Integrated Annual Report and Accounts
2020/21

THE CROWN ESTATE

CONTENTS

NET ZERO 2030

BUSINESS REVIEW

ENVIRONMENTAL REVIEW

SOCIAL REVIEW

Where you see these icons

This directs you to further information online

This points to related information in the report

About this 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 2020/21 Integrated Annual Report is in alignment with the International Integrated Reporting Council (IIRC) Framework.

The Crown Estate Integrated Annual Report and Accounts 2020/21 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 23 June 2021. HC 311

To The Queen's Most Excellent Majesty

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

Assurance ⚠

KPMG LLP has provided independent limited assurance over selected non-financial data highlighted in this report with this symbol ⚠, using the assurance standard ISAE (UK) 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: thecrownestate.co.uk/assurance-reporting

WHO WE ARE

Dating back more than 260 years, The Crown Estate is a unique business with a diverse portfolio that stretches across the country.

As active owners and managers of land and seabed, around England, Wales and Northern Ireland, we seek to leverage our scale and convening power to make a meaningful difference. This mandate is captured through our new purpose, 'to create lasting and shared prosperity for the nation.'

Our purpose is guiding our ambitious new strategy which establishes the broad impact we want to have, ultimately delivering a combination of financial, environmental and social value for our stakeholders.

The Crown Estate Act of 1961 established us as an independent commercial business and over the last 10 years we have generated £3.0 billion for the benefit of the nation's finances.

OUR GROUP

Over the last financial year, the pandemic has continued to test the resilience of our business and accelerated the pace of change. During this period we have worked increasingly closely with our broad range of customers and in particular those most in need of our support. COVID-19 is one of several factors impacting our business, which in turn have informed the strategic review undertaken over the last year. This includes the restructuring of our business from 1 April 2021 into a single Group comprising four Strategic Business Units: London, Regional, Marine and Windsor & Rural alongside a number of Group functions such as Customer, Digital, Innovation and Sustainability. By operating as a Group we can leverage our scale and national footprint to create value beyond the sum of our parts.

LONDON

With a portfolio spanning 10 million sq ft, we are one of the West End's largest property owners. Comprising Regent Street and around half of St James's, our offer extends across the workplace, retail, dining, leisure and residential sectors. Our challenge is to become an urban renewal leader and support the rebuild of London post COVID-19, to ensure it maintains its relevance as a global city.

MARINE

As the manager of the seabed, and half the foreshore, around England, Wales and Northern Ireland, we play a key role in enabling the UK's offshore wind industry, and facilitate the development of sectors such as cables, pipelines, CO_2 storage, and marine aggregates. We work in partnership with our customers and stakeholders to help the country optimise the economic, environmental and social potential of the marine environment, supporting its long-term sustainable development.

REGIONAL*

Our Regional portfolio has a broad range of assets that includes retail and leisure destinations, as well as industrial and business parks. We also have a significant holding of mixed-use and strategic land opportunities. Our focus is on supporting economic development through reshaping and activating our portfolio for the long term.

WINDSOR & RURAL*

The Windsor Estate extends to over 16,000 acres and is a working rural estate including forestry, horticulture, tourism, residential and commercial property activities. We also hold over 125,000 acres of farmland across England, and more than 50,000 acres of upland and Commons interests across Wales and Cumbria. We are reviewing our rural holdings to assess both its potential for broader value and as an opportunity for environmental and ecological best practice.

*In this year's Annual Report our rural holdings are reported as part of Regional, reflecting the organisational structure in the year under review.

