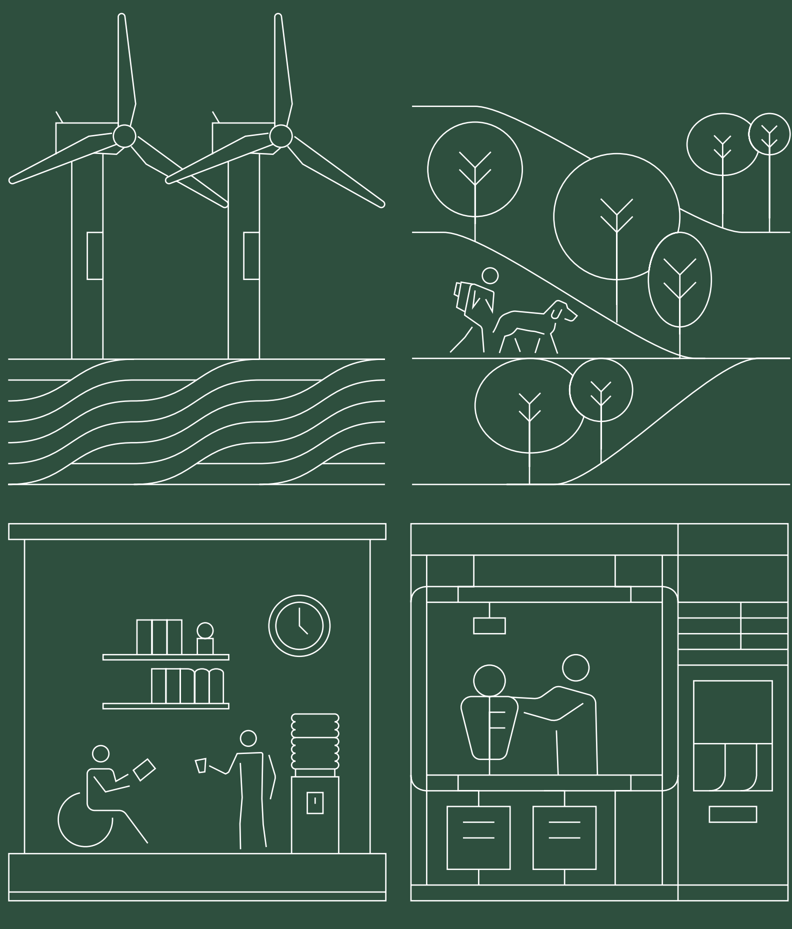
THE CROWN ESTATE

Integrated Annual Report and Accounts 2019/20



HC 723

The Crown Estate Integrated Annual Report and Accounts 2019/20

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

Ordered by the House of Commons to be printed 17 September 2020

HC 723

This publication is available on our website at: www.gov.uk/official-documents

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

The Crown Estate
1 St James's Market
London
SW1Y 4AH

ISBN – 978-1-5286-2122-9
CCS0320323770 09/20

Printed on paper containing 75% recycled fibre content minimum

Designed by Radley Yeldar

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

CONTENTS

About this integrated report

An integrated report is aligned with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. In the opinion of the Board, The Crown Estate's 2019/20 Integrated Annual Report is in alignment with the International Integrated Reporting Council (IIRC) Framework.

The Crown Estate Integrated Annual Report and Accounts 2019/20 presented to Parliament pursuant to sections 2(1) and 2(5) of the Crown Estate Act 1961. Ordered by the House of Commons to be printed 17 September 2020.
HC 723

Assurance ⚠

KPMG LLP has provided independent limited assurance over selected data highlighted in this report with this symbol ⚠, using the assurance standard ISAE 3000 and, for selected greenhouse gas data, ISAE 3410. KPMG has issued an unqualified opinion over the selected data.

KPMG's full assurance statement is available on our website which, together with our Reporting Criteria, should be read in conjunction with the assured data in this report: www.thecrownestate.co.uk/assurance

To The Queen's Most Excellent Majesty

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

SUPPLEMENTARY REPORTS ARE ALSO AVAILABLE

Sustainability: Performance against our capitals
thecrownestate.co.uk/sustainability-PAC-2020

Total Contribution Report
thecrownestate.co.uk/total-contribution

Wales Highlights
thecrownestate.co.uk/Wales-highlights

Wales Highlights (Welsh)
thecrownestate.co.uk/Wales-highlights/Cymru

Northern Ireland Highlights
thecrownestate.co.uk/NI-highlights

The Crown Estate is a unique business with a distinct heritage and a portfolio unlike any other.

It includes some of central London's best places to work, shop and experience, retail and leisure destinations across the country, and a substantial rural portfolio.

As manager of the seabed and half the foreshore around England, Wales and Northern Ireland, we play a fundamental role in the sustainable development of this national asset, including the UK's world-leading offshore wind sector, marine aggregates, cables and pipelines.

We are also custodians of the Windsor Estate, including the iconic Windsor Great Park.

Our history can be traced back many hundreds of years. In 1961, the Crown Estate Act established us as an independent commercial business and tasked us with returning all our profit to the Treasury. Over the last ten years we have generated £2.9 billion for the benefit of the nation's finances.

OVERVIEW
At a glance

Our portfolios

Our diverse business spans a number of sectors and locations within the UK. From office, retail and leisure to rural land and managing the seabed around England, Wales and Northern Ireland.

Central London

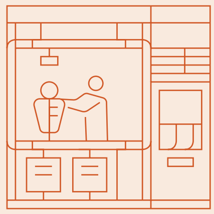
With a portfolio spanning 10 million sq ft, and home to a diversity of customers and communities, we are one of the West End's largest property owners. Situated at the centre of a global city, our holding has a unique heritage. Our evolving offer helps meet a wide range of needs across the workplace, retail, dining, leisure and residential sectors.

Read more about our Central London portfolio on pages 19-21

Regional

Our Regional portfolio has a broad range of assets that predominantly includes retail and leisure destinations, as well as industrial and business parks. We also have a significant holding of rural and strategic land. We aim to respond to the needs and experiences of our customers and local communities to best shape our destinations.

Read more about our Regional portfolio on pages 22-23



The Windsor Estate

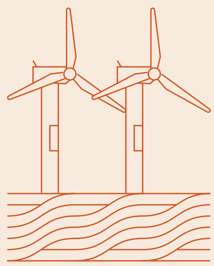
The Windsor Estate is a working rural estate, including forestry, horticulture, tourism, residential and commercial property. It comprises Windsor Great Park, Home Park and Swinley Forest and is home to the award-winning Savill and Valley Gardens and the famous tree-lined Long Walk. As stewards of this important national natural asset we are conscious of balancing the needs of the natural habitats with those of our visitors, customers and wider stakeholders.

Read more about the Windsor Estate on pages 24-25

Energy, Minerals & Infrastructure

As the manager of the seabed, and half the foreshore, around England, Wales and Northern Ireland, we work in partnership with our customers and stakeholders to unlock the unique potential from these assets and support their long-term sustainable development. For the seabed, this includes facilitating the development of the offshore wind, cables, pipelines and marine aggregates sectors.

Read more about our Energy, Minerals & Infrastructure portfolio on pages 26-27



Revenue by portfolio 2019/20

£519.4m

+6.3% (2018/19: £488.5m)

Portfolio	Revenue*	% of whole
1 Central London	£257.3m	49.5
2 Regional	£141.3m	27.2
3 Energy, Minerals & Infrastructure	£107.8m	20.8
4 The Windsor Estate	£13.0m	2.5
Total	£519.4m	100.0

Property value by portfolio 2019/20

£13.4bn

-1.2% (2018/19: £13.5bn)

Portfolio	Value	% of whole
1 Central London	£8.4bn	62.7
2 Regional	£2.7bn	20.1
3 Energy, Minerals & Infrastructure	£2.0bn	14.9
4 The Windsor Estate	£0.3bn	2.3
Total	£13.4bn	100.0

* Excludes service charge income of £44.1m (2018/19: £31.0m).

Note: All figures are prepared on a proportionally consolidated basis.

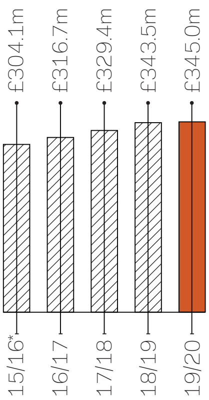
Our year in numbers

A summary of our financial and non-financial performance for the year ended 31 March 2020.

HIGHLIGHTS

Net revenue profit

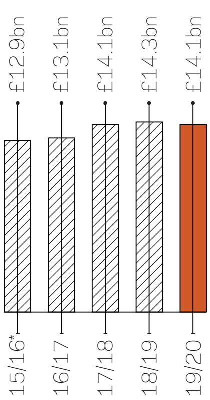
£345.0m



Read more on page 38

Net assets

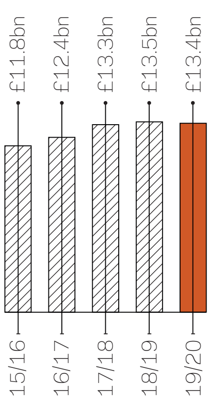
£14.1bn



Read more on page 40

Total property value

£13.4bn



Read more on page 41

Total return

5.8%

Outperforming our MSCI bespoke total return benchmark of 3.9% on a three-year rolling basis (18/19: 8.0% against the benchmark of 5.4%)

Capital:
Physical resources,
Our know-how

Read more on page 07

Customer satisfaction rating

83%

(18/19: 80.6%)

Capital:
Our networks

Read more on page 32

Employee engagement: 'Brilliant place to work' score

86%

(18/19: 89%)

Capital:
Our people

Read more on page 28

Improvement year-on-year in carbon emissions intensity (indexed score)

6.1%△

(18/19: 15.4%)

Capital:
Natural resources

Read more on page 37

Improvement in Health and Safety Incident Severity Score against a target of 10%

-31%△

(18/19: -1%)

Capital:
Our people

Read more on page 28

Cumulative operational offshore wind capacity

9.3GW△

(18/19: 7.7GW)

Capital:
Natural resources

Read more on page 26

*Includes discontinued operations

△ Independent limited assurance (see inside front cover)

In this year's report

Below is an overview of our Integrated Annual Report and Accounts for 2019/20, and on page 6 you can read a summary of our performance in the Chief Executive's review.

This report is complemented by our Sustainability: Performance against our capitals (PAC) report which can be found online at: thecrownestate.co.uk/sustainability-PAC-2020, in which we outline in more detail how our activity enhances or diminishes the value of our capitals (resources and relationships).

Our purpose...

Read about our purpose on page 10

...guides our *corporate strategy* informed by our *material issues*...

Read about our corporate strategy on page 10

Read about our material issues on pages 11

...enabled by our *business model* and delivered through our *activities*...

Read about our business model on pages 14-15

Read our business review on pages 18-27

...using our *know-how, people, networks* and *natural resources*...

Read about our people and know-how on pages 28-30

Read about our networks on pages 32-33

Read about our natural resources on pages 34-37

...underpinned by *strong governance* and leadership...

Read about our governance on pages 52-81

...creating *value* which is measured through our *KPIs*.

Read about our financial performance on pages 38-43

Read our financial statements on pages 82-122

Read about our KPIs on pages 12-13

Performance
Our long-term approach to creating value

Chief Executive's review

Dan Labbad
Chief Executive

> "As we look ahead, we are under no illusions about the challenges we face. However, we will build on our solid foundations, strengthened over hundreds of years, to ensure we deliver value in the broadest sense for our customers, stakeholders, partners and the nation."

The last six months have been some of the most extraordinary in living memory. The COVID-19 pandemic continues to have a longer and greater global impact than many of us could have first anticipated. As a result, the long-term repercussions for individuals and the economy are as yet unknown. Our deepest sympathies are with all of those who have lost loved ones. We are also indebted to the millions of NHS and other frontline workers who continue to keep us safe and have kept essential services running.

Our priority continues to be the health and safety of people, whether they are our customers, in our own team, working in our supply chain or a visitor to one of our destinations. Given the ongoing nature of this situation we have included information on how we are responding to the pandemic and its impacts within this report. This is alongside the review of our activity over the course of the 2019/20 financial year and, where appropriate, a look forward to the year ahead.

Creating value for the long term

I joined The Crown Estate in December 2019 and in the short time that has passed since, I have come to understand what a remarkable business it is. It has a unique heritage and capability, as well as a portfolio unlike any other. Its history stretches back hundreds of years, while its activity touches on nearly every part of modern life. Tasked with returning 100% of its revenue profits to the Treasury, it has generated £2.9 billion over the last ten years for the benefit of the nation. This is something of which we are very proud.

It is also a business which has set itself high standards in doing things the right way and for the long term. This approach, alongside the quality of the portfolio, has been integral to the strong financial performance it has delivered over many years, and despite the challenges we face today, its continued underlying strength.

Notwithstanding this position, the wide-ranging impacts of the current crisis are a reminder that no person, or organisation, is an island. It has underlined the importance for business to operate with a clear sense of purpose to help navigate an increasingly complex world and, crucially, that we cannot afford to keep our heads down on the things that matter and still expect to be successful.

Issues like climate change, inequality and discrimination, to name only a few, are just as pressing as our response to COVID-19. For organisations that want to use their skills and capabilities to make a meaningful difference in society and leave a proud legacy, I believe working to a clearly defined purpose is fundamental. The process of developing, articulating and implementing this in an authentic way gives us a valuable lens through which we can look holistically at these critical strategic issues, help tackle them, and in doing so, build legitimacy, resilience and trust.

At The Crown Estate we are on this journey ourselves, exploring how we evolve our purpose, strategy and operating model and play our part in making a positive impact across the many communities and places where we operate. You can read more about what we are doing to review our purpose and strategy on page 8 of this introduction.

Our performance

For the financial year 2019/20, we made a net revenue profit of £345.0 million, representing a growth of 0.4%. This means our average growth on a three-year rolling basis was 2.9%, below our target of 4%.

This result is after deducting £12.9 million, reflecting the impact of a bad debt expense relating to income that is due to be recognised in the 2020/21 financial year. As a result of the disruption caused by the pandemic and as required by accounting standards, we have recorded this expense in 2019/20 rather than 2020/21 when the related income arises. Without this accounting adjustment, we would have achieved a net revenue profit in the current year of £357.9 million and our average growth over a three year period would have been 4.2%.

The value of the portfolio decreased by 1.2% to £13.4 billion. This is primarily as a result of the challenging operational markets faced by our retail customers during the year, an issue which has been accelerated by COVID-19. This has resulted in a revaluation loss of £552.5 million or 17.0% in our Regional portfolio.

Our annual total return for the 2019/20 financial year was 1.4%, outperforming our annual MSCI bespoke total return benchmark of 0.5%. On a three-year rolling basis our total return is 5.8%, versus 3.9% for our benchmark. This represents our 12th consecutive year of total return outperformance, driven primarily by disposals and re-gears in our Central London portfolio and the continued growth in fully operational offshore wind farms.

In our Financial review on pages 38-43 we have noted in more detail that our valuations this year are subject to a 'material uncertainty' clause given the extensive impact of COVID-19 across many sectors. This is in line with the recommendation from the Royal Institute of Chartered Surveyors (RICS) to express that a higher degree of caution, and therefore less certainty, should be attached to valuations than would normally be the case.

Whilst it is far too early to accurately forecast our performance for the 2020/21 financial year, we do expect our net revenue profit and property valuations to be significantly down.

However, our resilient structure, established to operate in perpetuity and with no debt, coupled with our diverse portfolio, provides us with the means to navigate this current crisis, while continuing to invest for the long term.

Our response to COVID-19

As mentioned earlier, the safety of people remains our first priority and we continue to work closely with our people, supply chain, customers and partners to manage the ongoing operational impacts of the pandemic.

We are also deeply aware of the financial difficulties many of our customers are facing and we want to play our part to help where we can. In doing so, we have sought to establish a fair and balanced approach that is sustainable through an extended period of disruption. We have focused our resources on supporting those businesses for whom our help can make the greatest difference, for example smaller, independent businesses who we believe are facing particular challenges at the moment.

The current economic and market disruption has led us to take the precaution, with the agreement of the Treasury, of implementing a staged process for the payment of the whole of our net revenue profit. As we cannot draw on our capital account to cover operating expenses, this step has been taken to ensure that we have sufficient revenue reserves given the current reduction in rental receipts. Of the £345.0 million net revenue profit, a first payment of £87.0 million was made to the Treasury on 21 July 2020, with further payments to follow as trading conditions develop.

In light of this temporary deferral of payment and recognising the uncertainty facing our customers and stakeholders more broadly, we have undertaken a review of our cost base. This has included a decision to defer the distribution of bonuses for all staff in respect of the 2019/20 financial year ended 31 March 2020 and freezing the current base pay for the year ahead. The Board and the senior leadership team have also taken a temporary 20% reduction of base pay.

We have set out more detail on our response on page 18.

Our portfolios

While there is volatility across many of our markets, this year we undertook a number of activities which have helped deliver our performance and set us up to face the future from a position of strength.

For the first time, more electricity was produced by renewables than fossil fuel sources in the UK, with offshore wind being a major contributor. Operational capacity for the seabed around England, Wales and Northern Ireland increased by 1.6GW⚠ taking us to a total of 9.3GW⚠, with a further 20.7GW of potential projects in the pipeline at 31 March 2020. In addition, we have launched Offshore Wind Leasing Round 4, one of the largest leasing programmes of seabed in the world, with the opportunity to deliver at least 7GW of capacity. The team undertook 18 months of extensive engagement with industry, Government and wider stakeholders to design this process for a global market (read more on page 9). The tender process will be a crucial step in realising the Government's ambitions to deliver 40GW by 2030 and the UK's transition to net zero emissions by 2050.

Within retail across our Regional portfolio, much of our activity over the last 12 months has been about working to address the structural challenges facing this market. This has included reframing how we think about the places we own, both in terms of the breadth of offer and the overall experience, to create places which are compelling to our customers and the communities they serve.

Our retail, leisure and office portfolios in central London's West End have proven resilient this year to these longer-term structural trends. However, as with our Regional portfolio, we expect a significant impact on their performance moving forward, as a result of COVID-19 as well as disruption from the increase in online retail.

Nonetheless, for a number of years the team has been undertaking activity to improve the public realm and experience of visitors whilst also providing greater flexibility in the products and services we offer. This, alongside the quality of the portfolio and diverse customer base, means we have a solid foundation to build on to ensure the long-term success of this iconic part of the capital.

Given the accelerated disruption to the sector and the impact across our portfolio, the future of retail will form a key part of our strategic review.

The Windsor Estate, which includes Windsor Great Park, welcomed millions of visitors from all over the world this year and continues to offer an important local amenity while social distance restrictions are in place. As well as offering a beautiful landscape rich in biodiversity, it is a busy working rural estate, and the team has continued to undertake a refurbishment programme across its portfolio of over 700 residential properties.

⚠ Independent limited assurance (see inside front cover)

PERFORMANCE

Chief Executive's review

continued

This is whilst ensuring we protect and enhance the important environmental benefits of this historic and special place (read more on pages 24-25).

Across our rural portfolio, we have continued to invest in our assets to make them safer and better workplaces for our customers, as well as investing in soil drainage schemes to improve resilience.

We have also continued to take forward a number of strategic land sites for new homes and jobs, including achieving planning consent for two schemes at Kingskerswell in Devon and Knutsford in Cheshire. Over the year, we have also worked with local stakeholders to develop an outline planning application for a major scheme in East Hemel with the potential to deliver approximately 3,100 homes and 1.75 million sq ft of commercial space (read more on page 23).

You can read more about how our markets have performed on pages 16-17 and the drivers of our performance in the Business review on pages 18-27.

People and culture

Our annual employee engagement survey showed 86% of people rated The Crown Estate as a 'Brilliant place to work'. We were also awarded 'Employer of the Year' by Estates Gazette at the end of last year.

These endorsements are a testament to our culture and our pride in what we do. We also have a longstanding focus on mental health and wellbeing that has been particularly important over the last few months in helping us stay connected and supportive of each other.

However, there are still areas where we need to do more. For example, pushing ourselves much further on diversity and inclusion at every level within our business. This includes needing to do more to address society-wide systemic racism and play an active and meaningful role through the things we influence to support a more equal and inclusive society (read more on pages 28-30).

In July 2020, we took steps to help simplify our decision-making and draw on a broader diversity of thought by expanding our leadership team (read more on page 61), and we will report fully on this in next year's Annual Report and Accounts.

I also want to take this opportunity to offer my immense gratitude to Dame Alison Nimmo, our previous Chief Executive, and Robin Budenberg, our Chairman, along with the rest of the Board and all our team, for their generosity of time and energy to ensure a smooth leadership handover.

Health and safety

An area we need to do more in to improve our performance and work towards demonstrating best practice is health and safety.

We currently measure our performance using an Incident Severity Score. This covers incidents and significant near misses relating to injury, security or environmental incidents on our portfolio.

We have an Incident Severity Score improvement target of 10% year-on-year on a rolling three-year average. This year we have missed that target by 31%⚠, due to a number of factors including property damage and falling materials. This is clearly not acceptable and, consequently, we are working as a priority to review our approach to incident prevention and are identifying and actioning areas for improvement.

Our purpose and strategy

As we look ahead we are under no illusions about the challenges we face. In addition to economic turmoil, many of the major, long-term trends that have been impacting society, such as climate change, technology, and how and where people choose to live, work and shop, have been accelerated by the impact of COVID-19. And while following the outcome of the general election in December there is greater certainty around the UK's withdrawal from the EU, we recognise that our future trading relationship with Europe is still to be finalised (read more about our material issues on page 11).

But as these challenges evolve, we won't be watching from the sidelines. Our customers and our stakeholders will be facing new and complex dynamics that will require a fundamental shift in how we work together to navigate these issues, while also harnessing opportunities as they emerge. So whilst we can't know what the future will look like, we can assume that it will require huge levels of creativity, innovation and agility to stay relevant and play a positive, active role in society.

As outlined at the beginning, we have begun a deep review of our purpose, strategy and operating model.

This is so that we can define both what we expect our contribution to society to be moving forward and what we mean by value creation, evolve our operating model so that it is both efficient and agile, and ensure we continue to be positioned in the best way possible for the future.

This work was underway before the arrival of COVID-19 and at its core we are asking ourselves three questions: who we are, what we do and how we create value in the broadest sense.

We will be launching the first phase of our new strategy early in 2021 and will report back in further detail, including in next year's Annual Report and Accounts.

Climate change

A critical part of our strategic review will be understanding how we actively embrace technology and respond to climate change, while dealing with the immediate portfolio challenges related to the future of physical retail and the wider impacts of COVID-19.

On climate change, we have made good progress against our Aspirations 2030 on climate action. In our separate PAC report, available online at: thecrownestate.co.uk/sustainability-PAC-2020, we detail how we are doing against our targets to become more climate resilient, creating healthy places and habitats, and eliminating waste.

However, we know it is not enough. We need to be much more ambitious if we are to play an active role across all our sectors in helping the UK's transition to net zero. As a first step towards this, we will shortly be setting out how we will become a net zero carbon business, while also aligning with the UN's Sustainable Development Goals.

Conclusion

Finally, let me conclude by saying that during its long and vast history, The Crown Estate has witnessed and experienced many major societal and economic changes. As we write its next chapter I am both humbled and excited by the opportunity we have before us. Although there is uncertainty ahead, we will build on our solid foundations, strengthened over hundreds of years, to evolve into a purposeful, agile and dynamic business that is fit for the future, ensuring we continue to deliver value in the broadest sense for our customers, stakeholders, partners and the nation.

Dan Labbad
Chief Executive

2 September 2020

⚠ Independent limited assurance (see inside front cover)

18-month

engagement process prior to launch to inform Offshore Wind Leasing Round 4.

397

attendees across our five engagement events.

126

attendees across our three webinars.

95%

positive satisfaction at our engagement events.

CASE STUDY

Energy, Minerals & Infrastructure

Collaborative *design*

With the UK Government committed to net zero emissions by 2050, and offshore wind now being a proven, competitive renewable technology, there is strong market and policy demand in the UK to make new areas of the seabed available for offshore wind.

Recognising this demand, in 2019 The Crown Estate launched Offshore Wind Leasing Round 4, opening up the opportunity for new seabed rights for offshore wind development around England and Wales, and marking a significant moment in the UK's clean energy future. Since the last seabed leasing round almost a decade ago, major new operators have entered the market, technology developments have opened up new possibilities, and the seas around our coastline have become increasingly busy. A new leasing round could only be successful if it took these changes into account. We therefore embarked on a major 18-month long engagement programme with industry and stakeholders to discuss the most appropriate scale, location and nature of Offshore Wind Leasing Round 4.

Through a phased programme of market and stakeholder events, workshops and global webinars, we shared our plans and gathered significant feedback which was instrumental in devising and shaping the final leasing round design.

Alongside this, key political stakeholders were kept informed through events and direct communication with local MPs, Welsh Assembly Members and local authorities.

We also committed to keeping the market and stakeholders informed through data sharing, and have made technical analysis of the seabed, independent environmental research findings, feedback about ecological, logistical and environmental concerns and event summaries freely accessible online. In doing so, our aim is to help developers and stakeholders make informed decisions as the leasing round progresses.

The UK's offshore wind industry is a national success story to be proud of. We will continue to engage with the industry and stakeholders, make data and evidence freely available, and invest in strategic enabling actions, so that together we can unlock the extraordinary potential of the UK's seabed in a way that balances the broad range of interests in the marine environment and helps deliver a low carbon energy system.

For more information see:
thecrownestate.co.uk/round4-engagement

Our corporate strategy

Guided by our purpose, our strategy sets out our approach to managing each of our business areas so that we can create value for, and respond to the needs of, our customers, stakeholders, environment and society.

We believe that by acting responsibly and shaping our decisions around the needs of our customers and communities we can create long-term value and build resilience.

Our external environment continues to face unprecedented levels of change, and that has never been more apparent than now. In light of this changing external context, both before and since the arrival of COVID-19, our strategic review will seek to ensure that we realise our full potential and continue delivering for all our stakeholders.

Purpose and strategy review

We are undertaking a review of our purpose, values and strategy to set the long-term direction of our business and ensure we are fit for the future.

Our new purpose will frame where and how The Crown Estate intends to operate and create value for the nation in the broadest sense in the years ahead.

As part of this review, we will also consider the format in which we report our annual results to our stakeholders.

The outputs from this review will be announced in 2021.

Our purpose

Brilliant places through conscious commercialism

Our corporate strategy

We set our strategy by evaluating our external environment, considering the trends that are impacting our business, forming a strategic assessment of risks and opportunities and an understanding of how we can create value in the future. Our strategy is enabled by continued investment in our people and capabilities, ensuring we have the platform to position the business to deliver shared success for The Crown Estate and its stakeholders.

Our strategic objectives:

1. Actively manage our assets to drive sustainable outperformance against our commercial targets
2. Nurture a high-performance culture and reputation as a 'Brilliant place to work'
3. Build ever stronger relationships through high levels of customer and partner satisfaction, loyalty and recommendation
4. Be a leading responsible and resilient business that thinks long term

Our business model

We seek to deliver our purpose through our strategy, enabled by our business model, which shows what we do and how we create value for the nation.

We have identified six different resources and relationships which we draw on to create value; these are our capitals. We rely on these as vital inputs into our business model and are constantly transforming them through our activities.

Our capitals:

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

Read more on Our business model on pages 14-15

For more information on the role of capitals within an organisation see: https://integratedreporting.org/resource/international-ir-framework/

Our material issues

These are the areas of change that we believe have the most important influence on our ability to continue and enjoy future success. Profound external changes drive a need for cultural and governance adaptation within our business in order for us to remain relevant and successful.

Systemic shifts

Some changes can be sudden and bring profound and wide-ranging effects, causing transformational change across our business. These shifts can arise through natural phenomena, such as pandemics, but also through social or political events such as the UK's exit from the European Union.

Technology

New technologies and new attitudes to the use of technology are driving or facilitating fundamental changes in the way individuals and businesses operate.

The property market

All of the major elements of the property market are subject to considerable uncertainty. Issues with supply, for example in relation to quality housing, exist alongside issues with demand in other sectors, for example in high street retail. Fundamental changes in the market will have significant consequences for our portfolio and its evolution.

The political, legal and constitutional framework of the UK

Changes to regulation, Government policy and to the constitution influence our portfolios and the markets within which we operate.

The role of business in society

There is growing scrutiny of the role of business in acting responsibly in society in terms of social, environmental and good governance standards. It is expected that the values of businesses will reflect these enhanced expectations.

London and the UK

The UK's exit from the European Union, and other factors are affecting the place of London and the UK in the world. The potential change in influence and attractiveness to foreign investment and tourism affects our business directly, and also indirectly through our customers.

Climate change

Climate change will bring profound effects in both the medium and longer term. These effects will bring evolving stakeholder expectations and will require responses to environmental changes and new obligations. They may also bring new opportunities to create customer value.

Energy systems

Changes in energy markets and public attitudes toward different energy types are driving shifts in energy systems at global and national levels.

Work and lifestyle

Structural changes are underway in the expectations and behaviours that determine where and how people live, work and shop.

Environment

In addition to climate change, our ability to deliver on our purpose is impacted by our planet's finite resources, growing population and the consequent pressure on the natural and built environments.

In identifying our material issues we consider a broad range of factors affecting The Crown Estate, our customers and consumer behaviour, whether at a global, national, or local level, or internal to our business. The resulting material issues are those which we consider as having the potential to materially affect our viability or our purpose.

These issues are also an important part of how we understand our risks and opportunities and how we develop our strategy. Through a combination of internal and external consultation we develop a picture of the issues that drive both our current environment and those that will change it in the future. We are continually reviewing and adapting our understanding of these issues and their relative importance, recognising that the world is not static and The Crown Estate needs to continually evolve.

How we performed

Strategic objectives

Actively manage our assets to drive sustainable outperformance against our commercial targets

Nurture a high-performance culture and reputation as a ‘Brilliant place to work’

Why this is important to us

Under the Crown Estate Act 1961, we have a duty to maintain and enhance the value of our portfolio and the return obtained from it, with due regard to the requirements of good management. We have two key commercial targets, agreed with the Treasury, which underpin our strategy and support this obligation. They are measured through net revenue profit growth and outperformance of our peers on a total return basis.

Understanding the drivers of our people’s satisfaction and delivering against these is vital to attracting and retaining the best talent.

Our annual One Voice survey tracks employee engagement, enabling us to identify success as well as areas for improvement.

Capitals

Financial resources, Physical resources and Our know-how

Our people

Our 2019/20 targets

- 4% annualised growth in net revenue profit on three-year rolling basis
- Outperform our MSCI bespoke total return benchmark on an annualised three-year rolling basis.

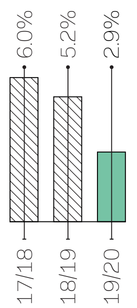
- Outperform the UK national benchmark* for employee engagement of 78% (2019).

* Provided by Willis Towers Watson.

KPIs - How did we perform this year?

2.9% M

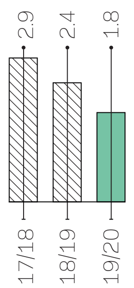
Three-year rolling growth in net revenue profit on an annualised basis



Read more on page 39

1.8 percentage points A

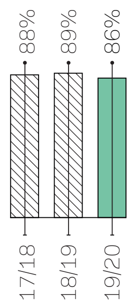
Relative outperformance on three-year rolling annualised basis (percentage points) of bespoke total return benchmark



Read more on page 07

86% A

Our people who consider The Crown Estate to be a ‘Brilliant place to work’



Read more on page 28

Priorities for 2020/21**

- Work with our customers, stakeholders, partners and supply chain to navigate the impact of COVID-19 and economic uncertainty
- Continue the review of our purpose and strategy
- Review our development pipeline to ensure it creates value for our customers, stakeholders and wider society in the years ahead
- Conclude tender process for Offshore Wind Leasing Round 4
- Agree and meet short term target for net revenue profit and outperform our MSCI bespoke total return benchmark.

- Outperform the UK national benchmark for our employee engagement survey as a ‘Brilliant place to work’
- Continue to enhance the experience we offer our people, especially in wellbeing and flexible working practices
- Grow our understanding and commitment to the opportunity that diversity and inclusion brings to the workplace and business success
- Leverage the opportunities that new skills and expertise in the workforce bring to our delivery capability.

**Our corporate strategy is being reviewed. Read more on page 10.

Key:
- (A) Achieved
- (O) On track
- (M) Missed

⚠ Independent limited assurance (see inside front cover)

Strategic objectives

Build ever stronger relationships through high levels of customer and partner satisfaction, loyalty and recommendation

Why this is important to us

We are committed to delivering high levels of customer satisfaction and to being a leader in our sector. This is a measure that is fundamental to our business success.

We undertake regular customer engagement to understand our customers' needs and anticipate future trends. We work alongside everyone in the end-to-end value chain to implement our priority findings.

Capitals

Our networks

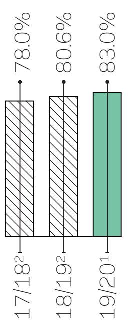
Our 2019/20 targets

- Outperform the Institute of Customer Service benchmark of 76.9% (January 2020).

KPIs – How did we perform this year?

83% (A)

Customers who are 'satisfied' or 'very satisfied'



1 Central London and Regional customers were surveyed.

2 Central London, Regional, EMI and Rural customers were surveyed.

Read more on page 32

Priorities for 2020/21**

- Consistently deliver the experience our customers value across all our operations
- Continue to build the capabilities and culture both across The Crown Estate and within the end-to-end value chain to deliver excellent experience for our customers
- Outperform the Institute of Customer Service benchmark
- Support customers throughout the COVID-19 crisis, assisting with the remobilisation of their businesses and implementation of rebuild plans.

Be a leading responsible and resilient business which thinks long term

Why this is important to us

We aim to create value beyond financial return by acting responsibly and sustainably in everything we do.

That means balancing the needs of all of our stakeholders and improving the way we operate to create an environment and culture where our people, customers, supply chain and visitors feel supported, safe and secure.

As part of our climate agenda, reducing carbon emissions is critical to how we address global warming and related impacts. We believe that businesses like ours have a responsibility to be part of the solution to how society meets this challenge.

Capitals

Natural resources and Our people

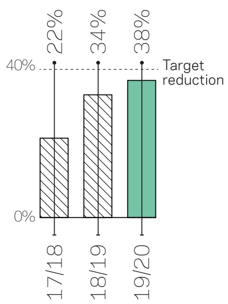
Our 2019/20 targets

- Reduce carbon emissions intensity by 40% against the 2012/13 baseline for property under direct control, by 2022
- 10% year-on-year improvement in Incident Severity Score (incidents and significant near misses) against a three-year rolling average.

KPIs – How did we perform this year?

38% (O)

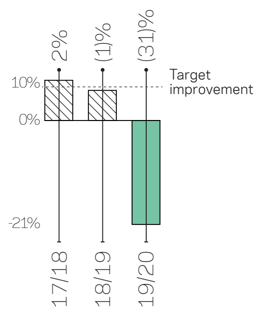
Reduction in carbon emissions intensity against 2012/13 baseline, a 6.1%⚠ year-on-year improvement in the indexed score



Read more on page 37

-31%⚠ (M)

Underperformance against the Health and Safety Incident Severity Score (ISS) target, a 16%⚠ deterioration on the 2018/19 score



Read more on page 28

Priorities for 2020/21**

- Set our net zero carbon agenda and enhance our ambition for how we work with partners, customers and suppliers to address climate change
- Ensure demonstrable leadership in health and safety along with clear leadership accountabilities across The Crown Estate. All portfolios to commit to achieving continual improvement through capturing lessons learnt, knowledge sharing and new innovation throughout the supply chain.

Creating value

We seek to deliver our purpose through our strategy, enabled by our business model.

Taking a long-term view and working in partnership with our customers and wider stakeholders defines our approach to doing business, whether that is unlocking the value of the UK's seabed, or creating mixed-use destinations that are relevant and valuable to local communities across the country.

Our competitive advantage comes from bringing our capabilities to bear on a diverse and world-class portfolio of assets, using scale and our expertise to generate outperformance and create value for our customers, stakeholders, environment and society.

What we do

Investment

We buy assets through the market cycle where we have the scale and expertise to generate outperformance. We sell assets to recycle capital into the business, funding future acquisitions, our development pipeline and investment into our offshore wind and seabed activities.

Development

Our development activity focuses on opportunities within our principal sectors. We unlock the value of the UK's seabed and build destinations that are relevant and valuable to our customers, visitors and communities.

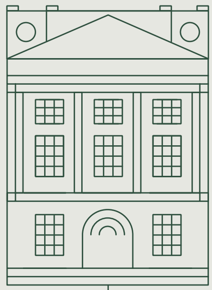
Management

We aim to deliver exceptional service and create great experiences. Working alongside our customers, we look to refine and improve our offer in response to their needs and business objectives.

Reinvestment into the business

We access capital to invest in our portfolios, both through strategic partnerships and the sale of assets where we have completed our asset management plans.

What we rely on	The value we create
We have identified six different resources and relationships which we draw on to create value; these are our capitals.	Beyond meeting our income and total return targets we also consider the wider value we deliver against each capital. An example for 2019/20 for each capital can be seen below.
Financial resources The financial resources that are available to us to grow our business.	**£345m** 0.4% year-on-year increase in net revenue profit.
Physical resources The land and property that we own and utilise.	**£464.5m** purchases and capital expenditure.
Natural resources The natural resources that we nurture, manage, use and impact to sustain our business.	**100%** directly managed Sites of Special Scientific Interest in favourable condition.
Our people The individual skills, competencies and experience of our people which create value.	**73%** of people who agree they have the opportunity for personal development and growth at The Crown Estate.
Our know-how Our collective expertise and processes which provide us with competitive advantage.	**16 hours** average training per staff member per annum.
Our networks The relationships we have with stakeholders, including customers, communities, and partners that are central to our business.	**34.3** Net Promoter Score which tracks the loyalty that exists between provider and customer. This is compared to the Institute of Customer Service UK benchmark of 20.5 as at July 2019.



Our contribution to the Treasury

Our annual net revenue profit is generated for the Treasury.

Impact measurement

Using our Total Contribution methodology we have applied an economic value to a number of non-financial indicators to give a comparable indication of impact. See impact data on pages 26, 28, 29, 33, 36 and 38.

For more information on Total Contribution see:
thecrownestate.co.uk/total-contribution

Our markets

This year we have seen a mixed picture emerge across the diverse range of markets in which we operate.

The UK's exit from the European Union and the global COVID-19 pandemic have caused significant uncertainty across all markets. Pre-existing challenges for the retail and office real estate sectors remain, with technology and changing consumer expectations continuing to demand new thinking around how people work and shop. The UK Government's 2050 net zero emissions commitment, and increased offshore wind ambitions, have provided additional momentum for the renewables sector and galvanised the real estate sector to play its role in reducing carbon emissions.

Office

Activity in the office sector has been influenced by a scarcity of supply and a restricted pipeline due to a reduced number of construction starts since the end of 2016.

Pre-COVID-19, London continued to experience positive demand for office space, supporting rental growth. Levels of office take-up remained above the ten-year average, but below the average of the previous two years. However, overall vacancy rates and levels of supply continued to recede, trending considerably below the long-term average.

Flexible workplace operators were once again particularly active, both in central London and the 'Big 6' office markets (Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester). Within London's West End, they accounted for 15% of all take-up in the 12 months to December.

Towards the very end of the period, the COVID-19 pandemic brought with it high levels of uncertainty, a significant slowdown in investment activity, and the likelihood of far-reaching and transformational implications for the office sector. We anticipate that companies will place a greater focus on business continuity planning, leading to further investment in technology and digital connectivity, increasing the ability to work from home and reducing the need for traditional office space. Businesses may defer committing capital to office relocations pending a reassessment of operations. And uncertainty about the future may lead to occupiers with impending lease expiry dates or pre-completion construction agreements, to demand more flexibility including rolling annual terms or rights to terminate.

Retail

The retail market continued to grapple with structural shifts driven by technology and changing consumer behaviours.

This challenging environment meant that CVAs and administrations rose over the year. In addition, across investments in the retail property sector, transaction volumes were significantly down on the previous year for the shopping centre sector, with the average deal size also lower. Retail park transaction volumes outpaced shopping centres principally due to the appeal of flexible formats and alternative use potential. Whilst central London showed a degree of resilience, it was not immune with transaction volumes tracking below the ten-year average.

The impact of COVID-19 is likely to cause significant disruption and accelerate the structural challenges faced by the retail market. In the near term, this disruption will remain, driven by international travel restrictions, individuals' reticence to visit busy places and an increase in online engagement and spend caused by social distancing. If consumers continue to prioritise essential over discretionary goods, the overall decline in spending may endure for some time.

It is likely that businesses will adapt by reducing the number of stores and by innovating to respond to the operational challenges of social distancing. Retailers which place a greater emphasis on an omni-channel model, and those predominantly serving local communities may show greater resilience to the impact of COVID-19.

However, given existing pressure on operating margins, the decline in revenues and its subsequent impact on rental values could lead to a significant increase in vacancy rates. Across the sector, retail customers will demand greater flexibility, including the increasing adoption of turnover leases, necessitating property owners to take some of the risk, hence higher yields and lower valuations.

Energy

During the year the UK became the first major economy to commit to a target of net zero carbon by 2050, and the UK Government increased its ambitions on offshore wind generation from 30GW to 40GW. Alongside increasingly empowered and climate conscious consumers, and strong market appetite, these announcements provided a compelling backdrop for the offshore wind industry.

The performance of the sector in the period confirmed its credentials for sustained growth. Over the year the global market for offshore wind continued to grow, as the portfolio of global projects in operation, under construction or in development, rose. The UK remained the largest single market and domestically provided 10% of electricity consumption.

In addition, institutional investment in renewable energy is expected to rise, encouraged by strong fundamentals and the possibility of innovative technologies improving the efficiency of infrastructure.

The arrival of COVID-19 meant that energy markets have experienced significant upheaval due to oil price shocks and changes in energy use patterns caused by measures to control the virus. However, throughout the pandemic the offshore wind sector has continued to generate energy, illustrating the resilience of its operating model; Government policy remains focused on decarbonisation; and market appetite remains strong.

Agriculture

Following the trend of the previous three years, agricultural land values fell marginally in 2019, albeit less significantly than previously seen. The quantity of agricultural land being marketed during the year reached a record low, approximately 30% down on the five-year average. Sellers comprised the usual mix of farmers and non-farmers, but uncertainty remains an issue for those considering selling.

Demand for good quality farms from commercial farmers seeking to increase their farmed area remains strong, but location is critical. Other purchases were made for lifestyle, sporting or amenity reasons, with interest in forestry and diversification opportunities also creating competition between buyers.

Looking ahead, with the UK's exit from the EU and the draft Agriculture Bill there are many changes on the horizon that will shape the future of the UK's agricultural industry. Whilst there is uncertainty over domestic policy and implications of future trading arrangements, changes could include more flexibility for farmers and a greater emphasis on public benefits such as better air and water quality, higher animal welfare standards, improved access to the countryside and measures to reduce flooding.

Minerals

Lower growth across the whole economy during the year contributed to lower construction market demand for marine sand and gravel resource, although the sector as a whole remained robust. The reduced demand was compounded towards the end of the year by lower productivity in construction caused by COVID-19 restrictions.

The Spring Budget 2020 announced significant infrastructure investment in affordable housing and roadbuilding. Looking ahead, however, there is currently an element of uncertainty about the timing of this investment given the unprecedented fiscal support for COVID-19.

