct expenditure	Expenditure incurred that relates directly to the operation of the properties from which revenue is received.	Parliamentary Resource finance	Monies provided by Parliament in respect of Board members' salaries and the expense of their office.
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.	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.
Finance lease	A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.	Public realm	Publicly owned streets, pathways and rights of way.
Going for Gold targets	A summary of our corporate ambitions, they distil the essence of our balanced scorecard into a clear and readily understandable format. Going for Gold is in effect a rolling five-year programme, so that we have a continually updated summary of our ambitions.	Rack rented	A rent representing the full market rental value of a property.
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.	Red Book	Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.
Income return	The net income from a property as a percentage of capital employed over the same time period.	Total return	Capital growth plus the net income as a percentage of the capital employed.
IFRS	International Financial Reporting Standards.	Vacancy rate	The rental value of voids (excluding those in properties held for development) as a percentage of the total rental value of the portfolio.
Indirect investments	Investment in property through jointly controlled entities and other property investments.	Void	Unoccupied and unlet space.
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.		
IPD	Investment Property Databank.		
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.		



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Design and production: Radley Yeldar ry.com
Photography by: Marcus Ginns



www.thecrownestate.co.uk

London

The Crown Estate
16 New Burlington Place
London
W1S 2HX
T 020 7851 5000

Edinburgh

The Crown Estate
6 Bell's Brae
Edinburgh
EH4 3BJ
T 0131 260 6070

Windsor

The Crown Estate
The Great Park
Windsor
Berkshire
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