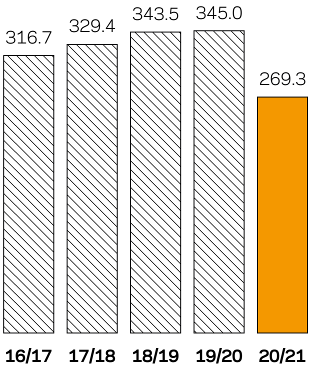
OUR YEAR IN NUMBERS

Financial, environmental and social highlights for the year ended 31 March 2021

FINANCIAL

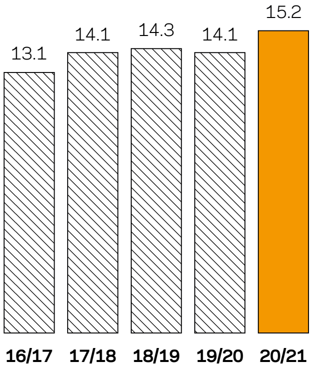
Net revenue profit (£m)

269.3



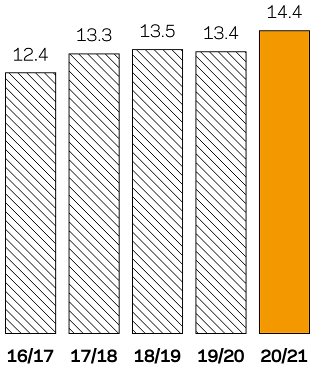
Net assets (£bn)

15.2



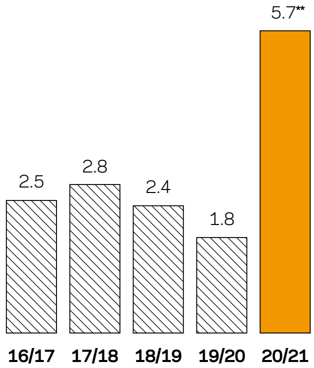
Total property value (£bn)

14.4



Total return* (percentage points)
Outperformance of our MSCI benchmark on an annualised three-year rolling basis.

5.7



*As previously reported
**Includes impact of Offshore Wind Leasing Round 4

Revenue by portfolio 2020/21

£486.9m

-6.3% (2019/20: £519.4m)

Portfolio	Revenue*	% of whole
London	£228.1m	46.8
Regional	£125.5m	25.8
Marine	£120.8m	24.8
Windsor Estate	£12.5m	2.6
Total	£486.9m	100.0

Property value by portfolio 2020/21

£14.4bn

+7.5% (2019/20: £13.4bn)

Portfolio	Value	% of whole
London	£7.7bn	53.4
Regional	£2.3bn	16.0
Marine	£4.1bn	28.5
Windsor Estate	£0.3bn	2.1
Total	£14.4bn	100.0

ENVIRONMENTAL

Year-on-year reduction in carbon emissions intensity

34%

(2019/20: baseline year)

Cumulative operational offshore wind capacity

9.61GW ⚠

(2019/20: 9.31GW)

Carbon emissions avoided as a result of offshore wind renewable energy generated

14.1m tCO_2

(2019/20: 13.1m tCO_2)

Operational waste recycled

73%

(2019/20: 55%)

SOCIAL

Customer satisfaction rating

86%

(2019/20: 83%)

Employee engagement 'Great place to work' score

84%

(2019/20: 86%)

Outperformance of our Health and Safety Incident Severity Score target

19% ⚠

(2019/20: -31%)

Number of unemployed people gaining employment through our Recruit Regional programme

88

(2019/20: 154)

*Excludes service charge income of £33.9m (2019/20: £44.1m)
⚠ Independent limited assurance (see inside front cover)
Note: All financial figures are presented on a proportionally consolidated basis. Balance sheet-related items are as at 31 March of each year.

IN THIS YEAR'S REPORT

Our purpose...

Read about our purpose and values on pages 4-5

...guides our Group strategy, which is informed by major trends impacting our business.

Read about our major trends on pages 10-11
Read about our Group strategy on pages 12-13

Our strategy is enabled by our business model, delivered through our activities and measured through our KPIs...

Read about our business model on pages 14-15
Read about our KPIs on pages 16-17
Read our business review on pages 36-44

...creating broad financial, environmental and social value...

Read our environmental review on pages 18-23
Read our social review on pages 24-29
Read our financial review on pages 30-35
Read our financial statements on pages 88-124

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

Read about our governance on pages 53-80

...which manages risk and uncertainty.

Read about our risks on pages 46-52

OUR PURPOSE

To create lasting and shared prosperity for the nation

WHY DOES OUR PURPOSE MATTER?