Infrastructure

Cable demand from the internet sector has significantly increased over the year following the introduction of innovative technologies such as 5G. Conversely, demand from the oil and gas sector has declined in line with falling oil prices.

Looking ahead, the global pandemic poses little risk to income generated from the pipelines. In addition, the UK Government's commitment to carbon capture, usage and storage (CCUS) is driving renewed activity in the sector.

Responding to a global crisis

The impact of COVID-19 was not felt in the UK until the very end of this reporting period. Here we summarise the initial impact of the pandemic on our portfolios and our immediate operational response, and on the following pages we focus on activity that took place over the majority of the reporting period in a 'pre-COVID-19 world'.

There are few people or businesses that have been untouched by the impacts of COVID-19. A falling number of overseas visitors in February 2020 began to impact retail and dining businesses in central London, and a nationwide shock was felt towards the end of March with the introduction of social distancing, a 'lockdown' period, and global bans on travel all causing severe disruption.

Whilst all sectors within our portfolio have been impacted to some degree, in the immediate term much of the acute disruption has been felt in the restaurant and retail space, and by our commercial customers. Coastal customers also suffered from dramatically reduced outdoor leisure and tourism.

One of the first actions we took was to activate our risk management framework (read more on page 44), which allowed us to quickly establish an immediate-term operational response across customers, buildings and our people. Read more about how we are supporting our people on page 28.

With regard to our customers, our approach has been to review each circumstance on a case-by-case basis. In doing so, we have sought to establish a fair and balanced approach that is sustainable through what could be an extended period of disruption. We have focused our resources on supporting those businesses for whom our help can make the greatest difference, for example smaller, independent businesses.

Across our Regional portfolio we have worked closely with our customers, partners and managing agents to develop our operational response. During the lockdown period we worked together to keep the majority of our retail destinations open, in line with Government guidelines.

By creating a safe environment for shoppers and workers, these schemes were able to continue to deliver the critical food and pharmacy amenities needed by communities across the country. We also supported organisations managing the national crisis response by offering amenities at our destinations such as free parking for NHS staff.

Within our Rural portfolio, where many customers were already facing challenges brought by the floods earlier in the year, we are maintaining a dialogue during this difficult time and providing support where it is needed.

The lockdown period meant that the majority of our central London buildings became empty within days. We therefore adjusted the management of our properties to keep maintenance workers safe whilst keeping our buildings secure. We are in regular contact with our customers to understand their return to work plans and are working closely with our managing agent to ensure all properties are COVID secure.

At Windsor Great Park we initially closed The Savill Building, The Savill Garden and car parks to support the Government's social distancing measures. However, other outdoor areas of the park have remained open to the local public, recognising the value these spaces deliver for people to continue to exercise in. Our team at Windsor supported members of the local community using surplus food from The Savill Building to deliver food parcels, and supported employees from the charity Cumberland Lodge to make and deliver fresh ready-made meals to elderly and vulnerable people living in Windsor Great Park and its immediate surroundings.

As restrictions lift, while working with our customers and managing agents to ensure our properties and destinations are opened safely and in line with Government guidance, we remain focused on scenario planning to prepare for any future local or national lockdowns.

Offshore wind energy is classified as critical national infrastructure and the offshore wind industry responded to the pandemic quickly, putting in place social distancing procedures to allow maintenance and operations teams to keep wind farms running for the benefit of the nation.

Acknowledging the strain on all energy businesses caused by COVID-19, we have made some adjustments to the timings for Offshore Wind Leasing Round 4, to provide additional time and flexibility for bidders, while keeping any impact on the overall programme timeline under close review.

Looking ahead

It seems likely the pandemic will serve to accelerate the pre-existing structural changes faced by the retail and office sectors, whilst also leading to long-term changes in customer and consumer behaviours.

We expect revenue profit for the current financial year to reflect the challenges that our customers are facing and in recognising this uncertainty we have undertaken a review of our cost base.

While the pandemic's impact on our customers and networks remains a developing situation and the full effects are yet to be understood, we are working together to navigate the resulting operational and economic challenges. A critical part of our strategic review will also include dealing with the portfolio challenges related to the future of physical retail, and the wider impacts of COVID-19, to ensure we are in a position of strength for the future.

Business review
for the year to 31 March 2020

Central London

London is a world-class city. Its heritage, diversity, connectivity, open parks, modern spaces and services act as a beacon for entrepreneurs, global headquarters, leading brands and flagship concepts, making a vital contribution to the UK economy and offering a rich experience for those who live, work and shop here.

With 10 million sq ft of office, retail, residential and dining destinations in the West End, we are one of London's most significant property owners with a diverse customer base.

In recent years we have seen technology and changing consumer behaviours drive structural changes in some of the sectors we serve, particularly the retail and office sectors (read more in Our markets on page 16), and it is likely that these changes will be accelerated by the impacts of COVID-19. We have been thinking about those longer-term challenges for some time and much of the strategic activity reported here has been designed to position our Central London portfolio so that we flex and adapt to stay relevant to our occupiers and their customers as their needs evolve, building resilience over the long term.

In pursuit of our objective to keep improving customer experience, this year we consolidated our three managing agents across the Central London portfolio to one. The JLL team, which won the tender, has moved to a bespoke new space within our portfolio at Air Street which allows the new team to create a culture of partnership working with The Crown Estate. Our next phase of activity will focus on driving efficiencies, improving quality and consistency and encouraging innovation for our customers. In particular, we will establish closer working relationships with our key customers, engaging directly to improve and increase interaction.

In terms of performance, occupational markets differed quite markedly between our two core sectors, office and retail. Leasing across our office portfolio proved resilient, whilst across our retail and restaurant holdings, the market remained challenging.

In spite of the challenges facing some areas of our portfolio, we welcomed 96 new customers to Regent Street and St James's, leasing 152,319 sq ft of space.

Over the year we remained active in the capital markets, with capital activity totalling £623.4 million. Acquisitions and capital expenditure totalled £366.7 million, with disposals of £256.7 million.

Underpinned by strong asset management, resilient asset prices and a couple of large lease renegotiations, we have delivered another year of total return outperformance at 4.2% against our MSCI West End benchmark of 1.8%.

Development

In December 2019, in partnership with Oxford Properties, we received planning consent from Westminster City Council for the second phase of St James's Market. Our proposal will seek to build on the success of St James's Market phase one, which saw the creation of a new district in the West End. The scheme can deliver 200,000 sq ft of high-quality mixed-use commercial space and a new pedestrian-friendly accessible public space with urban greening to support local wildlife and enhance biodiversity. Once completed, services and loading will be moved off the street, a feature that will benefit any future development phases.

As part of a linked planning application, the development approval also enables the delivery of a supporting residential development.

These developments, alongside a number of other schemes which have applications in and pending, will play a key role in building an exciting pipeline for the future.

£366.7 million

total acquisitions and capital expenditure across the Central London portfolio.

£256.7 million

disposals across the Central London portfolio.

"Much of the strategic activity reported here has been designed to position our portfolio so we can flex and adapt to stay relevant."

CASE STUDY

Central London

Adapting and *innovating*

The façades of Regent Street and St James's reflect the innovation of their day, whilst telling a story of heritage and tradition. However, the way these beautiful buildings are used has been undergoing a quiet revolution.

As our customers' needs are changing, so too are we, moving away from being a traditional 'landlord' to become a service provider, delivering a wider range of spaces and services. A start-up today could be a global business in a few years' time, and our ambition is to cater for both needs, allowing each to make our Central London portfolio a home for life and The Crown Estate their property provider of choice.

That's why we have launched our next generation of flexible workspaces, which follow in the footsteps of One Heddon Street and build on the lessons learned from it. Swallow Place offers fully furnished adaptable workspaces of varying sizes, available on flexible, short-term leases. Pricing includes an in-house reception and support team, and access to amenities such as flexible events spaces, meeting rooms, break-out areas, a roof terrace and wellbeing and exercise classes.

Customer choice continues with a pilot concept in St James's; a new amenity space for our St James's office customers, a hybrid of a members club, event and co-working areas. We hope to launch our exciting new concept during the year ahead. The pilot will allow us to learn more about how we can deliver customer value and satisfaction.

As we strive to offer a more diverse menu of spaces, we have also been trialling revolving restaurant residencies at 10 Heddon Street. Our short-term incubator project gives exciting industry talent the opportunity to test new restaurant concepts before committing to a long-term lease.

These concepts illustrate the way we have been looking to meet the changing needs of existing and new customers, creating the flexible spaces, amenities and leases they need as they develop. As we, together with our customers, navigate the changing market and economic uncertainty accelerated by the impact of COVID-19, we will continue to adapt and innovate to ensure central London, and our destinations within it, remain leading places to work, shop and eat.

Office

We have trialled new products and learned from pilots to help meet our customers' needs through products such as One Heddon Street, our first venture into the flexible workspace market which launched last year and has achieved Gold standard WELL certification. On the back of customer feedback, we are adding more private office space, where we achieved 100% capacity, while reducing the number of co-working spaces.

Over the year we have continued to build on the offer to our customers and at 5 Swallow Place, each of our offices is available as a fully-fitted ready-to-go suite or as an empty space for customers to design as they choose; the focus is on flexibility, from the space itself, to its design and use, as well as the terms on which it can be taken. This year we look forward to adding to our fully-fitted flexible workplace offer when we launch 12 Little Portland Street.

This new product range is complementary to our core offering of HQ space and our newest example of this is The Marq, the only new office-led development to launch last year in St James's and which was close to being fully let over the year. The Marq has become the first new-build project in the UK to achieve both a BREEAM New Construction 'Outstanding' rating and WELL Gold Certification for the base build of the office scheme.

Retail, dining and leisure

Up until early March, despite a challenging market we continued to attract a variety of leading brands and new experiential concepts to the portfolio in line with its reputation as a world-class destination.

Wonderland Restaurants partnered with Warner Bros. Consumer Products and DC, to launch the first fully immersive DC Comics-inspired restaurant experience anywhere in the world at 77 Brewer Street.

We welcomed meat-free burger concept, Neat Burger, espresso bar The Hagen Project, Neapolitan restaurant 'O Ver and Cubitt House's Beau Brummell to the portfolio. In addition, Momo opened new concept Mo Diner and Ergon London expanded on Maddox Street.

Breitling and Belstaff both relocated from Bond Street to Regent Street, and we welcomed Japanese outdoor brand Snow Peak to Regent Street St James's.

Looking ahead, Barry's Bootcamp has committed to opening its largest UK branch at 59 Kingly Street and Maison François is due to open in the current financial year at The Marq.

Following the success of restaurant pop-ups across the portfolio throughout 2019, we launched a permanent restaurant residency at 10 Heddon Street. Acting as an incubator for new ideas and emerging talent, the short let ensures a rotating space is consistently available for new restaurateurs to trial before committing to a permanent space.

The development of 10,000 sq ft of retail space and 44 flats at Morley House, just north of Oxford Circus, is heading for completion in early 2021. The Considerate Constructors Scheme has recognised the construction site as an 'Ultra site' for demonstrating and promoting the highest standards of the scheme, and awarded a score of 45 out of 50 points, the highest score we have ever achieved for one of our developments.

Placemaking and public realm

This year the focus of our public realm strategy has remained on working with partners to make the West End a healthier and safer environment for our communities to enjoy.

We continue to work with Westminster City Council as part of its ambitious vision to transform the Oxford Street district, to further embed our aspirations for Oxford Circus.

We have also continued our focus on improving air quality, capturing and harnessing data we can take valuable insights from, and working with our key stakeholders to make improvements across the portfolio. This includes our waste and delivery consolidation schemes which reduce the number of vehicle movements across the portfolio.

In May 2019 we launched the Food Waste Pledge, bringing together 12 restaurants to trial exciting and innovative solutions to reduce their food waste by 25% in a year. Whilst the impact of COVID-19 temporarily stopped activity and data collection, we will continue to explore opportunities to work and support our customers in this important area.

Together with stakeholders including Westminster City Council and New West End Company, our shared aim is to significantly enhance the visitor experience for those with accessibility requirements. This year, through our partnership with AccessAble we delivered Detailed Access Guides for Regent Street, Oxford Circus and Piccadilly Circus, and a similar one for St James's is in progress.

Regional

Our Regional portfolio comprises 17 retail and leisure destinations, and a significant holding of rural and strategic land across the country, as well as office and industrial assets.

Retail and leisure

Over the past 12 months the structural shift in the retail sector has continued (read more in Our markets on page 16) and as consumer behaviours continue to change, so do our customers' business models. Much of our activity over the past year has been working to address these wider changes, the impacts of which are likely to be accelerated by the challenges created by COVID-19. We have therefore been reframing how we think about the places we own, both in terms of the breadth of offer and the overall experience we deliver, evolving our portfolio to respond to these wider trends and ultimately creating places which are compelling to our customers and the communities they serve.

Across the portfolio, we are working with local councils and key stakeholders earlier in the planning process to ensure we play a positive role in influencing the shape of places. Our future plans will be informed by insight, data and societal trends, as well as by a close understanding of what our customers and consumers want, our communities need and our stakeholders expect.

Even before the emergence of COVID-19, the retail industry had had a challenging year and difficult occupational markets fed through into weakened investor sentiment. Our Regional portfolio had a revaluation loss of £552.5 million in the 12 months to 31 March 2020, as yields moved out across our retail and shopping centres, alongside falling rental values. As a result, the portfolio has underperformed its MSCI benchmark. The ongoing performance of our retail portfolio is forming a key part of our current strategic review.

Despite challenging market conditions, our active management of the portfolio has helped to keep the void rate low at only 3.5%. Across our retail park portfolio this void rate is even lower at 2.1% although we expect this figure to come under pressure as the impact of COVID-19 is felt more widely across the market.

CVAs and administrations have continued to be a key feature of the market. This year, 12 of our customers completed a CVA or entered administration affecting 6% of our retail stores.

We recognise the challenges that some of our customers are facing and respond to each CVA on a case-by-case basis considering what is best for our shoppers, our customers and our assets. This often means we seek to agree greater flexibility within new lease terms providing us with future opportunities to actively manage our assets and create a compelling offer for our shoppers.

Fosse Park, Leicestershire

We continued to invest in Fosse Park to evolve and expand its offer. The £160 million developments of Fosse Park West and Food Central, which will add 163,000 sq ft of new space to the existing centre, are currently our largest development commitments within our Regional portfolio. Both are on track for BREEAM 'Very Good' and BREEAM 'Excellent' respectively, when they open in spring 2021.

As part of the development we have carefully considered the public spaces between the buildings and will be including a children's play area and art trail, which will enhance the experience for our visitors to Fosse. We have also put in place 'The Fosse Family: Health, Safety and Wellbeing Charter' for contractors and subcontractors, and established a cycle hub facility to promote cycling to work.

Rushden Lakes, Northamptonshire

In July 2019, we completed the acquisition of the Land to the West of Rushden Lakes, a 23 hectare site adjacent to our 450,000 sq ft Rushden Lakes retail and leisure destination. The land was purchased with the benefit of planning permission for a new relief road opening it up to development and improving access, and the longer-term opportunity to expand Rushden Lakes as a community-led mixed-use destination.

In December 2019, following a public consultation hosted by our team to understand the local community's needs and aspirations for the area, East Northamptonshire Council resolved that the Land to the West of Rushden Lakes be draft allocated for development in its emerging Local Plan. The Council's Local Plan will likely provide new homes, a range of economic uses and green infrastructure to help ensure that it continues to meet future housing requirements and employment needs for the area.

Following the Council's public consultation on its inclusion of Land to the West in the draft Local Plan in the spring, our team will further engage with the local community on the scheme's masterplan.

Community

We continued to raise awareness of the accessibility of our places, working with the disability and accessibility organisation, Purple, to develop and share practical advice which improves the customer experience. In the lead up to Purple Tuesday, the organisation's flagship change programme in November 2019, we compiled and shared awareness-raising fact packs across our destinations, encouraging any customers not already engaged with the initiative, to do so.

Continuing this theme, we are partnering with AccessAble to trial the introduction of Detailed Access Guides at 16 of our retail destinations, which aim to bring accessibility information direct to consumers before they leave home.

We also bolstered our commitment to supporting local people into local jobs by delivering our first Mentoring Circles programme, in partnership with the Department of Work and Pensions (DWP), hosting a series of workshops to inspire and motivate unemployed young people, with low confidence and little work experience, to progress into employment. Read more about how we support local employment in our case study on page 31.

Partnerships

Over the year we continued to strengthen support for customers and our supply chain through the delivery of our second annual Partners' Conference, bringing together 100 colleagues from our managing agent and Regional supply chain. We also expanded our Customer Centric Excellence training programme to the Regional team for 65 of our in-house, managing agent and supply chain colleagues.

Improving air quality on our portfolio is a priority and we are working with our customers to achieve this. A sustainable travel programme is underway to support our customers to reduce single car occupancy journeys to our destinations through liftsharing apps, providing cycling facilities and education about alternative methods of transport.

Rural

Across the rural portfolio, we continue to manage our rural and onshore mineral assets proactively. Our commitment to ensure our properties are safer and better homes and workplaces has seen an investment of more than £1 million over the last three years in surveying and upgrading, where necessary, electrical installations across every home and set of farm buildings.

We have also focused on improving resiliency across the portfolio through a continued focus on soil drainage where most needed; our investment in this area now exceeds £1.5 million since 2014. Whilst the benefits of this investment will be seen by our customers for many years, we have already seen a noticeable improvement in the financial results from our Ellington Estate through improved soil health and crop yields.

Other asset management initiatives this year included restructuring a significant leasing arrangement across 4,000 acres of land in Lincolnshire, which will allow us to have a closer relationship with those farming this land in future.

Our sales programme for holdings with limited opportunities for asset management has also continued throughout the year; this year sales of rural assets totalled £84.6 million. In early 2020 we concluded the sale of the Laxton Estate, the last open-field farming estate in operation in the UK, to the Trustees of the Thoresby Settlement. Thoresby is a former owner of the historic Laxton Estate, and still owns and operates farming strips within it. We were pleased to find a purchaser committed to preserving the traditions and heritage of this unique part of England.

Strategic land opportunities

Strategic land receipts for disposals during the year totalled £17.3 million. Planning consent for two schemes was obtained. The first is for 175 dwellings at Kingskerswell in Devon, where we will be facilitating a replacement village hall for the local community; and the second is for a mixed-use scheme on the edge of Knutsford in Cheshire which will provide the community with a range of new homes and job opportunities, in addition to a gateway junction to the town.

We also submitted planning applications for a total of approximately 600 dwellings and a supermarket. This included a scheme at Axminster in Devon which comprises 441 dwellings and a local centre which will form the heart of a new urban extension for the town, delivering important community benefits including a relief road.

East Hemel

We have continued to progress our long-term plans for a major mixed-use development on approximately 350 hectares of land to the east of Hemel Hempstead. This strategic site has the potential to accommodate up to 1.75 million sq ft of commercial space alongside approximately 3,100 new homes.

Over the year we have worked closely with local stakeholders to work up an outline planning application that would support the needs of the local community over the long term and provide an exemplary mixed-use development alongside major improvements to highways and infrastructure. We have continued to actively engage with both St Albans District Council and Dacorum Borough Council to ensure that our plans accord with planning policy.

> "We continue to manage our rural and onshore mineral assets proactively to ensure our properties are safer and better homes and workplaces."

The Windsor Estate

The 6,300 hectare Windsor Estate is a working rural estate and includes forestry, horticulture, tourism, residential and commercial property. The Estate comprises Windsor Great Park, Home Park and Swinley Forest and is home to the award-winning Savill and Valley Gardens, Virginia Water and the Long Walk, as well as parkland, ancient woodland and forest trails.

The visitor business at the Windsor Estate, up until the COVID-19 outbreak, had been strong with more than 4.5 million people enjoying the park and its surrounds during the course of the year. This, together with income from filming and events, as well as the Estate's property portfolio, generated a revenue profit of £3.2 million.

The refurbishment and modernisation programme across the Estate's portfolio of over 700 residential properties has continued during the year, resulting in some significant long-term lets, while on the commercial side, we welcomed a major new customer at Swinley Park.

Our aim is to ensure our offer to visitors remains attractive, while carefully balancing the needs of all of the Estate's stakeholders, including the protection and enhancement of its natural resources. To this end, careful and considered planning had taken place during the year to create a widened, but appropriate, programme of new events for 2020/21 which included the running and music festival Run Fest Run in May, the fully accessible sporting event and festival of inclusivity, Parallel Windsor in June, and BBC Countryfile Live in August. However, in light of COVID-19, these and many other of our planned activities were postponed or cancelled. Wherever possible, we will look to reschedule these events at a later date.

Windsor's unique beauty also saw it in high demand as a film location, with the Estate making an on-screen appearance in diverse productions ranging from a cinema blockbuster to a high street Christmas commercial.

Ensuring the next generation of park users is educated in the management and stewardship of the Windsor Estate remains a priority, and we were delighted that 1,252 young people visited our environmental education centre during the year to learn more about this essential work. We continue to operate the centre in partnership with the Berkshire, Buckinghamshire and Oxfordshire Wildlife Trust.

1,252

young people visited our environmental education centre during the year.

4.5 million

visitors enjoyed the Windsor Estate during the year.

> "Our aim is to ensure our offer to visitors remains attractive, while carefully balancing the needs of all of the Estate's stakeholders including the protection and enhancement of its natural resources."

£21 million p.a.

the value of services derived from the Windsor Estate's complex ecosystems.

56,000 tonnes

of CO_2 emissions drawn out of the air each year.

CASE STUDY

The Windsor Estate

The Windsor Estate *a deeper value*

The stunning Windsor Estate welcomes millions of visitors each year. However, the value of the 6,300 hectare Estate goes far beyond that of a tourist attraction, delivering a wealth of vital services to the surrounding areas.

Using a form of natural capital accounting[1], a recent independent study commissioned by The Crown Estate, calculated that the value of services derived from the Windsor Estate's complex ecosystems is at least £21 million p.a., with around two thirds of this contributed by the value of its vast, accessible green space[2].

The study revealed how the land, particularly forestry, plays an important role in local flood risk mitigation, retaining 49% more water than surrounding areas and therefore reducing the risk of river flooding in many nearby towns and villages. The Estate's ecosystem also helps improve water and air quality. It allows water to retain a higher degree of vital nutrients than elsewhere in the local area which in turn lowers the cost to water companies of water purification services. And it reduces carbon emissions, drawing 56,000 tonnes of CO_2 emissions out of the air each year.

The findings have given us a deeper understanding of the value of the Windsor Estate to the local community. This adds to our understanding of the Estate's role in providing ecologically important habitats for a wide range of rare flora and fauna, particularly through its Sites of Special Scientific Interest, all of which have been awarded Natural England's highest possible rating for their condition.

But these natural resources and rich ecosystems, evolved over thousands of years, are vulnerable to human impact. We therefore remain committed to protecting and enhancing them so that today and long into the future their benefits can be felt by visitors, the local community, wildlife and the environment.

1 ONS 2017: Principles of Natural Capital Accounting. 'Natural capital accounts are a series of interconnected accounts that provide a structured set of information relating to the stocks of natural capital and flows of services supplied by them. Accounts are of two kinds: 1) physical accounts (which classify and record measures of extent, condition and annual service flow) and 2) monetary accounts (which assign a monetary valuation to selected services on an annual basis and record an overall valuation of the natural asset's ability to generate future flows of services). See: ons.gov.uk/economy/environmentalaccounts/methodologies/principlesofnaturalcapitalaccounting
The study conducted on behalf of The Crown Estate used a form of capital accounting which examined flows of services from ecosystems.

2 Independent research conducted by Route2 on behalf of The Crown Estate in 2019. For a summary of the research findings see: thecrownestate.co.uk/valuing-windsor-estate and a summary of the research methodology see: thecrownestate.co.uk/valuing-windsor-estate-methodologies

Energy, Minerals & Infrastructure

As the manager of the seabed around England, Wales and Northern Ireland, we work in partnership with our customers and stakeholders to unlock its potential and to support its long-term sustainable development. This involves providing seabed rights and facilitating the development of industry sectors such as offshore wind, cables, pipelines and marine aggregates.

Offshore wind

We play a fundamental and active role in supporting the UK's world-leading offshore wind industry by identifying and leasing suitable seabed sites for development, as well as working with partners to build evidence, share data and support innovation to enable the responsible growth of the sector.

It was a significant year for offshore wind: in June 2019 the UK became the first major economy in the world to make a legally binding commitment to net zero greenhouse gases by 2050; six months later the Government increased its ambition on offshore wind from 30GW to 40GW by 2030; and in the third quarter of 2019, for the first time, more electricity was produced by renewables than fossil fuel sources in the UK, with offshore wind being a major contributor, overtaking onshore wind for the first time.

In addition, Hornsea One, the 1.2GW offshore wind farm which is a joint venture between Ørsted and Global Infrastructure Partners, became the world's largest operational wind farm; and the third Contracts for Difference (CfD) allocation round, the Government's main mechanism for supporting low-carbon electricity generation, saw the success of 5GW of projects on the Dogger Bank.

During 2019/20, operational capacity in the UK offshore wind sector increased from 7.7GW to a new total of 9.3GW◬ (an increase of 1.6GW◬), meeting our own internal target set in 2015 to achieve 8-10GW by 2020. Further insights about the UK's offshore wind sector can be found in our 2019 Offshore Wind Operational Report online at: thecrownestate.co.uk/osw-ops-report-2019 which demonstrates how the sector continues to lead the world in installed capacity, data-gathering, skills and health and safety.

It is clear offshore wind will continue to play an important role in the transition to net zero, which is why in September 2019 we launched Offshore Wind Leasing Round 4, our first major new leasing round in a decade, creating the opportunity for at least 7GW of new projects around England and Wales. Read more about Round 4 stakeholder engagement in our case study on page 9.

We also progressed activity to support developers to extend existing offshore wind farms. In August 2019, the plan-level Habitats Regulations Assessment (HRA) for the 2017 Extension projects concluded, with seven of the application projects, representing a total generating capacity of 2.9GW, progressing to the award of development rights.

Together, these actions mean that the UK portfolio of projects in planning, construction and operation could total more than 45GW by 2022, with further capacity enabled by Crown Estate Scotland's leasing process. Allowing for a degree of attrition, this provides a robust footing for the Government's 40GW deployment ambition for 2030.

Strategic enabling actions

We are establishing a strategic enabling actions programme as part of the Offshore Wind Sector Deal, see: gov.uk/government/publications/offshore-wind-sector-deal/offshore-wind-sector-deal with the aim of increasing the available knowledge and evidence to support the sustainable and coordinated expansion of offshore wind.

In December 2019, we worked with our programme partner organisation, the Department for Business, Energy and Industrial Strategy (BEIS) and supporting partner the Department of Environment, Food and Rural Affairs (Defra) to define the outcomes, goals and delivery routes that will be needed to sustainably meet the Government's ambitious growth target. Whilst the public launch of the programme has been postponed because of COVID-19, work continues with partners on developing the workstreams underpinning this programme, such as increased coordination of grid infrastructure with BEIS, National Grid ET, National Grid ESO and the Marine Management Organisation.

IMPACT

Greenhouse gas (GHG) emissions avoided (enabled)

32.7 TWh

enabled terrawatt hours of offshore renewable energy generated over 2019/20. (2018/19: 25.3 TWh).

Impact of GHG emissions avoided

£838.2m*

Value of the positive impacts and associated social benefits resulting from reduced concentrations of atmospheric greenhouse gases (2018/19: £648.5m*).

*Updated methodology applied – to reflect increasing renewable energy in the National Grid. 2018/19 figure has been restated accordingly to enable meaningful comparability.

For more information see: **thecrownestate.co.uk/total-contribution/methodology**

◬ Independent limited assurance (see inside front cover)

Partnerships

Throughout the year we worked closely with stakeholders on a variety of projects to drive innovation and progress in the sector.

This included working with the Oil and Gas Authority, Ofgem and BEIS on the UK Continental Shelf Energy Integration project which considers how a more integrated offshore energy sector, including closer links between oil and gas and offshore renewables, will be vital to accelerate the energy transition to net zero.

We have strengthened our relationship with Ofgem following its commitment in February to explore options for better connecting offshore wind generation. This aligns with our work to examine the feasibility and benefits of extending the design life of transmission assets, and the strategic grid scenarios which form part of our strategic enabling actions programme.

As part of Offshore Wind Leasing Round 4 we are working with the sector to facilitate opportunities for innovation by offering rental discounts for Round 4 projects that incorporate innovation, and have worked with the Offshore Renewable Energy Catapult to define the criteria for these projects.

We also continue to collaborate with the statutory marine planning authorities in England, Wales and Northern Ireland to contribute to their marine planning processes through participation in stakeholder groups and contributing evidence, as well as working together to understand future seabed use for offshore wind development and associated interactions with other sectors.

We continue to share evidence and knowledge with the market and stakeholders through the Marine Data Exchange, which now holds over 179 terabytes of data. 62% of this is publicly available and over the year there was a 21% increase in public downloads compared to 2018/19.

Minerals

We provide licences for the extraction of marine sand and gravel resources which are used in construction projects around the country, exported to mainland Europe, and used for beach replenishment and coastal adaptation.

In response to market demand, we are concluding a tender process for the exploration of minerals off the coast of Cornwall. This new opportunity offers the potential for renewed economic activity in an area with a proud mining heritage. Subject to the outcome of a plan-level Habitats Regulations Assessment (HRA), we expect to conclude agreements in the course of 2020.

In the summer of 2019, in a UK first, 3.2 million tonnes of sand from Crown Estate licences was placed on the coast in north Norfolk, to create the Bacton to Walcott Sandscaping scheme. The scheme, which has a design life of 20 years, protects the Bacton gas terminal and nearby coastal villages from coastal erosion, giving them vital time to plan for the future. Our involvement in the £20 million project was as programme initiator and joint developer – delivering research, engaging stakeholders, as well as providing a new regulating lease for the enlarged beach.

Infrastructure

We work with the cables sector, granting permissions for the laying, maintenance and operation of cables and pipelines on the seabed, helping to facilitate the transmission of telecommunications, electricity, oil and gas.

During the year we have seen increased interest in laying subsea telecommunications cables within our jurisdiction and are working with customers to progress their projects. We have also granted AQUIND an Option Agreement for the development of a 2GW interconnector between the south coast of England and Normandy in France.

Following a resurgence of Government policy, we have been in discussions with the market on offshore CO_2 emissions storage sites, an essential technology to achieve net zero by 2050, according to the Committee on Climate Change.

Coastal

Leasing and licensing of tidal land and seabed continued during the year for a diverse range of activities including port and harbour infrastructure, cables and pipelines.

The team also completed a re-tender of its coastal managing agents across England, Wales and Northern Ireland, ensuring a regionally diverse representation of agents was maintained.

> "In September 2019 we launched Offshore Wind Leasing Round 4, our first major new leasing round in a decade, creating the opportunity for at least 7GW of new projects around England and Wales."

Our people and know-how

Our people strategy is based around five key themes: inclusive culture; brilliant place to work; enable and reward successful performance; learning-driven environment; and agile and talented people.

The objective of our people strategy is to nurture a high-performing culture and create the best possible working environment to support the long-term resilience of the business.

In March 2020, our working environment, like everyone else's, suddenly looked very different as the COVID-19 situation developed. As events unfolded, our first priority was, and continues to be, the health and wellbeing of people, from our customers and supply chain, to our communities and our own in-house team.

For our own people, our response has prioritised mental health and wellbeing, including a clear message that those with caring responsibilities should put those duties first. We have introduced greater flexibility to working patterns, reprioritised workloads and projects, and provided access to additional online resources to support physical and mental wellbeing.

Employee engagement

One Voice, our annual employee engagement survey conducted in January 2020, continued to show high levels of employee engagement. 96% (2018/19: 97%) of our people said they were proud to work for The Crown Estate and 86% (2018/19: 89%) said The Crown Estate was a 'Brilliant place to work', outperforming the UK national benchmark for employee engagement by eight percentage points. The results also showed continued improvements across the business in the areas of wellbeing; diversity and inclusion; and talent and opportunity.

However, it's important to acknowledge that the steady improvement in our scores over the last few surveys has halted, and there are some areas now showing a decline on last year. One example is leadership, which has fallen significantly, particularly in the areas of Executive Committee communication, decision-making and managing change. We are committed to improving this under the new Chief Executive and a broader leadership team representing all parts of the business.

Another area where we underperformed relates to collaboration between teams. Collaboration is an essential part of a strong culture and we are exploring this theme in more detail at a team level to understand the reasons behind this drop.

Over the next year we will progressively introduce a series of employee engagement pulse surveys to check on our progress where improvement is required. We will also survey new joiners to learn about our recruitment and on-boarding processes from their perspectives.

Health and safety

Building and maintaining an environment and culture where our people can thrive, and our customers, supply chain and visitors feel supported, safe and secure is essential. This remains an area of continuous focus.

We measure our health and safety performance using an Incident Severity Score. This measure covers incidents and significant near misses relating to injury, security or environmental incidents, and involving our direct staff, suppliers, or members of the public on our portfolio. We encourage the reporting of incidents and near misses as this degree of detail helps us to understand where to focus attention.

We have an Incident Severity Score improvement target of 10% year-on-year on a rolling three-year average. This year we have missed that target by 31%⚠. This was due to an increase in significant near misses occurring in the second half of the year as a result of damage and falling materials following strong winds at some of our regional assets, as well as a number of other incidents. This is clearly not acceptable. Consequently, we are working as a priority to review our entire health and safety strategy, which will include, amongst other things, our approach to incident prevention.

In 2019/20 our Accident Frequency Rate (AFR) was zero⚠ and our Accident Severity Rate (ASR) was 0.04⚠.

IMPACT

Employee engagement

86%

Employees who think that The Crown Estate is a 'Brilliant place to work'. (2018/19: 89%).

Impact of employee engagement

£591,036*

Value of the positive impacts and associated social benefits resulting from engaged employees in terms of their workplace productivity. (2018/19: £526,595*).

*Updated version of the methodology applied. 2018/19 figure has been restated accordingly to enable meaningful comparison.

Despite a reduced employee engagement percentage, the impact value for 2019/20 has increased due to a greater number of employees and an increased average salary.

For more information see: **thecrownestate.co.uk/total-contribution/methodology**

⚠ Independent limited assurance (see inside front cover)

We have had two reportable incidents (RIDDOR) to the Health and Safety Executive (HSE) on directly managed assets involving members of the public, and no incidents reportable to the HSE within those parts of the portfolio managed by third parties. On our construction projects we review our contractor accident statistics and our Development AFR of zero⚠ has been assured for the second year. Health and safety Reporting Criteria can be found online at: thecrownestate.co.uk/hs-reporting-criteria

To help improve our health and safety culture this year all senior leaders in London and Windsor took part in health and safety training, aligned to the Institute of Directors' guidance on health and safety management in leadership. Additionally, we carried out a range of Disability Discrimination Act compliant enhancements to our St James's Market office space, including the installation of a door automation system, which has made the office more accessible to all.

We continue to promote excellence in health and safety within our supply chain too, with a particular focus on mental health awareness training and support, occupational health and wellbeing, and fire safety.

Fire safety remains a major focus of our health and safety activity across the business and as part of this we held two workshops for our teams, our managing agents and project managers during the year.

Following engagement with leading industry bodies and specialist consultants and contractors, we also developed a standard that sets out our approach as a property/construction client to prevent falls (of materials, people and plant and equipment) from height.

Wellbeing

Wellbeing is important to us and an area in which we feel we are making progress. 90% of respondents in our One Voice survey agreed that we care about the wellbeing of our people, an increase on last year, and 21 percentage points above the UK benchmark.

During the year we became a founding partner of Estates Gazette's Mental Health Programme, a campaign to start more conversations about mental health within the property industry. Our HSE & Wellbeing Manager has been championing the cause, and has helped raise awareness within the industry by taking part in podcasts, as well as speaking at a MIPIM UK event.

For the second year running we offered our people the opportunity to take part in Britain's Healthiest Workplace survey. Insights from the findings were used to shape and inform our internal wellbeing programme, which we expanded this year to include three 'Wellbeing Weeks'. These were themed around nutrition, hydration and mindfulness and included a combination of fitness classes, external speakers and access to body composition and activity trackers.

Good mental health is a focus for us and we have increased the number of mental health first aiders to 73, providing one trained mental health first aider for every seven members of staff.

We have a low sickness absence rate for the business of 2.63% of working time, compared to a national average of 2.7%.

Diversity and inclusion (D&I)

In tackling society-wide systemic racism, recently brought to the fore of public debate through the Black Lives Matter movement, we recognise we have much more to do to build a truly diverse team. We want to make a meaningful impact where we have the influence to tackle racism and bias, in support of a more equal and inclusive society. We will start by focusing on the experiences of our black colleagues, recognising the need to better understand and take action to ensure equal opportunity for all colleagues, at all levels, within our business and wider supply chain.

We are committed to delivering on D&I and regularly monitor our progress to explore how we can improve in this area. Our people policies aim to promote equality and fairness for all, and do not discriminate against any of the nine protected characteristics set out in the Equality Act 2010.

In May 2019 we established a representative D&I working group to drive forward our internal D&I agenda and challenge us to do more. This group is now chaired by our Chief Executive to accelerate the pace of change.

The group has produced a manifesto supported by a new Equality and Diversity policy. New employment initiatives to underpin the manifesto include an enhancement of shared parental leave, increasing it to up to 26 weeks leave on full pay, and allowing partners to take this paid leave at any time during the first year following a new arrival.

IMPACT

Workplace injuries (direct)

31

All workplace injuries were minor, no major injuries. (2018/19: 39 minors).

Impact of workplace injuries

£16,282*

Value of the negative impacts and associated social costs resulting from workplace injuries, such as the reduction in an individual's health, treatment costs and reduced workplace productivity. (2018/19: £20,607*).

*Updated methodology applied. 2018/19 figure has been restated accordingly to enable meaningful comparison.

For more information see:
thecrownestate.co.uk/total-contribution/methodology

⚠ Independent limited assurance (see inside front cover)

PERFORMANCE

Our people and know-how
continued

In February we launched a new Dynamic Working policy for our office-based staff, equipping them with systems, tools and training to be able to perform their roles, wherever and however they choose to work. In light of COVID-19 this prior launch proved invaluable as many of our teams were already familiar and comfortable with remote working technology.

During the year we achieved Level 1 in the Government's Disability Confident scheme and became a Disability Confident Committed Employer. This scheme supports employers to make the most of the talents disabled people can bring to the workplace. This is the first step in our journey and we hope to lead by example, with our customers and supply chain coming on board with the scheme too. We are working towards attaining Level 2 later this year, as we strive to reach Level 3 and be recognised as a Disability Confident Leader.

We continue to support and be active partners with organisations including Stonewall, Purple, Business Disability Forum, AccessAble and Real Estate Balance.

Gender pay gap

This year we reported our gender pay gap data for the third time. Over the past year, we have further reduced the gender pay gap, shifting closer to balance, from a position of a gender pay gap in favour of women.

As at April 2019, the median gap narrowed from -25.6% to -13.0%, and the mean gap narrowed from -5.6% to -3.2%. This reflects the fact that since we last reported we have made a number of new senior male appointments.

While we have been making progress in narrowing the gap across all parts of our business, we recognise there is still more to do. This includes better gender diversity of men and women at a senior management level as well as better diversity in the broadest sense across the whole business.

For full details of our gender pay gap see: thecrownestate.co.uk/gender-pay-gap

Learning and development

We have continued to invest in the development of our people and 88% have attended a development programme, day course, coaching session or other development activity in the past 12 months.

This has included a range of learning, development and skills-based training and 16.6% of our total recruitment activity has involved internal candidates moving into new roles, the majority of which were personal development opportunities.

The average number of training hours per person decreased during the year to 16 hours. This is attributed to two main factors: much of the technical training undertaken at Windsor is cyclical and was due for renewal in 2018/19; and in the same year we also invested in a number of new training programmes, which because they were introductory, experienced a higher than usual take-up.

We are working to improve our performance management process. Following focus group sessions we are reinvigorating the quality and effectiveness of objective setting and performance feedback, making it part of an ongoing coaching process.

Living Wage

We are proud to be a Living Wage employer, accredited by the Living Wage Foundation since April 2015. All staff (including directly employed contractors) are paid the National Living Wage as a minimum, ensuring we are inclusive in motivating and creating competitive opportunities for our people.

Staff turnover

This is our third year of reporting voluntary turnover figures. We believe this metric is more meaningful than total turnover as it relates to staff choosing to leave the business. This figure remains low at 6.6%, compared to 6.7% in the prior year.

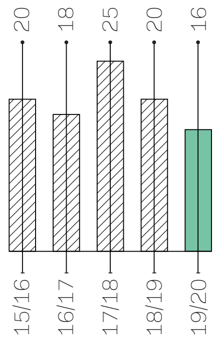
Reporting on female representation and ethnicity, along with more detail on various aspects of Our people and know-how can be found in our PAC report online at: thecrownestate.co.uk/sustainability-PAC-2020.

88%

of our people have attended a development programme, day course, coaching session or other development activity in the past 12 months.

Average hours of training per year per person

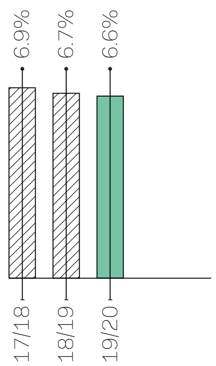
16 hours



Staff voluntary turnover rate

6.6%

Turnover rate (% of total staff) based on average number of staff for each financial year.



478 people

found employment through Recruit Regional.

CASE STUDY

Regional

Creating *opportunity*

Our 17 retail and leisure destinations provide thousands of job opportunities across the country, and with that comes the opportunity to provide a fresh start for unemployed residents in our local communities.

We help make that a reality through 'Recruit Regional', a free programme which provides tailored support for jobseekers and those with barriers to employment, to help them develop the skills and confidence to succeed in the roles our customers need.

Recruit Regional is delivered in partnership with the Department for Work and Pensions and North Tyneside Council across four of our destinations. Each location is supported by a specialist Workplace Co-ordinator who works closely with our customers to understand their recruitment processes, challenges and needs. From there a free, bespoke skills and training programme for local jobseekers is designed to meet those challenges.

This can include customer service training, work experience, mentoring, CV writing skills and interview techniques, understanding the hospitality and retail sectors, the chance to gain accredited qualifications and the delivery of jobs fairs.

Over three years 478 people have found employment at a Crown Estate destination through Recruit Regional. They have developed new skills, built up their confidence and made potentially life-changing connections with our customers.

Our networks

Our success relies on our relationships through our networks, from our customers and communities to our supply chain and managing agents. We seek to bring a partnership approach to these relationships to achieve the best outcomes for everyone.

Stakeholder engagement

We have many and diverse stakeholder groups and seek to have open and transparent relationships with all of them as an important part of our governance. A list of our stakeholders, along with details of how we engage, listen and collaborate with them can be found on page 62. For more information on how our Board aligns with the stakeholder requirements of section 172 of the Companies Act 2006, see page 65.

Elected representatives in the constituencies where we do business are key stakeholders for us as they represent the views and needs of our local communities. Maintaining regular and effective engagement with as many representatives as we can is therefore a priority. This is particularly true as we develop our places, ensuring we listen and respond to local views through engagement with MPs, councillors and community groups. This year we also held our first parliamentary drop-in session for MPs to hear about our plans for offshore wind future leasing.