Our purpose sets out our primary reason for existence and guides the evolution of our strategy at the intersection between what society needs and where we can specifically and uniquely contribute.

It empowers us to make the most of today's changing and uncertain world and enables us to unlock our potential and be resilient into the long term.

It gives us our 'north star', setting out our ambition for the future and the kind of positive impact we want to have. Our purpose flows through everything we do and unites us as one business.

WHAT DOES OUR PURPOSE MEAN?

Our purpose rediscovers who we are for the modern world. It defines our role, the outcome we want to create and who we want to benefit.

OUR ROLE:

To create
We believe we can be creators of financial, environmental and social value. We will innovate and work with our customers and stakeholders to deliver long-term financial performance through creating social and environmental value.

THE OUTCOME:

Lasting and shared prosperity
We believe in adding real value today while also creating something better for future generations. We believe that people need more than money to thrive so, with our customers and stakeholders, we will focus on solving some of the shared challenges facing society and the environment in order that everyone can prosper.

THE BENEFICIARY:

For the nation
We were established to serve the nation, whether it's the return of our profits to the Treasury for public spending or enhancing the value of our estate in a way that contributes to a flourishing society and a healthy natural environment.

OUR PURPOSE IN ACTION

LAYING ROOTS FOR THE FUTURE

We are undertaking a 10-year landscape restoration and replanting scheme to enhance the precious ecosystem of The Windsor Estate, which is recognised as having the largest collection of ancient and veteran oak and beech trees in Northern Europe.

Read more on page 44

A STREET FOR ALL

The requirement for social distancing on Regent Street delivered a unique placemaking opportunity to significantly enhance the street's public realm, creating a safer, greener, cleaner and more accessible destination.

Read more on page 41

PROMOTING A SUSTAINABLE SEABED

The Offshore Wind Evidence and Change programme is a pioneering programme led by The Crown Estate in partnership with the UK Government. Its ambition is to ensure that offshore wind can develop in harmony with the environment.

Read more on page 39

OUR VALUES

Our values are the guiding principles that define our culture in order to bring our purpose to life. As well as guiding our actions and behaviours internally, they shape our engagement with stakeholders externally as to how we do business and what can be expected from us.

CARING

We are committed to looking after the world around us and each other. We are stewards, as such we seek to take care of people, reflect on our actions and carefully consider long-term impacts. To leave a positive legacy for generations to come, we treat people, places and the environment with the care and respect they need to thrive.

TOGETHER

We work together and with others to deliver on our purpose. That's why we focus on building strong collaborative relationships with our customers, stakeholders and communities. To build trust, we focus on understanding the real needs of those around us.

CREATIVE

We believe that creativity enables us to unlock new ideas and solve problems. That's why we strive for an inclusive culture where diverse perspectives and approaches are encouraged. To be a true catalyst for change, we embrace original thinking and the best ideas.

IMPACTFUL

We believe that positive impact and financial performance must go hand-in-hand. That's why we challenge ourselves to deliver the key social, environmental and financial factors that underpin prosperity. In always striving to add value, we ask ourselves how our actions align with our purpose and make a meaningful difference.

CHIEF EXECUTIVE'S REVIEW

Dan Labbad
Chief Executive

A pivotal year

"I hope that when we look back at this time it will be seen as a pivotal moment. One where we took the time and care to understand the needs of the world around us and the unique contribution we could make."

Dominated by COVID-19, this past year has continued to test our individual and collective resilience.

While we hope that we are now beginning to enter a new phase with fewer restrictions, we are deeply aware that there is no 'return to normal'. Alongside the ongoing challenges of managing the pandemic, COVID-19 has accelerated or thrown into sharper focus longer-term trends, including technological disruption, accelerating consumer demand, innovation, socio-economic inequality and climate change. It is clear that an increased level of uncertainty and instability is here to stay.

The health, safety and wellbeing of people has continued to be at the heart of our COVID-19 response. Alongside this, supporting our customers – especially in retail, leisure and dining – who have experienced severe operational and economic challenges, has been another key focus of the year. As a result, recognising our interdependence, we have worked more closely with our customers than ever before, seeking to help those businesses where we can make the most meaningful difference. Read more on our response to COVID-19 on page 36.

Our purpose and strategy

As outlined in last year's Annual Report, at the beginning of 2020 we began a deep review of our purpose and strategy to respond to the longer-term trends impacting our business and ensure that we could better adapt to ongoing change. This recognised that the same things that had underpinned our achievements to date would not be the things that ensured our success for the future. In fact, without deep and wide-ranging change, parts of our portfolio would risk obsolescence, high volatility and a muted forecast for growth. We would also risk undermining trust and legitimacy with our customers and stakeholders.

We have outlined the results of this strategic review on pages 12-13.
In summary, by working together with our stakeholders we will harness the powerful attributes that are unique to our business, rising to the challenges and opportunities before us to ensure we deliver broader social, environmental and financial value for our customers, stakeholders and the nation, wherever we operate, for many years to come.

Building on a continuum of history that dates back more than 260 years and a diverse portfolio spanning the country, we can be more than simply owners or managers of land and seabed. Instead, we have the opportunity to play an active role across a number of critical areas facing society and the natural world, leveraging our scale and convening power to redefine our impact and make a meaningful difference. Crucially, the Crown Estate Act ensures that we not only return all our net revenue profit to Treasury for the benefit of the nation, but that we are compelled to do so in a way that is purpose-driven and for the long term.
Over the last 10 years we have delivered for today, returning £3.0 billion to the public purse while also investing for the future, building a portfolio worth £14.4 billion.

This mandate is encapsulated through our new purpose, 'to create lasting and shared prosperity for the nation'. This will be our 'north star' for the years to come and is guiding our ambitious new strategy which will continue to evolve as required and see us drive fundamental change in the way we operate to galvanise our impact around three key areas:

- Being a leader in supporting the UK towards a net zero carbon future
- Helping to create thriving communities and renewing urban centres in London and across the UK
- Taking a leading role in stewarding the UK's natural environment and biodiversity.

Through a relentless focus on our customers, we will reset the way we work to deliver impactful outcomes for them – particularly based on deep insight, enhancing our digital capabilities and building strong relationships at all levels. This means in addition to getting the basics right, we will empower our people to innovate to deliver new products and services that enhance productivity, meet changing demands and evolve with our customers. This approach will help customers achieve success, at the same time as enabling us to strive for equality of outcomes and opportunities as we create value for the communities in which we operate.

To enable this, we are reshaping how we organise ourselves. Central to this is operating as a single Group business, comprising four Strategic Business Units: London, Regional, Marine and Windsor & Rural. As well as reviewing our systems and processes, we are undertaking a restructure across much of the business to improve our ways of working and bring in new skills and capabilities.

All of this is underpinned by our values, which we have evolved to help bring our purpose to life through our actions and behaviours, setting out what our customers and stakeholders can expect from us. Read more on why these are so important to us on page 5.

Our performance

For the financial year 2020/21, we made a net revenue profit of £269.3 million which, as expected, represents a 21.9% decline on 2019/20. This means our average growth on a three-year rolling basis has declined by 6.5%, 10.5 percentage points below our target of 4% growth.

We announced the outcome of the Offshore Wind Leasing Round 4 (Round 4) bidding process earlier this year, (read more on pages 31 and 37), and as a result are now holding £879 million of customers' cash deposits – equivalent to one year's option fee income. We will begin to recognise this income when our customers take up their options, which is predicated on successful Habitats Regulations Assessment approval – a process that is expected to take around one to two years. We have attributed a value to Round 4 for the first time this year, which has caused our capital value to increase at a time when commercial property values have been falling.

The value of our total portfolio has increased from £13.4 billion to £14.4 billion a 7.5% increase. Our 12-month total return is 11.9%, outperforming our annual MSCI bespoke total return of -2.9%. On a three-year rolling basis, it is 6.0% against our MSCI bespoke benchmark of 0.3%. If we exclude the impact of Round 4 our 12-month total return would have been -3.2%, 0.3 percentage points below the annual MSCI bespoke benchmark.