For information on how we are engaging with our stakeholders during the evolving COVID-19 situation see page 18.

Customers

Our ambition, and one of our four corporate strategic objectives, is to achieve high levels of customer satisfaction, loyalty and recommendation, and we realise we need to do a lot more to deliver on this.

Our customer strategy aims to place the customer experience at the heart of our approach to how we do business. To help us achieve this, we have created five customer promises; Simplicity, Proactivity, Innovation, Commitment and Excellence, which set out what our customers can expect from us and our partners. Our own Brilliant People Customer Service Awards programme recognises the delivery of these promises by our teams, partners and supply chain, on a quarterly basis.

We acknowledge that we are only beginning to implement our customer strategy, and have more work to do. Introducing new customer-focused skills and expertise into our in-house and managing agent teams, with a particular focus on experience and engagement, was an important step during the year. This included recruiting digital expertise to focus on improving customer experience through technology.

We were also pleased to be shortlisted for three awards at the 2020 UK Customer Satisfaction Awards, organised by the Institute of Customer Service (ICS) and to win the Customer Focus Award (Large Enterprise), recognising the development and progress of our strategy to date.

Examples of how we have added value to our customers during the year include: regional Customer Centric Excellence training; the completion of an amenity space for our St James's office customers in London; an ongoing residential refurbishment and modernisation programme at Windsor; and the delivery of our fourth Marine Aggregate Business Leadership Programme to build knowledge, confidence and awareness of the marine aggregates industry.

This year we surveyed customers of our Central London and Regional portfolios, which revealed an improvement in satisfaction from 79% last year to 83%. This figure reflects the proportion of our customers who are either satisfied or highly satisfied, and outperforms the Institute of Customer Service benchmark of 76.9% as at January 2020.

We also measure our Net Promoter Score (NPS), which tracks the loyalty that exists between provider and customer. Our overall score is now 34.3, a decrease from 38.6 last year for our Central London and Regional portfolios. This still places us ahead of the Institute of Customer Service UK benchmark, with an average NPS of 20.5 as at July 2019. However, we acknowledge the decline, which was predominantly driven by office occupiers within our Central London portfolio. Since this survey, we have consolidated our managing agents in London from three to one, to allow us to get closer to our customers with a larger customer-facing team and build more effective direct customer relationships.

IMPACT

Employment placements

154

unemployed people placed into employment through our Recruit Regional programme. (2018/19: 154).

Impact of employment placements

£5.68m*

Value of the positive impacts and associated social benefits of placing an unemployed individual into employment in terms of their income received and reduced support from the state. (2018/19: £5.57m).

*Despite the number of placements being the same in both years, the value of the impact has increased due to a rise in minimum wage.

For more information see: thecrownestate.co.uk/total-contribution/methodology

Communities

As the owner of a diverse portfolio of assets we recognise our responsibility to make a positive difference to the broad range of local communities in which we operate.

We want to deliver long-term positive social value across our portfolios, with a focus on boosting local growth and creating inclusive and accessible places .

But it is early days in our ambition, and we have a lot more to do to make this a reality. As a starting point, we are working with our communities to understand their priorities, and will then look to find the right local solutions, delivered in collaboration with specialist partners where necessary.

One such partnership, already established, is Recruit Regional, our local employment programme delivered with the Department for Work and Pensions (DWP) and North Tyneside Council. Set up in 2017, the programme now supports four of our regional destinations and has to date placed 478 people into employment (read more on page 31). You can also read more about our other partnerships including Purple and AccessAble on page 22.

Wherever possible, we are keen to work with local charities to educate and take action on specific inclusivity issues, reflective of local community needs. For example, in central London, we hosted an external discussion event with industry leaders and customers around the role businesses could play in supporting those who are homeless.

Volunteering and internships are other important ways in which we support our communities. At Windsor we employed three apprentices during the year, and three students from the Professional Gardeners Guild, while in London, we developed a new internship programme, welcoming two interns from the Reading Real Estate Foundation (RREF) programme for one month. The Energy Minerals & Infrastructure (EMI) team hosted four recent graduates as part of the Coastal Explorer and newly launched Marine Futures internship initiatives. Focused on the marine environment, the programmes offer work experience opportunities in renewable energy, marine ecology and community engagement and as a direct result, all four interns secured employment in the industry.

Our people are eligible for two days' volunteering per year and we continue to encourage participation. This year 38% of our people volunteered 1,408 hours, through initiatives such as Windsor's 'Great Estate Tidy'.

Supply chain

As our supply chain widens and becomes more complex there is a risk that we do not adequately manage our suppliers, which increases the risk of their non-compliance with laws and regulation.

To mitigate these risks we are guided by our Procurement Framework which sets out the principles of our approach, ensuring value for money, effective supply chain management and working in partnership to maintain all relevant legal, environmental, ethical and health and safety standards.

We conduct regular reviews within our supply chain to drive continuous improvement. These include supplier audits, KPI monitoring, and service performance reviews.

We adhere to all applicable laws in the UK, including those relating to human rights and employment. For our supply chain, which stretches beyond the UK, we are committed through our contractors and business partners to operate in accordance with the Universal Declaration of Human Rights, the International Labour Organization Core Conventions, and Human Rights endorsed by the United Nations Human Rights.

We take our obligation to demonstrate to our stakeholders that slavery and human trafficking does not occur within our workplace or supply chain extremely seriously, and have put the necessary processes in place to ensure this is the case. For more information see: thecrownestate.co.uk/modern-slavery-act/.

We work closely with our managing agents and supply chain to align our processes and continually review and monitor the effectiveness of our policies, procedures and governance. We carry out regular training and stress testing, supported by our business continuity plans, crisis management and operational procedures at an asset level.

Further detail on various aspects of Our networks can be found in our PAC report online at: thecrownestate.co.uk/sustainability-PAC-2020.

Natural resources

We all depend on natural resources, not just for our business activity, but for survival, and realise that many are finite or being used at a rate beyond which they can be sustainably renewed. As part of our business activity we also manage natural resources of national significance, from the Windsor Estate and our rural holdings, to marine aggregates and the seabed more broadly.

We recognise our responsibility to measure and mitigate our impact on natural resources, to enhance their value within communities in which we operate, and to be considerate in our use of them. We do this working with our networks (e.g. customers, communities and supply chain) and know there is a lot more to do.

We monitor ourselves, in part, through progress against our Aspirations 2030: healthy places and habitats, super-efficiency and climate action (see our Aspirations 2030 panel opposite). These aspirations will be refreshed during the year as part of our wider strategic review and linked with the development of our net zero carbon agenda, which will help us to play our part in addressing climate change. Current targets can be found online in our PAC report at: thecrownestate.co.uk/sustainability-PAC-2020.

In the annual Global Real Estate Sustainability Benchmark (GRESB), Regent Street achieved first place in its peer group and Global Sector Leader status. It also achieved eighth place in the New Construction section against 379 global peers. We submitted information for three of our real estate portfolios, Regent Street, St James's and Regional and were pleased that all scored full marks in the health and wellbeing questions added this year.

Healthy places and habitats

Wherever possible we aim to add green space and enable increased biodiversity across our portfolio.

We continue to participate in Wild West End (a partnership of landowners in central London, the London Wildlife Trust and the Greater London Authority) which is delivering new green space, as defined by the value matrix developed by the partnership. We have created a total of 3,362 sq m of new green space on our property, keeping us on track to achieve our target of 5,000 sq m by 2022 (from a 2017/18 baseline).

With a focus on improving air quality, in central London we are reducing vehicle movements through waste and delivery consolidation schemes, and through sustainable procurement plans on development sites.

Since our Regent Street retail freight consolidation scheme was introduced in 2013, it has contributed to a monthly reduction in deliveries to participating customers of over 90%. Across our Regional portfolio, a sustainable travel programme is underway to support our customers in reducing car usage.

As the manager of a portfolio of rural land, the Windsor Estate, and the seabed around England, Wales and Northern Ireland, our activities in this area extend beyond the built environment. The Windsor Estate is a prime example of how we work to create and maintain a healthy place for people and habitats, as detailed on pages 24-25.

OUR ASPIRATIONS 2030

We are working towards our ambitious sustainability Aspirations 2030, which will help future-proof our business:

Healthy places and habitats

By 2030, to be creating healthy places where our customers, people, communities and natural habitats can thrive.

Super-efficiency

By 2030, we will have closed the waste loop using circular economy principles.

Climate action

To be climate resilient by 2030, with portfolio decarbonisation and effective climate change adaptation in place.

Out at sea we need to optimise the increasingly scarce space on the seabed, given many varying demands. This has been a consideration in our approach to Offshore Wind Leasing Round 4, which could result in a significant increase in renewable energy production. At the other end of the spectrum, we have granted a licence during the year to seed a two hectare (20,000 sq m) area of the seabed with seagrass in a pilot scheme in Dale near Milford Haven in Pembrokeshire. Over the next three to five years the benefits to the environment should include carbon sequestration and marine habitat formation.

Further detail on Healthy places and habitats can be found in our PAC report online at: thecrownestate.co.uk/sustainability-PAC-2020.

Super-efficiency

Efficient use of all natural resources is critical to their continued availability. We can help by working to apply circular economy principles across our business and encourage the same of our customers and within our supply chain through building fit-out guides and the third version of our Development Sustainability Principles, which can be found online at: thecrownestate.co.uk/DSP-2019.

This year 100% of our operational waste was diverted from landfill and of this 55% was recycled against a target of 80% by 2022/23. We currently operate a waste consolidation scheme with three consolidation centres in our Central London portfolio. The scheme serves 300 customers across the portfolio and we are encouraging others to join. Alongside waste removal, the scheme provides waste and recycling data to our customers to aid their own waste reduction ambitions.

Within our developments we monitor the use of natural resources such as water, and target the responsible use of building materials. This year 94% of our construction waste was diverted from landfill.

We launched the Food Waste Pledge in May 2019, bringing together 12 restaurants to trial innovative solutions to reduce their food waste by 25% in a year. Further detail on this and more on Super-efficiency can be found in our PAC report online at: thecrownestate.co.uk/sustainability-PAC-2020.

Climate action

We continue to work to mitigate our impact on climate change and are committed to working towards achieving net zero carbon. Acknowledging the global urgency of this issue, and the enormity of the undertaking, we are working to see how our business needs to change, and to define our scopes and associated timelines for delivery of net zero carbon across our business. For a number of years we have been working with the offshore wind industry and stakeholders to help achieve a low-carbon energy system and the recent launch of Offshore Wind Leasing Round 4 will facilitate the growth of this sector.

In addition, we recognise the need to identify where and how to adapt to climate changes that are already happening. To this end we are working on a voluntary basis towards the recommendations of the Taskforce for Climate-related Financial Disclosure.

Taskforce for Climate-related Financial Disclosure (TCFD)

The TCFD was established to help identify the information needed for investors, lenders and underwriters to understand and assess climate-related risks and opportunities.

We have developed a draft roadmap on disclosure and have undertaken some preliminary scenario analysis. However, there is more work to be done and we will report further in future reports.

Disclosure as recommended by the TCFD is categorised under four headings as set out below:

Governance

Climate change has been identified as a material issue and ratified by the Board as one of our key business risks.

Operationally, in the 2019/20 financial year, progress against our Aspirations 2030 targets was reported to, and reviewed by, the Executive Committee and the Board on a quarterly basis.

For more information on our Board's activity on climate-related issues see page 65.

Strategy

During the year we conducted a high level scenario analysis of our Central London and Regional portfolios. It considered the short, medium and long-term physical risks and opportunities under different climate scenarios.

We intend to build on this initial analysis and assess our exposure across the remainder of our portfolio. This will include an exercise on assessing transition risk considering, for example, financial and legislative changes which would be necessary to transition to a 1.5°C scenario.

Risk management

We identify, assess and manage climate-related risk through the Risk Group which acts as a hub for business leaders to discuss risk activity and consider input from internal and external subject matter experts. The Risk Group also has a central role in our annual review of material issues. In the 2019/20 financial year, the group reported to the Executive Committee, which reviewed the risks identified, and to the Audit Committee, which reviews the effectiveness of the risk management process, before risk is reported to the Board.

Metrics and targets

Current metrics and targets related to climate-related risk and opportunities seek to mitigate climate change and fall under our Aspirations 2030 on climate action.

Work on our approach to becoming a net zero carbon business will include the development of new targets to replace and supplement our existing ones. These will be set and made public during the current financial year.

We are looking to set targets and KPIs relating to climate risk more broadly as we further consider the outcomes of the scenario work and repeat it for other parts of the business.

PERFORMANCE
Natural resources
continued

Energy and carbon
In line with our net zero carbon agenda our priorities are to reduce our energy intensity and to better understand, and account for, our Scope 3 emissions (indirect emissions from our value chain). We will be working on both over the coming year.

Our energy consumption and carbon emissions data is reported in this section. The methodology applied to the quantification and reporting of our data, is summarised in the panel opposite.

Energy use across the whole of our managed portfolio has increased by 2% this year. Properties leave the portfolio for redevelopment and those replacing them, whilst designed for energy efficiency, are generally larger and more sophisticated, to meet changing occupier needs and expectations. This has an impact on energy use. On a like-for-like basis (properties with data for the last two consecutive years) there has been a 9% reduction.

Energy intensity (kWh per sq m) (based on floor space) has increased by one indexed point to 94 points. This increase largely reflects the number of properties coming back into the portfolio through our development pipeline in recent years, as explained above.

In accordance with Streamlined Energy and Carbon Reporting (SECR) we are reporting energy efficiency projects and savings of approximately 2,597 MWh (£310,000 in cost savings) as a result of building management system (BMS) optimisations, improved maintenance programmes, energy management awareness amongst tenants, lighting retrofits and replacements. We have identified a number of additional energy efficiency measures and will report on these next year.

A reduction in energy consumption is key to the achievement of net zero carbon. We will continue to look for ways to improve efficiency and will be developing appropriate targets over the coming year in line with our net zero carbon agenda.

Methodology for quantification and reporting of energy data
We quantify and report our organisational greenhouse gas (GHG) emissions according to the GHG Protocol, using the operational control approach. Energy use data has been collated and converted into carbon dioxide equivalent (CO_2e) using the UK Government 2019 Conversion Factors for Company Reporting and the International Energy Agency (IEA) international electricity conversion factors in order to calculate emissions from corresponding activity data.

For the full methodology see: **thecrownestate.co.uk/ sustainability-PAC-2020**

IMPACT

Greenhouse gas (GHG) emissions

16,704 tCO_2e

Tonnes of CO_2e emitted (Scopes 1 and 2) (2018/19: 18,416 tCO_2e).

Impact of GHG emissions

£1,069,056*

Value of the negative impacts and associated social costs resulting from increased concentrations of atmospheric GHGs (2018/19: £1,178,595).

*The impact figure reflects a methodological adjustment relating to an increased cost now applied to the social cost of carbon. The 2018/19 figure has been restated accordingly to enable meaningful comparability.

For more information see: **thecrownestate.co.uk/ total-contribution/methodology**

Energy consumption – absolute

			(MWh)		Like-for-like (MWh)	
Source	2018/19	2019/20	Year-on-year % change	2018/19	2019/20	Year-on-year % change
Electricity	69,481	**68,073**	(2)%	59,076	**55,018**	(7)%
Fuel	34,588	**38,293**	11%	24,024	**20,880**	(13)%
Total	**104,069**	**106,366**	**2%**	**83,100**	**75,898**	**(9)%**
Number of assets	158	**158**	–	127	**125**	(2)%
Energy intensity (indexed kWh/m²) – baseline 2012/13 (100 indexed points)	**93**	**94**	**1**			

The data in the above table reflects emissions from our direct-managed properties within our Central London and Regional portfolios and the main commercial buildings at Windsor Great Park. It represents circa 38% of the total floor area of properties within these portfolios.

Carbon dioxide emissions (direct-managed portfolio)

In accordance with the GHG Protocol's Scope 2 Guidance we have reported both location-based and market-based Scope 2 emissions figures (and Scope 3, where applicable).

Carbon emissions: Scope 1, Scope 2 (location-based) and Scope 3 (tCO_2e)

Emission scopes		2017/18	2018/19	2019/20
Scope 1	Direct emissions from fleet and heating of buildings	5,663	6,678	**7,457⚠**
Scope 2	Emissions from generated electricity usage	14,542	11,738	**9,247⚠**
	Gross Scope 1 and 2 emissions	**20,205**	**18,416**	**16,704**
Scope 3	Emissions: business travel	188	178	**181**
	Emissions: evidenced customer-purchased energy	8,722	8,048	**8,232**
	Emissions: transmission and distribution losses (modelled)	2,163	1,677	**1,477**
	Total Scope 3	**11,073**	**9,903**	**9,890⚠**
	Gross Scope 1, 2 and 3	**31,278**	**28,319**	**26,594⚠**
Emissions intensity (indexed kg CO_2e/m^2) – baseline 2012/13 (100 indexed points)		**78**	**66**	**62⚠**

The data in the above table reflects emissions from our direct-managed properties within our Central London and Regional portfolios and the main commercial buildings at Windsor Great Park. It represents circa 38% of the total floor area of properties within these portfolios.

Location-based methodology: emissions from electricity usage are calculated in accordance with the spread of energy sources in the National Grid over the year (e.g. fossil fuels and renewables). As the grid has increasingly been decarbonised, so our associated emissions have decreased. Any decrease in our emissions has been due to a combination of energy saving measures and, increasingly, grid decarbonisation.

We are on track to achieve our target of a 40% reduction in carbon emission intensity (against floor space) from a 2012/13 baseline, by 2022/23.

This is indicated in the last line of the table above by the emissions intensity score of 62⚠ indexed points against a baseline of 100, reflecting year-on-year improvement of 6.1%⚠. Again the reduction has been due, mainly, to the decarbonisation of the grid.

Market-based methodology: the sources of energy purchased, (e.g. renewables) are taken into account in the calculation of actual emissions released into the atmosphere. Of our electricity purchased over the year, 88%⚠ was from renewable sources. This significantly reduces our actual emissions, see bar charts below.

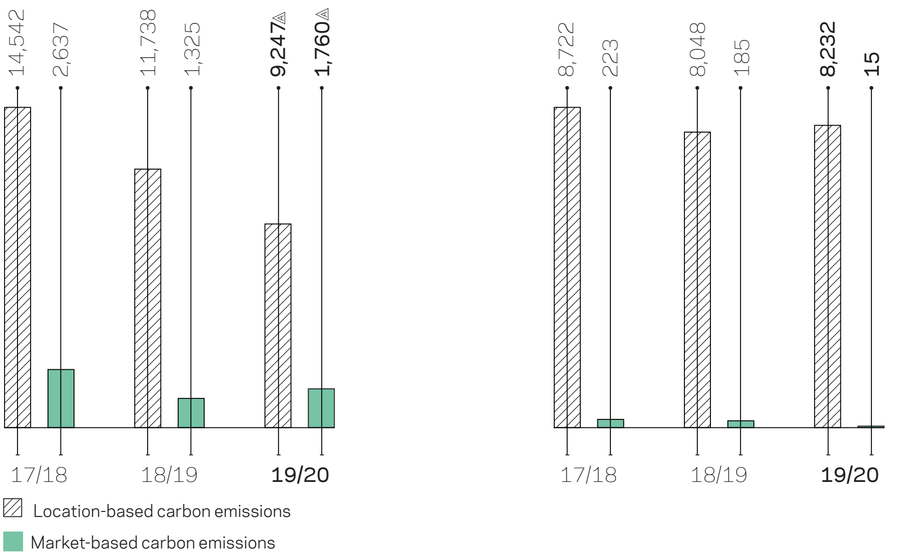
Our target is to procure 100% of our electricity from renewable sources by 2022/23. We already procure some gas from renewable sources but recognise that the renewable gas market is not yet as mature as that of renewable electricity.

For a more detailed breakdown of our emissions, see the Annex in our PAC report online at: thecrownestate.co.uk/sustainability-PAC-2020.

Emissions using the market-based methodology compared to the location-based methodology (tCO_2e)

Scope 2

Scope 3 (customer-purchased energy only)



⚠ Independent limited assurance (see inside front cover)

Financial review

Kate Bowyer
Chief Financial Officer

> "While the outlook for the current financial year is hard to predict, we are confident we face these challenges from a position of underlying balance sheet strength."

£345.0m
net revenue profit
(2018/19: £343.5m)

£14.1bn
net assets
(2018/19: £14.3bn)

While the COVID-19 pandemic only materialised towards the end of the 2019/20 financial year, it had an almost immediate financial effect. In my review I reflect on its impact on our business and our markets, along with our financial performance and position. The diversity and quality of our portfolio will see us through the immediate challenges caused by COVID-19, underpinning our long-term viability and providing a strong base from which to respond.

In last year's review I highlighted the key themes of challenging retail operational markets, new service offers in the office market and additional uncertainty arising from the UK's exit from the European Union. While much of this uncertainty continued throughout the year, the period since mid-March has been dominated by COVID-19 and its impact.

Our net revenue profit for the year was £345.0 million, a growth of 0.4% year-on-year. This result is after deducting £12.9 million, reflecting the impact of a bad debt expense relating to income that is due to be recognised in the 2020/21 financial year. As a result of the disruption caused by the pandemic and as required by accounting standards, we have recorded this expense in 2019/20 rather than 2020/21 when the related income arises. Without this accounting adjustment, we would have achieved a net revenue profit in the current year of £357.9 million and our average growth over a three year period would have been 4.2%.

IMPACT

Gross Value Added (GVA)

£415.4m

Conventional measure of an organisation's economic contribution (profits, taxes and wages paid).
(2018/19: £409.4m)

For more information see:
thecrownestate.co.uk/total-contribution

Presentation of financial information

Our portfolio includes investments managed directly by The Crown Estate, including assets where strategic partners share an interest through a lease arrangement; those which are managed through separate joint venture entities; and those where we hold a minority interest. This report has been presented on a proportionally consolidated basis. This reflects The Crown Estate's proportionate interest of the underlying assets and liabilities, the basis on which we view the business, as it reflects our underlying economic interest better than the legal nature of the investment. The proportionally consolidated results are considered 'alternative performance measures', as they are not defined under IFRS. A reconciliation between the reported results and these alternative performance measures can be found on pages 120-121.

Income statements

Our consolidated statement of comprehensive income is presented in two constituent parts: the revenue account and the capital account. The revenue we generate from managing the portfolio of assets net of associated costs and specified transfers to the capital account (statutory transfers and by Treasury agreement) constitutes our revenue account. All of the net profit generated in our revenue account ('net revenue profit') is due to be paid to the Treasury annually for the benefit of the nation's finances.

Our capital account primarily comprises net revaluation movements, gains or losses on the disposal of assets and recoveries from the revenue income statement. The main volatility in the capital income statement arises from net revaluation movements and gains on the disposal of investments, which are explained in note 11 on page 104. A more detailed explanation of the revenue and capital accounts can be found in note 1.

Taxation position of The Crown Estate

As all our net revenue profit is due to be paid to the Treasury, The Crown Estate is not subject to corporation tax or capital gains tax. The Crown Estate is subject to SDLT and VAT and aims to be transparent in its dealings with HMRC. The Crown Estate does not enter into any form of tax mitigation which could credibly be seen to be an unethical practice.

The ongoing repercussions of COVID-19 in the current year and beyond could be profound, as reflected in the material uncertainty clause included within all our year end valuations. The risk and opportunity created by the pandemic, including the societal changes it could bring about and the continuing uncertainty around the UK's exit from the EU, are considered throughout the report on managing risk and uncertainty on pages 44-51.

The current economic and market disruption has led us to take the precaution, with the agreement of the Treasury, of implementing a staged process for the payment of the whole of our net revenue profit. As we cannot draw on our capital account to cover operating expenses, this step has been taken to ensure that we have sufficient revenue reserves given the current reduction in rental receipts. Following a careful review of the viability and going concern position, of the £345.0 million net revenue profit, a first payment of £87.0 million was made to the Treasury on 21 July 2020, with further payments to follow as trading conditions develop. Our resilient capital structure, established to operate in perpetuity and with no debt, gives us confidence that we can continue to invest for the long term.

In challenging market conditions, CVAs and administrations continued to be a feature of the market during the year, particularly within our retail portfolio. We recognise the challenges that some of our customers are facing, and introduced more flexibility on space and terms to meet changing requirements. We respond to each CVA on a case-by-case basis, taking reasonable steps to protect our income and capital assets. In spite of this, at 31 March 2020 our void rates remained low at 4.4% (2018/19: 5.0%) of estimated rental value and at 30 June 2020 this number had increased to 5.1%.

Reflecting market conditions and the interruption of COVID-19, we recorded a net revaluation deficit of £297.1 million (2018/19: surplus of £205.6 million). The challenging operational markets already faced by our retail customers have been accelerated by COVID-19, resulting in a revaluation deficit of £552.5 million, or 17.0% in our Regional portfolio, which is partially offset by a valuation surplus in EMI and the sale of properties above book value. After net investment, our aggregate property valuation was £13.4 billion (2018/19: £13.5 billion) bringing our net assets to £14.1 billion (2018/19: £14.3 billion).

While the outlook for the current financial year is hard to predict, we expect our net revenue profit and property valuations to face downward pressure. However, we are confident that as we face the short and medium term challenges, we are doing so from a position of underlying balance sheet strength which will position us for sustainable long-term growth to the benefit of all our stakeholders.

Financial resources

Consolidated revenue account

	2019/20 £m	2018/19 £m	Change £m	%
Revenue (excluding service charge income)	**519.4**	488.5	30.9	6.3
Direct costs (including net service charge expense)	**(99.0)**	(75.0)	(24.0)	32.0
Gross profit	**420.4**	413.5	6.9	1.7
Gross profit margin	***80.9%***	*84.6%*		*(3.7)*
Administrative expenses	**(34.6)**	(30.7)	(3.9)	12.7
Operating profit	**385.8**	382.8	3.0	0.8
Net investment revenue and other income	**2.6**	1.1	1.5	136.4
Treasury agreements and statutory transfers	**(43.4)**	(40.4)	(3.0)	7.4
Net revenue account profit	**345.0**	343.5	1.5	0.4

Our gross profit (net revenue profit before administrative expenses, net investment income, treasury agreements and statutory transfers) increased 1.7% to £420.4 million as the 6.3% (£30.9 million) income growth was largely offset by COVID-19 related provisions.

Administrative expenses have increased primarily as a result of investment in our people and IT systems, to enhance our operational capabilities and broaden the range of skills within our business to strengthen our resilience in the long term.

Our net revenue profit has increased by 0.4% compared to last year as revenue growth has been offset by COVID-19 related bad debt expenses. On a three-year rolling basis this amounted to 2.9%, falling short of our target of 4%, however before additional COVID-19 related provisions our three-year net revenue profit growth would have been 4.2%.

The bridge chart opposite sets out the principal components of the change in gross profit.

Offshore wind revenue grew by £13.5 million (32.9%) reflecting an increase in operational capacity during the year, the effect of a full year's income from wind farms that became operational last year and wind speeds returning to normal levels after a tranquil 2018/19.

Acquisitions in our Central London portfolio produced income of £5.8 million. Development activity generated a further net £2.1 million as new central London HQs and a full year contribution from our regional retail and central London residential developments increased revenue, partly offset by lower income from properties approaching redevelopment.

Our like-for-like income increased by £7.2 million as a result of new leases, the benefit of back-dated rent reviews and increased mineral dredging income. This was partly offset by lower occupancy in our retail properties.

In general, customers pay us rent in advance, usually on a quarterly basis. At 67%, we experienced much lower collection rates than usual for the invoices raised in advance during March 2020, compared to a 99% collection rate for March 2019 invoices. Following a detailed review of recoverability, we have recorded additional bad debt related expenses of £19.4 million. Of this, £6.5 million relates to income that had been recorded before 31 March 2020, and the remaining £12.9 million relates to income that is due to be recognised in the current financial year. This acceleration of the bad debt expense arises as IFRS 9 requires that we assess for impairment all invoiced amounts due before 31 March regardless of the service period.

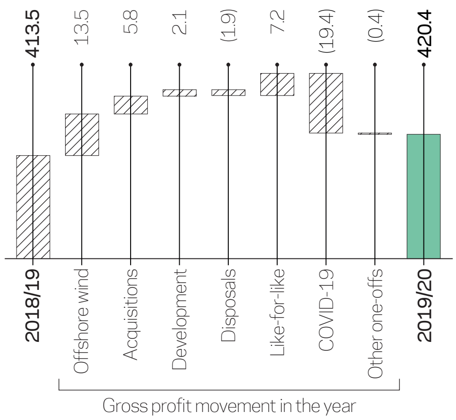
One-off items, which net to a loss of £0.4 million, arose principally from customer compensation payments for the partial closure of parts of Rushden Lakes following storm damage, largely offset by the favourable resolution of a court case.

Gross margin is 3.7% lower as a result of the additional COVID-19 bad debt expense.

Gross profit bridge

£420.4m

+1.7% (2018/19: £413.5m)



Balance sheet

	2019/20 £m	2018/19 £m	Change £m	%
Total property at valuation	**13,371.6**	13,536.1	(164.5)	(1.2)
Cash	**1,058.6**	826.7	231.9	28.1
Other net assets and liabilities	**(365.4)**	(33.9)	(331.5)	997.9
Net assets	**14,064.8**	14,328.9	(264.1)	(1.8)

Net assets have decreased by 1.8% to £14,064.8 million, driven mainly by a net capital deficit of £297.1 million discussed below.

The principal components of our balance sheet are investment properties and cash which are considered in more detail below. Other net assets and liabilities mainly comprise the Consolidated Fund payable and deferred income in respect of rents received in advance, partly offset by trade and other receivables, including unamortised lease incentives granted. Other net assets and liabilities increased by £331.5 million following the deferral of the net revenue profit payment to the Treasury's Consolidated Fund, partly offset by lower tax liabilities arising from the timing effect of capital transactions and lower rent collections.

Investment properties

Properties at valuation £m	2019/20	2018/19
Investment properties	**12,390.3**	12,429.4
Investment properties in joint ventures	**781.5**	930.7
Owner occupied properties	**131.8**	96.7
Other property investments	**68.0**	79.3
Total property at valuation	**13,371.6**	13,536.1

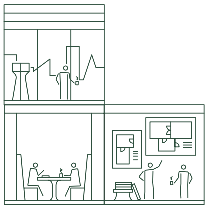
The table above shows the fair value of all properties as shown in the balance sheet, following an open market valuation of the entire portfolio as at 31 March 2020. The total value of properties decreased 1.2% to £13,371.6 million. An outline of the principal valuation methodologies and assumptions is given in note 18 to the financial statements.

Following guidance issued by RICS, all our valuations at 31 March 2020 have seen the inclusion of a material uncertainty clause as a result of COVID-19. The clause serves as a precaution and is intended to highlight that, due to the current extraordinary circumstances, less certainty can be attached to the reported valuation than would otherwise be the case and there are a greater potential range of values.

Like-for-like capital values have reduced by £297.1 million as analysed by portfolio on page 41.

We continued to invest in our portfolios, making four acquisitions in central London, and creating further opportunities at Rushden Lakes at a total cost of £328.1 million. Capital investment of £136.4 million was focused on our properties in central London and at Fosse Park in Leicester.

Property sales (including long-lease extensions), capital receipts from offshore wind projects and sales of rural land together provided £330.4 million of capital for future investment in the business. The majority of property sales took place at prices above book value, generating a capital gain of £184.0 million.



£7.2m

like-for-like revenue growth (excluding offshore wind).

£2,353.8m

funds managed on behalf of our strategic joint venture and joint operating partners.

1.7%

year-on-year gross profit growth.

32.9%

year-on-year growth in offshore wind revenue.

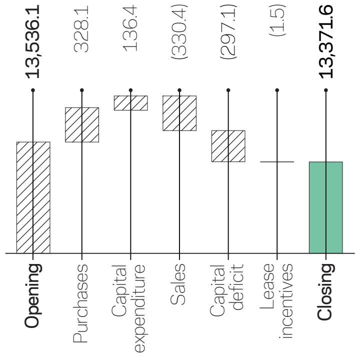
0.4%

year-on-year net revenue profit growth.

Investment property valuation bridge

£13,371.6m

-1.2% (2018/19: £13,536.1m)



Valuation movement by portfolio

	Value		Revaluation surplus/(deficit)	
	2019/20 £m	2018/19 £m	2019/20 £m	%
Central London	8,392.0	8,156.1	(63.2)	(0.8)
Regional	2,695.4	3,244.7	(552.5)	(17.0)
Energy, Minerals & Infrastructure	1,963.3	1,814.2	143.3	7.9
Windsor Estate	320.9	321.1	(8.7)	(2.7)
Total investment property	13,371.6	13,536.1	(481.1)	(3.6)
Profit on disposal			184.0	
Capital deficit			(297.1)	(2.2)

The valuation movement by portfolio table above illustrates the changes in capital value.

The central London portfolio increased in value to £8,392.0 million as a result of acquisitions with like-for-like values broadly unchanged in aggregate. Our office rental values have remained stable with a continued shortage of prime stock, and new developments often heavily pre-let. Our void rate remains low at 4.7%, down from 5.5% as at March 2019, but we expect this to come under pressure in the coming months as difficulties in the occupational markets are accelerated by COVID-19. Estimated rental values (ERV) for retail properties have softened as operational challenges in that sector extended to premium locations.

Our Regional portfolio decreased in value to £2,695.4 million reflecting the challenging occupational markets for our retail customers resulting in increased levels of administrations and CVAs, even before the emergence of COVID-19. The 17.0% decrease in the valuation arises from an increase in equivalent yields on our retail and leisure assets as a result of market conditions, while the impact of COVID-19 has been to further extend yields and reduce short-term income expectations. Despite these challenges, our void rate has remained low at 3.5% of ERV, although we expect void rates to increase in the short term.

The value of our Energy, Minerals & Infrastructure (EMI) portfolio increased 7.9% to £1,963.3 million. This growth is primarily within offshore wind, specifically as new leases are signed, as wind farms start generating power and through achievement of development milestones towards power generation. Our policy is to attribute a value to wind farms once we have granted a developer exclusivity, therefore despite its launch in September 2019, Offshore Wind Leasing Round 4 (read more on page 9) has not attracted a valuation. We expect offshore wind to be a significant driver of capital and revenue growth over the next decade.

Strategic partners

We now manage £2,353.8 million (2018/19: £2,429.1 million) of funds on behalf of our strategic joint venture and joint operating partners. The decrease reflects revaluation movements in the underlying assets as described above. Our partners have invested an additional £35.3 million across our portfolio, reflecting the developments at Fosse Park, St James's Market phase two, and Regent Street.

PERFORMANCE

Financial review
continued

Cash flow

	2019/20 £m	2018/19 £m
Net cash inflow from operating activities	375.3	415.4
Net cash outflow from investing activities	(136.3)	(161.4)
Payment to Consolidated Fund less parliamentary supply finance	(11.2)	(337.1)
Other items	4.1	5.8
Net cash inflow/(outflow)	231.9	(77.3)
Opening cash	826.7	904.0
Closing cash	1,058.6	826.7

Our cash balance increased from £826.7 million to £1,058.6 million in the year. Operating activities generated £375.3 million, lower than the prior year as a result of the reduced cash collection at the March 2020 rent quarter date. The net investment in our portfolios described above contributed to an overall net cash outflow from investing activities of £136.3 million.

As The Crown Estate is required to account separately for amounts accruing to our capital and revenue beneficiaries, with the agreement of Treasury, we implemented a structured process for the deferred payment of the whole of our net revenue profit to the Treasury.

The Crown Estate Pension Scheme

The pension arrangements are described in detail in the Remuneration Committee report on page 79 and note 8 to the financial statements. The Crown Estate Pension scheme comprises three sections, of which two (the Opal and Quartz Core sections) are accounted for as defined benefit schemes. Certain of our employees also contribute to the Principal Civil Service Pension Scheme, a multi-employer scheme. Participation rates across all our pension schemes are high with 441 of our 454 people actively contributing to one of our pension schemes.

The pension scheme trustees, in conjunction with representatives from the business and external advisers, took the decision to reallocate a portion of the defined benefit pension assets from government bonds, cash and equities to liability driven investments, diversified growth funds and other alternative investments. These investment decisions have protected the net pension scheme assets reasonably well from the recent external market volatility.

The trustees continue to work closely with advisers and representatives from the business to protect the scheme's assets.

COVID-19

As disclosed on page 18, the impact of COVID-19 has manifested itself in every part of our business and has increased many of the risks that we face. We expect revenue profit for the current financial year to reflect the headwinds that our customers are facing: collection rates in June 2020 were lower than in March and unfortunately we anticipate a number of businesses will not survive, affecting our occupational markets and level of irrecoverable costs.

Portions of our Central London and Regional portfolios are valued on a regular quarterly cycle. In the quarter to June 2020, the material uncertainty clause remained in place and the trends we experienced at the end of the 2019/20 financial year continued. COVID-19 has accelerated the effect of structural changes in the retail sector and materially impacted trade and profitability. Accordingly valuations across our key retail asset classes fell across both our commercial portfolios by 6% to 11% in the quarter to 30 June 2020, with the impact being most acute on the Regional portfolio. We see the theme of negative value movements continuing to impact retail in both portfolios looking forward. Conversely, valuations of our central London offices and non-retail Regional assets were more resilient, remaining flat in the first quarter of 2020/21. While future asset values remain uncertain, in the current climate there is more risk on the downside than potential upside in the short term, especially for our retail assets, as signalled above.

While the Central London residential, Regional agricultural, EMI and Windsor portfolios were not revalued at 30 June 2020, we anticipate that the value of these assets will also come under pressure as the full economic effects of the pandemic unfold.

The UK's withdrawal from the EU

As a business, we operate solely within the UK and we therefore have no export exposure and only a limited reliance on overseas suppliers. However, we are acutely aware of the short-term impact that the UK's withdrawal from the EU could have on our customers, many of whom are international operators and investors, and the overall health of the economy, especially when combined with the disruption caused by COVID-19. We completed a thorough analysis of the impacts arising from the UK's decision to leave the EU, which included a review of our legal, staff and commercial positions. The results of this assessment have been considered by the Risk Group and our Board in determining our principal risks. These risks, together with the actions to mitigate them, are disclosed in the managing risk and uncertainty report on pages 44-51. The economic uncertainty around the future valuation of our investment properties is also considered here.

Going concern and viability statement assessments

The Board's assessments of going concern and viability were carried out in the context of the Crown Estate Act 1961 (the 'Act'), which both constitutes The Crown Estate and places certain restrictions on the business as outlined on page 56. The Board has made the reasonable assumption that the Act will continue in place indefinitely.

Set against this, the Board focused closely on the demands on our revenue and capital cash reserves over the chosen periods. The Crown Estate is prohibited from borrowing and is founded on trust principles, which in practice requires capital and revenue accounts to be separately maintained. To ensure the resilience of revenue cash reserves which are required to settle operating costs, we have, with the agreement of the Treasury, implemented a structured payment process for our 2019/20 net revenue profit. This deferral mechanism is available to us until September 2023 to ensure revenue cash flow resilience in adverse market conditions and the Board expects that a longer term arrangement for net revenue profit payment will be agreed in the interim.

The Board's process for assessment for both going concern and viability included consideration of: our principal risks (which are detailed on pages 44-51); our risk appetite; our strategy; the strength of our balance sheet; the breadth of our customer base; the range of sectors in which we operate and; our financial forecasts for the relevant periods. The Board was supported by the Audit Committee's review of underlying information which included input from our Risk Group.

The going concern assessment was completed for a period of 21 months from 31 March 2020. Further detail on the going concern testing assumptions is contained in note 1 to the financial statements.

A five year period was considered when assessing our viability after weighing up the corporate strategy timeframe, development life-cycles and our approach to capital forecasting. The viability statement testing used the same stringent assumptions as the going concern assessment for the first 21 months followed by scenarios that reflect an economic recovery, albeit with downward pressure on rents and lower occupancy levels.

Stress testing was performed on our resilience to the impact of the principal risks that the Board considered most directly affected the viability assessment. In particular, the risks relating to adverse economic climate, delivery of our investment objectives and delivery of our major developments have been tested.

In both cases, this testing involved flexing a number of assumptions in the revenue and capital requirement forecasts to a significant degree through the development of severe but plausible scenarios, including the anticipated impact of COVID-19.

Factoring in the structured mechanism to allow for the deferral of our net revenue profit payments, under all realistic scenarios The Crown Estate is able to continue to satisfy all revenue account obligations over both the going concern and viability periods.

The latest assessment of capital requirements includes contracted and planned spend on major developments, as well as assumptions arising from our corporate strategy. It provides a cautious approach as it does not assume any additional sources of cash through uncontracted capital sales. The model shows The Crown Estate has sufficient capital cash to settle all obligations as they fall due, during the relevant periods.

Going concern

The Board confirms it has a reasonable expectation that The Crown Estate has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements.

Viability statement

In accordance with the 2018 UK Corporate Governance Code, the Board confirms that it has a reasonable expectation that The Crown Estate will continue in operation and meet its liabilities as they fall due, over the five years to 31 March 2025.

Restatement

In the year to 31 March 2019, our business was organised into five operating divisions, plus central costs. On 1 April 2019, our Rural portfolio merged with our Regional portfolio and our Coastal portfolio merged with our EMI portfolio. Following this reorganisation, our business is now organised into four operating divisions, plus central costs. The segmental disclosures in note 4 have been restated to reflect this change.

Supplier payments

We aim to pay our suppliers within 30 days of receipt of a correctly documented invoice, or on completion of a service where a fee is recoverable from a third party, or in a shorter period according to contract. Over the past financial year, we paid 71% of suppliers within the target period (2018/19: 71%). This includes disputed invoices and amounts recoverable from third parties. On average, suppliers are paid within 37 days (2018/19: 36 days) of receipt of an invoice. During the year there has been a focus on improving procurement compliance and process for directly managed suppliers. We are now rolling out these improvements for indirectly managed suppliers. Throughout the COVID-19 situation we have maintained business as usual with regard to supplier payments. We observe the principles of the Better Payment Practice Code.

Charitable donations

Under the terms of the Crown Estate Act 1961, we are restricted in our ability to make charitable donations. As permitted by section 4(2) of the Act, we made donations during the year of £10,000 (2018/19: £5,300).

Kate Bowyer
Chief Financial Officer

Managing risk and uncertainty

The purpose of risk management at The Crown Estate is not about refusing to accept risk, but about using the skills of our people and the strength of our resources and technology to ensure that we continue to make sound, long-term commercial decisions even in unfavourable circumstances.

Our risk management cycle

Within its schedule, the Board maintains a regular cycle of review of both the risk management and internal control systems and makes an assessment of the emerging and principal risks themselves. Risk and control activities are also subject to review by the Audit Committee as set out in its report on pages 74-76.

In 2019/20 these activities were also supported by a cycle of reviews and workshops examining and updating our risks from team-level through to the Board. This work forms part of a wider update of our understanding of risk; leading to a richer and more comprehensive picture, linked at multiple levels to our strategy development and execution.

Our goal has been to create a risk process and culture that promotes operational and strategic resilience and embeds risk management in the activities of the individual business units.

In 2019/20 and following the year end, the regular planned meetings have been supplemented by additional meetings at management, executive and Board level to ensure that the new risks and uncertainties generated by the COVID-19 pandemic are identified and addressed.

Risk management framework

The Crown Estate operates a structure whereby risk is assessed and managed by an operational level Risk Group. This group reports to the senior executive team, which reviews corporate risks, and to the Audit Committee, which reviews the effectiveness of risk management processes. The Board is the final owner of corporate risk and sets The Crown Estate's risk appetite.

In 2019/20 this structure has been supplemented with additional risk working groups, which conduct more detailed reviews at management level, and with special meetings of the Risk Group, where additional attendees have been invited to address particular risk topics.

The Crown Estate has also employed an experienced Interim Head of Risk and Control to lead and co-ordinate risk management activity.

Several committees have been established in response to the COVID-19 pandemic, and have also taken a role in risk management; addressing both the risks of immediate action in response to the pandemic and the risks relating to the period of greater uncertainty following the pandemic's immediate impact.

Risk management agility

A fundamental principle of our approach to risk management is the creation of resilience within the organisation. We know that we cannot anticipate all risks, but we balance this through the creation of agile structures and the promotion of a resilient mindset. This will always be a work in progress, because, by its nature, what constitutes a resilient organisation is always evolving.

We responded to the emerging COVID-19 pandemic with the activation of our incident response plan (read more on page 18). Activating the plan in the early stages of the pandemic ensured that we were able to test IT resilience, rehearse a universal homeworking strategy and anticipate likely Government policy measures in advance of those measures being put in place.

As the situation has evolved, the plan has been adapted as needed to accommodate Government guidelines and to mitigate the operational and strategic risks arising from Government guidance.

As we move into the next phase of the Government's pandemic management, work has continued to support the identification and management of new risks arising from COVID-19, both for the business and the wider world.

"The effects of the COVID-19 pandemic and the Government's response to it have profoundly affected the level and nature of the risks and uncertainties that we face."

Kate Bowyer
Chief Financial Officer

Risk appetite

Since 2016 the Board has used a risk appetite model as a means of assessing the activities of the business in terms of compliance with the appetite it has set.

COVID-19 has caused significant external systemic impacts, which have resulted in increased in risk levels. However, The Crown Estate is a robust organisation and is capable of operating effectively even when external risk levels are higher than normal.

The Crown Estate has set risk appetite targets below our actual capacity for bearing risk. While the current adverse environment has brought increased risk, we believe that we continue to operate within our capacity. We have responded to the increased risk with the mitigating actions summarised in the last column opposite.

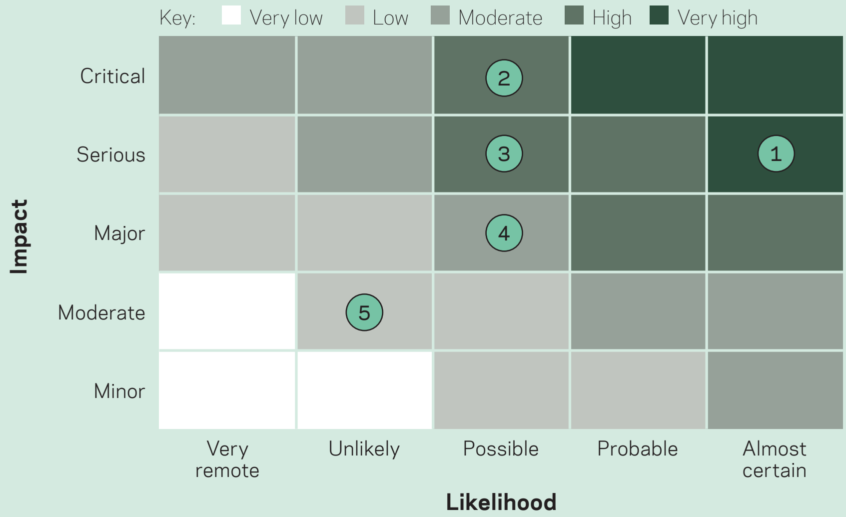
Without compromising our purpose and strategy we have identified activities to mitigate and manage the risk of our current environment, and these are set out with our risk appetite themes in the table opposite.

Risk appetite, themes and mitigation

Risk appetite theme	Stated appetite	Mitigating actions
Asset	Moderate	– Purpose, strategy and operating model work – Intensive activity working with our customers to help them manage the effects of the pandemic
Economy and market	Moderate	– Capital and balance sheet management – Increased focus on cost control – Operating model work around the shape of our business
Reputation	Low	– Relationship management work with customers – Close and continuous contact with Government stakeholders
People	Low to Moderate	– Greater monitoring and support for staff mental and physical health – Increased activity around wider aspects of staff wellbeing – Building flexibility into individual and team working patterns – Prioritising workloads
Support and systems	Low	– Adaptation of working practices to allow for rapid systems development to support immediate homeworking and a longer-term dynamic working environment
Legal, regulatory and constitutional	Low	– Maintaining visibility of the developing policy environment and keeping close working relationships with our key stakeholders, including local and national Government

Our principal risks

The principal risks we face in managing The Crown Estate are set out below and in the table overleaf. The COVID-19 pandemic has had a profound effect on all of our risks, increasing risk in virtually all areas, both in terms of the potential likelihood of occurrence and the potential seriousness of impact.



1. Performance and capital growth
2. Systemic change
   Management of change
   Government policy
   Management of financial resources
3. Information security
   Offshore wind
   Major incident
4. People
   Strategic relationships
   Development strategy and implementation
   Health and safety
   Social and environmental impact
   Climate change
   Digital and technology
5. Supply chain

Note: the heat map highlights net risk, after taking account of our principal mitigations.

PERFORMANCE

Risk management
continued

Our KPIs Read more on pages 12-13

1 Net revenue profit
2 Total return
3 Employee survey 'Brilliant place to work' score
4 Customer satisfaction score
5 Carbon emissions
6 Health and Safety overall Incident Severity Score

Risk	Principal mitigations
1 **Performance and capital growth** 1 2 Risk that overall performance of The Crown Estate fails to meet its income target or significantly underperforms its benchmarks due to market or broader economic change.	Board oversight and approval of future strategy for investment, with formal review of implementation and performance monitoring. Increasingly sophisticated financial modelling and forecasting along with regular economic and market analysis. Investment Committee in place, with responsibility for scrutiny over proposed investment decisions (and subject to clear delegated authorities). Wide-ranging strategy review and strategic realignment. Exploration of joint venture investments and oversight of existing joint ventures through Joint Ventures Oversight Group.
2 **Systemic change** 1 2 3 4 5 6 Risk that systemic change in our markets or in our wider business, social or political environment fundamentally affects our financial position, our reputation and/or our relationship with key stakeholders e.g. pandemic, the UK's exit from the EU, etc.	Incident management processes and structure. Risk and Operational Resilience teams. Strategic planning processes. Operational model review processes. Project management office and programme management team.
3 **Management of change** 1 2 3 Risk that The Crown Estate is unable, because of failures in strategy, governance or operations, to respond adequately to the changes that are shaping our markets and our business environment with the result that The Crown Estate suffers adverse effects on its finances, reputation and/or ability to deliver on its mandate.	Strategic planning processes. Operational model review processes. Project management office and programme management team.
4 **Government policy** 4 6 Constitutional changes or changes in Government policy for The Crown Estate, or in key policy areas affecting The Crown Estate's strategy, result in new legislation, regulation or ways of working which adversely impact or prevent the implementation of existing strategy.	Regular liaison with the Treasury. Ongoing review of upcoming legislative/policy changes on our business. Strong working relationships with stakeholders across Government.
5 **Management of financial resources** 1 2 Risk that weak management of financial resources, such as poor cash management, failing to anticipate counterparty failure or ineffective recycling of capital, causes financial loss or missed opportunities, impeding the achievement of The Crown Estate's objectives.	The Investment Committee governs significant capital spend and sales and monitors five-year capital forecast including capital spend and receipts. Maintenance of capital reserves. Strategic planning processes. Ongoing dialogue with the Treasury regarding net revenue profit payment. Treasury policy governs management of deposits.

	Level of impact and uncertainty driven by COVID-19	Material issues
	The pandemic and the governmental responses to it have had a significant impact on all of our real estate activities and also bring potential longer-term effects for our EMI activities, particularly in terms of the potential demand for offshore wind power.	– Systemic shifts – Technology – The property market – The political, legal and constitutional framework of the UK – London and the UK – Climate change – Energy systems – Work and lifestyle
	The COVID-19 pandemic is an extreme example of how this risk might manifest itself. The impact of the UK's exit from the EU is another.	– Systemic shifts
	COVID-19 will accelerate change but also provides an opportunity for The Crown Estate to move faster as adaptation to external change increases agility within the business.	– Systemic shifts – Technology – The property market – The political, legal and constitutional framework of the UK – London and the UK – Climate change – Energy systems – Work and lifestyle
	Change is both more likely, and more likely to be significant, as the Government adapts to a greatly changed environment and reassesses its priorities.	– Systemic shifts – The political, legal and constitutional framework of the UK
	The timing and immediate impact of the pandemic on receivables created a significant disruption to cash flow. Additionally, there are working capital restrictions and capital recycling constraints caused by COVID-19 disruption.	– Systemic shifts – The property market

PERFORMANCE

Risk management
continued

Our KPIs Read more on pages 12-13

1 Net revenue profit
2 Total return
3 Employee survey 'Brilliant place to work' score
4 Customer satisfaction score
5 Carbon emissions
6 Health and Safety overall Incident Severity Score

Risk	Principal mitigations
6 **Information security** 1 2 3 4 Failure to properly protect or process information leads to an incident, which results in damage to our reputation, loss of confidence with customers/partners/stakeholders, significant financial penalties and exposure to regulatory fines.	Information Security Group is in place with responsibility for liaising with appropriate authorities. The corporate IT infrastructure and systems are protected by a comprehensive Information Security Management System accredited under ISO 27001, including firewall threat and detection monitoring systems. Risk-based GDPR compliance processes in place. Mandatory e-learning and regular user testing.
7 **Offshore wind** 1 2 4 5 Risk that The Crown Estate doesn't deliver the offshore wind programme to the satisfaction of its customers and stakeholders.	Listening to customers and stakeholders, whilst working with the grain of Government. Ongoing monitoring to ensure statutory compliance. Evolution of the tender design cognisant of the integrity of the tender process and market risk allocation.
8 **Major incident** 1 2 3 4 6 A major incident or series of events affecting The Crown Estate could lead to a significant financial loss, business interruption and/or reputational damage.	Crisis Management Framework accredited under ISO 27001 in place with clearly defined escalation processes and roles and responsibilities. Regular testing of crisis management and business continuity arrangements, including managing agent business crisis preparedness and business continuity reviews. Regular liaison with appropriate agencies. Insurance arrangements are in place and cover catastrophic events. Firewall threat and detection monitoring systems are in place.
9 **People** 2 3 4 Risk that The Crown Estate cannot manage and develop its people leading to failure to reach its potential as an organisation by failing to build an effective operational culture, robust and diverse capabilities and organisational maturity.	Extensive additional processes in place to support people during disruption. Purpose and operating model review processes. Clear, Board approved, people strategy. Remuneration Committee oversight and appointment of advisory reward consultants. Remuneration benchmarking and industry comparison. Strong recruitment processes together with active succession and talent development arrangements.
10 **Strategic relationships** 1 2 4 Significant loss or reputation damage from failure to understand and manage strategic relationships – customers, joint venture partners, outsourced service providers and Government – both in normal circumstances and in times of crisis. This risk also includes the risk of failing to monitor and manage suppliers effectively and of failing to build supply resilience.	Regular partner and stakeholder engagement. Best-in-class commercial reporting to our joint venture partners. Robust joint venture governance processes to support compliance and performance. Joint Ventures Oversight Group provides formal reports to Investment Committee and Audit Committee.
11 **Development strategy and implementation** 1 2 3 4 5 6 Development activity is inherently risky, creating financial and reputational exposure from the strategic capital choices required (e.g. product and location), significant capital deployment in a market where customer expectations are evolving, vulnerability to adverse planning decisions, the risk of contractor failure and the prospect of having to absorb cost/time overruns.	Development and project management governance framework. Regular development monitoring through project control groups for our major developments. Third party due diligence and continuous monitoring of developer financial health. Robust evaluation and appraisal of major development business cases. Board and Investment Committee review and approval of major developments (subject to clear delegations). Detailed reporting of development pipeline progress to Board and Investment Committee. Pre-execution controls for development spend.

	Level of impact and uncertainty driven by COVID-19	Material issues
	While the changes precipitated by the pandemic have brought new threats, many arising from the need for The Crown Estate's London-based team to work from home, resources have been reallocated to focus on addressing these threats.	– Systemic shifts – Technology – The role of business in society
	Risk has increased through the effects of COVID-19 on the operational bandwidth of the bidder pool and the economic effects of the pandemic. This is currently compounded by the effects of the substantial fall in oil prices.	– Systemic shifts – The political, legal and constitutional framework of the UK – Climate change – Energy systems – Environment
	The disruption of COVID-19 affects the likelihood of other incidents and also affects our ability to respond. Significant disruption to a core IT system is potentially more likely in these circumstances.	– Technology – Climate change
	COVID-19 increases operational people risks but also presents an opportunity to accelerate desired cultural and organisational change.	– Systemic shifts – The role of business in society – Work and lifestyle
	Treatment and management of customers and other counterparties, managing relationships with joint venture partners and maintaining good relationships with Government are all particularly important in a rapidly changing environment.	– Systemic shifts – The property market – The political, legal and constitutional framework of the UK – Energy systems
	While there are considerable short-term effects on ongoing and planned development activity, the dramatic changes in the shape of the market may generate new opportunities in the longer term.	– Systemic shifts – Technology – The property market – The political, legal and constitutional framework of the UK – London and the UK – Work and lifestyle

PERFORMANCE
Risk management
continued

Our KPIs Read more on pages 12-13

1 Net revenue profit
2 Total return
3 Employee survey 'Brilliant place to work' score
4 Customer satisfaction score
5 Carbon emissions
6 Health and Safety overall Incident Severity Score

Risk	Principal mitigations
12 Health and safety 4 6 Risk to the health and safety of our people, customers, supply chain or anyone interacting with our operations or assets either through a failure to provide sufficient ongoing support, or through a significant health and safety incident on Crown Estate premises or in relation to its portfolio, adversely impacts our reputation, causes financial loss and/or results in criminal liability.	Development and roll-out of management systems accredited to OHSAS 18001. Comprehensive regular reporting in the 2019/20 financial year to the Executive Committee and Board. Health and safety training, programme of compliance reviews, Incident Reporting Hotline, and promotion of health and safety culture.
13 Social and environmental impact 1 2 3 4 5 Failure to align the business with a clear and consistent approach to social and environmental impact results in a breakdown of trust in key parts of our value chain, undermines our licence to operate, and leaves us at risk from a regulatory perspective. Addressing our social and environmental responsibilities also includes behaving fairly to our customers, counterparties and other stakeholders in times of disruption and market stress.	Integrated approach to sustainability underpinned by senior executive oversight. Developments/refurbishments built to a high sustainability standard (e.g. BREEAM) to meet or exceed Energy Performance Certificate standards with a clear framework provided under our Development Sustainability Principles. Offshore wind programme with defined objectives. Community investment team established to develop a refreshed approach to how we understand and engage communities and how we create value for those communities beyond the financial return we create. Ongoing work to align with TCFD guidance.
14 Climate change 4 5 Failure to deal adequately with the physical effects of climate change, to manage transition risks such as net zero legislation or to meet expectations we have raised in relation to good practice, result in damage to The Crown Estate's portfolio or reputation.	Modelling has been performed of the physical exposure of our real estate portfolio to climate-related risks (Central London and Regional). Transitional risks to be reviewed in line with TCFD. Exercise to map our approach to achieving net zero carbon is underway.
15 Digital and technology 1 2 4 Risk that The Crown Estate does not meet its technological needs and the digital expectations of its customers, through failure to act with a clear purpose and an understanding of those needs and an integrated approach to cultural elements.	Corporate Strategy programme. Digital and data group. Customer insight and analysis. Lessons learned from pilot initiatives.
16 Supply chain 1 2 4 Risk that The Crown Estate does not manage its supply chain and procurement activities, particularly where these are managed through outsourced functions, in a way that meets stakeholder expectations and ensures adequate control, transparency, reliability and value for money.	Corporate procurement framework. Relaunch of guidelines together with reinforcement and ongoing communication across the business. Proactive focus on procurement compliance. Permanent resource supporting the business focus on driving procurement compliance and visibility of procurement to the senior executive team. Finance and Operations Committee and Audit Committee oversight.

Level of impact and uncertainty driven by COVID-19	Material issues
The lower activity level, both on customer premises and in development activity brings lower risk, however, there are additional risks from homeworking and the increased stress of the lockdown period.	– Systemic shifts
In the short term many of our stakeholders are focusing on survival issues so judgements may be suspended on some of the less immediate measures of responsible business. However, great attention is likely to be paid to how we treat our counterparties and in the longer term the idea of responsible business may become more important.	– Systemic shifts – The political, legal and constitutional framework of the UK – The role of business in society – Climate change – Environment
Short-term impact is likely to be limited but the issue of climate change is likely to be of increased importance in the medium to long term.	– The political, legal and constitutional framework of the UK – The role of business in society – Climate change – Energy systems – Environment
The pandemic has accelerated many digital trends, reinforcing the importance of our strategic need to meet the digital expectations of our customers.	– Technology – The property market – Work and lifestyle
Elements of the supply chain may be progressively more vulnerable to failure as the commercial effects of COVID-19 persist.	– Systemic shifts – The role of business in society

Governance
Governance excellence; enabling strategic delivery and resilience

A strong and adaptable corporate governance structure enables The Crown Estate to be nimble and flexible in the way we do business – an approach that has been of particular importance, as we respond to the significant disruption caused by COVID-19.

Providing stable leadership

Robin Budenberg
Chairman

> "In times such as these we have cause to examine what makes The Crown Estate a resilient business, delivering on a settlement that has been providing funds to Parliament for 260 years."

Twelve months ago I wrote of challenges to come and of the Board's firm view that the direction The Crown Estate was taking was the right one. That direction is to work ever more closely with our customers, to understand their needs and to deliver the products and services that will best enable them to thrive. This applies for the full spectrum of our customers, from offshore wind operators, through to leading retailers and visitors to Windsor Great Park.

I referenced challenges from digital disruption and societal shifts that have indeed been a strong influence in the last 12 months. However, as I write my introduction to the Governance section of this year's Annual Report, it is the ongoing impact of the COVID-19 pandemic that fills our collective thoughts.

Resilience

In times such as these we have cause to examine what makes The Crown Estate a resilient business, delivering on a settlement that has been providing funds to Parliament for 260 years. As a Board we have been engaging heavily on resilience this year. We have focused on the resilience of our people, of our places and of our customer and stakeholder relationships.

As you will see within the Governance section, the Board has committed far more of its time to engaging with our people this year, while also delving ever deeper into The Crown Estate's unique and evolving culture. We have analysed staff feedback, taken part in dedicated events and welcomed an ever broader group of people into Board meetings. We see this as essential to allowing us to set a direction that promotes and deploys The Crown Estate's diversity. By doing that we can deliver solutions for the business in an environment of complexity and change. At the same time, inclusion and the wellbeing of our people has been an ongoing theme, one that has been sharply in focus as we have supported our senior executive team in its COVID-19 response over the last few months.

GOVERNANCE
Chairman's introduction
continued

As regards our places, our strategy continues to develop and we have had the pleasure of seeing our strategy in action through ever greater transparency at Board level. We have also spent significant time examining how The Crown Estate's activities can create value that is financial, but also societal and environmental. Some of those activities are of national significance, such as the Board's engagement on the development of new offshore wind leasing through Round 4; but in every case there is a community or location that we must serve and benefit.

For our broader community, the Board continues to seek out the views of our customers and to understand the partnerships that bring so much knowledge and enthusiasm into our teams. Our focus is not just on our constitutional stakeholders (see page 56), but very much our wider stakeholder groups, which you can see summarised on page 62. Our resilience draws strongly on those stakeholder relationships and we are grateful for their support, partnership and appetite for ongoing collaboration. This has never been more important than it is now as we navigate the ongoing uncertainty created by COVID-19 and rebuild our future together. We must also be a good and true partner to those we work with and that means underpinning a commitment to integrity with progressive, transparent and enabling corporate governance.

Succession

Our ability to continue to attract the best talent to work at The Crown Estate is another key element of our resilience. I took time last year to thank our outgoing Chief Executive, Dame Alison Nimmo for her contribution and those words continue to ring true today.

We are proud to have attracted Dan Labbad as our new Chief Executive. Dan brings a wealth of international experience and considerable skill and expertise to our business, but more importantly brings a huge sense of purpose and strong but humble leadership. In connection with Dan's arrival, the Board set itself a formal objective to support transition and integration (read more about this on page 73) and we are very pleased to see that Dan's arrival has created tangible excitement and energy within our business.

Over the last 12 months we have seen further succession in our Board Members, with the arrival of Karen Jones CBE and the retirement of Gareth Baird and (after a brief period as a Board Counsellor) Ian Marcus.

Ian and Gareth have both made a tremendous contribution to The Crown Estate, providing a combined 19 years of service to our organisation. Ian has provided us with exceptional insights into the commercial property market and brought a steady hand as our Senior Independent Board Member. Gareth's deep knowledge and passion for our rural assets and support to us through Scottish devolution have been invaluable. We wish both Ian and Gareth all the best for the future.

In Karen, we gain both a highly skilled Board Member and a consistent customer voice in our Board meetings, something that we consider to be essential to our future success. We are very pleased to have Karen with us and are already benefiting from her wisdom, energy and perspective.

On 28 July 2020 we announced that Juliet Davenport OBE will be joining our Board as an Independent Non-Executive Board Member on 1 September 2020. We very much look forward to welcoming Juliet, who brings a wealth of experience in the renewables sector.

To our future

Our resilience is far from static and our ability to innovate and realign will be the mark of our future success. Existing trends are accelerating and we must anticipate the structural changes that will follow. We are also witnessing the emergence of new social norms and behavioural shifts that are arising from the COVID-19 pandemic. Our belief is that trading well, focusing on broad value creation and anticipating the needs of our customers will remain core to future performance. Indeed, these themes are coming through strongly as we undertake a deep examination of our purpose and future strategy. That work is well underway and I have every confidence that we have the right mix of skills, experience and expertise to bring all of this to fruition.

In this Annual Report and the Governance section within it, we wish to demonstrate our promise to presenting The Crown Estate as it is. In so doing, we are able to note our achievements, but more importantly we can be transparent on our future challenges and highlight the staff, customer and stakeholder relationships that will enable us to overcome those challenges and ensure our ongoing success.

Robin Budenberg
Chairman

Guide to the Governance section

The Crown Estate's principal governance compliance requirements can be broadly split between: the Crown Estate Act 1961; the framework agreement between The Crown Estate and the Treasury; and voluntary application of the 2018 UK Corporate Governance Code to our business (where consistent with the Crown Estate Act 1961).

The Crown Estate places good corporate governance at the heart of its approach and has voluntarily adopted the Financial Reporting Council's UK Corporate Governance Code as a benchmark for its corporate governance performance. We also use the UK Corporate Governance Code as a means to demonstrate good governance practice, providing transparency and clarity to our partners and stakeholders.

In last year's Annual Report, we set out the steps we had taken to align with, and report against, the 2018 UK Corporate Governance Code. This Governance section again adopts the themes of the 2018 UK Corporate Governance Code to aid clarity of reporting as illustrated in the table to the right.

Board Leadership and Company Purpose

Our Board has a clear purpose and leadership responsibility; read about how it sets strategic direction and provides independent and objective rigour to The Crown Estate's strategic thinking.

Read more on page 56

Division of Responsibilities

Discover how our Board has structured the corporate governance of The Crown Estate to ensure clear decision-making with appropriate checks and balances.

Read more on page 61

Composition, Succession and Evaluation

Find detail on how our Board is committed to continuous improvement and the highest possible standards, while our Nominations Committee seeks to ensure we properly identify and manage our talent pipeline.

Read more on page 70

Audit, Risk and Internal Control

See how our Audit Committee oversees the structures by which we manage risk and ensure proportionate controls.

Read more on page 74

Remuneration

Find a report on how our Remuneration Committee acts to ensure that the remuneration of our staff promotes the success of The Crown Estate and long-term decision-making.

Read more on page 77

Our constitution

The Crown Estate has a unique constitution, managing assets on behalf of the Crown, under a statutory mandate overseen by the Treasury.

The Crown Estate's constitution

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

The primary statutory duty of the Board is to maintain The Crown Estate as an estate in land and to maintain and enhance its value and the return obtained from it, but with due regard to the requirements of good management. The Crown Estate has the authority to perform all acts of the Crown's right of ownership, subject only to any restrictions in the Crown Estate Act 1961.

The key restrictions are:

- The Crown Estate may only invest in interests in land within the UK; and may also hold gilts and cash. Investment in equities or land outside of the UK is not permitted
- The Crown Estate must comply with written directions about the discharge of its functions under the Crown Estate Act 1961, if given to it by the Chancellor of the Exchequer or the Secretary of State for Scotland
- The Crown Estate cannot borrow.

The revenue profit of The Crown Estate is paid into the UK Consolidated Fund, where it is added to the funds arising from general taxation.

The Treasury

The Treasury is charged by the UK Parliament with oversight of The Crown Estate and acts as The Crown Estate's sponsoring department. That oversight encompasses those funds which are provided by Parliament (Resource Finance) to The Crown Estate under Paragraph 5 of The First Schedule to the Crown Estate Act 1961, as a contribution towards the cost of Board Members' salaries and the expenses of their office.

The arrangements for management as between the Treasury and The Crown Estate are recorded in a framework document, which can be found on The Crown Estate's website and was most recently updated in 2018: thecrownestate.co.uk/treasury-framework.

The Sovereign

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

Since the first settlement for Crown Lands in 1760, the Sovereign has had no role in managing The Crown Estate, having surrendered the assets to the management of Parliament. However, The Crown Estate manages on behalf of the Crown, and the Sovereign is an important stakeholder as regards good constitutional management and the standards maintained by The Crown Estate in the undertaking of its business. Indeed, as provided for in the Crown Estate Act 1961, this Annual Report is addressed to Her Majesty the Queen, as referenced on the contents page.

Our governance structure

The Crown Estate's governance structure seeks to align with our long-term strategic approach, taking a risk-weighted and proportionate approach to delegation and underpinned by a clear division of responsibilities and accountabilities.

Board Committees

Delivering focus and challenge to our remuneration, senior succession planning and recruitment; and examining and challenging our processes, risk management and assurance.

The Board

Setting strategy, answering our most significant corporate questions and ensuring The Crown Estate is run to the very highest standards.

Chairman

Senior Independent Board Member

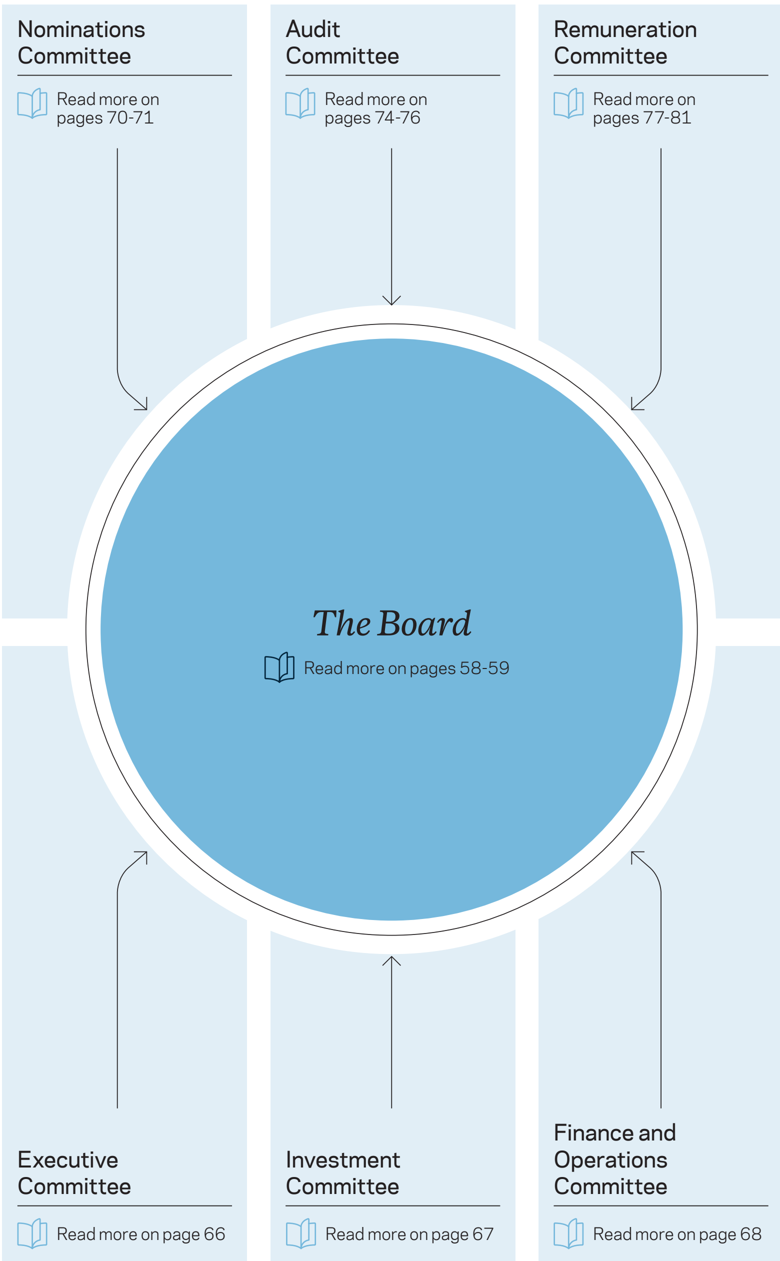
Independent Non-Executive Board Members

Executive Board Members

Non-Executive Board Counsellors*

Executive Committees

Implementing the strategy set by the Board, making decisions with fully integrated checks and balances, and driving our performance. Information provided is for our reporting structure for this year, but please see page 61 for detail of our governance structure going forward.



* Ian Marcus stood down as a Board Counsellor on 31 May 2020.

GOVERNANCE
Board Leadership and Company Purpose
continued

Our Board

Our Board brings a diversity of skill, experience and approach, which underpins our decision-making. Its purpose is founded on independence and diverse thinking, and leveraging that to set strategy and constructively challenge our business to perform to its best, for the long term.

Kate Bowyer (a)

Chief Financial Officer and Executive Board Member

Appointment: Kate was appointed to the Board on 1 January 2017 (having been appointed as Chief Financial Officer on 3 October 2016).

Tenure: 3.5 years

Key strengths: Real estate finance

Experience: Kate has led The Crown Estate's finance and business technology teams since October 2016. She joined from intu properties plc where she had been Director of Finance. She had previously managed intu's investor relations after joining in 2000 as Group Financial Controller. Kate qualified as a Chartered Accountant with Coopers & Lybrand (now PricewaterhouseCoopers) in 1995, working in their Canadian and corporate finance practices.

External appointments: Kate is a Trustee of Westminster Amalgamated Charities.

Robin Budenberg CBE (b)

Chairman, Independent Non-Executive Board Member and First Commissioner

Appointment: Robin took up the post of Chairman of The Crown Estate on 1 August 2016 and was reappointed on 1 August 2020.

Tenure: 4 years N R

Key strengths: Strategic overview / Leadership / Finance / Governance

Experience: Robin has advised companies on strategy and governance throughout his career and was responsible for oversight of these issues when managing the Government's investments in UK banks following the 2008 financial crisis. He is a qualified Chartered Accountant and holds a Bachelor of Law from the University of Exeter. He was awarded a CBE in 2015, for services to the taxpayer and the economy.

External appointments: Robin is currently London Chairman of Centerview Partners. He is also a Non-Executive Director of Big Society Trust and Senior Independent Director at Charity Bank Limited. Robin is the former Chairman and Chief Executive of UK Financial Investments Ltd (UKFI).

James Darkins (c)

Independent Non-Executive Board Member

Appointment: James was appointed to the Board on 1 January 2016 and reappointed on 1 January 2020.

Tenure: 4.5 years A R

Key strengths: Strategic leadership / Real estate investment management / Joint ventures

Experience: James has an extensive track record in the global real estate investment management industry. From 2001 he led the expansion of Henderson's real estate business in Europe and Asia Pacific. He retired as Chief Executive of TH Real Estate (now Nuveen Real Estate) in 2015. TH Real Estate was formed as a joint venture between Henderson and TIAA, becoming the world's fourth largest real estate investment manager.

External appointments: James is Chairman of the Trustees for the Walberswick Common Lands Charity.

Paula Hay-Plumb (d)

Independent Non-Executive Board Member

Appointment: Paula was appointed to the Board on 1 January 2015 and reappointed on 1 January 2019.

Tenure: 5.5 years A N

Key strengths: Finance / Governance and audit / Regeneration

Experience: Paula is a Chartered Accountant and an experienced director in both the public and private sectors. Her previous roles include Chief Executive of national regeneration agency English Partnerships, Chairman of the National Australia Bank Common Investment Fund and Non-Executive Director of Skipton Building Society and the National Audit Office.

External appointments: Paula currently acts as a Non-Executive Board Member of Hyde Housing Association, Aberforth Smaller Companies Trust plc, The Oxford University Hospitals NHS Foundation Trust and Michelmersh Brick Holdings plc. She is also a Trustee of Calthorpe Estates.

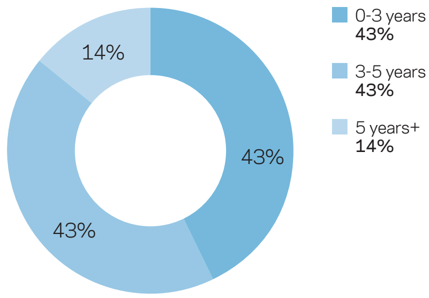
Board diversity*

Maintaining an appropriate balance, including a diverse range of skills, experience, knowledge and background on the Board is of paramount importance. We are constantly working toward ensuring that we can demonstrate that diversity across gender, social background and ethnicity.

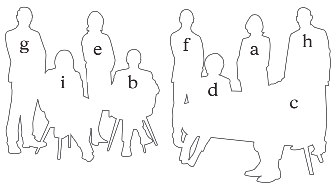
Sex

57%	43%
Female	Male

Tenure in role



* Diversity and tenure statistics are calculated by reference to Board Members only as at 1 August 2020.



Key
- A Audit Committee Chair
- A Audit Committee Member
- N Nominations Committee Chair
- N Nominations Committee Member
- R Remuneration Committee Chair
- R Remuneration Committee Member

Karen Jones CBE (e)

Independent Non-Executive Board Member and Senior Independent Board Member

Appointment: Karen was appointed to the Board on 1 January 2020 and as Senior Independent Board Member 9 June 2020.

Tenure: 0.5 years

Key strengths: Food, retail and leisure markets / Digital and online retail / Property and placemaking

Experience: Karen has wide-ranging experience in the food, retail and leisure markets, having built a number of businesses, including co-founding Café Rouge and The Pelican Group. She has held Non-Executive roles at ASOS plc, Virgin Active and Booker Group plc. Between 2008 and 2017, she was a Non-Executive Director for the global retail, real estate and investment company, COFRA Group, where she remains an advisor to subsidiary C&A on the family side.

External appointments: Karen is Executive Chairman of Prezzo (backed by TPG) and chairs Hawksmoor (backed by Graphite Capital), Mowgli (backed by Foresight Group) and Frontier (a JV with Ei Group/Stonegate Pubs). She is also an investor in various hospitality concepts including Corazon and Good Life Eatery. Karen is an Independent Director at Firmenich, Chair of the Board of National Theatre Enterprises Ltd, sits on the Imbiba Advisory Board and is a Patron of the NSPCC.

Dan Labbad (f)

Chief Executive, Accounting Officer, Executive Board Member and Second Commissioner

Appointment: Dan was appointed as Chief Executive on 9 December 2019 and to the Board on 1 January 2020.

Tenure: 0.5 years

Key strengths: Leadership / Property / Infrastructure / Sustainability / Change management

Experience: Dan was previously at Lendlease, where he was Chief Executive Officer of Europe from 2009.

He joined Lendlease in 1997 and during that time held a number of positions, including Group Chief Operating Officer and the dual roles of Chief Executive Officer, International Operations and Chief Executive Officer, Europe between 2014 and 2018 to oversee the disciplined expansion of Lendlease's Europe, Americas and Asia regions.

Dan actively champions sustainability, having previously served as a Director of the Green Building Council of Australia and as Chairman of the UK Green Building Council.

External appointments: Dan is currently a Director of The Hornery Institute and a Trustee of Ark Schools. He is also a Member of the Raspberry Pi Foundation.

Ian Marcus (h)

Board Counsellor

Appointment: Ian was appointed to the Board on 1 January 2012 (and as Senior Independent Board Member on 31 January 2015) and retired on 31 December 2019. He was appointed as Board Counsellor on 1 January 2020*.

Tenure: 9.5 years

Key strengths: Real estate investment banking

Experience: Ian was in the banking industry for over 32 years, joining Credit Suisse First Boston in 1999 to establish the Real Estate Group, and became Managing Director and Chairman of European Real Estate Investment Banking. He was previously President of the British Property Federation, Chairman of the Investment Property Forum and for ten years chaired the Bank of England Commercial Property Forum.

External appointments: Ian is a Trustee of the Prince's Foundation, a member of Redevco's Advisory Board, the Senior Independent Director for both Secure Income REIT and Shurgard Self Storage and a Non-Executive Director for Town Centre Securities Plc. He was appointed as a Senior Consultant to Eastdil Secured in 2013 and is a Senior Advisor to Work.Life, Elysian Residences and Anschutz Entertainment Group and on the European Advisory Board of Whartons Real Estate Faculty. He is President of the Cambridge University Land Society and a member of the University of Cambridge Department of Land Economy Advisory Group.

*Ian Marcus stood down as a Board Counsellor on 31 May 2020.

Prof. Peter Madden OBE (g)

Board Counsellor

Appointment: Peter was appointed as Board Counsellor on 1 January 2014 and reappointed on 1 January 2018.

Tenure: 6.5 years R

Key strengths: Sustainability and climate change / Strategic, scenario and future planning / Digital transformation

Experience: Peter is Professor of Practice in City Futures at Cardiff University, Chair of Building with Nature, and Founder Director of Ecovivid. Previously he was CEO of Future Cities Catapult, CEO of Forum for the Future, Head of Policy at the Environment Agency, and Director of Green Alliance. He was awarded an OBE in 2014 for services to environmental protection and sustainable development. Previous Board roles have included the Smart London Board, London Sustainability Exchange, South West Regional Development Agency and Groundwork UK.

External appointments: Peter is on the Board of Bristol Energy, a member of Trane Technology's Advisory Council, a member of Igloo Regeneration's Footprint Advisory Board and a Fellow of Cardiff University Data Innovation Research Institute.

Lynda Shillaw (i)

Independent Non-Executive Board Member

Appointment: Lynda was appointed to the Board on 1 January 2018.

Tenure: 2.5 years A

Key strengths: Real estate, retail and infrastructure / Finance

Experience: Lynda has broad experience from managing multi-faceted property estates across different regions of the UK, and different asset classes, including office, retail and farmland. She has a deep interest in sustainable placemaking, focusing on nurturing a sense of community in both urban and rural environments.

External appointments: Lynda was most recently Group Property Director at Town Centre Securities Plc where she was responsible for its investment and development portfolios in Leeds, Manchester, Scotland and London. She is a Non-Executive Director of VIVID; and Chair of the LandAid Charity's North-West Region.

Terms of appointment
Board Members of The Crown Estate are appointed as a Commissioner under Royal Warrant for a period of four years. A Board appointment may be renewed for one further period of four years, with a maximum term of service of eight years (together with a maximum period of two years as a Board Counsellor). The Crown Estate Act 1961 specifies that there may be no more than eight Commissioners, one of whom will be First Commissioner, and act as Chair of the Board. Board Counsellor appointments are not to the statutory position of Commissioner; and are therefore made under a contractual appointment, normally for a period of one or two years.

For more information see:
thecrownestate.co.uk/our-people

GOVERNANCE

Board Leadership and Company Purpose
continued

BOARD ROLES*

Chairman
The Chairman is responsible for chairing the Board and overseeing the official business of The Crown Estate; ensuring its effective operation; and keeping under review the general progress and long-term development of The Crown Estate.

Senior Independent Board Member
In addition to the role of Non-Executive Board Member, the Senior Independent Board Member role includes evaluating the performance of the Chairman, representing the Board in Board Member recruitment, acting as a check and balance to the Chairman, and acting as an intermediary for other Board Members.

Independent Non-Executive Board Members
The role of the Independent Non-Executive Board Members is to bring exemplary skills and experience to the Board. This ensures an adequate balance of skills is available to The Crown Estate in order to fulfil our strategic objectives in compliance with our constitution.

Executive Board Members
The Chief Executive and Chief Financial Officer are the Executive Board Members and they discharge the role of Board Member alongside their executive duties.

Non-Executive Board Counsellors
The role of the Non-Executive Board Counsellors is to assist the Board by supplementing the collective skills, expertise and knowledge of the Board Members, to inform Board decision-making.

General Counsel & Company Secretary
The General Counsel & Company Secretary acts as legal and compliance adviser to all Board Members, supports the Chairman in the implementation of Board evaluation and supports the Senior Independent Board Member in the Chairman's evaluation.

* All Board Member appointments are documented in a formal contractual appointment, which supplements the Royal Warrant awarded to Board Members by Her Majesty the Queen. The appointment includes the detailed duties of a Board Member and provides an indemnity for personal civil liability arising from the discharge of those duties, provided that the Board Member has acted honestly, reasonably and in good faith.

The independence of the Board
It is an essential part of our approach to governance that the Board is able to demonstrate a suitable level of independence. To support this, we review annually the independence of each of our Non-Executive Board Members against the criteria for independence as set out in Provision 10 of the 2018 UK Corporate Governance Code. With regard to Provision 7, our formal declarations of interest processes confirm that none of the Non-Executive Board Members has (to their knowledge) any conflict of interest which has not been disclosed to the Board, nor any connection through employment, business or personal relationships that might lead to an erosion of independence. A full list of declared interests can be found on The Crown Estate's website (see: thecrownestate.co.uk/declaration-of-interests).

Delegation
In last year's Annual Report we noted that our Board had recently refined or restated all of the financial and non-financial delegations at The Crown Estate. That work, undertaken in connection with our wider terms of reference review, set clear delegations for the business, formulated on a risk-weighted basis in support of our strategy and resilience. Key delegations are reported on the individual committee pages. Our delegations are regularly reviewed to ensure that they are current and continue to enable the delivery of our strategy.

How we keep the Board informed
Our Board and committee terms of reference make it clear that such time and resource as is required for the proper discharge of duties and delegated duties will be made available; including for training, independent advice and contributions from senior Crown Estate staff and subject matter experts. We also have an ongoing programme of Board visits across our assets, as described in more detail on page 65.

In addition, the Board regularly receives input from external thought leaders and commentators as part of the Board calendar. In 2019/20 this covered matters such as purpose, global proptech innovation, macroeconomics, political risk and sustainability.

Board activity and administration
The Board held seven scheduled meetings during the year, spread evenly across the calendar and also held an additional meeting at the Board's request. In addition, the Board undertook a special strategy session over two days in October, where the Board focused on progress made against the corporate strategy approved by the Board in October 2018 and also examined strategic risk and The Crown Estate's material issues.

Board meetings are scheduled for three hours, and are augmented by time spent 'in camera' for Board Members and also for Independent Non-Executive Board Members only (both with and without the Chairman).