This £1.0 billion increase in assets is driven by two primary events. Our Marine portfolio has increased in value by £2.1 billion primarily as a result of valuing Round 4 for the first time. The relatively modest valuation in relation to the option fee income reflects cautious assumptions around future cash flows, which may manifest through increased volatility in future income and capital values. Offsetting this is a £1.1 billion decrease in capital values, predominantly as a result of the performance of our retail assets across our London and Regional portfolios, as the pandemic has accelerated structural trends in these markets. Uncertainty in the occupational markets going forward may introduce further volatility into both our income statement and capital values, at least in the short term.

As we cannot draw down on our capital account to cover operating expenses, we implemented a structured payment process to remit our net revenue profit for the financial year 2019/20 to the Treasury, which was paid in four instalments, with the final payment in April 2021. We will continue to use the structured payment process for our 2020/21 net revenue profit.

In light of the events of the last year, these results, outside of the Marine sector, reflect the challenges our customers have faced and are in line with the broader market. The resilience in our diverse portfolio means revenue declines and additional bad debt expense, reflecting the impact of the pandemic and challenging occupational markets, have been partially offset by increases in revenue from offshore wind farms, and increased mineral extraction.

Given the scale of the option fee income, the timing of our customers entering into their Round 4 option agreements will have a significant bearing on our future financial results. Elsewhere, we would not expect many of the one-off costs relating to COVID-19 to recur i n the current year, however there remains significant uncertainty in the wider economy, and around trading conditions in our occupier markets, which we anticipate will drive some downward pressure on rental income and could affect the recoverability of rental arrears.

Our portfolios

Our Marine portfolio has seen a year in which far-reaching developments have brought it into even greater prominence. Building on the current UK offshore wind pipeline of 41.4GW, the six new offshore wind projects to progress to the next stage of Round 4 could deliver up to a further 8GW of offshore wind power, representing the potential to deliver enough electricity to power 7.4 million homes. Already a world leading sector, the growing role of the UK's offshore wind industry in providing significant renewable energy for the country has brought us a step closer to realising the UK's transition to a net zero future by 2050.

At the same time, competing demands on a busy seabed mean that we, together with our customers and stakeholders, have an even greater responsibility to ensure its long-term sustainable development, including the preservation and enhancement of its biodiversity. Through our strategic review, we have identified a number of ways in which we can help optimise the economic, social and environmental potential of this national asset and in the coming year we will be testing our thinking in this area in collaboration with others.

For our London portfolio, it has been a challenging year for all our customers, predominantly as a result of restrictions imposed during the pandemic, affecting both our revenue and capital performance. While our office portfolio has remained reasonably resilient, retail and hospitality have been severely impacted. While it is too soon to understand longer-term patterns of working and living, it is clear that cities, including London, are going to have to work much harder to earn patronage, both domestically and internationally. What cities offer inherently, in terms of social capital and diversity, will have to be matched by flexible working and dynamic mixed-used spaces that are safe, socially inclusive, environmentally conscious and experientially exciting. For us, the transformation of Regent Street to create a cleaner, greener and more accessible destination provides an important first step (read more on page 41).

Over the year our Regional portfolio has seen further valuation decline, driven by our retail assets. Ongoing structural trends in this market towards online shopping, along with the series of lockdown restrictions, have taken their toll with the failure of both household brands and independent operators. While our void rate has remained resilient in light of market conditions, increasing to 5.7% from 3.5%, the future success of our regional retail holdings will depend on re-mixing and re-purposing where conditions allow. Notwithstanding this challenging backdrop the year has seen some notable highlights including the opening of our retail extension and food court development at Fosse Park in Leicester. Read more on how this contributes to the local community on page 43.

More broadly through our strategic land ownerships, we are reviewing the potential to take a more active role in exploring the portfolio's mixed-use potential, supporting communities and helping to build skills and employment opportunities. In line with this approach we continued to progress our long-term plans for our 350 hectares of land to the east of Hemel Hempstead, which forms part of the first phase of Hemel Garden Communities (HGC) and has the potential to accommodate up to 1.75 million sq ft of commercial space alongside approximately 3,100 new homes.

Outside of strategic land, our Rural portfolio includes over 125,000 acres of farmland across England as well as 50,000 acres of upland and Commons interests across Wales and Cumbria.

CHIEF EXECUTIVE'S REVIEW
continued

In light of the new Agriculture Act and Environment Bill, which collectively frame the future for the rural economy in the UK, we have started to review our Rural portfolio's strategic potential and will carry on this work in the year ahead to inform our new Rural strategy.

The Windsor Estate is one of the country's most unique and important environmental and ecological sites, and we want it to continue to be recognised as a centre of excellence and best practice. Our ambitious 10-year landscape restoration and replanting scheme will enormously enhance the biodiversity of the Park's precious landscape and you can read more about this on page 44. The Great Park and forests provided crucial open green space during the pandemic and visitor numbers hit six million. We look forward to the planned opening of a new children's adventure play area, along with a tree-top walk, multi-purpose indoor studio and catering facilities in the summer of 2022.

His Royal Highness The Duke of Edinburgh

It was with great sadness in April 2021 that we lost His Royal Highness The Duke of Edinburgh. A figure of national and international importance for over 70 years, he played a special role for Windsor Great Park as its longest serving Ranger. He leaves a lasting legacy and will be greatly missed. In a fitting way, the continued focus and investment towards preserving and enhancing the natural environment at the Park will continue his visionary work. Read more on His Royal Highness's contribution to Windsor Great Park on page 45.

Our net zero ambition

The pandemic has taught us that stability is precious. And nothing threatens that more than climate change. As a generation, we are fortunate enough to still have the opportunity to mitigate the impacts of climate change on our collective future, and we therefore have to act and lean into this challenge.

In December 2020, we outlined our commitment to become a net zero business by aligning to the 1.5°C goal of the Paris Climate Agreement, with a target to become a net zero carbon business by 2030, and climate positive thereafter.

Alongside decarbonising our property portfolio and looking at how we can better utilise our extensive land interests, we are also seeking solutions to restore the natural world by providing and protecting habitats. This is especially important given our dual role on and offshore.

While this will be far from easy, we are holding ourselves to account to ensure we turn over every stone and relentlessly use our business and influence to give ourselves the best possible chance to achieve this ambitious target. Our strategic review has enabled us to weave this commitment through everything we do. This challenge is a collective one and working with others to find creative solutions will be integral to our response.

Our health and safety commitment

In last year's report we acknowledged the need for improvement in our health and safety performance and, although we have made progress, we recognise there are still areas we wish to strengthen. So far we have taken a closer look at our safety culture; embarking on an external benchmarking exercise and raising greater awareness of the importance of placing health and safety at the heart of our decision-making, throughout our business and supply chain. We have also championed capturing lessons from incidents to drive continuous improvement. As well as increasing resource within the team, we have commissioned a series of in-depth surveys across our portfolios and have commenced a full review of our health and safety management system. This will all support the development of our new health and safety strategy, due for release later this year.

Our people and culture

Since joining The Crown Estate one of the most powerful things I have discovered is how our people are energised by aligning themselves to what this organisation stands for. This has been integral to shaping our purpose. This pride is also reflected in our employee survey, One Voice, which revealed employee engagement remains high with 93% of our people proud to work for The Crown Estate. 84% said our business was a 'Great place to work', outperforming the UK national benchmark for employee engagement by six percentage points.

Nevertheless, despite the strength of our culture, there are still areas we need to improve so we can become the organisation we aspire to be. One example is in the area of diversity and inclusion. While this is a society-wide issue, we have made it a central part of how we are driving change through the business.

Over the last year, we have reshaped and invigorated our Diversity and Inclusion (D&I) Group to co-ordinate activity across a number of key areas as well as elevating the role of People and Culture to our Group Leadership Team. This is not an issue we can tackle quickly or with soundbites, but we will be seeking to demonstrate momentum and real progress in the short, as well as medium term.