Board and committee meetings are pre-scheduled on a rolling calendar year's notice and information relating to each individual meeting is (other than in exceptional circumstances) provided at least one week ahead of the meeting itself to allow proper consideration.

Administration of the Board is the responsibility of the General Counsel & Company Secretary, Rob Booth, who operates the key procedures and policies of the Board, maintains our corporate records and the terms of reference for our Board and committees.

As a result of the COVID-19 situation, our Board meetings have been held remotely since March 2020, as permitted by our governance and facilitated by the digital tools that are available to Board Members and attendees.

Attendance of the Board during the 2019/20 financial year

Board Member/ Counsellor	Board	Strategy session
Robin Budenberg	8/8	1/1
Alison Nimmo[1]	6/6	1/1
Dan Labbad[2]	2/2	0/0
Kate Bowyer	8/8	1/1
James Darkins	8/8	1/1
Paula Hay-Plumb	8/8	1/1
Lynda Shillaw	8/8	1/1
Karen Jones[2]	2/2	0/0
Ian Marcus[3]	8/8	1/1
Gareth Baird[4]	4/5	0/0
Peter Madden[5]	7/8	1/1

1 Retired from the Board on 31 December 2019.

2 Appointed to the Board on 1 January 2020.

3 Appointed as a Board Counsellor from 1 January 2020, having retired from the Board on 31 December 2019 and stood down as a Board Counsellor on 31 May 2020.

4 Retired as a Board Counsellor on 30 September 2019.

5 Board Counsellor.

Our senior executive team

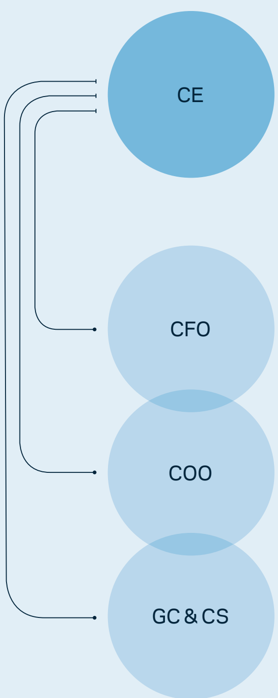
Over the last few years we have sought consistently to streamline our approach to strategic delivery within The Crown Estate. That has seen us move from a series of integrated strategies to developing a single and uniting strategy for the future of our business. In support of this we took a series of steps to refine our governance and structure for and around our senior executive team.

This has involved:
- the iteration of financial and non-financial delegations for our senior executives and their respective teams
- the development of a dedicated strategy team, reporting to our Chief Executive
- the reforming of our structure around valuation and performance measurement
- the implementation of a series of strategic initiatives to enable our future offering
- continuing to learn from what we do in pursuit of delivering for our customers.

This work set a strong foundation for the next stage of work in this area as we reframe the business for the future. At the senior executive level, the departure of our Chief Investment Officer in January 2020 led to a review of our executive level governance and, with the support of the Chief Executive and the wider Executive Committee, in July 2020 we approved the creation of a single executive committee, to be known as CELTCo. As an interim step, CELTCo will leverage the delegations and controls in the three historical executive committees detailed on pages 66-68. The CELTCo will both simplify our approach and also draw on a broader diversity of thought in our decision-making through an expanded leadership team. We will report fully on the implementation of CELTCo and our revised executive governance in the 2020/21 Annual Report and Accounts.

For the purposes of this set of accounts we have reported our executive committee composition and activities in the previous structure, which was in place throughout the 2019/20 financial year.

PEOPLE



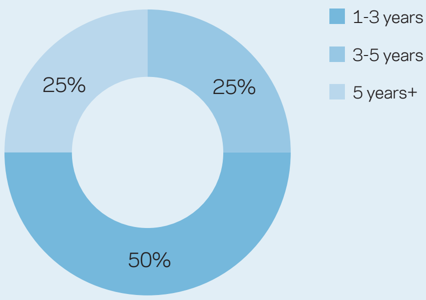
EXECUTIVE COMMITTEE DIVERSITY*

As our senior management team, the diversity of our Executive Committee (including our General Counsel & Company Secretary) sets a tone from the top for our commitment to diversity throughout The Crown Estate:

Sex

50%	50%
Female	Male

Tenure in role



*Diversity statistics are calculated as at 1 August 2020.

Dan Labbad
Chief Executive (CE)

Roles and responsibilities: Dan is the Chief Executive of The Crown Estate and is accountable to the Board for the delivery of the corporate strategy. Dan also chaired each of our executive committees during the 2019/20 financial year and will act as chair of CELTCo going forward.

Read more about Dan on page 59

Kate Bowyer
Chief Financial Officer (CFO)

Roles and responsibilities: As Chief Financial Officer, Kate is responsible for leading the finance and business technology teams at The Crown Estate. As a member of our senior executive team, Kate shares a collective responsibility for the delivery of the corporate strategy on behalf of the Board and sat as a member of each of our executive committees during the 2019/20 financial year.

Read more about Kate on page 58

Judith Everett
Chief Operating Officer (COO)

Roles and responsibilities: As Chief Operating Officer, Judith is a member of our senior executive team and leads The Crown Estate's activity on people, customer, brand, communication, engagement, responsible business and operational resilience. Judith shares a collective responsibility for the delivery of the corporate strategy on behalf of the Board and sat as a member of our Executive Committee and Finance and Operations Committee in the 2019/20 financial year. Judith has previously led on communication, sustainability and engagement activity across a range of countries and sectors, having worked with Shell, Scottish Enterprise, Columbia Threadneedle Investments and AstraZeneca. A graduate of both Aberdeen and Edinburgh universities where she read International Relations and Business, Judith is Deputy Chair of the CBI's London Council and Trustee of the UK Green Building Council.

Rob Booth
General Counsel & Company Secretary (GC & CS)

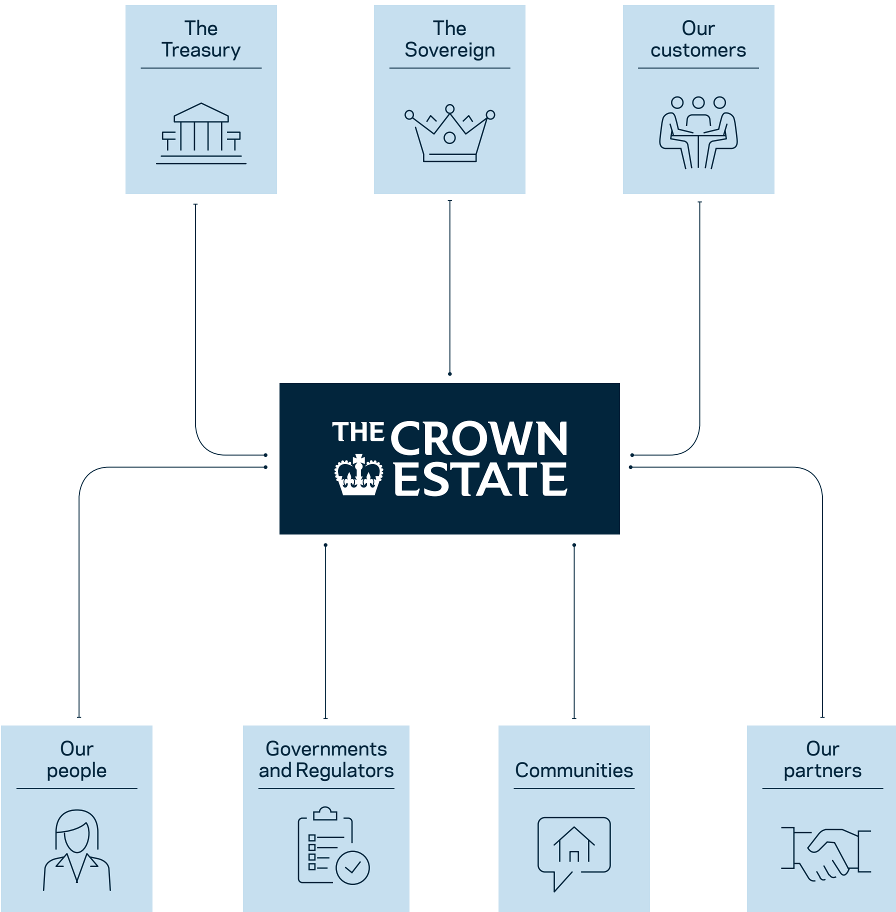
Roles and responsibilities: As General Counsel, Rob has responsibility for all of the legal affairs of The Crown Estate and, as Company Secretary, is responsible for delivering and continuously improving The Crown Estate's corporate governance. Rob is also the strategic lead on Knowledge Management, Privacy and Information Security. As a member of our senior executive team, Rob shares a collective responsibility for the delivery of the corporate strategy on behalf of the Board, but Rob did not sit as a member of any of our executive committees in the 2019/20 financial year. Rob is a qualified solicitor, who joined The Crown Estate in 2012 from City law firm Herbert Smith Freehills, where he specialised in commercial property and infrastructure projects.

Read more about Rob's role on page 60

OVERVIEW
PERFORMANCE
GOVERNANCE
FINANCIAL STATEMENTS

Our approach to engagement

An open and transparent relationship with our constitutional stakeholders and our wider stakeholders is an important part of our governance, building trust and excellence in our delivery.



The Treasury

The Crown Estate meets regularly with the Treasury to discuss the delivery of The Crown Estate's mandate and also engages with the Minister responsible for The Crown Estate.

The Sovereign

The Chief Executive and Chairman meet with Her Majesty the Queen once each year to report on the performance of The Crown Estate.

Our customers

We work with our customers every day, but also engage by convening industry events and providing independent routes for feedback and complaints.

Our people

We engage through many channels, providing a voice for our people that covers everything from all staff town-hall sessions to anonymous surveying, and a whistleblowing hotline.

Governments and Regulators

We foster open, transparent and collaborative relationships with statutory bodies, from the Marine Management Organisation to local authorities and central Government.

Communities

Our places serve a broad range of communities from local residents and businesses to The Wildlife Trusts, marine interest groups and heritage groups. We engage with those communities to understand the issues that matter to them and how we can shape our work to deliver better outcomes for everyone.

Our partners

Whether it be our strategic joint ventures or the partnerships that we form in our supply chain, we are committed to collaborating with our partners, learning from them and with them.

Engaging with *our people*

Throughout the year, the Board has sought to gain a deeper level of understanding of our people and our culture – in turn seeking to nurture an openness and two-way dialogue.

The Board receives and discusses people and culture updates twice a year, in addition to the results of the annual One Voice employee engagement survey. One Voice provides the Board with an unfiltered view from our people on what it's like to work at The Crown Estate.

In turn, we are committed to providing a level of insight into the Board's activities to our wider team, including those who might not ordinarily attend Board meetings.

Since the onset of COVID-19, the Board has been unconditionally supportive of, and integral to, the approach that our senior executive team has taken to ensure that our people put themselves and their wellbeing first. This has included the provision of homeworking risk assessments and the tools and support needed to carry out work effectively and safely. In addition, an online wellbeing hub with home-based physical and mental wellbeing classes and webinars has been made available.

This year, the Board engaged in the following additional ways:

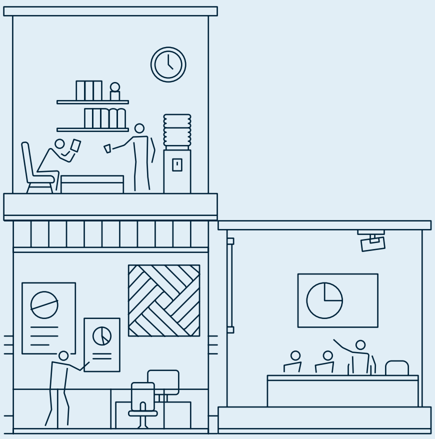
MAY 2019 *Windsor Great Park*	In May 2019, during its visit to Windsor Great Park, the Board took the opportunity to meet with our Windsor team on an informal basis over lunch.
JULY AND NOVEMBER 2019 *On-Board sessions*	In last year's Annual Report, we reported that the Board had committed to implementing 'On-Board', a series of direct engagement events with staff to ensure that all Board Members and Board Counsellors are afforded regular opportunities to meet staff and share experiences and insights. July 2019 saw our first On-Board session with a second delivered in November 2019. With attendance open to all, these sessions have been very popular and useful for all involved.
DECEMBER 2019 *Brilliant People Customer Service Awards*	In December 2019, our Board met with the winners of our Brilliant People Customer Service Awards for festive drinks. Our quarterly Brilliant People Customer Service Awards recognise our people and business partners who live by our five customer promises which set out what our customers can expect from us and our partners. These promises are: Simplicity, Proactivity, Innovation, Commitment and Excellence. This was an opportunity for the Board to meet with and thank people at the heart of our business and to recognise their outstanding contribution.

GOVERNANCE
Division of Responsibilities
continued

Our Board's year

Our Board activity calendar aligns with our strategic focus on our customers, our resilience and our performance as a responsible business.

Given the timing of the arrival of our new Chief Executive, our strategy work for the majority of the year built on the corporate strategy approved for implementation in October 2018. We are now in the process of a deep examination of our strategy and purpose, with the Board and management drawing on our diversity of thought to set the future direction of the business.



HOW THE BOARD SPENT ITS TIME

Strategy and innovation	– Undertook the Board strategy session – Undertook strategic risk sessions – Approved the priorities to be delivered against The Crown Estate's corporate strategy – Approved our strategic approach to the ongoing adoption of cloud-based technology solutions – Received updates on responsible business, including climate change and held a responsible business workshop – Received management updates on the impact of COVID-19.
Financial performance	– Reviewed regular performance updates, including financial and non-financial metrics – Reviewed regular market updates and sector economic analysis – Approved the financial targets and budgets for 2020/21 and the three-year projections – Undertook retrospective investment appraisals – Received financial updates on the impact of COVID-19.
Customers and assets	– Approved the delivery of the Offshore Wind Leasing Round 4 programme and the implementation of our strategic enabling actions programme – Approved the consolidation to a single managing agent for the Central London portfolio – Received updates on our development pipeline, including landmark schemes such as New Zealand House and the second phase of St. James's Market.
People, culture and values	– Reviewed staff engagement survey results – Received regular reports on people and future resourcing to deliver the corporate strategy – Received an update on our networks and staff groups – Received regular wellbeing, health and safety reports – Set Board objectives for the 2020 calendar year.
Risk management and internal control	– Considered and approved The Crown Estate's material issues – Reviewed regular reports on assurance from the Audit Committee – Examined the Board's stated risk appetite – Received reports on specific risk areas, such as information security.
Governance and stakeholder management	– Evaluated the Board's effectiveness and undertook the Chairman's appraisal – Approved our viability statement and our Annual Report for 2018/19 as fair, balanced and understandable – Received regular stakeholder engagement updates – Approved The Crown Estate's register of interests – Approved The Crown Estate's policy and statement on the Modern Slavery Act 2015 – Received presentations from, and held discussions with, external thought leaders.

Our approach to delivering long-term value

The Crown Estate was established to provide forever; a principle that sits at the core of how we shape our governance and our strategy.

The role of the Board

Our Board's role is defined within the Crown Estate Act 1961 and expanded through its detailed terms of reference. The terms of reference include the following principal duties:

- setting the purpose and strategic direction of The Crown Estate; ensuring delivery through approving the strategies and holding management to account
- supporting the culture and values of The Crown Estate
- setting the risk appetite of The Crown Estate and overseeing the proper delivery of risk management
- ensuring that The Crown Estate has effective policies in place, in particular for corporate governance, information security, privacy and health and safety
- approving exceptional transactions
- ensuring the delivery of a proper controls and assurance environment.

Generating long-term value

Sustainability has been a central principle of The Crown Estate's operation for some time and is drawn out specifically in the duties of the Board. The Board's terms of reference set a clear requirement that the Board ensures the delivery of The Crown Estate's statutory mandate in perpetuity. They also set out that the long-term view of management is pushed down into our business decision-making through the challenge provided by the Board and the content requirements in support of recommendations and Board paper preparation.

That approach to sustainable value creation is supported by the Board's strategic risk work. Every Board strategy session starts with strategic risk and opportunity, to frame the strategic discussion that follows.

The Board has worked with the business (including a workshop session in May 2019) to continue to develop our approach to responsible business and is also committed to supporting the TCFD (Task Force for Climate-related Financial Disclosures) initiative. Work is ongoing within the business to ensure that TCFD becomes an integrated part of our governance structures.

Alignment between our people, strategy and purpose

A focus on culture and our people is central to the Board's approach and this is embedded in the terms of reference for the Board and its Committees. Our people strategy is framed by our long-term strategic goals and our purpose, to ensure that we seek alignment and maximise the potential for long-term value creation within the business. See how our Board engaged with our workforce during the year on page 63.

Embracing the principles of section 172 of the Companies Act 2006

The Crown Estate Act 1961 requires that The Crown Estate operates with due regard to the requirements of good management. This requirement aligns well with section 172 of the Companies Act 2006, the provisions of which are expressly referenced in the appointment documents for Board Members. The broader perspective required by section 172 works as a constant reminder to be rigorous and progressive in our decision-making, particularly in times of disruption.

With the onset of COVID-19, we have added specific COVID-19 related items to our Board meeting agendas and held additional Board meetings to gain the Board's insight and experience in helping the business to manage the situation in a way that respects our people, our customers, our stakeholders and the environment.

Board visits in 2019/20

Our Board undertook two visits as a group this financial year, including its annual visit to Windsor Great Park in May 2019.

The second visit sought to give a broader view of The Crown Estate. The Board visited Cambridge Business Park in North Cambridge. Acquired by The Crown Estate in the early 1980s, the business park spans 325,000 sq ft and comprises 12 buildings in the heart of Cambridge's innovation ecosystem.

The Board walked the length of the site and had the pleasure of touring an operational technology lab. Organised by our Regional team, this was a great opportunity for the Board to interact directly with our customers and to experience the potential of the business park itself.

Board visits continue to be a key way for the Board to engage with our assets and our team and will continue, following the lifting of the current measures in place to deal with COVID-19.

The Executive Committee report

Overview

Meeting 11 times in the 2019/20 financial year, our Executive Committee managed the strategic direction of our business for our Board. It brought together all aspects of what we do and sought to embed customer value creation in our decision-making. The Executive Committee also analysed material issues and strategic risk and opportunities, to generate the draft corporate strategy, and ensured that business plans were aligned to our strategic objectives. It also reported on the delivery of the corporate strategy to the Board.

Membership and attendance 2019/20 financial year

Member	Attendance
Alison Nimmo[1] (Chair)	8/11
Kate Bowyer	11/11
Dan Labbad[2] (Chair)	3/11
Paul Clark[3]	9/11
Judith Everett	11/11

Activity

2019/20 was a strategically important year for the Executive Committee as we sought to build on our single cohesive strategy for the business, integrating customer value creation and improving our evidence-based decision-making. With the arrival of a new Chief Executive, the Executive Committee has also provided a forum to examine the future strategic development of The Crown Estate's approach to business and the governance that supports it, including the approval to implement CELTCo as described in more detail on page 61.

The Executive Committee considered all matters within its terms of reference, including:

- the corporate strategy of The Crown Estate
- the business plans and budgets for 2020/21 and our three-year time horizon
- strategic risk and material issues
- The Crown Estate's financial and non-financial performance
- information security, privacy and procurement
- health and safety and sustainability
- people, culture, customer, governance and major corporate projects.

The key duties of the Executive Committee[4]:

- to develop for onward transmission the corporate strategy for review and approval by the Board on an annual basis
- to receive and review reports from the business on financial and non-financial performance on a quarterly basis, to ensure that delivery of the corporate strategy is on target; and in turn report on that delivery to the Board
- to ensure the alignment of team business plans with the corporate strategy and any subsidiary strategies, providing final approval to business plans in the business planning cycle
- to receive and review reports from the Risk Group and to consider strategic risk and opportunities and material issues, reporting to the Board and Audit Committee
- to receive and review reports on health and safety and people on not less than a half-yearly basis to ensure oversight of key business issues.

Alignment with the 2018 UK Corporate Governance Code

The Executive Committee acted as a central pillar of our strategic decision-making and reporting, with much of the operational activity of The Crown Estate being discussed and regular onward reporting to the Board. The Executive Committee focused on the following activities to enhance its role in our corporate governance architecture:

- sourcing and presenting improved management information in support of our people strategy and culture work
- reviewing our ways of working, policies and supporting materials to ensure improved traction between our corporate governance and day-to-day operations
- overseeing the implementation of improved programme and project management methodologies within the business.

1 Membership ceased on 31 December 2019.
2 Membership commenced on 1 January 2020.
3 Membership ceased on 31 January 2020.
4 These duties will now be undertaken by CELTCo.

The Investment Committee report

Overview

Meeting 11 times in the 2019/20 financial year, our Investment Committee regulated the investment, development and asset management functions of The Crown Estate's commercial activity and in so doing supported the delivery of the corporate strategy.

Membership and attendance 2019/20 financial year

Member	Attendance
Alison Nimmo[1] (Chair)	9/11
Paul Clark[3]	9/11
Dan Labbad[2] (Chair)	2/11
Kate Bowyer	11/11

Activity

2019/20 saw a varied agenda for the Investment Committee with transactional activity across The Crown Estate's portfolios and a number of significant investment and development decisions. The Committee recommended to the Board the consolidation of our Central London managing agents from three to one and we continued to strengthen our reporting and retrospective analysis during the year, with regular management information being presented to the Investment Committee in support of decision-making.

The Investment Committee considered all matters within its terms of reference, including:

- approving major sales, purchases and developments
- reports on joint venture management and compliance
- financial and portfolio performance reporting
- updates on ongoing development activity
- reviews of strategic investment.

The key duties of the Investment Committee[4]:

- to decide on investments, joint ventures and capital expenditure within its delegated authority
- to consider investments, joint ventures and capital expenditure beyond its delegated authority for recommendation to the Board
- to receive and review reports on the status of developments, asset management initiatives and strategic joint ventures
- to identify and measure the key drivers to performance.

Alignment with the 2018 UK Corporate Governance Code

As part of our terms of reference review during the last financial year, a strategic overhaul of our financial and non-financial delegated authorities was undertaken. The resulting delegations delivered empowerment to the Investment Committee, and in turn seek to ensure that our significant transactional decisions are made in alignment with the risk appetite set by the Board. To strengthen this position, financial delegations are augmented by reference to legal, people, reputational and safety considerations.

1 Membership ceased on 31 December 2019.
2 Membership commenced on 1 January 2020.
3 Membership ceased on 31 January 2020.
4 These duties will now be undertaken by CELTCo.

OVERVIEW PERFORMANCE GOVERNANCE FINANCIAL STATEMENTS

The Finance and Operations Committee report

Overview

Meeting four times in the 2019/20 financial year, our Finance and Operations Committee performed the following principal functions:

- it ensured The Crown Estate was functionally supported through our operations and the management of our people and resources
- it ensured prudent financial conduct through delivery of our finance function and the provision of accurate financial reports.

Membership and attendance 2019/20 financial year

Alison Nimmo[1] (Chair) 2/4[2]	Judith Everett 4/4
Dan Labbad[3] (Chair) 1/4	Kate Bowyer 4/4

Activity

2019/20 saw the Finance and Operations Committee continue to broaden and deepen its work on efficiency, cost optimisation and consistency of delivery. In particular we have started to put in place further controls around spending to ensure that we embed improved rigour in our operations. The Finance and Operations Committee also considered the implementation of a number of new corporate systems, in support of our strategic roll-out of improved tools for the business.

The Finance and Operations Committee continued to adopt a collaborative approach with examples of best practice being shared between teams. During the year meetings were augmented by more regular central teams meetings, helping to monitor progress and set priorities.

The Finance and Operations Committee considered all matters within its terms of reference, including:

- reports on wellbeing, workplace and health and safety
- reports on people-related activity
- reports on procurement and spending efficiency
- financial and treasury reports
- reports on systems, security and business technology.

The key duties of the Finance and Operations Committee[4]:

- to review reports from across the operations functions
- to review key financial management information
- to monitor compliance in areas such as health and safety, procurement and budgets
- to consider IT projects with a capital spend of up to £5 million (other than customer-facing IT).

Alignment with the 2018 UK Corporate Governance Code

The work of the Finance and Operations Committee was important in ensuring that The Crown Estate is properly supported to deliver our purpose and strategy. Of particular note was the Finance and Operations Committee's role in overseeing a series of functions that provide leading and lagging indicators on culture and the initiatives that will deliver our people strategy. A combination of wellbeing reporting, health and safety performance and our human resources activity reporting across recruitment, absence, leavers and diversity, all play a fundamental part in our assessment and monitoring of The Crown Estate's culture. It also provided an assurance and validation layer as part of the escalation of culture-related information to the Board.

1 Membership ceased on 31 December 2019.

2 Nominated the General Counsel & Company Secretary as a delegate Chair for the April 2019 meeting.

3 Membership commenced on 1 January 2020.

4 These duties will now be undertaken by CELTCo.

The Accounting Officer's statement

The Accounting Officer

The Treasury has appointed The Crown Estate's Chief Executive (the 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 the framework document between The Crown Estate and the Treasury and in 'Managing Public Money'. With regard to this Annual Report, the Accounting Officer discharges a personal responsibility for the accuracy and completeness of the Annual Report itself, in alignment with determining that it is fair, balanced and understandable in accordance with the 2018 Corporate Governance Code.

The Accounting Officer responsibilities are delivered in compliance with the requirements of the Crown Estate Act 1961, and to that end the Chief Executive is supported in discharging his responsibilities as Accounting Officer by the Board of The Crown Estate. The Board is responsible for ensuring that The Crown Estate has in place a proper system of controls, financial and otherwise; and under section 2(5) of the Crown Estate Act 1961 is required to prepare a statement of accounts in the form and on the basis determined by the Treasury. The financial statements are prepared on an accruals basis and must give a true and fair view of The Crown Estate's revenue and capital position, the state of affairs at the financial year end and of income and expenditure and cash flows for the financial year in question.

In preparing The Crown Estate's accounts the Board is required to:

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

The Accounting Officer's statement

As Accounting Officer, it is my judgement that The Crown Estate is supported by an appropriate governance framework. I also confirm that this Annual Report accurately represents the operational activity and financial performance of The Crown Estate in the 2019/20 financial year and sets out the principal issues and opportunities facing the business and the processes in place to manage them. I believe that this Annual Report satisfies the 2018 Corporate Governance Code requirement to be fair, balanced and understandable and satisfies the level and form of reporting required by the Crown Estate Act 1961, our framework document with the Treasury and 'Managing Public Money'.

So far as I am aware, there is no relevant audit information of which the auditor is unaware. I have taken appropriate steps to make myself aware of that relevant information and have established that the auditor is aware of that information.

In making this Accounting Officer statement, I am assured by a statement of compliance made by Dame Alison Nimmo, in relation to her period as Accounting Officer (which ended on 12 December 2019).

As a matter of note, as incoming Accounting Officer for The Crown Estate, I have undertaken a review of the processes and assurances that The Crown Estate has in place to support Accounting Officer compliance and have reviewed a number of areas of our business activity. Nothing in that review leads me to qualify my Accounting Officer's statement, but there are a number of areas where important opportunities for improvement have been highlighted. As Accounting Officer, I will place additional focus on the following matters in the coming financial year:

- in alignment with strategy, improving our core processes and capabilities, within an enhanced operating model
- ensuring that our corporate requirements are fully reflected in how we procure and manage our supply chain
- developing the operation of our risk and other 'second line' functions
- strengthening our management of major projects and major change initiatives
- deepening the process for delivering and testing Accounting Officer assurances.

Dan Labbad
Chief Executive

2 September 2020

The Nominations Committee report

Membership and attendance 2019/20[1] financial year

Member	Attendance
Robin Budenberg (Chair)	2/2
Paula Hay-Plumb	2/2
Ian Marcus[2]	2/2

"It is incumbent on us to ensure that our thinking on skills, experience and succession is as long term as our strategy for the business."

Robin Budenberg
Chairman and Chair of the Nominations Committee

1 The Nominations Committee is supported by our Head of People, who also acts as secretary for Nominations Committee meetings.

2 Ian Marcus stepped down from the Committee on 31 December 2019 at the end of his second term as a Board Commissioner.

3 Please see page 54 which refers to our recent announcement of the appointment of Juliet Davenport OBE.

Overview

Meeting twice during the year, the Nominations Committee forms an integral part of our overall governance structure, ensuring the timely recruitment of the best candidates to satisfy our succession requirements, both at Board level and within our senior executive roles.

Activity

During the year the Nominations Committee considered all matters within its terms of reference, including:

- the membership of the Board and its Committees
- future Board recruitment and reappointments
- the leadership of the Executive Committee
- Board and senior executive succession planning.

In particular, the Committee considered:

- the reappointment of James Darkins as a Non-Executive Board Member
- transition arrangements for The Crown Estate's new Chief Executive
- the appointment of Karen Jones as a new Non-Executive Board Member
- the commencement of a search for a new Non-Executive Board Member with renewable energy sector experience[3]
- the appointment of James Darkins as Chair of the Remuneration Committee
- the transition of Ian Marcus to Board Counsellor at the end of his second term as a Non-Executive Board Member
- the recommended reappointment of Robin Budenberg as the Chairman and First Commissioner for a second term on the expiry of his first term on 31 July 2020 (a recommendation that was formalised by resolution of the Board)
- the ongoing process for the appointment of a Senior Independent Board Member which completed with the appointment of Karen Jones to that role on 9 June 2020.

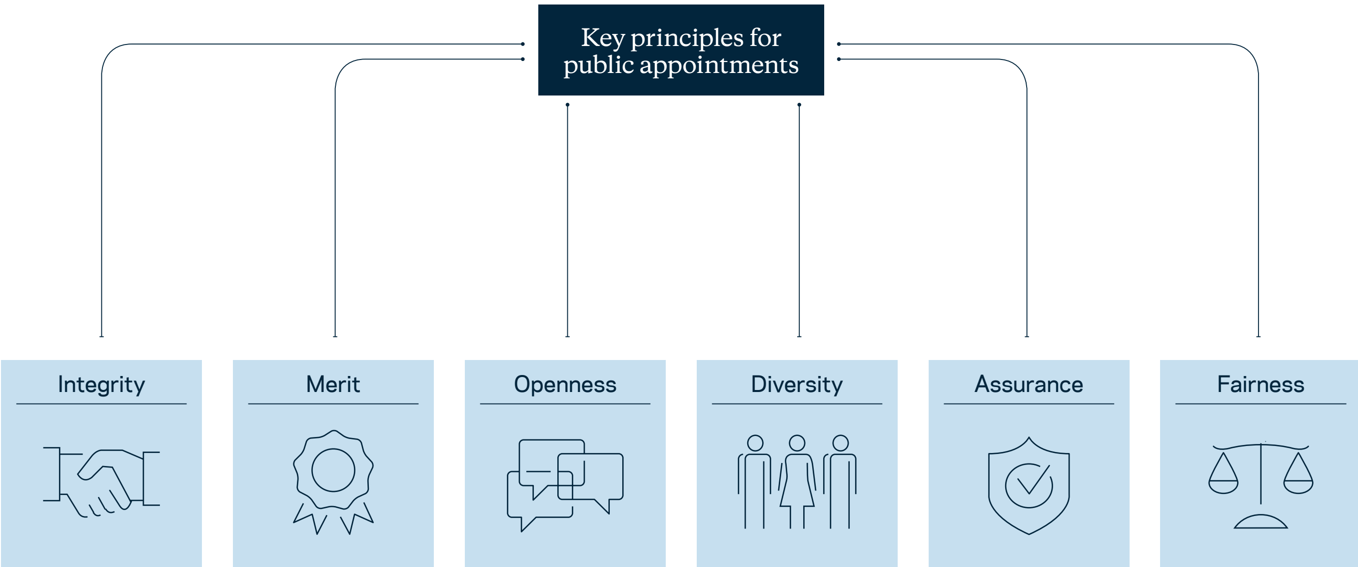
In addition, the Committee maintained focus on the skills and expertise mix of Board Members and the composition of Board Committees in the light of planned changes to the composition of the Board.

The key duties of the Nominations Committee are:

- to identify the skills, experience and diversity required for progressive Board succession
- to instigate the process of Board appointments and to oversee the selection process for Board Members and Board Counsellors
- to approve the appointment of the Senior Independent Board Member
- to support senior executive succession planning by examining the skills, experience and diversity required within the executive
- to oversee the recruitment process for the most senior executives at The Crown Estate.

Alignment with the 2018 UK Corporate Governance Code

As part of the terms of reference for the Board and its Committees, the role of our Nominations Committee ensures compliance and best practice. Particular focus is paid to ensuring that the Nominations Committee has a clear duty to implement inclusive processes for Board recruitment; and that there are clear and rigorous processes in place to ensure that Board effectiveness is maximised.



The foundation of our appointments

All of our appointments are supported by analysis based on the skills, experience and diversity of our existing Board combined with a strategic projection of future skills requirements. Following the recommendations of an independently facilitated evaluation of the Board in 2017, the Nominations Committee has continued to develop the skills matrix based approach to measure the combined and desired skills of the Board in the following key areas:

- leadership
- strategy development and delivery
- culture and people
- corporate governance
- finance and accounting
- risk management
- property, place and amenity
- customer insight and service
- innovation
- digital business and technology
- strategic partnerships.

Non-Executive Board appointments

An open and fair approach

In accordance with the Public Appointments Order in Council 2016, the appointment process for Independent Non-Executive Board Members follows the Government's Governance Code for Public Appointments (December 2016), which came into force on 1 January 2017, as administered by the Office of the Commissioner of Public Appointments. The Principles of Public Appointments, with which our processes comply, include:

- integrity
- merit
- openness
- diversity
- assurance
- fairness.

Our appointment processes and criteria for appointments are all developed to ensure that we act in compliance with these principles and the broader provisions of the Government's Governance Code for Public Appointments (December 2016). By way of example, all of our Independent Non-Executive Board Member appointments are advertised online and in at least one national newspaper (in 2019/20 – The Times and/or The Sunday Times), to ensure that our appointments are open to all.

A panel approach

All of our appointments are undertaken by a diverse panel, including representatives from the Treasury, The Crown Estate and an independent member. In the case of the Chairman, this also includes a representative of the Office of the Commissioner of Public Appointments. Recommendations for appointment are made by the Treasury to the Prime Minister and Her Majesty the Queen.

Executive Board appointments

Our Executive Board Member appointments (our Chief Executive and Chief Financial Officer are both Executive Board Members) are not strictly subject to the requirements of the Public Appointments Order in Council 2016. However, by agreement with the Treasury, The Crown Estate ensures that the spirit and principles of the Government's Governance Code for Public Appointments (December 2016) is followed for the appointment of Executive Board Members.

Use of executive search agents

The Crown Estate uses executive search agents to assist with the management and administration of our appointment processes. In the past year, we have used Heidrick & Struggles and Russell Reynolds Associates on separate assignments.

We can confirm that none of the executive search agencies used has any material connection with The Crown Estate or The Crown Estate's individual Board Members.

Board evaluation

Continually enhancing our Board approach

Following good progress made in the 2018/19 financial year, we continue to challenge ourselves to evolve our approach, seeking to ensure that the Board delivers its full potential for the benefit of the business.

Our Board evaluation process

During the year we have evaluated the performance of the Board and its Committees, together with the effectiveness of the Chairman and each individual Board Member and Board Counsellor. The process is administered by the Company Secretary, with the Chairman's appraisal process being led by the Senior Independent Board Member.

Evaluation scoring

★★★ Highly effective - 80%-100% ★★ Effective - 60%-80% ★ Not effective - less than 60%

	Board focus	Board composition
Evaluation scoring	★★★ **2019/20** ★★★ 2018/19 ★★ 2016/17	★★ **2019/20** ★★★ 2018/19 ★★ 2016/17
Findings	– 2018/19 objectives delivered satisfactorily. – Board wishes to get closer to purpose, strategy, culture, sustainability (including net zero) and TCFD.	– 2018/19 objectives delivered satisfactorily. – Board not fully satisfied with mix of skills, experience and diversity on the Board.
Actions/ Objectives	– Board to get closer to the development of the articulation of the purpose and the work in support of a new corporate strategy. – Board to play a more active role in guiding the culture of the business.	– New appointments to drive greater diversity onto the Board. – New appointments to ensure in particular an increase in the Board's skills and experience around energy and infrastructure. – Board to continue to supplement its thinking with external perspectives.
Progress made in 2019/20	– Board meetings reframed to align to focus areas and improved delivery of workshops. – Board engagement refreshed and new initiatives implemented.	– Diversity reconfirmed as a core requirement to future Board appointments. – Enhanced Board skills matrix fully embedded. – Diverse external speaker programme delivered.

Scoring mechanism
The effectiveness ratings for the Board are calculated from questionnaires filled out by all Board Members and Board Counsellors as part of the effectiveness review. These are combined with free text feedback to help highlight areas for future improvement. In 2017/18 no effectiveness ratings were calculated as the Board undertook an externally facilitated process.

Evaluation scoring

★★★ Highly effective - 80%-100% ★★ Effective - 60%-80% ★ Not effective - less than 60%

Collaboration and culture	Conflicts of interest	Resource and support
★★ **2019/20** ★★★ 2018/19 ★★★ 2016/17	★★★ **2019/20** ★★★ 2018/19 ★★★ 2016/17	★★★ **2019/20** ★★★ 2018/19 New in 2018/19
– 2018/19 objectives delivered satisfactorily. – Board sees room for improvement in the balance of challenge and support of senior management team.	– 2018/19 objectives delivered satisfactorily. – Board supportive of continuous improvement via our declarations of interest and wider governance processes.	– 2018/19 objectives delivered satisfactorily. – Board feels well supported as regards time, resource and administration. – Quality of Board papers and materials is appropriate.
– Board to support Chief Executive succession. – Board engagement to be deepened within the business.	– Further augment processes using digital tools.	– Continuous improvement in delivery of secretariat support, including increased digitisation of materials and secretariat services.
– Board supported effective Chief Executive succession. – Board engagement refreshed and new initiatives implemented.	– Supporting processes all now moved to a digital platform.	– Digital support to Board meetings and administration further developed. – Board cycles and thematic meetings now clear and set. – Delivery under terms of reference now fully embedded.

Process followed

JUNE/JULY 2019
Evaluation timetable agreed between the Company Secretary, Chairman and Senior Independent Board Member and evaluation materials reviewed based on lessons learned from the 2018/19 Board evaluation exercise.

AUGUST 2019
Chairman's appraisal questionnaires completed by all Board Members and Board Counsellors and views taken from the Executive Committee.

SEPTEMBER 2019
Chairman's effectiveness review undertaken by the Board, led by the Senior Independent Board Member.

NOVEMBER 2019
Board and Committee effectiveness assessment questionnaires completed by all Board Members and Board Counsellors and views taken from the Executive Committee.

DECEMBER 2019
Special session of the Board to review effectiveness, undertake objective setting and discuss progress against the Board's previous objectives.

The Audit Committee report

Membership and attendance 2019/20 financial year

Member	Attendance
Paula Hay-Plumb (Chair)	4/4
James Darkins	4/4
Lynda Shillaw	4/4

The members during the year have each served for the following periods of time:

- Paula Hay-Plumb, 5.5 years (as Chair)
- James Darkins, 4.5 years
- Lynda Shillaw, 2.5 years.

"The Audit Committee is working to ensure that The Crown Estate is underpinned by resilient and proportionate governance and controls, enabling it to thrive in the long term."

Paula Hay-Plumb
Chair of the Audit Committee

Overview

During the year, the Audit Committee held its four regular meetings, before supporting the business through a year-end process that was extended and disrupted by the impact of COVID-19. Throughout this period, the Committee played a crucial role in oversight and scrutiny of our internal control environment, financial reporting and approach to risk, updating the Board after each meeting and at the completion of the reporting cycle.

Composition of the Audit Committee

Following an update to the composition of the Audit Committee in 2018, membership remained the same throughout 2019/20. Between its members, the Audit Committee benefits from skills and experience gained from significant exposure to:

- accountancy and finance (public and private sector)
- audit committee best practice
- investment management and investment banking
- property and commercial operation
- retail, farmland and infrastructure experience.

The members of the Committee possess the financial knowledge and commercial experience to meet the needs of the Board and the business; and to satisfy the requirements of the 2018 UK Corporate Governance Code. Further credentials of the members are set out on pages 58-59.

The key duties of the Audit Committee are:

- to support the Board in fulfilling its oversight responsibilities on financial reporting, systems of internal control and risk management processes
- to provide oversight of activity performed by internal audit and external audit, including assurance over the valuation process
- to review the integrity of the Annual Report and Accounts prior to submission to the Board
- to review the effectiveness of the risk management framework.

Key areas of Audit Committee activity

The Audit Committee has performed its principal duties during the year in line with its remit. The allocation of time across the key areas of Audit Committee activity is set out below:

23%	Governance and risk management
24%	Internal audit
19%	Financial reporting and related matters
17%	External audit
13%	Other (e.g. litigation)
4%	Property valuation and performance

Alignment with the 2018 UK Corporate Governance Code

The Audit Committee is committed to discharging its key role with transparency and objectivity. In support of this, in addition to the members, the following groups are also invited to attend the Audit Committee:

- The Crown Estate: Chief Executive, Chief Financial Officer, General Counsel & Company Secretary, Head of Internal Audit, Group Financial Controller, Head of Risk & Control and otherwise as specified by the Committee
- National Audit Office (NAO): representatives of our external audit team
- PwC: representatives of our co-sourced internal audit partner.

As our external auditor, the NAO is given complete access to all financial and other information and the Committee meets (without management present) with the NAO and (separately) with the Head of Internal Audit. In addition, the Audit Committee Chair meets with the Head of Internal Audit on a regular basis.

Reporting and assurances

During the year, the Committee reviewed and obtained reports and assurances from a number of sources, to enable it to perform its duties. The reports included updates in relation to key matters of focus. These covered our business technology function and our approach to rental billing. The other key sources of assurance included:

- Management's update on accounting matters, disclosures and judgements in relation to the financial statements. The Committee received regular reports from the Chief Financial Officer outlining the proposed approach for treatment of material events, accounting standards and alignment with the 2018 UK Corporate Governance Code. This included providing the Committee with assurance on key processes underlying the Viability Statement, Going Concern and assessment of the Annual Report and Accounts as fair, balanced and understandable.
- Management's disclosure of the results of the year end valuations. The results of the year end valuations, with particular regard to the underlying processes. This included the basis for valuation across different elements of the portfolio, and processes to preserve independence and manage conflicts in relation to the valuers.
- Management's summary of assurance. The Committee reviewed the ongoing development and rebasing of management's assurance framework. The framework provided a good degree of comfort over management of key business areas as well as highlighting gaps in assurance where corrective action can be taken. The assurance framework was supplemented by management's self-assessment of internal control maturity and its action plan. Together with the framework this was used by the Committee to focus Internal Audit and reporting activity.
- Management reports on processes to support effective management of key risks. The Committee focused on risk through review of the key corporate risks escalated by management via the Risk Group, and a separate dedicated review of risk areas through the use of 'risk spotlights'. The 'risk spotlights' selected by the Committee for 2019/20 were rental billing and business technology and were presented in July 2019.
- Independent assurances on internal control. The Committee receives independent assurance through the work of Internal Audit at each meeting. It reviews and endorses the annual plan of internal audit activity prepared by the Head of Internal Audit, and reviews the results of that work together with management's progress in strengthening and enhancing internal controls where improvement opportunities have been identified. The Committee works closely with the Head of Internal Audit who has unfettered access to the business. The Committee endorsed an updated Internal Audit Charter which sets out Internal Audit's roles and responsibilities, including its independence.