Conclusion

It is difficult to know what the world is going to look like this time next year, let alone in five years' time. What is apparent, and highlighted by the pandemic, is that stability is something we now have to strive for, and that for some issues, like climate change and our natural environment, we are at a crucial juncture where our collective next steps will have far-reaching impacts.

But there is cause for hope. The speed of scientific discovery and the ability to roll out a vaccine programme at pace have shown us that as a society we are capable of extraordinary things when faced with an acute challenge. We must hold on to this as we seek to deal with the no less pressing issues of creating a more sustainable and more equal and inclusive society.

For our part, I hope that when we look back at this time in the decades to come it will be seen as a pivotal moment for The Crown Estate. One where we took the time and care to understand the needs of the world around us and the unique contribution we could make.

If the last year has taught us anything, it's that challenge and uncertainty are the new normal. As we move forward aligned to our new purpose, we take strength from our deep foundations rooted in a rich history, backed up by a diverse portfolio, strong capital base and wealth of talent across the business along with the wide-ranging community of stakeholders we have the opportunity to work with. The Crown Estate is unique, and it is our long-standing ethos of purpose and service that knits the organisation together across its full breadth of activity. This position of strength is both a privilege and a huge opportunity. It is our duty to seize this and play our part in creating lasting and shared prosperity for our customers, the nation and future generations.

Dan Labbad
Chief Executive

9 June 2021

NET ZERO 2030

Our response to the environmental emergency

Climate change and protecting the environment is the shared challenge against which history will judge our generation. But we are optimistic that together, as a nation, we can rise to meet this challenge.

As a diverse business, we have a unique opportunity, and a responsibility, to do our part to address the environmental emergency we all face.

To guide our response, we have outlined our commitment (see panel below) to address the crisis by aligning our business to the 1.5°C goal of the Paris Climate Agreement, with a target to become a net zero carbon business by 2030, and climate positive thereafter.

To underpin our ambition we have signed up and aligned to the World Green Building Council's Net Zero Carbon Building Commitment and the Better Building Partnership's Climate Change Commitment.

Meeting our net zero target will be tough and we make this commitment knowing that we don't have all the answers. There will be big challenges to solve along the way, but we look forward to doing so alongside our customers and partners who share our ambitions.

Alongside our commitment, we have pledged to: be open about our progress and upfront when we encounter challenges along the way; invest to support our goal and challenge ourselves to work as hard and as fast as we can towards it; and disclose our progress against our net zero roadmap annually.

OUR COMMITMENT HAS FIVE CORE ELEMENTS:

1. Strategic alignment to the 1.5°C goal of the Paris Climate Agreement
2. Climate resilience
3. Integrated approach to climate and ecology
4. Real estate decarbonisation
5. Realising the potential of the seabed

Since making our commitment public in December 2020 we have:

- Continued to support the UK's net zero journey through active management of the seabed. This includes the selection of up to 8GW of offshore wind projects for progression to environmental assessment and the conclusion of a market engagement exercise to create a new floating wind leasing opportunity in the Celtic Sea
- Formally launched the Offshore Wind Evidence and Change programme, with a charter signed up to by 26 organisations, to ensure that offshore wind develops in harmony with the environment
- Identified opportunities to collaborate with industry, including with the British Retail Consortium, to support the development of a Climate Action Roadmap focusing on landlords and retailers working together to deliver shared net zero ambitions
- Begun work with the Science-Based Target initiative to agree 1.5°C Science-Based Targets (SBTs)
- Started to develop a decarbonisation trajectory for our real estate assets
- Developed and applied interim carbon targets for our near-term development pipeline to significantly reduce embodied carbon and operational energy
- Piloted two asset level net zero plans at 1 St James's Market and Rushden Lakes setting out medium- to long-term actions and investments required to achieve net zero
- Commenced a 10-year landscape restoration and replanting scheme on the Windsor Estate to enhance its ecosystem.