Fraud and whistleblowing

The Committee takes its role of oversight in the prevention and detection of fraud very seriously. Suspected frauds can be reported through a dedicated whistleblowing hotline and email inbox, overseen by the Head of Internal Audit. This is available to customers, suppliers and members of the public as well as staff. If suspected fraud involves a senior member of staff, it can be reported to the Chair of the Audit Committee. The Committee was satisfied that a robust framework is in place. It also receives a positive confirmation on any investigations and that no fraud or bribery has been identified at each meeting.

External auditor performance

The appointment of the Comptroller and Auditor General as external auditor is mandated by the Crown Estate Act 1961. For the 2018/19 audit year, the Audit Committee undertook a structured assessment process of the National Audit Office's performance. That improved process enabled formal feedback to be provided under an agreed performance framework.

GOVERNANCE

Audit, Risk and Internal Control

continued

Significant areas of judgement[1]

The Committee reviewed the Annual Report and Accounts, with particular attention to accounting policies and areas of judgement. In the context of COVID-19, this included additional consideration of disclosures as well as reported balances, provisions against receivables and performance. A number of judgements were subjected to further stress testing and retrospective review in the period from the balance sheet date to the certification of this Annual Report.

In the light of the significant economic disruption caused by the pandemic, the primary judgements included the valuation of The Crown Estate's assets, the recoverability of receivables and the going concern basis of accounting. The Committee debated the valuation process, methodology, assumptions and movements after the balance sheet date. The Committee was satisfied that the valuation was professionally conducted resulting in an effective valuation and that appropriate disclosure has been made, including of the material uncertainty paragraph included in the valuation reports. The Committee reviewed the accounting policy, assessment methodology and assumptions relating to recoverability of receivables and was satisfied with the level of provision and its disclosure. The Committee reviewed the expected cash flows of the business and the resilience testing thereon and was satisfied that the financial statements should be prepared on a going concern basis.

Fair, balanced and understandable[1]

The Committee considered whether the process followed in the production of the 2019/20 Annual Report and Accounts supported its assessment as being 'fair, balanced and understandable' in accordance with the 2018 UK Corporate Governance Code. The Committee was satisfied that the process followed was appropriate and endorsed the presentation of the Annual Report and Accounts to the Board as being 'fair, balanced and understandable'[2].

1 Activity undertaken through an extended year end process, at the June 2020 Committee meeting and an additional August 2020 Committee meeting.

2 The Committee also endorsed the presentation of the Annual Report and Accounts to the Board as being in alignment with the IIRC Framework.

Committee detailed activities

June 2019

- Review of Chief Financial Officer report (including updates on accounting, viability and internal control)
- Review of internal audit programme and results (including annual opinion)
- Review of management assurances on internal control
- Independent review of risk management effectiveness (performed once every three years)
- Review of matters of substance to support the Annual Report and Accounts (including management representations)
- Review of governance and assurance to support annual valuation of The Crown Estate 2018/19
- Review of external audit completion report (including management letter) on the 2018/19 financial statement audit
- Approval of Annual Report and Accounts 2018/19
- Review of assurances over Integrated Reporting and Non-Financial Metrics.

July 2019

- Review of Chief Financial Officer report (including updates on accounting and internal control)
- Review of internal audit programme and results
- Risk spotlights
- Review of information security update.

November 2019

- Review of Chief Financial Officer report (including updates on accounting and internal control)
- Review of internal audit programme and results
- Review of the internal audit forward plan for 2019/20
- Review of governance update from Joint Venture Oversight Group
- Review of litigation update
- Review of information security update
- Review of risk management update
- Review of external audit effectiveness and reappointment.

March 2020

- Review of Chief Financial Officer report (including updates on accounting, viability and internal control)
- Review of internal audit programme and results
- Endorse the internal audit programme for 2020/21
- Review of the Assurance Framework and Maturity
- Note and approve the Internal Audit Charter
- Review external audit's progress report on the 2019/20 financial statement audit.

The Remuneration Committee report

Membership and attendance 2019/20 financial year

James Darkins[1] (Chair)	Ian Marcus[3]
4/4	3/4
Robin Budenberg[2]	**Peter Madden**
1/4	4/4

"Over the coming year the Remuneration Committee will be working closely with the executive leadership team to devise and implement remuneration practices that will support The Crown Estate's evolving strategic objectives."

James Darkins
Chair of the Remuneration Committee

1 Appointed as Chair of the Remuneration Committee on 4 June 2019 to replace Ian Marcus.

2 Joined the Remuneration Committee as a member on 1 January 2020.

3 Stepped down from the Committee on 31 December 2019.

Overview

Having met four times in the year, the Remuneration Committee has responsibility for overseeing a remuneration strategy and policy which ensures the right balance between our short-term financial goals and long-term strategic objectives. It also ensures remuneration compliance, and promotes The Crown Estate's culture and values. In particular, we are committed to being a high-performance business, able to attract, motivate and retain the most talented, professional and experienced people.

The Committee works within the parameters of a Treasury-approved reward framework for setting executive remuneration which was implemented in April 2016. The Committee additionally has overview of all people-related reward policies and practices, reviews remuneration decisions for staff with base salaries of £140,000 and over, and sets the remuneration of the Chief Executive.

Membership

The Remuneration Committee is chaired by James Darkins, who has held the position of Chair since 4 June 2019, having previously been a Committee Member. James succeeded Ian Marcus, who had acted as Chair for the preceding six years and stepped down as a member of the Committee on 31 December 2019. The other members are Peter Madden and Robin Budenberg. See page 57 for how the Remuneration Committee fits into our Governance structure.

The key duties of the Remuneration Committee are:

- to ensure that independent judgement and discretion is applied to remuneration outcomes, reflecting company and individual performance
- to ensure that the remuneration policies of The Crown Estate are clear, simple, predictable and proportionate; and deliver outcomes that are within The Crown Estate's risk appetite and in alignment with The Crown Estate's culture and values
- to ensure that the remuneration policies of The Crown Estate are delivered in compliance with our prevailing Treasury framework, and that the framework is regularly reviewed in light of the market
- to maintain an appropriate level of oversight of remuneration across The Crown Estate's people; and management's compliance with prevailing policies, processes and procedures
- to oversee formal and transparent procedures for the development of The Crown Estate's remuneration policies
- to ensure that the Board is appropriately informed of the Committee's findings, activities and performance; through updates from the Chair at Board meetings, the submission of an annual report of activity to the Board and contributing to the governance reporting in the Annual Report and Accounts
- to ensure that any independent expert advice and remuneration consultancy is properly assessed in terms of procurement, performance and value for money
- to ensure that meetings and activities of the Committee are undertaken in compliance with the prevailing governance of The Crown Estate.

Alignment with the 2018 UK Corporate Governance Code

As part of our review of the terms of reference for the Board and its committees, last year, the terms of reference for the Remuneration Committee were revised to reflect our strategic goals and the requirements of the 2018 UK Corporate Governance Code. Those changes have focused on ensuring that the Remuneration Committee has an active and appropriate role in ensuring that The Crown Estate's remuneration policies are properly formulated and applied throughout the business.

GOVERNANCE

Remuneration
continued

Governance and role

This report is prepared in accordance with the requirements set out in the 2018 UK Corporate Governance Code and the Government Financial Reporting Manual. The Crown Estate is not required to comply with the 2018 UK Corporate Governance Code, however we supplement our statutory requirements by seeking to align with the Code where consistent with our constitution. We are pleased to note that our established approach complies with many of the requirements of the Code because the Committee's remit extends to pay policy for all staff and is not limited to executives.

Remuneration Committee attendance

In addition to the Remuneration Committee members, the Chief Executive, the Head of People and the Reward and Operations Manager, in a delegated role as Secretary to the Committee, also attend meetings.

Other Board Members (for example the Chief Financial Officer) may attend all or part of meetings at the invitation of the Committee as required. No attendee is involved in any decision relating to their own remuneration. The professional external advisers to the Remuneration Committee are invited to attend as required.

Advisers to the Remuneration Committee

The Committee is advised by Willis Towers Watson, which has been appointed as an independent external professional adviser since 2014. The Crown Estate has received appropriate assurance that none of the advisers from this firm have any connection with The Crown Estate's executive leadership team, Directors[1] or Board Members.

Succession arrangements

Dame Alison Nimmo completed her term as Chief Executive at the end of December 2019 and was succeeded by Dan Labbad who joined The Crown Estate as Chief Executive on 9 December 2019. Alison completed two four-year terms as Chief Executive of The Crown Estate and was treated as a 'good leaver', leading to an annual bonus and Long-Term Incentive Plan (LTIP) eligibility in respect of her contribution in the period up to 31 December 2019, as well as future awards vested in accordance with the rules of the plans.

1 The Crown Estate has four executives at the 'Director' job level: the Director of Central London, The Director of EMI, the Director of Regional and the General Counsel & Company Secretary.

Activities and highlights

During the course of the year, the Committee considered the following matters:

- Overall distribution of performance measures, salary increase and bonus awards for the entire business for the year end 31 March 2019
- Chief Executive's annual salary review and bonus, ensuring delivery within the terms of the current agreement between The Crown Estate and the Treasury
- Executive leadership team and Directors' salary review and bonus recommendations from the Chief Executive
- Review of senior management remuneration, focusing on staff with a base salary of £140,000 or more
- Gender pay gap data before external and internal publication (read more in Our people and know-how on page 30)
- LTIP performance and grants
- Regular updates on corporate governance trends in general and remuneration developments in particular
- Review of the end of tenure remuneration agreements for the departing Chief Executive as well as joining arrangements for the incoming Chief Executive.

Remuneration policy and benchmarking

The Crown Estate's remuneration policy seeks to provide fair and sustainable levels of remuneration to attract, retain and motivate high-performing staff in a competitive labour market. Accordingly, for the majority of our people, we aim to pay salaries at around market median with bonus awards determined by reference to the financial performance of the business and individual contribution.

The Remuneration Committee has adopted a progressive and balanced performance-related pay policy to ensure that an appropriate proportion of the remuneration is delivered through performance-related pay, with incentives to out perform targets.

Remuneration for the Chief Executive is set and reviewed by the Committee in line with the Treasury framework. For the executive leadership team, Directors and other senior staff it is benchmarked by the Committee using research prepared by the Reward and Operations team in conjunction with our external professional advisers. The research is carried out by benchmarking roles against proprietary pay surveys, which assess relevant private sector comparators. As required, we also benchmark to other comparator organisations, such as those with similar government relationships or rural portfolios to ensure robust and reliable comparative data.

Our internal benchmarking process takes into consideration the relative internal parity across staff to avoid basing the decisions solely on external benchmarking as this may encourage an unsustainable upward salary trend.

The Crown Estate's policy is to compensate leavers within contractual terms for loss of office and/or early termination.

Components of executive remuneration

Executive remuneration is made up of the following components:

- fixed pay, comprising base salary, flexible benefits allowance, pension allowance or contribution to a pension scheme and private healthcare
- variable pay, comprising annual bonus (including any deferred component) and LTIP arrangements.

Variable pay is linked to delivery against key financial and business measures alongside leadership and behavioural outcomes. The Remuneration Committee reviews the targets, measures and weightings to ensure they are aligned with the priorities in the plan year.

Principles and policy on executive annual bonuses

The annual discretionary bonus arrangement for the executive leadership team members is based on the achievement of key business targets supporting our core KPIs, with a maximum possible award of 80% of base pay for the Chief Executive and up to 70% for other executives. Any bonus amount over 50% of salary is deferred for one year and paid subject to continuing employment and/or good leaver provisions. The maximum award is subject to leadership behavioural measures and individual performance ratings and is conditional on financial performance targets, our net revenue profit as agreed with the Treasury and a bespoke total return benchmark both on a three-year rolling basis.

Executive cash incentive plans

The Chief Executive, Chief Operating Officer and Chief Financial Officer are participants in the LTIP, introduced in April 2016. The discretionary, non-pensionable, cash plan has a three-year vesting performance period. The maximum opportunity for the Chief Executive, and the Chief Financial Officer, is up to 40% of base pay, and for the Chief Operating Officer up to 25% of base pay. Five other Directors are participants in this LTIP with an opportunity up to 25% of base pay. The award is subject to specific financial performance and leadership behaviour conditions. Dan Labbad received an LTIP grant upon joining.

With effect from 1 April 2018, a bespoke LTIP was introduced with specific focus on the achievement of The Crown Estate's strategic goals in respect of the repositioning of our rural land portfolio over the ensuing three years and two senior managers were invited to participate.

All LTIP awards and payments are subject to the approval of the Remuneration Committee.

Clawback/Malus

The Committee may decide to apply clawback and/or malus to all or part of any award and/or payment in the event of: a material misstatement of the accounts within 24 months of the end of the performance period relating to an award; material change in the financial circumstances of the business; or if it is found that the participant in any plan has engaged in misconduct that would have justified dismissal.

External Non-Executive Board appointments held by the executives

The Board of The Crown Estate encourages and supports Non-Executive appointments and sees these as part of the professional development of the executive leadership team members and Directors who may also hold directorships of charities, which is encouraged by The Crown Estate.

Executives are permitted to retain earnings from their appointments where the Board is satisfied that these are manageable alongside their responsibilities and do not generate any conflict of interest with accountabilities at The Crown Estate.

In accordance with our policy on non-executive earnings, which require disclosure for appointments in publicly listed companies, Alison Nimmo earned £51,000 in the period 1 April to 31 December 2019 as a Non-Executive Director of The Berkeley Group Holdings plc.

Paul Clark was a Non-Executive Director of Hermes Property Unit Trust for the year.

Pensions

The Crown Estate operates two pension schemes: the Civil Service Pension (CSP) arrangements and The Crown Estate Pension Scheme (CEPS). Each scheme comprises a number of sections, which offer different pension benefits. The classic, classic plus and premium sections of the CSP arrangements provide defined benefits based on final earnings. The nuvos and alpha sections of the CSP arrangements provide defined benefits based on career average earnings.

The Partnership section of the CSP arrangements is a defined contribution stakeholder pension. CSP arrangements (except nuvos and alpha), are subject to an upper earnings limit of £166,200 for the 2019/20 financial year.

Since March 2009, no new employees have been admitted to the CSP arrangements or CEPS Opal section, and are instead, offered access to the CEPS Quartz Core and Top Up (hybrid) or Topaz (defined contribution) sections.

Some staff who historically opted out of pension membership receive a cash allowance equal to 8% of basic pay. A cash allowance is no longer offered to new employees or anyone opting out of pension membership, with the exception of staff who opt out because of HMRC pension tax limits.

As at 31 March 2020, a total of 329 employees were members of the CEPS and 112 were members of the CSP arrangements. A further 13 employees received the cash allowance.

Pension benefits

Alison Nimmo was not an active member of the CEPS. She received a payment in lieu of pension contributions as disclosed in the single figure for remuneration.

Dan Labbad is not a member of the CEPS. He elected to receive a payment in lieu of pension contributions as disclosed in the single figure for remuneration.

Kate Bowyer was an active member of the CEPS (Topaz section) until 30 September 2018. From 1 October 2018, she opted out of the CEPS and receives a payment in lieu of pension contributions as disclosed in the single figure for remuneration.

Appointment terms

The Chairman and Independent Non-Executive Board Members are initially appointed for a term of four years with the prospect of renewal for a maximum of one further term of four years. Dan Labbad, the Chief Executive is also appointed on a four-year contract with a notice period of six months from an earliest date he can give notice of 1 January 2021. Kate Bowyer is appointed as a Commissioner for a period of four years and as the Chief Financial Officer of The Crown Estate on a permanent contract with a notice period of six months.

Board Counsellors

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

COVID-19 statement

The Remuneration Committee has adopted measures proportionate to the impact of the COVID-19 pandemic on The Crown Estate.

As a result of the immediate and substantial effect of the pandemic on our cash flow we have deferred a decision on the distribution of bonuses for all staff in respect of the year ended 31 March 2020.

The Committee also agreed that base pay will be frozen until the Remuneration Committee decides to reinstate base salary increases.

In respect of the LTIP schemes, these have been evaluated at the year end 31 March 2020 and payment deferred along with those for the staff bonus schemes.

In addition to these measures, the Chief Executive offered to take a reduction on base pay of 20% with effect from 1 May 2020, which the Board accepted. The Non-Executive members of the Board also took a voluntary reduction in fees of 20% with effect from 1 May 2020. A further six members of The Crown Estate's senior leadership team took a voluntary pay reduction effective 1 July 2020.

The duration of these measures and the potential need for further measures will be reviewed as the situation evolves.

GOVERNANCE
Remuneration
continued

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

Remuneration and pension benefits of the Board

Board Members

Single total figure for remuneration.

	Salary (£)		Bonus payments (£)		LTIP (£)		Other payments (£)[2]		Pension benefits (to the nearest £1,000)[2]		Benefits in-kind (to the nearest £100)		Total (to the nearest £1,000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Robin Budenberg	50,000	50,000	-	–	-	–	-	–	-	–	-	–	50,000	50,000
Alison Nimmo (former Chief Executive – appointment expired 31 December 2019)[1,2]	264,239	344,780	-	228,000	-	116,114	31,055	40,502	-	–	700	900	296,000	730,000
Dan Labbad (Chief Executive – appointed 9 December 2019)[1,2]	123,120	–	-	–	-	–	14,025	–	-	–	300	–	137,000	–
Kate Bowyer (Chief Financial Officer)[1,2]	233,065	226,277	-	109,000	-	–	33,188	18,393	-	12,000	900	900	267,000	366,000
James Darkins[3]	24,125	20,000	-	–	-	–	-	–	-	–	-	–	24,000	20,000
Paula Hay-Plumb[3]	25,000	25,000	-	–	-	–	-	–	-	–	-	–	25,000	25,000
Ian Marcus[3,5] (until appointment as Board Counsellor on 1 January 2020)	15,875	25,000	-	–	-	–	-	–	-	–	-	–	16,000	25,000
Lynda Shillaw	20,000	20,000	-	–	-	–	-	–	-	–	-	–	20,000	20,000
Karen Jones (appointed 1 January 2020)[4]	5,000	–	-	–	-	–	-	–	-	–	-	–	5,000	–

1 Any bonus amount over 50% of basic pay is subject to 12 months' deferral in line with the agreement with the Treasury. For 2018/19, deferral for Alison Nimmo is £55,471 (included in the disclosed figure) and there are no deferrals for Dan Labbad and Kate Bowyer. The deferred element of the bonus is usually payable in July following the year that the award was approved. Alison Nimmo's full-time salary was £352,318. Dan Labbad's full-time salary is £388,441.

2 The other payments for Dan Labbad, Alison Nimmo and Kate Bowyer comprise an allowance in lieu of pension contributions. The salary of Dan Labbad and Kate Bowyer includes a 5.34% (pro-rated for the year for Dan Labbad) flexible benefits allowance. Alison Nimmo's salary includes a non-consolidated allowance of £5,445 earned in the period up to 31 December 2019.

3 Chairs of committee received an additional £5,000 p.a. to reflect their greater level of responsibility. James Darkins replaced Ian Marcus as the Chair of the Remuneration Committee on 4 June 2019.

4 The full year equivalent total remuneration for 2019/20 for Karen Jones was £20,000.

5 Ian Marcus received £15,875 as a Board Member and £5,000 as a Board Counsellor (see table below) in 2019/20. The single total figure for remuneration for Ian Marcus for the year 2019/20 was £20,875 (2018/19: £25,000).

Board Counsellors

	Salary £	
Single total figure for remuneration	2019/20	2018/19
Peter Madden	20,000	20,000
Gareth Baird (appointment expired 30 September 2019)[1]	10,000	20,000
Ian Marcus (appointed 1 January 2020)[1,2]	5,000	–

1 The full year equivalent total remuneration for 2019/20 for Gareth Baird was £20,000 and for Ian Marcus was £20,000.

2 See note 5 to the Board Members table above.

Executive Committee

	Salary		Bonus payments[1]		LTIP		Pension benefits[2] (to the nearest £1,000)		Benefits in kind (to the nearest £100)		Total	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £	2018/19 £	2019/20 £	2018/19 £	2019/20 £'000	2018/19 £'000
Paul Clark[3]	230-235	270-275	-	130-135	-	85-90	47,000	47,000	800	900	275-280	535-540
Judith Everett	210-215	205-210	-	95-100	-	40-45	30,000	29,000	900	900	240-245	370-375

1 Any bonus amount over 50% of basic pay is subject to 12 months' deferral in line with the agreement with the Treasury.

2 In the case of the defined benefit sections of the scheme the value of pension benefits is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum, less contributions made by the individual. In the case of the defined contribution sections the figure represents the pension contribution made by The Crown Estate.

3 Paul Clark's remuneration as an Executive Committee Member up to 31 January 2020. Paul Clark's FTE salary for the year is £275,000-£280,000 and total remuneration is £325,000-£330,000. Benefits in kind are also pro rated. FTE value of benefits in kind is £900. Pension benefits are not pro rated.

Paul Clark and Judith Everett as members of the Executive Committee are appointed on permanent contracts with a notice period of six months.

Pension benefits

Executive Committee Member	Accrued pension at normal retirement date as at 31 March 2020 £'000	Real increase in pension at normal retirement date £'000	Cash equivalent transfer value at 31 March 2020 £'000	Cash equivalent transfer value at 31 March 2019 £'000	Real increase in cash equivalent transfer value £'000
Paul Clark	25-30	0-2.5	926	742	77
Judith Everett	n/a	n/a	n/a	n/a	n/a

Paul Clark was a member of the CEPS (Opal section) and Judith Everett is a member of the CEPS (Topaz section).

Pay multiples

	2019/20[1]	2018/19[2]
Band of highest paid executive's total remuneration on an annualised basis (as defined below) £'000	385-390	685-690
Median total remuneration of all staff £	48,562	45,211
Ratio	7.98	15.24

1 For 2019/20, the decision to defer bonus and LTIP payments means that pay multiples do not include bonus and LTIP payments. The Crown Estate, if required, will restate the pay multiples in the coming year.

2 For 2018/19, total remuneration includes salary, bonus and LTIP payments.

The figures in the table above do not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Compensation for loss of office

The table below shows exit packages as a result of the restructuring of the business.

Exit package cost band

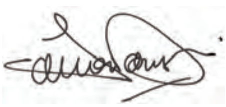
	2019/20 Number	2018/19 Number
Less than £10,000	-	1
£10,001-£25,000	1	4
£25,001-£50,000	1	8
£50,001-£100,000	2	4
Total number of exit packages	4	17
Total cost (£'000)	205	650

Paul Clark left The Crown Estate on 10 August 2020 and received a severance payment of £83,800. Paul has an additional entitlement to enhanced benefits by virtue of his participation in the Opal section of our pension scheme. The final cost of those enhanced benefits has yet to be determined, but has been accrued at an estimated maximum amount of £330,000 based on the scheme administrator's calculations. All payments reflect existing entitlements.

Staff report

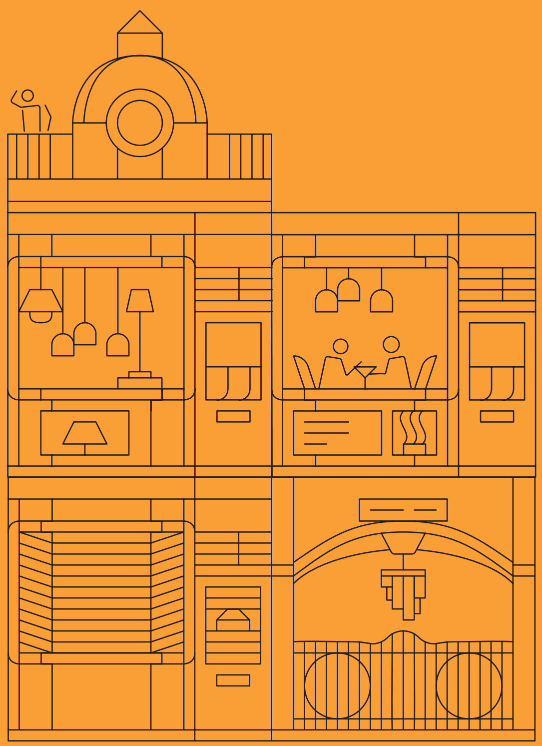
	2019/20 £m	2018/19 £m	2019/20 Number	2018/19 Number
Commissioners	0.9	1.3	9	10
Average number of staff with employment contracts	37.5	34.3	447	410
As shown in note 7 of the financial statements (excluding early retirement costs)	38.4	35.6	456	420
Other staff engaged on the objectives of The Crown Estate	2.0	1.1	16	10
Total staff	40.4	36.7	472	430

There were no off-payroll payments made during the year.



James Darkins
Chair of the Remuneration Committee
2 September 2020

Financial statements
For the Group and Parent for the year ended 31 March 2020



FINANCIAL STATEMENTS

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

Opinion on financial statements

I certify that I have audited the financial statements of The Crown Estate and The Crown Estate Group for the year ended 31 March 2020 under the Crown Estate Act 1961. The financial statements comprise: The Crown Estate's and The Crown Estate Group's Consolidated statements of comprehensive income (group only), Balance sheets, Statements of cash flows, Statements of changes in capital and reserves, and the related notes, including the significant accounting policies. 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.

In my opinion the financial statements:

- give a true and fair view of the state of The Crown Estate's and The Crown Estate Group's affairs as at 31 March 2020 and of The Crown Estate Group's consolidated revenue account profit and consolidated capital account loss for the year then ended; and
- have been properly prepared in accordance with the Crown Estate Act 1961 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Conclusions relating to principal risks, going concern and viability statement

I have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require me to report to you whether I have anything material to add or draw attention to:

- the disclosures in the Annual Report that describe the principal risks and explain how they are being managed or mitigated;
- the Board's and Accounting Officer's confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the group and The Crown Estate, including those that would threaten its business model, future performance, solvency or liquidity;
- the Board's and Accounting Officer's statement in the financial statements about whether the Board and the Accounting Officer considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Board and the Accounting Officer's identification of any material uncertainties to the group's and The Crown Estate's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Board's and Accounting Officer's statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with my knowledge obtained in the audit; or
- the Board's and Accounting Officer's explanation in the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group and The Crown Estate will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of The Crown Estate in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The regularity framework that has been applied is the Crown Estate Act 1961 and relevant HM Treasury directions made under the Act.

Emphasis of matter

I draw attention to notes 3(a) and 18 of the financial statements, which describes that COVID-19 is affecting market activity in many sectors and, consistent with RICS recommendations, the 31 March 2020 valuations include a reference to 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution, should be attached to the valuations than would normally be the case. I also draw attention to note 33 of the financial statements which describes the changes in investment property valuations occurring after the year end. My opinion is not modified in this respect.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that I identified.

I consider the following areas of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of management override of The Crown Estate's control environment, as required by the International Standards on Auditing.

My work in this area has not identified any matters to report.

The areas of focus were discussed with the Audit Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 74-76.

FINANCIAL STATEMENTS

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

Investment property valuations

Description of risk

The most significant transactions and balances within The Crown Estate's financial statements relate to investment property assets and their valuations. Management engaged professional valuers to provide valuations of investment property assets as at 31 March 2020. The valuations are formed from the application of methodologies that use a number of assumptions and judgements, which, if inappropriate or incorrect, present a significant risk of material misstatement within the accounts.

COVID-19 had a significant impact on the risk around investment property valuations. All year end valuations commissioned by The Crown Estate included a 'material uncertainty' clause to express that a higher degree of caution, and therefore less certainty, should be attached to valuations than would normally be the case. This has been disclosed in notes 3 and 18 to the financial statements.

How the scope of my audit responded to the risk

I performed procedures to gain assurance from the work conducted by third party valuers engaged by The Crown Estate.

In assessing whether their work provides a sound basis for valuation, on a sample basis, I considered their overall competence, capability and objectivity (as management's experts), as well as the scope of their work and its relevance to the accounts and my opinion.

In particular, I considered the valuation methodology they applied, the completeness and validity of the data inputs to those valuations, and, using independent valuation experts within my audit team, the appropriateness of the key assumptions on which the valuations were based.

I have challenged management on the reasons for significant movements in individual property valuations at year end, confirming these reasons to underlying documentation.

I responded to the impact of COVID-19 through additional scrutiny of assumptions relating to future period and of the property market at the year end. I also performed additional procedures to assess the appropriateness of the disclosures in The Crown Estate's accounts in respect of the material uncertainty in property valuations and of events after reporting date.

Key observations

I found The Crown Estate's controls over the valuation process to be designed and operating adequately and that asset valuations have been prepared using appropriate methodology and assumptions.

As set out in notes 3 and 18 to the financial statements, given COVID-19 is affecting market activity in many sectors and in line with the guidance from the Royal Institution of Chartered Surveyors (RICS), all valuations as at 31 March 2020 included a 'material uncertainty' clause. This means a higher degree of caution, and therefore less certainty, should be attached to valuations than would normally be the case.

Revenue recognition

Description of risk

The Crown Estate has a strategic objective to deliver a compound 4% per annum increase in net revenue surplus (profit) measured across a three-year period, adjusting for the net revenue surplus generated by discontinued operations. To achieve the 4% average The Crown Estate needed to generate a net revenue surplus of £356.2 million in 2019-20. The net revenue surplus is a key performance measure for The Crown Estate.

The Crown Estate's key source of income is contractual rental revenue. In addition, The Crown Estate receives income from royalties for the extraction of minerals, as well as income for the sale of produce and miscellaneous fees.

There is a presumed risk of fraud due to revenue recognition as required by International Standards on Auditing. I have rebutted this risk for rental revenue as rent is normally set at a fixed amount in lease agreements and is subject to automatic processes and controls, where the accounting system automatically pro-rates revenue across the invoiced period. Therefore, the risk of manipulation of this type of income is low. I have not rebutted this risk for the rest of the income streams and trade and other receivables in respect of all revenue streams on the basis that these are subject to the higher risk of manipulation to meet the net revenue surplus target. If revenue was recognised in the accounts before it was properly due to The Crown Estate, for example, it would present a significant risk of material misstatement within the accounts.

How the scope of my audit responded to the risk

I have reviewed the design and implementation of The Crown Estate's controls over processing of revenue.

I have tested a sample of non-rental income, receivables and accrued income and confirmed Statutory transfers between revenue and capital accounts under the Crown Estate Act 1961.

I have also considered whether management's recognition of revenue from unsettled rent reviews is appropriate and whether the expected credit loss provision in respect of trade and other receivables is reasonable.

In response to COVID-19, I enhanced my review of The Crown Estate's approach to recognising lease receivables, and consequent expected credit loss provision, at the year end.

Key observations

I found The Crown Estate's controls to be designed and implemented adequately. I have no matters to raise from my testing.

Application of materiality

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

Based on my professional judgement, I determined overall materiality for The Crown Estate's financial statements at £145 million and for The Crown Estate Group at £146 million, which is approximately 1% of gross assets. I chose this benchmark as I consider it to be the principal consideration for users assessing the financial performance of The Crown Estate. This is comparable to the materiality level that I used to audit and certify the 2018-19 financial statements.

I have determined that for financial statement components connected with the revenue account and the consolidated revenue account within the consolidated statement of comprehensive income, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts given the net revenue account profit is distributable to the Consolidated Fund. I have therefore determined that the level to be applied to these components is £35.7 million, and for The Crown Estate Group is £35.7 million, being approximately 10% of net revenue account profit. This is comparable to the materiality level and benchmark that I used to audit and certify the 2018-19 financial statements.

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

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

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £0.3 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds.

Total unadjusted audit differences reported to the Audit Committee would have decreased net assets by £0.1 million.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Accounting Officer's Statement, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Crown Estate Act 1961.

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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Crown Estate Group's or The Crown Estate's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

FINANCIAL STATEMENTS

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

Audit scope

The scope of my audit was determined by obtaining an understanding of The Crown Estate, The Crown Estate Group, and its environment, including entity/group-wide controls, and assessing the risks of material misstatement at the group level.

Total assets for the group are £14,605.6 million, of which £14,657.8 million are attributable to the parent, The Crown Estate.

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

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

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

This work covered substantially all of the group's net assets and net income, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report but does not include the parts of the Remuneration report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration report to be audited have been properly prepared in accordance with HM Treasury directions made under the Crown Estate Act 1961;
- in the light of the knowledge and understanding of The Crown Estate Group, The Crown Estate and its environment obtained in the course of the audit, I have not identified any material misstatements in the 'Performance' and 'Governance' sections of the Annual Report; and
- the information given in the 'Overview', 'Performance' and 'Governance' sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

7 September 2020

FINANCIAL STATEMENTS

Consolidated statements of comprehensive income

Consolidated revenue account for the year ended 31 March

	Note	2019/20 £m	2018/19 £m
Revenue	5	516.2	468.0
Expenses	6	(161.4)	(118.9)
Operating profit		354.8	349.1
Net finance income	9	5.0	5.0
Share of revenue profit from joint ventures	19	31.0	33.7
Share of revenue profit from other property investments	20	2.4	1.2
Net operating profit before depreciation, Treasury agreements and Statutory transfers		393.2	389.0
Depreciation of tangible fixed assets	10, 21	(4.8)	(5.1)
Net operating profit before Treasury agreements and Statutory transfers		388.4	383.9
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	(34.9)	(32.9)
Statutory transfers	13	(10.8)	(9.8)
Parliamentary supply finance	14	2.3	2.3
Consolidated revenue account profit		345.0	343.5
Consolidated statement of comprehensive income of the revenue account			
Consolidated revenue account profit		345.0	343.5
Item that will not be reclassified subsequently to revenue account profit:			
Re-measurement gain in retirement benefits	8c	1.8	0.8
Total consolidated comprehensive income of the revenue account		346.8	344.3

Consolidated capital account for the year ended 31 March

	Note	2019/20 £m	2018/19 £m
Capital account expenditure		(14.6)	(10.9)
Net revaluation (loss)/gain in investment properties (including gain on disposal)	11	(112.3)	275.2
Share of revaluation loss in joint ventures (including gain/(loss) on disposal)	11	(169.2)	(66.9)
Share of revaluation loss in other property investments	11	(11.3)	(6.1)
Capital (loss)/profit before Treasury agreements and Statutory transfers		(307.4)	191.3
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	34.9	32.9
Statutory transfers	13	10.8	9.8
Consolidated capital account (loss)/profit		(261.7)	234.0
Consolidated statement of comprehensive income of the capital account			
Consolidated capital account (loss)/profit		(261.7)	234.0
Items that will not be reclassified subsequently to capital account profit:			
Revaluation (loss)/gain in owner occupied properties	11	(4.3)	3.4
Revaluation gain in antiques	22	0.1	–
Total consolidated comprehensive (loss)/income of the capital account		(265.9)	237.4

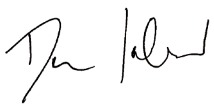
The Crown Estate Act 1961 specifies certain distinctions between capital and revenue transactions. The consolidated revenue account represents income generated from managing the portfolio of assets, net of any associated costs and, by agreement with the Treasury, certain adjustments between the revenue and capital accounts. The consolidated capital account includes gains or losses on disposal of investment properties, revaluation gains or losses, staff and other relevant costs incurred to enhance the estate and the adjustments with the revenue account noted above. Further detail can be found in note 1.

A total comprehensive income of the revenue account of £346.8 million (2018/19: £344.3 million) and a total comprehensive loss of the capital account of £206.5 million (2018/19: £237.2 million profit) are recorded in the financial statements of the parent for the year ended 31 March 2020.

No income statement or statement of comprehensive income is presented for the parent.

FINANCIAL STATEMENTS
Balance sheets
As at 31 March

	Note	Group 2019/20 £m	Group 2018/19 £m	Parent 2019/20 £m	Parent 2018/19 £m
Assets					
Non-current assets					
Investment properties	16	11,972.2	12,121.6	11,724.8	11,838.7
Owner occupied properties	17	131.8	96.7	131.8	96.7
Investment in joint ventures	19	802.7	941.8	802.7	941.8
Other property investments	20	68.0	79.3	17.6	25.5
Property, plant and equipment	21	30.3	29.9	30.3	29.9
Other investments	22	10.9	10.8	10.9	10.8
Trade and other receivables	23	434.7	333.9	434.7	333.9
Pension asset	8	11.8	10.1	11.8	10.1
Total non-current assets		13,462.4	13,624.1	13,164.6	13,287.4
Current assets					
Assets held for sale	16	8.5	–	8.5	–
Trade and other receivables	23	105.6	100.6	461.0	434.5
Cash and cash equivalents		1,029.1	802.8	1,023.7	798.6
Total current assets		1,143.2	903.4	1,493.2	1,233.1
Total assets		14,605.6	14,527.5	14,657.8	14,520.5
Liabilities					
Current liabilities					
Payables and deferred income	24	496.9	178.8	492.3	174.4
Provisions	25	–	1.1	–	1.1
Total current liabilities		496.9	179.9	492.3	175.5
Non-current liabilities	24	43.9	18.7	43.9	18.7
Total liabilities		540.8	198.6	536.2	194.2
Net assets		14,064.8	14,328.9	14,121.6	14,326.3
Capital and reserves					
Revenue reserve available for distribution to the Consolidated Fund		1.9	1.8	1.9	1.8
Pension reserve		11.8	10.1	11.8	10.1
Capital reserve		13,997.4	14,273.7	14,054.2	14,271.1
Revaluation reserve		53.7	43.3	53.7	43.3
Total capital and reserves		14,064.8	14,328.9	14,121.6	14,326.3



Dan Labbad
Chief Executive, Second Commissioner and Accounting Officer
2 September 2020

FINANCIAL STATEMENTS

Statements of changes in capital and reserves

For the year ended 31 March

Group	Revenue account: Revenue reserves available for distribution to the Consolidated Fund £m	Revenue account: Pension reserve £m	Revenue account: Total £m	Capital account: Capital reserve £m	Capital account: Revaluation reserve £m	Capital account: Total £m	Total £m
As at 1 April 2019	1.8	10.1	11.9	14,273.7	43.3	14,317.0	14,328.9
Net consolidated profit/(loss) for the year	345.0	–	345.0	(261.7)	–	(261.7)	83.3
Other consolidated comprehensive income:							
Revaluation loss in owner occupied properties	–	–	–	–	(4.3)	(4.3)	(4.3)
Revaluation gain in antiques	–	–	–	0.1	–	0.1	0.1
Re-measurement gain in retirement benefits	–	1.8	1.8	–	–	–	1.8
Total consolidated comprehensive profit for the year ended 31 March 2020	345.0	1.8	346.8	(261.6)	(4.3)	(265.9)	80.9
Transfer to owner occupied reserve	–	–	–	(14.7)	14.7	–	–
Pension reserve adjustment	0.1	(0.1)	–	–	–	–	–
Payments to the Consolidated Fund – payable in year (note 15)	(345.0)	–	(345.0)	–	–	–	(345.0)
As at 31 March 2020	1.9	11.8	13.7	13,997.4	53.7	14,051.1	14,064.8

	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Total £m	Capital reserve £m	Revaluation reserve £m	Total £m	£m
As at 1 April 2018	1.7	9.4	11.1	14,039.7	39.9	14,079.6	14,090.7
Net consolidated profit for the year	343.5	–	343.5	234.0	–	234.0	577.5
Other consolidated comprehensive income:							
Revaluation gain in owner occupied properties	–	–	–	–	3.4	3.4	3.4
Re-measurement gain in retirement benefits	–	0.8	0.8	–	–	–	0.8
Total consolidated comprehensive profit for the year ended 31 March 2019	343.5	0.8	344.3	234.0	3.4	237.4	581.7
Pension reserve adjustment	0.1	(0.1)	–	–	–	–	–
Payments to the Consolidated Fund – paid/payable in year (note 15)	(343.5)	–	(343.5)	–	–	–	(343.5)
As at 31 March 2019	1.8	10.1	11.9	14,273.7	43.3	14,317.0	14,328.9

FINANCIAL STATEMENTS

Statements of changes in capital and reserves

For the year ended 31 March

Parent	Revenue account: Revenue reserves available for distribution to the Consolidated Fund £m	Revenue account: Pension reserve £m	Revenue account: Total £m	Capital account: Capital reserve £m	Capital account: Revaluation reserve £m	Capital account: Total £m	Total £m
As at 1 April 2019	1.8	10.1	11.9	14,271.1	43.3	14,314.4	14,326.3
Net profit/(loss) for the year	345.0	–	345.0	(202.3)	–	(202.3)	142.7
Other comprehensive income:							
Revaluation loss in owner occupied properties	–	–	–	–	(4.3)	(4.3)	(4.3)
Revaluation gain in antiques	–	–	–	0.1	–	0.1	0.1
Re-measurement gain in retirement benefits	–	1.8	1.8	–	–	–	1.8
Total comprehensive profit for the year ended 31 March 2020	345.0	1.8	346.8	(202.2)	(4.3)	(206.5)	140.3
Transfer to owner occupied reserve	–	–	–	(14.7)	14.7	–	–
Pension reserve adjustment	0.1	(0.1)	–	–	–	–	–
Payments to the Consolidated Fund – paid/payable in year (note 15)	(345.0)	–	(345.0)	–	–	–	(345.0)
As at 31 March 2020	1.9	11.8	13.7	14,054.2	53.7	14,107.9	14,121.6

	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Total £m	Capital reserve £m	Revaluation reserve £m	Total £m	£m
As at 1 April 2018	1.7	9.4	11.1	14,037.3	39.9	14,077.2	14,088.3
Net profit for the year	343.5	–	343.5	233.8	–	233.8	577.3
Other comprehensive income:							
Revaluation gain in owner occupied properties	–	–	–	–	3.4	3.4	3.4
Re-measurement gain in retirement benefits	–	0.8	0.8	–	–	–	0.8
Total comprehensive profit for the year ended 31 March 2019	343.5	0.8	344.3	233.8	3.4	237.2	581.5
Pension reserve adjustment	0.1	(0.1)	–	–	–	–	–
Payments to the Consolidated Fund – paid /payable in year (note 15)	(343.5)	–	(343.5)	–	–	–	(343.5)
As at 31 March 2019	1.8	10.1	11.9	14,271.1	43.3	14,314.4	14,326.3

FINANCIAL STATEMENTS

Statements of cash flows

For the year ended 31 March

	Group 2019/20 £m	Group 2018/19 £m	Parent 2019/20 £m	Parent 2018/19 £m
Operating profit – consolidated revenue account	354.8	349.1	354.8	349.1
Increase in provisions for retirement benefits	0.4	0.3	0.4	0.3
(Increase)/decrease in receivables	(2.5)	5.8	(23.2)	(37.2)
(Decrease)/increase in payables	(13.7)	19.9	(14.0)	19.3
(Decrease)/increase in provisions	(1.1)	1.1	(1.1)	1.1
Cash generated from operating activities	337.9	376.2	316.9	332.6
Interest received	5.1	5.2	5.1	5.2
Revenue distributions from investments in joint ventures	29.9	32.8	29.9	32.8
Distributions received from other property investments	2.4	1.2	1.5	0.9
Net cash inflow from operating activities	375.3	415.4	353.4	371.5
Cash flows from investing activities				
Acquisition of investment properties	(311.8)	(196.6)	(300.1)	(194.4)
Capital expenditure on investment properties	(146.7)	(184.7)	(137.7)	(141.4)
Proceeds from disposal of investment properties	349.7	189.0	349.7	187.6
Other capital receipts	6.8	3.8	6.8	3.8
Capital distributions from investments in joint ventures	0.9	58.2	0.9	58.2
Net investment in joint ventures	(29.9)	(28.1)	(29.9)	(28.1)
Purchase of plant and equipment and other investments	(5.3)	(3.0)	(5.3)	(3.0)
Net cash outflow from investing activities	(136.3)	(161.4)	(115.6)	(117.3)
Cash flows from financing activities				
Finance lease payments	(1.5)	(1.0)	(1.5)	(1.0)
Parliamentary supply finance	2.3	2.3	2.3	2.3
Net cash inflow from financing activities	0.8	1.3	0.8	1.3
Net increase in cash and cash equivalents before Consolidated Fund payment	239.8	255.3	238.6	255.5
Consolidated Fund payment	(13.5)	(339.4)	(13.5)	(339.4)
Increase/(decrease) in cash in the year after Consolidated Fund payment	226.3	(84.1)	225.1	(83.9)
Cash and cash equivalents at start of the year	802.8	886.9	798.6	882.5
Cash and cash equivalents at end of the year	1,029.1	802.8	1,023.7	798.6

Notes to the Group and Parent consolidated financial statements

1. Basis of preparation

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

The directions from the Treasury require that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union and the IFRS Interpretations Committee (IFRS IC) in force at 31 March 2020, except where these conflict with the Crown Estate Act 1961.

These financial statements are prepared in sterling, which is the functional currency of The Crown Estate and rounded to the nearest one hundred thousand pounds.

Given the significant impact of COVID-19 on The Crown Estate's operations the going concern status has received additional focus this year. The going concern assessment covers a period of 21 months from 31 March 2020. The resilience testing involved stressing our base case with a range of moderate to extreme assumptions. Based on this analysis the Board are of the opinion that the group will continue to operate for the foreseeable future and thus the financial statements are prepared on a going concern basis.

Impact of the Crown Estate Act 1961 on the financial statements

The Crown Estate is a body corporate regulated by the Crown Estate Act 1961 (the 'Act') and domiciled in the UK. The provisions of the Act specify certain distinctions between capital and revenue reflecting the Report of the Committee on Crown Lands before the Act was passed, to the effect that The Crown Estate resembles a trust, in which the revenue beneficiary is the Exchequer and the capital is held for Her Majesty and her successors.

The revenue account represents income generated from managing the portfolio of assets on behalf of Her Majesty and her successors, net of any associated costs and subject to the charge from revenue for salary costs for certain staff and the transfers between the capital and revenue account as required by Statutory provisions and Treasury agreements.

The capital account includes gains or losses arising on disposal of assets from the portfolio, revaluation gains or losses, the income arising on the grant of operating leases over land in exchange for a premium and other adjustments with the revenue account noted above. The Act requires capital and revenue accounts are distinguished in the financial statements.

Staff and other relevant costs incurred to enhance the assets are charged to the capital account as appropriate.

The Act specifies that:

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

To meet the requirements of the Act, and the directions made by the Treasury:

- separate income statements are presented for revenue and capital accounts
- movements in comprehensive income are analysed between revenue and capital accounts.

Treasury agreements

The Act allows adjustments between revenue and capital specifically for the purposes of recouping capital expenditure out of the revenue account. 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, this requirement is fulfilled by a transfer from the revenue to the capital account of an amount equivalent to 9% of the previous year's revenue, excluding service charges, but including depreciation of plant and equipment.

Changes in accounting policies

A number of new amendments to standards have been issued since March 2019. An analysis on the impact of the more significant amendments is set out below. Except for those items noted below these financial statements have been prepared on a consistent basis as those presented for the year ended 31 March 2019. The Crown Estate early adopted IFRS 16, Leases in the year ended 31 March 2019.

Standard, impact and effective date	Actual/likely impact for The Crown Estate
A revision to IAS 19 (Employee benefits) clarifies calculation of past service costs and is effective for The Crown Estate from 1 April 2019.	There has not been any material change to the reported results or disclosures from this change.
A revision to IAS 28 (Investments in associates) clarifies IFRS 9 applies to long-term interests in associates or joint ventures which form part of the net investment but are not consolidated through the equity method and is effective for The Crown Estate from 1 April 2019.	There has not been any material change to the reported results or disclosures from this change.
A revision to IAS 8 (Accounting policies, changes in accounting estimates and errors) clarifies the definition of material and is effective for The Crown Estate from 1 April 2020.	The Crown Estate does not anticipate any material change to the reported results or disclosures from this change.
A revision to IFRS 3 (Business combinations) clarifies the definition of a business and is effective for The Crown Estate from 1 April 2020.	The Crown Estate does not anticipate any material change to the reported results or disclosures from this change.

2 Significant accounting policies

2a. Basis of consolidation

The consolidated financial statements for the year ended 31 March 2020 incorporate the financial statements of The Crown Estate and all of its subsidiary undertakings. Subsidiary undertakings are those entities controlled by The Crown Estate. The Crown Estate controls an entity when it is exposed to, or has rights to variable returns from the entity and has an ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

2b. Properties

Investment properties are those which are held to earn rental income or for capital appreciation or for both. Investment properties and those in the course of construction are held at fair value. They are valued on the basis of open market value.

Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties consist of costs incurred in relation to capital activities. At the balance sheet date investment properties are revalued to fair value.

Energy and mineral assets are valued only where a letting or licence exists, where an entry has occurred, or where an interest is expected to provide either a revenue cash flow or capital receipt within the foreseeable future.

Any gains or losses arising on revaluing investment properties are recognised in the consolidated capital account.

Fair value measurement of investment property

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.

IFRS 13 requires the use of valuation techniques for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used. For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:

- Level 1: unadjusted quoted prices in active markets
- Level 2: observable inputs other than quoted prices included within level 1
- Level 3: unobservable and observable inputs where significant adjustments have been applied.

Investment properties under development

Investment properties under development comprise properties subject to a major programme of redevelopment or development. They are categorised as such from the start of the programme until practical completion.

Owner occupied properties

The Crown Estate treats as owner occupied certain dwellings occupied in the course of business and by staff and pensioners at the Windsor Estate and properties with significant ancillary services provided by The Crown Estate to its customers. Any gains or losses 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 recorded in the consolidated capital account.

Disposals

Disposals are recognised at the date of legal completion or the date on which a long lease interest is granted to a customer. Profits and losses arising on disposal are recognised through the consolidated capital account. The profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the date of disposal plus any costs directly incurred as a result of the sale.

Property assets held for sale

The Crown Estate will report assets as held for sale when a contract to sell the property has been exchanged, the property is immediately available for sale in its current condition, the sale is expected to complete within one year of the balance sheet date and it is highly likely the transaction will complete.

2c. Joint arrangements – joint ventures

A joint venture is a joint arrangement whereby The Crown Estate has joint control and has rights to its share of the net assets of the arrangement. Joint ventures are accounted for under the equity method. The balance sheet incorporates The Crown Estate's share of the net assets of the joint venture. The consolidated revenue account incorporates the share of the joint venture's profit after tax and the consolidated capital account incorporates The Crown Estate's share of revaluation of investment properties.

2d. Joint arrangements – joint operations

A joint operation is a joint arrangement whereby contractually there is an agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Crown Estate accounts for its share of the jointly controlled assets, its share of any liabilities jointly incurred with other venturers and its share of income and expenditure arising from these assets.

2e. Other property investments

Other property investments are shown at fair value which is equivalent to the share of net asset value less any discount to reflect liquidity restrictions created by the legal form of the investment.

2f. Other property, plant and equipment

Assets are depreciated using the straight-line method from acquisition or the start of the lease to the end of their useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of similar plant and equipment and where necessary periodically reduced for impairment losses and adjusted for remeasurements of the lease liability.

The estimated useful lives of the assets are as follows:

- Vehicles: 4–10 years depending on the nature of the vehicle
- Plant and equipment: 4–10 years
- Computer equipment and software: 4 years
- Office equipment: 4 years
- Leasehold improvements: Length of the lease
- Right-of-use assets – property leases: Length of the lease.

Useful lives and residual values are reviewed annually and assessed for impairment if applicable.

Certain vehicles and offices are recognised as right-of-use assets under finance lease accounting as disclosed in note 2i.

2 Significant accounting policies (continued)

2g. Other investments – antiques and paintings
Antiques and paintings are shown at fair value. Any gain or loss arising from changes in fair value is recognised directly in the revaluation reserve. The latest triennial valuation was carried out by recognised experts and completed during the year ended 31 March 2020.

2h. Cash and cash equivalents
Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2i. Leases
At the inception of a contract The Crown Estate assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right for either The Crown Estate or its customers to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Crown Estate assesses whether:

- the contract involves the use of an identified asset (whether specified explicitly or implicitly), which is physically distinct or represents substantially all of the capacity of a distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- the contract conveys the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- the lessee has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, The Crown Estate allocates the consideration in the contract to each component on the basis of their relative stand-alone prices. However, for the leases of buildings and motor vehicles in which it is a lessee, The Crown Estate has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Crown Estate as a lessor
Where The Crown Estate acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, The Crown Estate makes an overall assessment of whether the lease substantially transfers all of the risks and rewards of ownership of the underlying asset to the lessee. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When The Crown Estate is an intermediate lessor, it accounts for its interests in the headlease and the sub-lease(s) separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the headlease, not with reference to the underlying asset. If an arrangement contains lease and non-lease components, The Crown Estate applies IFRS 15 to allocate the consideration in the contract.

Operating leases
Leases granted to customers where substantially all the risks and rewards of ownership are retained by The Crown Estate as lessor are classified as operating leases. Under the requirements of the Act, a lease premium received on the grant of a lease with a term of 30 years or less is recorded within the revenue account.

The Crown Estate recognises lease payments received for operating leases on a straight-line basis over the lease term from the date of lease commencement to the earliest termination date within revenue. This includes applying adjustments for lease incentives, such as rent free periods and contributions towards tenant costs. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews.

Finance leases
Leases granted to tenants where substantially all the risks and rewards of ownership are transferred to the tenant as lessee are classified as finance leases. Where the grant of an extended lease includes deferred payments, the asset is de-recognised as investment property and recognised as a finance lease receivable. Lease income is recognised within revenue at a constant rate of return over the period of the lease. Premia received on the grants of a lease with terms of more than 30 years or more are recorded within the capital account.

The Crown Estate as a lessee
The Crown Estate recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The Crown Estate presents right-of-use assets as either investment property or property, plant and equipment on the balance sheet, depending on the nature of the leased asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using The Crown Estate's theoretical incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. The lease liability is measured at amortised cost using the effective interest method.

The Crown Estate has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Crown Estate recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2j. Revenue
Lease revenue and non-lease revenue are recorded net of VAT and only to the extent that economic benefit is expected to flow to The Crown Estate.

Lease revenue
The majority of The Crown Estate income arises from leases, the accounting for which is described in note 2i.

Non-lease revenue
These are recognised using a five-step model: identification of the contract; identification of the performance obligations within the contract; determination of the transaction price; allocation of the price to the performance obligations; and then revenue is recognised as the performance obligations are fulfilled.

2 Significant accounting policies (continued)

The different types of non-lease revenue are described below:

- Service charge revenue
  The Crown Estate incurs certain costs in relation to properties which are occupied by its customers which, as is common with commercial leases, are recharged to its customers. Service charge income is reported separately, as it represents a separate performance obligation. Service charge income is recognised as associated costs are incurred.
- Royalty income
  Royalty income is received in return for the extraction of minerals and aggregates from the land and seabed by customers or their agents. Royalty income is recognised as the minerals are extracted and is invoiced semi-annually in arrears.

  In respect of both royalty income and service charge income, contracts, performance obligations, and prices relating to performance obligations are clearly defined in writing and revenues are actually received as performance obligations are met.
- Licence revenue
  Licence revenue arises primarily from granting customers rights to lay under-sea pipes or cables and granting coastal rights, such as mooring fees. Licences share many of the same attributes as leases, but do not qualify as leases as the asset is not identified within the contract. Revenue from licences is recognised on a straight-line basis over the term of the licence.

  Licence revenue is reported separately to rental income as the asset is not explicitly identified within the contract, although the contracts have otherwise similar terms. Customers typically pay licence fees and service charges before the services are rendered and are primarily commercial organisations that operate across a wide range of sectors.
- Miscellaneous revenue
  The majority of miscellaneous revenue relates to admission fees, and the sale of goods and services at Windsor Great Park. These sales are typically to the general public and are not subject to the same formal contracts as other revenue streams. Revenue is recognised when cash is received, which is typically also the point when the goods or services are provided.
- Property management and support services to partners
  This revenue relates to property management and support services provided to joint venture and joint operating partners in relation to the properties managed and distributions from minority investments. Property management service revenue is recognised evenly across the period over which the services are provided and distributions are recognised when they are declared by the investee.

2k. Taxation

The Crown Estate is not subject to corporation, income or capital gains tax. The consolidated revenue account profit is paid to the Consolidated Fund on an annual basis and will be used for the benefit of the taxpayer. As a result of this unique position, The Crown Estate does not recognise any deferred tax.

2l. Pensions – Defined Benefit Plans

The Crown Estate operates two pension schemes providing retirement and related benefits to all eligible staff as follows:

- The Principal Civil Service Pension Scheme (CSP)
  The CSP 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 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).
- The Crown Estate Pension Scheme (CEPS)
  The CEPS has: a defined benefit section, the Opal section (which closed to new entrants with effect from 1 January 2008); a defined contribution section, the Topaz section and a hybrid section, the Quartz section.

The assets of the scheme are held separately from those of The Crown Estate, in an independently administered fund. The full value of the net assets or liabilities are recorded on the balance sheet at each year end.

The current service cost of the scheme is charged to the revenue account. The contributions are agreed by The Crown Estate and the Trustees on the basis of triennial valuations using the projected unit method. The Remuneration report contains further details of the operation of the scheme.

Re-measurement gains and losses are recognised in the pension reserve. Pension scheme surpluses are only recognised to the extent that The Crown Estate has an unconditional right to utilise the surplus.

2m. Financial instruments

The only financial assets held are equity and partnership interests, joint venture interests, net pension assets, trade and other receivables, and finance lease receivables. The Crown Estate has no financial liabilities except trade and other payables and finance lease liabilities. There are no embedded derivatives within these contracts.

IFRS 9 does not apply to pension assets subject to IAS 19, nor does it apply to finance lease receivables or liabilities which are subject to IFRS 16. IFRS 9 does not apply to interests in subsidiaries, associates and joint ventures which are instead subject to IFRS 10, IAS 27 and IAS 28. The Crown Estate's equity investments are not subject to IFRS 10, IAS 27 or IAS 28.

Trade receivables are measured at transaction price, utilising the exception for trade receivables which are not subject to a material finance element. Expected credit losses are calculated using the simplified approach.

Notes to the Group and Parent consolidated financial statements *continued*

3. Significant judgements, key assumptions and estimates

The preparation of these financial statements requires The Crown Estate to make certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. In the process of applying the accounting policies, which are outlined in note 2, The Crown Estate has made no individual judgements that have a significant impact on the financial statements, except those involving estimates that are outlined below.

3a. Property valuations

Investment properties and owner occupied properties are shown at fair value as calculated by independent qualified valuation experts, further information about valuations is included in note 18. Valuations are based on a number of key assumptions including an estimate of future rental income, anticipated future costs, and a discount rate. The valuers also compare their valuations to market data for other similar assets.

COVID-19 is affecting market activity in many sectors and, consistent with RICS recommendations, the 31 March 2020 valuation statements include a reference to 'material valuation uncertainty' clause. Consequently, less certainty and a higher degree of caution, should be attached to the valuations than would normally be the case.

3b. Joint venture valuations

Joint ventures primarily comprise property investments and therefore the carrying value includes the same inherent risks as for assets that are wholly owned. However, certain future expenses, such as property improvements, require the approval of both joint venture partners, increasing the uncertainty over this element of the valuation.

3c. Accounting for complex transactions

By their nature, property transactions can be complex and are often material. For example, judgement is required in assessing exactly when risks and rewards of an asset transfer to or from The Crown Estate, which assets should be classified as held for sale and whether transactions, or components thereof, are capital or revenue account in nature. The Crown Estate considers each individual property transaction separately and seeks independent accounting advice as necessary.

3d. Recoverability of receivables, including lease incentive receivables

Significant judgement has been applied in assessing the recoverability of receivables including the unamortised balance of historic lease incentives due to the impact of COVID-19 on The Crown Estate's customers and the wider economy. This is further analysed in the Financial review on pages 38-43.

Consistent with market practice, in certain circumstances, The Crown Estate offers commercial customers incentives to enter into operating leases. The revenue adjustments required to account for these incentives on a straight-line basis create a long-term receivable. Judgement is required to calculate the carrying value of receivables at year end, especially the lease incentives given the challenging environment.

4. Segmental analysis

Business segmental analysis

The Crown Estate operations are all in the UK and are currently organised into four operating segments, plus central costs.
These divisions are the basis on which operations are monitored and in the 2019/20 financial year, decisions were made by the members of the Executive Committee, which is considered to be the Primary Operating Decision Maker. On 1 April 2019, the Rural portfolio merged with the Regional portfolio and the Coastal portfolio merged with the Energy, Minerals & Infrastructure portfolio and as a consequence the segmental analysis for the year ended 31 March 2019 has been restated.

							2019/20
Consolidated revenue account	Note	Central London £m	Regional £m	Energy, Minerals & Infrastructure £m	Windsor Estate £m	Central costs/other £m	Total £m
Lease revenue	5	227.0	110.0	82.0	7.1	–	426.1
Finance lease revenue	5	4.9	–	–	–	–	4.9
Other revenue from contracts with customers	5	6.2	3.4	25.7	5.9	–	41.2
Property management and support services	5	2.3	1.4	0.1	–	–	3.8
Revenue (excluding service charge revenue)	5	240.4	114.8	107.8	13.0	–	476.0
Service charge revenue	5	26.8	13.4	–	–	–	40.2
Revenue – as reported	5	267.2	128.2	107.8	13.0	–	516.2
Direct property expenses	6	(31.9)	(22.3)	(4.8)	(9.3)	–	(68.3)
Service charge expenses	6	(41.7)	(16.8)	–	–	–	(58.5)
Total direct expenses		(73.6)	(39.1)	(4.8)	(9.3)	–	(126.8)
Gross profit		193.6	89.1	103.0	3.7	–	389.4
Administrative expenses[1]	6	1.5	(0.2)	(0.1)	(0.2)	(35.6)	(34.6)
Operating profit/(loss)		195.1	88.9	102.9	3.5	(35.6)	354.8
Net finance income	9	0.1	–	–	–	4.9	5.0
Share of revenue profit from joint ventures[1]	19	12.0	19.0	–	–	–	31.0
Share of revenue profit from other property investments	20	0.9	1.5	–	–	–	2.4
Net operating profit/(loss) before depreciation, Treasury agreements and Statutory transfers		208.1	109.4	102.9	3.5	(30.7)	393.2
Depreciation of tangible fixed assets	10, 21	–	–	–	(0.3)	(4.5)	(4.8)
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	–	–	–	–	(34.9)	(34.9)
Statutory transfers	13	–	–	–	–	(10.8)	(10.8)
Parliamentary supply finance	14	–	–	–	–	2.3	2.3
Consolidated revenue account profit/(loss) – distributable to the Consolidated Fund		208.1	109.4	102.9	3.2	(78.6)	345.0

1 Included within the Central London share of profit from joint ventures and administrative expenses is an adjustment to eliminate The Crown Estate's share of rental payments to a joint venture.

4. Segmental analysis (continued)

Consolidated capital account	Note	Central London £m	Regional £m	Energy, Minerals & Infrastructure £m	Windsor Estate £m	Central costs/ other £m	Total £m
							2019/20
Capital account expenditure	7	(6.3)	(5.0)	(3.2)	(0.1)	–	(14.6)
Net revaluation gain/(loss) in investment property (including gain on disposal)	11	130.4	(371.4)	132.4	(3.7)	–	(112.3)
Share of revaluation loss in joint ventures (including gain on disposal)	11	(9.0)	(160.2)	–	–	–	(169.2)
Share of revaluation loss in other property investments	11	(7.9)	(3.4)	–	–	–	(11.3)
Capital profit/(loss) before Treasury agreements and Statutory transfers		107.2	(540.0)	129.2	(3.8)	–	(307.4)
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	–	–	–	–	34.9	34.9
Statutory transfers	13	–	–	–	–	10.8	10.8
Consolidated capital account profit/(loss)		107.2	(540.0)	129.2	(3.8)	45.7	(261.7)

Investment properties	Note	Central London £m	Regional £m	Energy, Minerals & Infrastructure £m	Windsor Estate £m	Central costs/ other £m	Total £m
							2019/20
Market value of investment properties	16	7,893.8	2,305.7	1,963.3	227.5	–	12,390.3
Investment properties treated as finance leases	26	(398.6)	–	–	–	–	(398.6)
Headlease liabilities	16	–	2.5	–	–	–	2.5
Assets held for sale	16	–	(8.5)	–	–	–	(8.5)
Less: lease incentives	16	–	(13.5)	–	–	–	(13.5)
Investment properties at fair value – as reported	16	7,495.2	2,286.2	1,963.3	227.5	–	11,972.2
Joint ventures							
Share of investment properties in joint ventures at valuation	19	409.4	372.1	–	–	–	781.5
Share of other net assets in joint ventures	19	17.5	3.7	–	–	–	21.2
Share of joint ventures – as reported	19	426.9	375.8	–	–	–	802.7
Proportionally consolidated investment properties							
Market value of investment properties	16	7,893.8	2,305.7	1,963.3	227.5	–	12,390.3
Owner occupied properties	17	38.4	–	–	93.4	–	131.8
Share of investment properties in joint ventures at valuation	19	409.4	372.1	–	–	–	781.5
Other property investments	20	50.4	17.6	–	–	–	68.0
Total market value of investment properties – proportionally consolidated		8,392.0	2,695.4	1,963.3	320.9	–	13,371.6
Acquisitions and capital expenditure	16,17	362.4	65.5	6.7	9.1	–	443.7

4. Segmental analysis (continued)

2018/19 (Restated)

Consolidated revenue account	Note	Central London £m	Regional £m	Energy, Minerals & Infrastructure £m	Windsor Estate £m	Central costs/other £m	Total £m
Lease revenue	5	214.3	110.4	66.3	6.6	–	397.6
Finance lease revenue	5	5.0	–	–	–	–	5.0
Other revenue from contracts with customers	5	2.4	1.3	23.8	5.4	–	32.9
Property management and support services	5	2.2	3.3	–	–	–	5.5
Revenue (excluding service charge revenue)	5	223.9	115.0	90.1	12.0	–	441.0
Service charge revenue	5	18.9	8.1	–	–	–	27.0
Revenue – as reported	5	242.8	123.1	90.1	12.0	–	468.0
Direct property expenses	6	(18.6)	(16.3)	(4.8)	(9.1)	–	(48.8)
Service charge expenses	6	(29.4)	(10.0)	–	–	–	(39.4)
Total direct expenses		(48.0)	(26.3)	(4.8)	(9.1)	–	(88.2)
Gross profit		194.8	96.8	85.3	2.9	–	379.8
Administrative expenses[1]	6	1.0	(0.3)	(0.4)	(0.1)	(30.9)	(30.7)
Operating profit/(loss)		195.8	96.5	84.9	2.8	(30.9)	349.1
Net finance income	9	0.1	–	–	–	4.9	5.0
Share of revenue profit from joint ventures[1]	19	11.9	21.8	–	–	–	33.7
Share of revenue profit from other property investments	20	0.7	0.5	–	–	–	1.2
Net operating profit/(loss) before depreciation, Treasury agreements and Statutory transfers		208.5	118.8	84.9	2.8	(26.0)	389.0
Depreciation of tangible fixed assets	21	–	–	–	(0.2)	(4.9)	(5.1)
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	–	–	–	–	(32.9)	(32.9)
Statutory transfers	13	–	–	–	–	(9.8)	(9.8)
Parliamentary supply finance	14	–	–	–	–	2.3	2.3
Consolidated revenue account profit/(loss) – distributable to the Consolidated Fund		208.5	118.8	84.9	2.6	(71.3)	343.5

1 Included within the Central London share of profit from joint ventures and administrative expenses is an adjustment to eliminate The Crown Estate's share of rental payments to a joint venture.

2018/19 (Restated)

Consolidated capital account	Note	Central London £m	Regional £m	Energy, Minerals & Infrastructure £m	Windsor Estate £m	Central costs/other £m	Total £m
Capital account expenditure		(4.2)	(2.6)	(3.9)	(0.2)	–	(10.9)
Net revaluation gain/(loss) in investment property (including gain on disposal)	11	169.0	(99.5)	200.6	5.1	–	275.2
Share of revaluation loss in joint ventures (including loss on disposal)	11	(2.9)	(64.0)	–	–	–	(66.9)
Share of revaluation gain/(loss) in other property investments	11	2.7	(8.8)	–	–	–	(6.1)
Capital profit/(loss) before Treasury agreements and Statutory transfers		164.6	(174.9)	196.7	4.9	–	191.3
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	–	–	–	–	32.9	32.9
Statutory transfers	13	–	–	–	–	9.8	9.8
Consolidated capital account profit/(loss)		164.6	(174.9)	196.7	4.9	42.7	234.0

4. Segmental analysis (continued)

Investment properties	Note	Central London £m	Regional £m	Energy, Minerals & Infrastructure £m	Windsor Estate £m	Central costs/other £m	2018/19 (Restated) Total £m
Market value of investment properties	16	7,685.3	2,705.5	1,814.2	224.4	–	12,429.4
Investment properties treated as finance leases	26	(295.3)	–	–	–	–	(295.3)
Headlease liabilities	16	–	2.5	–	–	–	2.5
Less: lease incentives	16	–	(15.0)	–	–	–	(15.0)
Investment properties at fair value – as reported	16	7,390.0	2,693.0	1,814.2	224.4	–	12,121.6
Joint ventures							
Share of investment properties in joint ventures at valuation	19	417.0	513.7	–	–	–	930.7
Share of other net assets in joint ventures		12.9	(1.8)	–	–	–	11.1
Share of joint ventures – as reported	19	429.9	511.9	–	–	–	941.8
Proportionally consolidated investment properties							
Market value of investment properties	16	7,685.3	2,705.5	1,814.2	224.4	–	12,429.4
Owner occupied properties	17	–	–	–	96.7	–	96.7
Share of investment properties in joint ventures at valuation	19	417.0	513.7	–	–	–	930.7
Other property investments	20	53.8	25.5	–	–	–	79.3
Total market value of investment properties – proportionally consolidated		8,156.1	3,244.7	1,814.2	321.1	–	13,536.1
Acquisitions and capital expenditure	16,17	280.1	67.4	11.7	8.5	–	367.7

5. Revenue

	2019/20 £m	2018/19 £m
Lease revenue	426.1	397.6
Finance lease revenue	4.9	5.0
Other revenue from contracts with customers	41.2	32.9
Property management and support services	3.8	5.5
Revenue before service charge income	476.0	441.0
Service charge income	40.2	27.0
Revenue – as reported	516.2	468.0

Lease revenue and finance lease revenue are recognised in accordance with the leasing accounting standard (IFRS 16). Lease revenue is further analysed in note 26.

Total revenue recognised under IFRS 15 (Revenue from contracts with customers) is £85.2 million (2018/19: £65.4 million).

Licence revenue from undersea cables and pipelines is £25.7 million (2018/19: £21.8 million) including mineral royalty revenue of £13.1 million (2018/19: £11.6 million).

6. Revenue account expenses

	2019/20 Property expenses £m	2019/20 Administrative expenses £m	2019/20 Total £m	2018/19 Property expenses £m	2018/19 Administrative expenses £m	2018/19 Total £m
Management fees and costs[1]	19.2	17.1	36.3	16.2	14.5	30.7
Repairs and maintenance	3.7	–	3.7	3.3	–	3.3
Staff costs (note 7)	9.7	17.5	27.2	9.2	16.2	25.4
Other direct expenditure	35.7	–	35.7	20.1	–	20.1
Direct expenses	68.3	34.6	102.9	48.8	30.7	79.5
Service charge expenses	58.5	–	58.5	39.4	–	39.4
Expenses reflected in the revenue account	126.8	34.6	161.4	88.2	30.7	118.9

1 Included in the table above is the auditor's remuneration in respect of their audit of the financial statements of £0.2 million (2018/19: £0.2 million). No non-audit fees have been incurred from the auditor (2018/19: £nil).

7. Staff costs

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

	2019/20 £m	2018/19 £m
Wages and salaries	30.5	28.7
Reorganisation and early retirement costs	1.0	0.7
National insurance costs	3.8	3.5
Current service cost – defined benefit scheme	1.5	1.3
Pension contributions – other pension schemes	2.6	2.1
Total staff costs	39.4	36.3
Charged to:		
Property expenses (note 6)	9.7	9.2
Administrative expenses (note 6)	17.5	16.2
Staff costs reflected in the revenue account	27.2	25.4
Capital account	12.2	10.9
Total staff costs	39.4	36.3
	Number	Number
The average number of staff during the year	456	420

A number of members of the senior executive team and the Board are considered to be The Crown Estate's key management personnel. Details of their remuneration are disclosed in the Remuneration report.

OVERVIEW PERFORMANCE GOVERNANCE FINANCIAL STATEMENTS

8. Retirement benefits

The disclosures below relate to the Opal and Quartz Core sections of The Crown Estate Pension Scheme. All income statement and other comprehensive income statement balances are recorded in the revenue account. A full actuarial valuation was carried out as at 31 March 2017 and updated to 31 March 2020 by a qualified independent actuary.

Employer contribution rates are 45.0% of pensionable earnings p.a. for the Opal section and 19.5% of capped pensionable earnings for the Quartz Core Section.

8a Balance sheet and notes

Group and Parent

Amounts recognised in the consolidated balance sheet	2019/20 £m	2018/19 £m
Present value of funded obligations	(45.7)	(48.1)
Fair value of scheme assets	57.5	58.2
Net asset recognised in the consolidated balance sheet at 31 March	**11.8**	10.1

Changes in the present value of the defined benefit obligation	2019/20 £m	2018/19 £m
Present value of defined benefit obligation at beginning of year	48.1	45.6
Current service cost	1.5	1.3
Interest cost	1.2	1.2
Members' contributions	0.2	0.2
Actuarial (gain)/loss on scheme liabilities	(4.0)	1.2
Benefits paid	(1.3)	(1.4)
Present value of defined benefit obligation at 31 March	**45.7**	48.1

Changes in the fair value of scheme assets	2019/20 £m	2018/19 £m
Fair value of scheme assets at start of year	58.2	55.0
Interest income	1.4	1.4
Actuarial (loss)/gain on scheme assets	(2.2)	2.0
Contributions by The Crown Estate	1.2	1.0
Members' contributions	0.2	0.2
Benefits paid	(1.3)	(1.4)
Fair value of assets at end of year	**57.5**	58.2

Analysis of return on scheme assets	2019/20 £m	2018/19 £m
Interest income	1.4	1.4
Actuarial (loss)/gain on scheme assets	(2.2)	2.0
Actual return on scheme assets	**(0.8)**	3.4

8b Amounts to be recognised in the consolidated revenue account

	2019/20 £m	2018/119 £m
Net financing surplus (note 9)	(0.2)	(0.2)
Current service cost	1.5	1.3
Total pension expense	**1.3**	1.1

8c Total amount recognised in the consolidated statement of comprehensive income

	2019/20 £m	2018/19 £m
Actuarial (loss)/gain on scheme assets	(2.2)	2.0
Actuarial gain/(loss) on scheme liabilities	4.0	(1.2)
Re-measurement gain on retirement benefits	**1.8**	0.8
Actuarial gain/(loss) on defined benefit obligation:		
Gain/(loss) due to experience	0.3	(0.1)
(Loss)/gain due to demographic assumptions	(0.1)	1.1
Gain/(loss) due to financial assumptions	3.8	(2.2)
Total actuarial gain/(loss) on defined benefit obligation	**4.0**	(1.2)

8. Retirement benefits (continued)

8d Cumulative amount recognised in the consolidated statement of comprehensive income of the revenue account

	2019/20 £m	2018/19 £m
Cumulative actuarial gains since adoption of IAS 19	4.8	3.0

8e Major categories of scheme assets

	2019/20 £m	2019/20 %	2018/19 £m	2018/19 %
Equities	8.0	13.9	23.4	40.2
Government bonds	–	–	25.5	43.8
Diversified growth fund	8.1	14.1	–	–
Liability driven investments	36.0	62.6	–	–
Alternatives	5.3	9.2	–	–
Cash	0.1	0.2	9.3	16.0
As at 31 March	57.5	100.0	58.2	100.0

The context to the changes in the asset allocation is provided on page 42. The overall expected return on assets has been derived by considering the long-term expected rate of return for each asset class and taking the average of these rates weighted by the proportion invested in each asset class at the year end.

8f Principal actuarial assumptions at 31 March

	2019/20	2018/19
Discount rate	2.30%	2.45%
RPI price inflation	2.55%	3.20%
CPI price inflation	1.65%	2.10%
Rate of increase in salaries	2.25%	2.70%
Pension increases	1.70% to 2.55%	2.10% to 3.20%
The mortality assumptions used in this calculation were:		
Life expectancy for a male currently aged 60	27.6	27.6
Life expectancy for a female currently aged 60	28.7	28.6
Life expectancy for a male when they are 60, currently aged 40	29.4	29.3
Life expectancy for a female when they are 60, currently aged 40	30.6	30.5

8g Experience gains and losses

	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m	2015/16 £m
Liabilities at year end	(45.7)	(48.1)	(45.6)	(46.1)	(40.3)
Assets at year end	57.5	58.2	55.0	54.5	46.3
Surplus at year end	11.8	10.1	9.4	8.4	6.0
Asset (loss)/gain					
Amount	(2.2)	2.0	(0.5)	9.2	(1.8)
Percentage of scheme assets	(3.8)%	3.6%	(0.9)%	16.9%	(3.9)%
Liability gain/(loss)					
Amount	0.3	(0.1)	(0.5)	0.3	0.6
Percentage of scheme liabilities	0.7%	(0.2)%	(1.1)%	0.7%	1.5%

For the year to 31 March 2020, employer contributions to The Crown Estate Pension Scheme (including money purchase sections) were £2.5 million (2018/19: £2.0 million). For the year to 31 March 2020, employer contributions to the Principal Civil Service Pension Scheme (CSP) were £1.3 million (2018/19: £1.1 million).

For 2018/19 and 2019/20, employers' contributions were payable to the CSP at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. There are no changes to employer contribution rates or bands from 1 April 2020, so the rates from 1 April 2019 remain in force.

Employer contributions are reviewed every three 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.

Notes to the Group and Parent consolidated financial statements
continued

9. Net finance income

	2019/20 £m	2018/19 £m
Bank interest income	5.2	5.2
Retirement benefits – net financing surplus (note 8)	0.2	0.2
Finance lease interest cost (note 26)	(0.4)	(0.4)
Net finance income	**5.0**	5.0

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

	2019/20 £m	2018/19 £m
By agreement with the Treasury the revenue account is charged with an amount as disclosed in note 1:		
Total recovered from the revenue account to the capital account	34.9	32.9
Depreciation of tangible fixed assets charged as costs in the revenue account (note 21)	4.8	5.1
Total recovered under the Treasury agreement	**39.7**	38.0

11. Net revaluation (loss)/gain in properties and investments (including gain/(loss) on disposal)

	2019/20 £m	2018/19 £m
Reflected in the consolidated capital account		
Revaluation (loss)/gain in investment properties (note 16)	(295.7)	199.3
Gain on disposal of investment properties	183.4	75.9
Net revaluation (loss)/gain in investment properties (including gain on disposal)	**(112.3)**	275.2
Share of revaluation loss in joint ventures (note 19)	(169.8)	(57.9)
Share of gain/(loss) on disposal of investment property in joint ventures (note 19)	0.6	(9.0)
Share of revaluation loss in joint ventures (including loss on disposal)	**(169.2)**	(66.9)
Share of revaluation loss in other property investments (note 20)	(11.3)	(6.1)
Total reflected in the consolidated capital account	**(292.8)**	202.2
Reflected in the statement of comprehensive income of the capital account		
Revaluation (loss)/gain in owner occupied properties (note 17)	(4.3)	3.4
Total	**(297.1)**	205.6

Included within revaluation (loss)/gain in investment properties in the above tables is £9.1 million of revaluation gain (2018/19: £8.4 million) that arises on investment properties that have been classified as finance leases.

12. Financial instruments

The Act restricts The Crown Estate to holding land, cash and such other investments as permitted by section 3(4) of the Act. All holdings in land and property must be held directly by The Crown Estate. Geographically, all holdings must be within the United Kingdom. The financial assets held by The Crown Estate are cash equivalents and trade and other receivables.

Risk management

The Board has overall responsibility for the determination of The Crown Estate's risk management objectives as disclosed on pages 44-45. The Crown Estate is subject to credit risk in respect of customers and market risk in respect of investments in property partnerships and estates.

Deposits with banks and financial institutions

The Crown Estate limits its deposits to Prudential Regulation Authority regulated banks, incorporated in the UK or EEA and rated 'A' or above and diversifies its cash holdings between these institutions. As explained in note 1, the Act prevents The Crown Estate from entering into situations which would expose it to foreign exchange risk.

Trade and other receivables subject to credit risk

The credit risk associated with each customer is evaluated carefully on a recurring basis and the aggregate credit risk of The Crown Estate's receivables is managed actively. Receivables are impaired when there is evidence that credit losses may arise and are stated net of the associated provision on the balance sheet. Restrictions in place as a result of COVID-19 have increased the risk over the recoverability of The Crown Estate's receivables, however, the balance of trade receivables is relatively very low in relation to the value of The Crown Estate's assets.

12. Financial instruments (continued)

Investments subject to market risk

As described in note 20, The Crown Estate holds other property investments representing a 4.9% share of the Lend Lease Retail Partnership, a limited partnership, and a 6.4% share in the equity of The Pollen Estate. These investments are exposed to the risk that the net asset value of the underlying properties will decline and also the marketability of the securities themselves. Both risks are evaluated and quantified by The Crown Estate on a recurring basis.

Financial instruments by category

The Crown Estate's financial assets are cash and cash equivalents, trade and other receivables, other property investments and other financial assets, the carrying values of which are disclosed on the balance sheet. Financial instruments not measured at fair value include trade and other receivables and trade and other payables. As allowed by IFRS 9 trade receivables are measured at transaction price.

The Crown Estate's other property investments are measured at fair value. Specific disclosures for these investments are in note 20. The Crown Estate has no financial liabilities measured at fair value.

Liquidity risk

The Crown Estate does not hold any debt and does not hedge any cash flows, assets or liabilities. The Crown Estate is subject to liquidity risk, however in the absence of any borrowing, and given the level of cash currently held, this risk is low. Twenty-one month cash flows are maintained to ensure The Crown Estate has sufficient revenue funds and four-year capital cash flow forecasts are maintained to ensure The Crown Estate has sufficient capital funds for future requirements. Cash holdings are diversified as explained above.

At 31 March 2020	Up to 3 months £m	Between 3 and 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Financial liabilities within trade payables	3.0	–	–	–	–
Financial liabilities within other payables	0.6	0.2	–	–	–
Total financial liabilities (undiscounted)	**3.6**	**0.2**	–	–	–

At 31 March 2019	Up to 3 months £m	Between 3 and 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Financial liabilities within trade payables	3.7	–	–	–	–
Financial liabilities within other payables	0.4	0.3	–	–	–
Total financial liabilities (undiscounted)	4.1	0.3	–	–	–

13. Statutory transfers

Under the provisions of the Crown Estate Act 1961, amounts of £10.8 million (2018/19: £9.8 million) are carried to the capital account form the revenue account in respect of mineral revenue.

14. Parliamentary supply finance

Under schedule 1(5) of the Crown Estate Act 1961, monies are provided by Parliament towards the cost of Commissioners' salaries and the expense of their office. The total of such expenses chargeable to the Parliamentary supply finance account for the current year is shown on the face of the revenue account and the detail is reported separately to Parliament as a Parliamentary supply finance account.

15. Payment to the Consolidated Fund

In accordance with section 1 of the Civil List Act 1952, the net revenue account profit generated by The Crown Estate is paid into the Consolidated Fund. As disclosed on page 43 our net revenue profit payment for the year ended 31 March 2020 has been deferred. On 21 July 2020 a payment of £87.0 million was made to the Consolidated Fund.

	2019/20 £m	2018/19 £m
Payment to the Consolidated Fund made before year end	–	330.0
Amounts included within payables at year end (note 24)	345.0	13.5
Total payment due to the Consolidated Fund in relation to the current year	**345.0**	343.5

FINANCIAL STATEMENTS
Notes to the Group and Parent consolidated financial statements
continued

16. Investment properties

Group	2019/20 Investment properties £m	2019/20 Properties under development £m	2019/20 Total £m	2018/19 Investment properties £m	2018/19 Properties under development £m	2018/19 Total £m
At opening valuation (before lease incentives)	12,066.9	52.2	12,119.1	11,528.9	107.3	11,636.2
Acquisitions	311.8	–	311.8	194.3	2.3	196.6
Capital expenditure	104.7	25.5	130.2	96.8	72.8	169.6
Capital receipts	(6.8)	–	(6.8)	(3.8)	–	(3.8)
Transfers to other categories	7.5	(7.5)	–	137.5	(137.5)	–
Transfers from joint ventures	–	–	–	73.2	–	73.2
Net transfer to owner occupied properties	(37.7)	–	(37.7)	–	–	–
Disposals	(242.7)	–	(242.7)	(152.0)	–	(152.0)
Revaluation	(296.9)	1.2	(295.7)	192.0	7.3	199.3
At closing valuation (before lease incentives)	11,906.8	71.4	11,978.2	12,066.9	52.2	12,119.1
Net finance lease payable	2.5	–	2.5	2.5	–	2.5
Assets held for sale	(8.5)	–	(8.5)	–	–	–
Closing fair value – as reported	11,900.8	71.4	11,972.2	12,069.4	52.2	12,121.6
Reconciliation to valuation						
At closing valuation (before lease incentives)	11,906.8	71.4	11,978.2	12,066.9	52.2	12,119.1
Investment properties treated as finance leases	398.6	–	398.6	295.3	–	295.3
Lease incentives	13.5	–	13.5	15.0	–	15.0
Market value	12,318.9	71.4	12,390.3	12,377.2	52.2	12,429.4

All properties classified as investment properties under development are within the Central London and Regional portfolios.

Group and Parent

The property portfolio was valued on 31 March 2020 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 18.

Investment property valuations are complex and derived using estimates of future income and property transactions that are not publicly available. Consequently, all investment property valuations are classified as level 3 within IFRS 13.

The Crown Estate has a number of joint operations, the most significant of which is with Norges Bank Investment Management (NBIM) under which NBIM has a 25% interest through a 150-year lease of the majority of the properties in Regent Street and a 50% interest in 20 Air Street. The Crown Estate's share of jointly controlled assets is £4,766.5 million at 31 March 2020 (2018/19: £4,748.0 million) out of the total investment property value of £11,972.2 million (2018/19: £12,121.6 million).

Included within disposals and revaluation in the group and parent tables is £9.1 million of revaluation gain (2018/19: £8.4 million) that arises on investment properties that have been classified as finance leases.

Parent	2019/20 £m	2018/19 £m
At opening valuation (before lease incentives)	11,836.2	11,459.9
Acquisitions	300.1	194.4
Capital expenditure	121.4	129.0
Capital receipts	(6.8)	(3.8)
Transfers from joint ventures	–	73.2
Transfer to owner occupied properties	(37.7)	–
Disposals	(242.9)	(218.4)
Revaluation	(239.5)	201.9
At closing valuation (before lease incentives)	11,730.8	11,836.2
Net finance lease payable	2.5	2.5
Classified as assets held for sale	(8.5)	–
Closing fair value – as reported	11,724.8	11,838.7

The unamortised element of lease incentives granted at 31 March 2020 was £13.5 million (2018/19: £15.0 million).

16. Investment properties (continued)

	Group 2019/20 £m	Group 2018/19 £m	Parent 2019/20 £m	Parent 2018/19 £m
Historic cost of investment properties	**3,568.5**	3,399.2	**3,235.8**	3,087.2
Market value of freehold investment properties	**12,273.2**	12,312.3	**12,025.8**	12,029.4
Market value of long leasehold properties	**117.1**	117.1	**117.1**	117.1

17. Owner occupied properties

Group and Parent	2019/20 £m	2018/19 £m
Opening fair value	**96.7**	91.8
Capital expenditure	**1.7**	1.5
Revaluation	**(4.3)**	3.4
Net transfer from investment properties	**37.7**	–
Closing fair value	**131.8**	96.7

All owner occupied properties are classified as level 3 within the value hierarchy.

The historic cost of owner occupied properties at 31 March 2020 was £78.1 million (2018/19: £53.4 million). Information about the valuation and fair value measurement of owner occupied properties is set out in note 18.

18. Fair value measurement of properties

For all investment property that is measured at fair value, the current use of the property is considered the highest and best.

Valuation process

The entire portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with IFRS 13, the RICS Valuation – Global Standards 2020 and VPGA 1 guidance therein regarding valuation for inclusion in financial statements.

Portions of the Central London and Regional portfolios are valued on a quarterly basis and a tonal exercise is also undertaken at the half year on the Rural and Central London (residential) properties.

The Crown Estate and its managing agents provide data to the valuers, including current lease and tenant data along with asset specific business plans.

The valuers use this and other inputs including market transactions for similar properties to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the asset management team and the members of the senior executive team.

The annual valuation is presented to and the process is endorsed by the Audit Committee. A review is also presented to the Board annually.

Valuers' fees are charged on a variety of bases including percentage of the valuation and fixed amounts.

The general risk environment in which the group operates has heightened during the period, largely due to the continued level of uncertainty of the future impact of the UK's exit from the EU, COVID-19 and the significant deterioration in the UK retail market.

The COVID-19 pandemic has affected every aspect of our business and our valuations have not been exempt from this. As reported in the Financial review and note 3a, COVID-19 is affecting market activity in many sectors and, consistent with RICS recommendations, all our valuations at 31 March 2020 have seen the inclusion of a 'material uncertainty' clause. This clause is intended to highlight that, due to the current extraordinary circumstances, less certainty can be attached to the reported valuation than would otherwise be the case. There are a greater potential range of values and therefore a higher degree of caution should be attached to the valuations. The portfolios have been affected by varying degrees with the most significant effects reflecting rental concession requests impacting retail and casual dining rental values.

There has been no change in the valuation methodology used for investment property as a result of COVID-19.

FINANCIAL STATEMENTS

Notes to the Group and Parent consolidated financial statements

continued

18. Fair value measurement of properties (continued)

Fair value hierarchy

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

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

Valuation techniques used to derive level 3 fair values of group properties

Class of property	Valuation 2019/20 £m	Valuation 2018/19 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Central London portfolio:						
Retail	**3,131.4**	3,224.8	Investment	ERV	£33.50-£1,000 psf ITZA	C&W
				Yield	2.22%-5.50%	
Offices	**3,445.4**	3,110.7	Investment	ERV	£24.00-£140.00 psf	C&W
				Yield	2.22%-5.75%	
Residential	**743.3**	700.3	Comparable	£ psf	£753-£4,246	JLL
Other Central London	**573.7**	649.5	Investment	Yield	2.50%-5.80%	JLL/C&W
Total Central London	**7,893.8**	7,685.3				
Regional portfolio:						
Retail	**203.7**	271.7	Investment	ERV	£7.00-£259.60 psf ITZA	JLL/CBRE
				Yield	5.35%-38.50%	
Retail & Leisure Parks	**850.0**	1,119.1	Investment	ERV	£11.33-£67.50 psf	JLL
				Yield	5.45%-8.25%	
Offices	**172.3**	170.0	Investment	ERV	£24.00-£33.50psf	JLL
				Yield	4.94%-5.60%	
Agricultural	**878.7**	936.9	Comparable/ Investment	Proportion of vacant possession value	50%-100%	Strutt & Parker
				Yield	1.50%-15.00%	
Other Regional	**201.0**	207.8	Comparable/ Investment	ERV	£4.79-£11.50psf	JLL
				Yield	4.13%-6.30%	
Total Regional	**2,305.7**	2,705.5				

18. Fair value measurement of properties (continued)

Class of property	Valuation 2019/20 £m	Valuation 2018/19 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Energy, Minerals & Infrastructure portfolio:						
Aggregates	174.7	181.7	Investment/ DCF	Yield	5.00%-25.00%	Wardell Armstrong
				Annual extraction	c. 20 million tonnes	
Renewables	1,427.0	1,278.6	Investment/ DCF	Yield	6.00%-21.00%	JLL/Morley Riches & Ablewhite
				Discount rate	6.50%-25.00%	
Coastal	217.2	212.2	Investment	Yield	5.00%-97.40%	Various
Cables and pipelines	129.5	126.0	Investment	Yield	7.25%-27.50%	Powis Hughes
Minerals	14.9	15.7	DCF	Yield	5.00%-20.00%	Wardell Armstrong
Total Energy, Minerals & Infrastructure	1,963.3	1,814.2				
Windsor Estate:						
Other	227.5	224.4	Comparable/ Investment	Yield	1.00%-20.00%	Savills
				Proportion of vacant possession value	23%-100%	
Total investment properties	12,390.3	12,429.4				
Owner occupied properties:						
Central London:	38.4	–	Investment	Yield ERV	3.60% £70.00psf	C&W
				Capital value	£1,618psf	
Windsor Estate	93.4	96.7	Comparable/ Investment	Proportion of vacant possession value	23%-100%	Savills
				Yield	1.00%-20.00%	
Total owner occupied properties	131.8	96.7				
Total of all portfolios at valuation	12,522.1	12,526.1				

Market value of properties on a proportionally consolidated basis

	2019/20 £m	2018/19 £m
Investment properties (note 16)	12,390.3	12,429.4
Owner occupied properties (note 17)	131.8	96.7
Share of investment properties in joint ventures at valuation (note 19)	781.5	930.7
Other property investments (note 20)	68.0	79.3
Total value of all properties on a proportionally consolidated basis	13,371.6	13,536.1

The fair value of investment property is determined using the following valuation methods

Investment Method

This involves estimating the rental value of each lettable unit within the property, making an assessment of void periods and other costs of letting and then capitalising at an appropriate rate.

Hope value has been included where there is future reversionary potential, e.g. conversion of offices back to their original use as residential.

18. Fair value measurement of properties (continued)

Discounted cash flow (DCF)
This involves the projection of cash flows to which an appropriate market-derived discount rate is applied to establish the present value of the income stream.

Comparable Method
An indication of value arrived at by comparing information of the subject asset with similar assets for which valuation data is available.

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

Wind farms
Each wind farm project has been valued individually using an 'all risk' yield applied to the minimum and budgeted rents, or the actual output, subject to an end allowance where appropriate.

As a cross check, a discounted cash flow of projected revenue streams has been undertaken with appropriate discount rates for differing levels of status in the development programme.

Strategic land
Hope value for strategic land is incorporated into the Regional portfolio, discounted to reflect the stage reached in the planning process.

For properties being redeveloped, the Residual Method has been adopted which involves calculating the potential value when the property has been completed (using the Investment Method) and then deducting the cost to complete the construction, achieve lettings and appropriate allowances for profit to compensate for the risk of carrying out the development.

Rural and residential properties
These are generally valued using the Comparable Method and cross checked with the Investment Method.

Owner occupied residential property at the Windsor Estate
This has been valued using the Comparable Method with an appropriate discount to the vacant possession value.

Sensitivity analysis
The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the investment property are:

- estimating the rental value of each lettable unit with evidence derived from other recent lettings in the property itself or similar properties nearby, making adjustments for size, specification, location and letting incentives
- estimating the length of time taken and the cost to let vacant space and the likelihood of lease renewals
- deciding the appropriate capitalisation rate to be applied derived from transactions of comparable properties
- choosing the appropriate discount rate to vacant possession value for differing lengths and types of tenure on rural and residential tenancies
- for property under development, the assessment of the value created on completion and the allowance for construction and letting costs to achieve that
- inclusion of hope value for a higher value use (e.g. strategic land and properties with potential for residential conversion) dependent upon the likelihood, time and cost of achieving that use
- allowance for the level of volatility on turnover related valuations, e.g. offshore wind farms, aggregates and minerals
- assessment of functional lifespan of offshore assets, e.g. cables and pipelines
- assessing the appropriate discount rate for offshore wind farms from site exclusivity through to a generating wind farm.

These inputs have all been affected to some extent by COVID-19 and we expect the impact will continue to evolve over the coming year.

Significant increases/(decreases) in the ERV would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long-term vacancy rate or yield would result in a lower/(higher) fair value measurement.

Valuation techniques used to derive level 3 fair values of parent properties

The valuation of the parent properties is as disclosed above except as described below:

Class of property	Valuation 2019/20 £m	Valuation 2018/19 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Central London portfolio:						
Residential	**672.6**	635.0	Comparable	£ per sq ft	£753–£4,246	JLL
Regional portfolio:						
Retail & Leisure Parks	**665.5**	901.5	Investment	ERV	£11.33–£66.50 psf	JLL
				Yield	5.45%–8.25%	

19. Investment in joint ventures

The Crown Estate's investment in joint ventures is described below:

Group and Parent Name of jointly controlled entity	Percentage owned	Formation date	Partner	Property interest
The Gibraltar Limited Partnership	50%	April 2007	Hercules Unit Trust	
Crown Point co-ownership agreement	50%	June 2008	Morley Fund Management	Crown Point Shopping Park, Leeds
Westgate Oxford Alliance Limited Partnership	50%	May 2010	Land Securities Group PLC	Westgate, Oxford
Maple Investment Limited Partnership	50%	November 2010	The Healthcare of Ontario Pension Plan	St James's Gateway, London
Wexford Retail Limited Partnership	50%	August 2014	Gingko Tree Investment Limited	Fosse, Leicester
Fosse Park West Limited Partnership	50%	August 2015	Gingko Tree Investment Limited	Castle Acres, Fosse, Leicester
The St James's Partnership Group:				
St James's Market Haymarket Limited Partnership	50%	September 2013	Oxford Properties Group	2 St James's Market, London
St James's Market Regent Street Limited Partnership	50%	September 2013	Oxford Properties Group	1 St James's Market, London
St James's Market Development Limited	50%	September 2013	Oxford Properties Group	
The St James's Partnership Group 2:				
SJM Four (South Block) Limited Partnership	50%	May 2015	Oxford Properties Group	4 St James's Market, London
St James's Market Development (No. 2) Limited	50%	May 2015	Oxford Properties Group	

All joint ventures operate in the United Kingdom.

The assets, liabilities, revenues and expenses of The Crown Estate's primary joint ventures at 100% were:

	Central London			Regional				Total
	Maple LP £m	St James's Market Partnership Group £m	St James's Market Partnership Group 2 £m	Crown Point £m	Gibraltar LP £m	Westgate Oxford Alliance LP £m	Wexford Retail LP[1] £m	£m
Balance sheet at 31 March 2020								
Investment properties at valuation	240.6	480.8	97.4	73.0	–	366.8	304.3	1,562.9
Lease incentives	(0.2)	–	–	–	–	(13.7)	–	(13.9)
Cash and cash equivalents	8.5	8.0	1.4	2.1	1.9	10.2	26.9	59.0
Other assets	3.7	31.1	2.6	2.1	0.2	17.6	6.3	63.6
Current liabilities	(9.7)	(7.7)	(2.8)	(3.0)	(3.1)	(12.3)	(27.6)	(66.2)
Non-current liabilities	–	–	–	–	–	(0.1)	–	(0.1)
Net assets	242.9	512.2	98.6	74.2	(1.0)	368.5	309.9	1,605.3
Comprehensive income statement for the year ended 31 March 2020								
Income	9.1	14.3	10.4	6.3	–	29.9	16.8	86.8
Expenses	(1.4)	(2.1)	(6.4)	–	–	(13.5)	(1.5)	(24.9)
Revenue account profit	7.7	12.2	4.0	6.3	–	16.4	15.3	61.9
Revaluation (loss)/gain in investment properties	(5.9)	10.3	(22.4)	(39.0)	–	(167.0)	(115.6)	(339.6)
Gain on disposal of investment properties	–	–	–	–	1.1	–	–	1.1
Total capital account comprehensive (loss)/profit	(5.9)	10.3	(22.4)	(39.0)	1.1	(167.0)	(115.6)	(338.5)

1 Balances include those for Fosse Park West Limited Partnership.

The Crown Estate share at 50% was:

	Total Central London	Total Regional	Total
Investment properties at valuation	409.4	372.1	781.5
Cash and cash equivalents	9.0	20.5	29.5
Net assets	426.9	375.8	802.7
Revenue	16.9	26.5	43.4
Revenue account profit	12.0	19.0	31.0
Revaluation loss	(9.0)	(160.8)	(169.8)
Gain on disposal of investment properties	–	0.6	0.6

FINANCIAL STATEMENTS
Notes to the Group and Parent consolidated financial statements
continued

19. Investment in joint ventures (continued)

The assets, liabilities, revenues and expenses of The Crown Estate's primary joint ventures at 100% were:

	Central London			Regional				Total
	Maple LP £m	St James's Market Partnership Group £m	St James's Market Partnership Group 2 £m	Crown Point £m	Gibraltar LP £m	Westgate Oxford Alliance LP £m	Wexford Retail LP[1] £m	£m
Balance sheet at 31 March 2019								
Investment properties at valuation	244.1	474.4	115.4	111.8	–	537.6	378.1	1,861.4
Lease incentives	–	–	–	–	–	(16.7)	(0.5)	(17.2)
Cash and cash equivalents	4.9	6.0	2.1	4.8	2.4	14.2	13.4	47.8
Other assets	3.5	20.2	0.9	0.6	0.5	20.3	5.9	51.9
Current liabilities	(7.3)	(0.8)	(3.8)	(5.0)	(4.9)	(12.7)	(25.8)	(60.3)
Non-current liabilities	–	–	–	–	–	(0.1)	–	(0.1)
Net assets	245.2	499.8	114.6	112.2	(2.0)	542.6	371.1	1,883.5
Comprehensive income statement for the year ended 31 March 2019								
Income	8.8	17.2	9.6	7.1	7.5	28.3	16.5	95.0
Expenses	(1.7)	(5.9)	(4.1)	(0.8)	(4.0)	(9.3)	(1.8)	(27.6)
Revenue account profit	7.1	11.3	5.5	6.3	3.5	19.0	14.7	67.4
Revaluation gain/(loss) in investment properties	0.2	12.8	(18.9)	(21.4)	–	(51.0)	(37.5)	(115.8)
Gain/(loss) on disposal of investment properties	–	–	–	–	(18.8)	0.9	–	(17.9)
Total capital account comprehensive profit/(loss)	0.2	12.8	(18.9)	(21.4)	(18.8)	(50.1)	(37.5)	(133.7)

1 Balances include those for Fosse Park West Limited Partnership.

The Crown Estate share at 50% was:

	Total Central London	Total Regional	Total
Investment properties at valuation	417.0	513.7	930.7
Cash and cash equivalents	6.5	17.4	23.9
Net assets	429.9	511.9	941.8
Revenue	17.8	29.7	47.5
Revenue account profit	11.9	21.8	33.7
Revaluation loss	(2.9)	(55.0)	(57.9)
Loss on disposal of investment properties	–	(9.0)	(9.0)

19. Investment in joint ventures (continued)

Group and Parent

Summary of movement in investment in joint ventures

	2019/20 £m	2018/19 £m
Opening balance	941.8	1,111.1
Share of revenue profit	31.0	33.7
Revaluation loss in investment property	(169.8)	(57.9)
Share of gain/(loss) on disposal of investment property	0.6	(9.0)
Net equity additions	29.9	28.1
Revenue distributions received	(29.9)	(32.8)
Capital distributions	(0.9)	(58.2)
Transfer to investment property	-	(73.2)
Closing balance	802.7	941.8

The investment properties included within the net current assets of jointly controlled entities included above are valued at fair value and are classified as level 3 within the value hierarchy as defined within IFRS 13. There were no transfers between levels during the year.

20. Other property investments

Other property investments comprise a 4.9% share of Lend Lease Retail Partnership, an English Limited Partnership, and a 6.4% equity investment in The Pollen Estate. Lend Lease Retail Partnership provides an equity interest in both Bluewater Shopping Centre, Kent and Touchwood Court Shopping Centre, Solihull. The Pollen Estate owns freehold property in an area of Mayfair to the west of Regent Street in London and the investment is held by a subsidiary of The Crown Estate.

	Group 2019/20 £m	Group 2018/19 £m	Parent 2019/20 £m	Parent 2018/19 £m
Opening balance	79.3	85.4	25.5	34.3
Share of revaluation loss in investment reflected in the consolidated capital account	(11.3)	(6.1)	(7.9)	(8.8)
Share of net assets reflected in the balance sheet	68.0	79.3	17.6	25.5
Share of revenue profit	2.4	1.2	1.5	0.9

The investments are held at the group's share of fair value. The property investments are classified as level 3 within the value hierarchy as defined within IFRS 13. There were no transfers between levels during the period.

The basis for valuations are net asset value (NAV) estimates from valuation reports prepared by independent third party valuers, which serve as the key unobservable inputs. Fair values are derived by discounting NAVs, having regard to their liquidity and other relevant factors.

If the liquidity discount on other property investments increased by 5%, this would result in a fair value loss of £3.8 million. If the NAV of other property investments declined by 5%, the total effect of declines in liquidity discounts and valuations would be £7.0 million.

FINANCIAL STATEMENTS

Notes to the Group and Parent consolidated financial statements
continued

21. Property, plant and equipment

Group and Parent – 2019/20	Leasehold right-of-use asset £m	Leasehold improvements £m	Office equipment £m	Plant and machinery £m	Motor vehicles £m	Total £m
Cost – opening balance	15.1	9.7	28.7	2.4	1.6	57.5
Additions	–	–	4.8	0.5	–	5.3
Disposals	–	–	(0.5)	(0.1)	(0.1)	(0.7)
Cost – closing balance	15.1	9.7	33.0	2.8	1.5	62.1
Depreciation – opening balance	1.9	1.2	20.9	2.2	1.4	27.6
Charge in the year	1.0	0.6	3.0	0.1	0.1	4.8
Disposals	–	–	(0.4)	(0.1)	(0.1)	(0.6)
Depreciation – closing balance	2.9	1.8	23.5	2.2	1.4	31.8
Net book value at 31 March 2020	12.2	7.9	9.5	0.6	0.1	30.3
Group and Parent – 2018/19						
Cost – opening balance	15.1	9.7	29.4	2.4	1.6	58.2
Additions	–	–	2.8	0.1	0.1	3.0
Disposals	–	–	(3.5)	(0.1)	(0.1)	(3.7)
Cost – closing balance	15.1	9.7	28.7	2.4	1.6	57.5
Depreciation – opening balance	0.8	0.7	21.2	2.2	1.3	26.2
Charge in the year	1.1	0.5	3.2	0.1	0.2	5.1
Disposals	–	–	(3.5)	(0.1)	(0.1)	(3.7)
Depreciation – closing balance	1.9	1.2	20.9	2.2	1.4	27.6
Net book value at 31 March 2019	13.2	8.5	7.8	0.2	0.2	29.9

Included within motor vehicles at 31 March 2020 is £0.9 million (2018/19: £1.0 million) of historic cost and £0.8 million (2018/19: £0.9 million) of accumulated depreciation that relates to motor vehicles that are owned by The Crown Estate. All other motor vehicles are right-of-use assets.

22. Other investments

Group and Parent	2019/20 £m	2018/19 £m
Other investments comprise antiques and paintings		
Fair value – opening balance	10.8	10.8
Revaluation in the year	0.1	–
Fair value – closing balance	10.9	10.8

Antiques and paintings are shown at fair value. Any gain or loss arising from changes in fair value is recognised directly in the revaluation reserve. The latest triennial valuation was carried out by recognised experts and completed during the year ended 31 March 2020.

23. Trade and other receivables

	Group 2019/20 £m	Group 2018/19 £m	Parent 2019/20 £m	Parent 2018/19 £m
Amounts falling due within one year:				
Trade receivables – leases	57.3	16.3	53.9	14.6
Capital receivables – non-leases	16.6	43.3	14.8	43.3
Other financial assets	0.1	0.1	0.1	0.1
Amounts owed by subsidiary undertakings	–	–	359.4	339.1
Other receivables	14.5	16.7	14.0	15.8
Prepayments	1.7	0.9	1.7	0.9
Investment properties treated as finance leases (note 26)	8.0	5.0	8.0	5.0
Accrued income from leases	26.2	21.3	25.9	18.6
Accrued income from revenue	1.2	1.2	1.2	1.2
	125.6	104.8	479.0	438.6
Provision for expected lifetime losses	(20.0)	(4.2)	(18.0)	(4.1)
Total receivables falling due within one year	105.6	100.6	461.0	434.5
Amounts falling due after more than one year:				
Other financial assets	2.3	2.3	2.3	2.3
Investment properties treated as finance leases (note 26)	390.6	290.3	390.6	290.3
Other receivables	41.8	41.3	41.8	41.3
Total receivables falling due after one year	434.7	333.9	434.7	333.9

Trade receivable impairments reflect the application of The Crown Estate's provisioning policy in respect of bad and doubtful receivables as described in note 3. The carrying amount of the trade and other receivables approximates to their fair value. All accrued income arising from revenue with contracts with customers as at 31 March 2020 has been or will be invoiced within four months of the year end (2018/19: four months).

Expected lifetime losses on trade, capital and other receivables

The Crown Estate has a wide range of customers in a range of industries resulting in highly diversified credit risk in respect of trade, capital and other receivables. The Crown Estate uses a lifetime expected loss allowance for trade and other receivables. The provision is shown below.

At 31 March 2020	Amounts not yet due	Less than 90 days past due	Between 90 and 180 days past due	More than 180 days past due	Total
Expected loss rate	16%	22%	66%	98%	27%
	£m	£m	£m	£m	£m
Gross carrying amount	28.1	37.1	3.8	4.9	73.9
Provision	4.4	8.3	2.5	4.8	20.0
At 31 March 2019					
Expected loss rate	1%	2%	11%	85%	8%
	£m	£m	£m	£m	£m
Gross carrying amount	44.3	3.7	6.2	3.3	57.5
Provision	0.6	0.1	0.7	2.8	4.2

FINANCIAL STATEMENTS

Notes to the Group and Parent consolidated financial statements
continued

24. Payables and deferred income

	Group 2019/20 £m	Group 2018/19 £m	Parent 2019/20 £m	Parent 2018/19 £m
Amounts falling due within one year:				
Trade payables	2.0	4.5	1.5	3.8
Rents received in advance	68.2	74.1	65.4	72.0
Deferred income from revenue	4.4	3.5	4.4	3.5
Taxes and social security	16.5	27.4	15.8	27.3
Other payables	25.7	15.2	26.9	15.5
Consolidated Fund	345.0	13.5	345.0	13.5
Accruals	33.4	38.9	31.6	37.1
Obligations under finance leases (note 26)	1.7	1.7	1.7	1.7
Total payables and deferred income falling due within one year:	496.9	178.8	492.3	174.4
Amounts falling due after more than one year				
Deferred income	26.3	–	26.3	–
Obligations under finance leases (note 26)	17.6	18.7	17.6	18.7
Total non-current liabilities	43.9	18.7	43.9	18.7

Following the partial closure of Rushden Lakes after storm damage in February 2020, amounts totalling £586,000 due to our customers to compensate them for losses incurred have been accrued in these financial statements.

25. Provisions

Group and Parent	2019/20 £m	2018/19 £m
Opening balance	1.1	–
Payments in year	(1.8)	(2.2)
Expenses recorded in the capital account	0.7	2.9
Expenses recorded in the revenue account	–	0.4
Closing balance	–	1.1

In 2016/17 The Crown Estate sold properties in an exclusive residential scheme. Since the sales, a number of defects have been identified with a number of the properties which required major works to remedy, rendering the properties uninhabitable for the duration of the work. The Crown Estate compensated the owners for direct expenditure they have incurred and to reflect their inconvenience.

26. Leasing

Operating leases with customers

The Crown Estate leases out the vast majority of its investment properties under operating leases for average lease terms of 43 years to expiry. The Crown Estate have classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The undiscounted future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

	Group 2019/20 £m	Group 2018/19 (Restated) £m	Parent 2019/20 £m	Parent 2018/19 (Restated) £m
Less than one year	313.2	285.9	301.8	277.7
Between one and five years	990.3	916.5	949.4	884.4
More than five years	4,992.3	4,971.1	4,918.7	4,919.3
Total operating leases with customers	6,295.8	6,173.5	6,169.9	6,081.4

The prior year comparative amounts have been restated to account for the effect of lease step-ups and lease incentives.

Finance leases with customers

Certain of The Crown Estate's long lease arrangements include elements of ongoing income in addition to ground rent. The Crown Estate has considered the lease as a whole, and where the lease has been determined to be a finance lease, the future lease income is treated as a finance lease receivable. Amounts receivable under non-cancellable finance leases are as follows:

Group and Parent	2019/20 £m	2018/19 £m
Less than one year	8.0	5.0
Between one and five years	32.1	20.1
More than five years	1,533.0	877.7
Total undiscounted lease assets at 31 March	1,573.1	902.8
Future finance lease income	(1,334.5)	(758.9)
Unguaranteed residual values	160.0	151.4
Investment properties disclosed as finance leases	398.6	295.3
Disclosed as:		
Current	8.0	5.0
Non-current	390.6	290.3

The increase in finance leases with customers compared with the previous year is due to the inclusion of a new finance lease.

During the year ended 31 March 2020 there was a gain on the sale of finance leases of £92.0 million (2018/19: nil).

Lease liabilities

Lease liabilities are payable as follows:

Group and Parent	2019/20 £m	2018/19 £m
Less than one year	1.7	1.7
Between one and five years	6.9	6.9
More than five years	58.4	59.9
Total undiscounted lease liabilities at 31 March	67.0	68.5
Future finance charges	(47.7)	(48.1)
Present value of lease liabilities at 31 March	19.3	20.4
Disclosed as:		
Current	1.7	1.7
Non-current	17.6	18.7

The Crown Estate leases head office space from a joint venture and leases various motor vehicles for operations at Windsor Great Park.

Amounts recognised in revenue account

Group and Parent	2019/20 £m	2018/19 £m
Income from sub-leasing right-of-use assets	1.4	1.0
Contingent rents receivable	36.8	34.7
Variable lease payments not included in the measurement of lease liabilities	(2.0)	(2.0)
Interest on lease liabilities (note 9)	(0.4)	(0.4)

The Crown Estate has no material leases that require higher than normal risk management.

Notes to the Group and Parent consolidated financial statements
continued

27. Capital commitments

At 31 March 2020, The Crown Estate had committed to make capital expenditure of £112.2 million (2018/19: £307.0 million) and had authorised additional expenditure of £64.9 million (2018/19: £99.0 million).

28. Contingent liabilities

The Crown Estate is subject to various litigation, claims and warranties arising in the ordinary course of business. Based on the information currently available, it is not expected that the resolution of these matters, individually or in aggregate, will lead to any material liabilities.

29. Related party transactions

Joint ventures

The transactions outlined below are between the Group and its joint ventures, further details of which are given in note 19.

The Crown Estate occupies space at 1 St James's Market, a property owned by St James's Market Regent Street LP, a joint venture. Rental payments of £3.2 million (2018/19: £1.3 million) were made during year and the prepaid balance with the joint venture is £0.8 million as at 31 March 2020 (2018/19: £nil).

	Group 2019/20 £m	Group 2018/19 £m	Parent 2019/20 £m	Parent 2018/19 £m
Management fees receivable	**3.1**	3.5	**1.4**	2.7
Charges from joint ventures	**(1.9)**	(1.8)	**(1.9)**	(1.8)

The Crown Estate has no material leases that require higher than normal risk management.

Transactions with subsidiaries

Details of transactions between The Crown Estate and other related parties in the normal course of business are disclosed below.

	2019/20 £m	2018/19 £m
Management fees paid	**2.8**	3.1

Details of amounts receivable from subsidiaries are outlined in note 23.

Key management personnel

A number of members of the senior executive team and the Board are considered to be The Crown Estate's key management personnel. Details of their remuneration are disclosed in the Remuneration report.

Robin Budenberg, Chairman, is London Chairman of Centerview Partners UK LLP, a sub tenant of The Crown Estate.

30. Third party deposits

At 31 March 2020 The Crown Estate held £45.2 million (2018/19: £41.7 million) on deposit on behalf of third parties.

31. Investments

The Crown Estate has the following wholly owned subsidiary undertakings, all of which are registered at 1 St James's Market, London SW1Y 4AH. Unless otherwise stated the principal activity of the investments is property investment and management.

Purple Holdco Limited – intermediate holding company

Purple Investment Management LLP – asset management advice

Purple Investment GP Limited

TCE Purple Investment LP

Anther GP Limited

Anther Partners LP

TCE Quadrant 4 LP

TCE Quadrant 4 GP Limited

Shoemaker GP Limited

Shoemaker LP

Shoemaker Nominee Limited

Urbanlease Property Management Limited – dormant property management company

The Crown Estate has a 50% interest in the following joint ventures. Unless otherwise noted, they are all registered at 1 St James's Market, London SW1Y 4AH:

Maple Investment GP Limited

Maple Investment LP

Maple Nominee Limited

Wexford Retail GP Limited

Wexford Retail LP

Wexford Retail Nominee Limited

Fosse Park West GP Limited

Fosse Park West LP

St James's Market Haymarket GP Limited

St James's Market Haymarket LP

St James's Market Regent Street GP Limited

St James's Market Regent Street LP

SJM Four (South Block) GP Limited

SJM Four (South Block) LP

St James's Market Development Limited

St James's Market Development (No.2) Limited

Gibraltar General Partner Limited[1]

The Gibraltar Limited Partnership[1]

Gibraltar Nominees Limited[1]

Westgate Oxford Alliance GP Limited[2]

Westgate Oxford Alliance Limited Partnership[2]

Westgate Oxford Alliance Nominee No.1 Limited[2]

Westgate Oxford Alliance Nominee No.2 Limited[2]

1 Registered office – York House, 45 Seymour Street, London W1H 7LX.
2 Registered office – 100 Victoria Street, London SW1E 5JL.

32. Issue of accounts

On 1 September 2020, the financial statements were approved by the Board prior to certification by the Comptroller and Auditor General on 7 September 2020. On the certification date, the financial statements are deemed to be authorised for issue. Post balance sheet events were considered up to the certification date.

33. Events after the balance sheet date

A number of properties within the Central London and Regional portfolios are valued as part of the quarterly reporting cycle. On a proportionally consolidated basis, the value of these properties has fallen from £9,808.5 million at 31 March 2020 to £9,451.5 million at 30 June 2020, primarily as a result of the impact of COVID-19 which has accelerated the effect of structural changes in the retail sector and therefore impacted the sector's valuation. Accordingly, valuations of retail assets fell across the commercial portfolios, with the impact being most acute in the Regional portfolio. However, valuations of the central London offices and non-retail Regional assets remained flat in the first quarter of 2020/21. The valuation reports continue to include a material uncertainty clause as at 30 June 2020. The impact of COVID-19 on other property portfolios held by The Crown Estate cannot be reliably quantified at this point in time as these portfolios have not been subject to professional valuation since 31 March 2020.

Supplementary disclosures (unaudited)

Summary consolidated income statements on a proportionally consolidated basis

The table below does not form part of the consolidated primary statements or notes thereto. It presents the results of the operations of the group, with its share of the results of jointly controlled interests on a line-by-line, i.e. proportional basis. The revenue and capital profit are the same as presented in the Consolidated revenue and Consolidated capital accounts.

			2019/20			2018/19
Consolidated revenue account	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m
Revenue before service charges	476.0	43.4	519.4	441.0	47.5	488.5
Service charge revenue	40.2	3.9	44.1	27.0	4.0	31.0
Revenue – as reported	516.2	47.3	563.5	468.0	51.5	519.5
Property expenses	(126.8)	(16.3)	(143.1)	(88.2)	(17.8)	(106.0)
Gross profit	389.4	31.0	420.4	379.8	33.7	413.5
Administrative expenses	(34.6)	–	(34.6)	(30.7)	–	(30.7)
Operating profit	354.8	31.0	385.8	349.1	33.7	382.8
Net finance income	5.0	–	5.0	5.0	–	5.0
Share of revenue profit from joint ventures	31.0	(31.0)	–	33.7	(33.7)	–
Share of revenue profit from other property investments	2.4	–	2.4	1.2	–	1.2
Depreciation of tangible fixed assets	(4.8)	–	(4.8)	(5.1)	–	(5.1)
Net consolidated operating profit before Treasury agreements and Statutory transfers	388.4	–	388.4	383.9	–	383.9
Treasury agreements	(34.9)	–	(34.9)	(32.9)	–	(32.9)
Statutory transfers	(10.8)	–	(10.8)	(9.8)	–	(9.8)
Parliamentary supply finance	2.3	–	2.3	2.3	–	2.3
Consolidated revenue account profit	345.0	–	345.0	343.5	–	343.5

			2019/20			2018/19
Consolidated capital account	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m
Capital account expenditure	(14.6)	–	(14.6)	(10.9)	–	(10.9)
Revaluation (loss)/gains (including gain/(loss) on disposal)	(112.3)	(169.2)	(281.5)	275.2	(66.9)	208.3
Share of revaluation loss in joint ventures (including gain/(loss) on disposal)	(169.2)	169.2	–	(66.9)	66.9	–
Share of revaluation loss in other property investments	(11.3)	–	(11.3)	(6.1)	–	(6.1)
Consolidated capital account (loss)/profit before Treasury agreements and Statutory transfers	(307.4)	–	(307.4)	191.3	–	191.3
Treasury agreements	34.9	–	34.9	32.9	–	32.9
Statutory transfers	10.8	–	10.8	9.8	–	9.8
Consolidated capital account (loss)/profit	(261.7)	–	(261.7)	234.0	–	234.0

Summary balance sheet on a proportionally consolidated basis

The tables below do not form part of the consolidated primary statements or notes thereto. They present the composition of the net assets of the Group, with its share of the net assets of jointly controlled interests on a line-by-line, i.e. proportional basis.

Balance sheet	2019/20 Group £m	2019/20 Share of jointly controlled entities £m	2019/20 Proportionally consolidated £m	2018/19 Group £m	2018/19 Share of jointly controlled entities £m	2018/19 Proportionally consolidated £m
Investment properties – as reported	11,972.2	774.5	12,746.7	12,121.6	922.1	13,043.7
Investment properties treated as finance leases	398.6	-	398.6	295.3	–	295.3
Owner occupied properties	131.8	-	131.8	96.7	–	96.7
Other property investments	68.0	-	68.0	79.3	–	79.3
Assets held for sale	8.5	-	8.5	–	–	–
Total properties	12,579.1	774.5	13,353.6	12,592.9	922.1	13,515.0
Investment in jointly controlled entities	802.7	(802.7)	-	941.8	(941.8)	–
Cash and cash equivalents	1,029.1	29.5	1,058.6	802.8	23.9	826.7
Other assets	194.7	31.8	226.5	190.0	25.9	215.9
Current liabilities	(496.9)	(33.0)	(529.9)	(179.9)	(30.1)	(210.0)
Payables – amounts falling due after more than one year	(43.9)	(0.1)	(44.0)	(18.7)	–	(18.7)
Net assets	14,064.8	-	14,064.8	14,328.9	–	14,328.9

Properties at valuation on a proportionally consolidated basis

Properties at valuation	2019/20 Group £m	2019/20 Share of jointly controlled entities £m	2019/20 Proportionally consolidated £m	2018/19 Group £m	2018/19 Share of jointly controlled entities £m	2018/19 Proportionally consolidated £m
Investment properties – as reported	11,972.2	774.5	12,746.7	12,121.6	922.1	13,043.7
Investment properties treated as finance leases	398.6	-	398.6	295.3	–	295.3
Assets held for sale	8.5	-	8.5	–	–	–
Headlease liabilities	(2.5)	-	(2.5)	(2.5)	–	(2.5)
Lease incentives	13.5	7.0	20.5	15.0	8.6	23.6
Market value of investment properties	12,390.3	781.5	13,171.8	12,429.4	930.7	13,360.1
Owner occupied properties	131.8	-	131.8	96.7	–	96.7
Joint venture properties	781.5	(781.5)	-	930.7	(930.7)	–
Other property investments	68.0	-	68.0	79.3	–	79.3
Total properties at valuation	13,371.6	-	13,371.6	13,536.1	–	13,536.1

FINANCIAL STATEMENTS

Ten-year record (unaudited)

Based on the Financial Statements for the year ended 31 March

Revenue account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Revenue (excluding service charge revenue)	306.8	314.2	332.2	350.8	373.1	395.1	419.6	421.9	441.0	**476.0**
Direct operating expenses (including net service charge expenses)	(42.5)	(41.8)	(49.0)	(45.9)	(51.1)	(54.2)	(53.4)	(60.0)	(61.2)	**(86.6)**
Gross profit	264.3	272.4	283.2	304.9	322.0	340.9	366.2	361.9	379.8	**389.4**
Administrative expenses	(17.1)	(18.4)	(19.8)	(20.0)	(20.9)	(23.0)	(27.7)	(28.8)	(30.7)	**(34.6)**
Net revenue account profit	**230.9**	**240.2**	**252.6**	**267.1**	**285.1**	**304.1**	**328.8**	**329.4**	**343.5**	**345.0**
Payments to the Consolidated Fund-paid/payable in year	231.0	240.2	251.8	266.2	285.1	304.1	328.8	329.4	343.5	**345.0**

Balance sheet	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Investment, development and owner occupied properties (including assets held for sale)	7,569.8	8,140.9	8,680.2	9,915.2	11,376.5	12,448.8	12,824.9	11,730.5	12,218.3	**12,112.5**
Investment in joint ventures	265.0	266.9	275.3	396.3	646.8	820.4	990.9	1,111.1	941.8	**802.7**
Other non-current assets	69.2	73.5	84.8	97.3	163.9	177.8	180.5	455.1	464.0	**555.7**
Cash and cash equivalents	279.2	557.0	585.5	552.0	552.5	907.3	825.6	886.9	802.8	**1,029.1**
Current assets (excluding assets held for sale)	31.8	51.7	25.1	19.3	39.2	51.1	53.3	83.9	100.6	**105.6**
Current liabilities	(102.3)	(121.3)	(115.5)	(110.9)	(136.1)	(154.7)	(180.1)	(157.1)	(179.9)	**(496.9)**
Non-current liabilities	(859.9)	(914.2)	(920.5)	(992.5)	(1,181.1)	(1,371.1)	(1,560.6)	(19.7)	(18.7)	**(43.9)**
Net assets	**7,252.8**	**8,054.5**	**8,614.9**	**9,876.7**	**11,461.7**	**12,879.6**	**13,134.5**	**14,090.7**	**14,328.9**	**14,064.8**

Glossary

Bespoke benchmark
An MSCI benchmark based upon the Annual Index weighted to reflect our average capital employed at March 2020. This excludes our ownership of certain non-commercial assets including the Windsor Estate.

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

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

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

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

COVID-19
Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus. It was first identified in December 2019 in Wuhan, China, and has since spread globally, resulting in an ongoing pandemic.

CVA
Company Voluntary Arrangement – a legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.

DCF
Discounted cash flow.

Development pipeline
Development projects under construction or planned.

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

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

ERV
The estimated market rental value of lettable space.

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

Greenhouse Gas (GHG) protocol
Scope 1 – direct emissions from owned or controlled sources, e.g. fleet and heating of buildings using fuel directly sourced, such as diesel and gas.

Scope 2 – indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting business.

Scope 3 – all other indirect emissions that occur in the business's value chain.

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

IFRS
International Financial Reporting Standards.

Incident Severity Score
The Incident Severity Score is a unique measure which aggregates injuries and serious near misses that occur on The Crown Estate's property portfolio and as a result of our business. This includes incidents involving members of the public, a Crown Estate staff or an employee of our managing agents and their supply chain. The measure excludes construction projects and injuries sustained that were not in connection with our business.

Every incident is scored depending on whether the activity is directly or indirectly managed by The Crown Estate, and its severity or potential severity (in the case of a serious near miss).

Initial yield
The initial net income at the date of purchase expressed as a percentage of the gross purchase price including the costs of purchase.

Integrated annual report
A concise communication about how an organisation creates value in the short, medium and long term.

ITZA
'In terms of Zone A'. A method for measuring retail space on a like-for-like basis.

Lease incentive
Any incentive offered to occupiers to enter into a lease. This includes an initial rent free period or a cash contribution to fit out.

Lease premium
The price paid for the purchase of a leasehold interest.

Glossary
continued

Market value
The estimated amount for which a property would exchange on the date of valuation, between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing, net of purchasers' costs, where the parties have each acted knowledgeably, prudently and without compulsion.

Material issues
An issue that would significantly influence our business.

MSCI
MSCI real estate benchmark which produces independent benchmark of property returns, formerly IPD.

Net revenue profit
Profit payable to the Treasury. Also referred to as net revenue surplus.

Open A1 planning consent
A planning consent which permits occupation within the A1 Shops use class under the Town and Country Planning (use classes) Order 1987 without any restriction as opposed to an A1 use restricted to bulky goods, such as furniture or white goods.

Operating lease
Any lease that is not a finance lease.

PSF
Per square foot.

Parliamentary supply finance
Monies provided by Parliament in respect of Board Members' salaries and the expense of their Office.

Pre-let
An agreement for a letting to take effect at a future date, often upon completion of a development that is proposed or under construction at the time of the agreement.

Proportionally consolidated
The results and share of joint venture assets and liabilities are presented on a line-by-line basis rather than as a single figure in the consolidated statements of comprehensive income and the balance sheets.

Public realm
Publicly owned streets, pathways and rights of way.

Red Book
Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

Revaluation surplus/deficit
An increase/decrease in the fair value of a property over its book value.

RICS
The Royal Institute of Chartered Surveyors.

The Treasury
Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the British government department responsible for developing and executing the Government's public finance policy and economic policy.

Total return
Capital growth plus property net income as a percentage of property capital employed.

Vacancy rate
The ERV of voids (excluding those held for development) as a percentage of the total ERV of the portfolio.

Void
Unoccupied and unlet space.

THE CROWN ESTATE

LONDON

The Crown Estate
1 St James's Market
London
SW1Y 4AH

T 020 7851 5000

WINDSOR

The Crown Estate
The Great Park
Windsor
SL4 2HT

T 01753 860 222

thecrownestate.co.uk
@TheCrownEstate