Next steps include:

- Testing and validating a roadmap to achieve our net zero ambition
- Approval of 1.5°C SBTs
- Updating our Development Sustainability Principles
- Completing a decarbonisation trajectory of our real estate assets
- Developing a series of representative real estate asset level net zero plans
- Ongoing energy efficiency and carbon reduction measures on our real estate
- Working closely with developers to grant seabed rights for the first UK carbon storage facilities.

More detail on our commitments, alongside our scope, roadmap and approach can be found online at: thecrownestate.co.uk/net-zero

Above: At Fosse Park in Leicestershire, 16 electric vehicle chargers are now available to customers.

OUR CHANGING MARKETS

Responding to change

COVID-19 introduced an unprecedented level of uncertainty in the economy and our markets, and had a substantial effect on every part of our business.

MAJOR TRENDS

Consumers demand innovation
An increasing expectation for personalised, immediate and seamless interactions with brands and businesses.

1.

Society is under pressure
There is economic inequality across the country, with disparities in income, public spending and employment growth.

2.

An ambitious Government agenda
An urgency to deliver on a significant industrial and green agenda.

3.

A struggling environment and natural world
The dual challenges of climate change and biodiversity loss are a complex, global and generational problem.

4.

Digital disruption to continue in all sectors
Technology platforms and ecosystems are disrupting traditional value chains and data is a key differentiator for successful businesses today.

5.

This has created a challenge in quantifying how deep or how prolonged its effect will be. In the immediate term, it has made a fundamental difference to the way people live, work and consume. Time will determine to what extent these lifestyle changes will become permanent. Given the volatility, it is important to gain a firm grasp of the environment in which we are operating, and in reviewing the broadest dynamics we identified five major trends (formerly referred to as our material issues) which are impacting our business and have informed our emerging strategy, see pages 12-13.

1. Consumers demand innovation

The pace of change will never be this slow again and the sphere of influence is shifting as power moves more into consumers' hands facilitated by technology. Consumer behaviours are changing rapidly, especially amongst the growing digitally native population. Expectations are high, particularly around protecting the environment, transparency of ethics, and flexibility in lifestyle. COVID-19 has accelerated digital's re-definition of sectors, creating opportunities for those willing to embrace the change.

2. Society is under pressure

The UK's various inequalities have long been reported: North versus South; homeowners versus renters; private versus public health and education; baby-boomers versus their children and grandchildren. There is a concentration of wealth, employment quality and income and a prevalent socio-economic gap between different income classes, minority groups and UK regions. The past year has brought this, and the growing importance of diversity and economic inclusion, into sharper focus. Today's businesses cannot operate without acknowledging inequality and engaging a wider and more diverse set of customers and stakeholders.

3. An ambitious Government agenda

The UK's political agenda is ambitious – framed around the path to net zero, the levelling up agenda and renewed industrial policy. Challenges arising from COVID-19 and the UK's exit from the EU have also seen greater importance placed on building resilience in strategic, national industries and strengthening supply chains.

4. A struggling environment and natural world

Net zero legislation demands decarbonisation and an ever increasing supply of renewable energy sources. Regulation protecting UK biodiversity is tightening and greater attention is being placed on nature-based solutions to climate change that also enhance biodiversity. There is also a growing need for a circular economy, promoting more recycling in waste management and the adoption of sustainable, recyclable and durable materials. As the population grows, putting additional stress on the environment, there is a demand for more sustainable lifestyles and the resultant opportunities are many.

5. Digital disruption to continue in all sectors

Across sectors, the introduction of digital platforms will continue with new virtual experiences being integrated with traditional physical environments, supported and informed by ease of access to data and technology.

Changes in consumer expectations driven by technology are creating new business models that disrupt value chains and take margin from existing asset owners. Previously cumbersome processes are smoothed as new services are introduced. Across sectors, players who are slow to react could find themselves commoditised. Digital disruption is changing everything. It is ubiquitous to our future, bringing with it more efficiency and a more predictive outlook.

SECTOR COMMENTARIES

Office

Technology was disrupting the office market pre-COVID-19 and the national lockdowns over the last 15 months have intensified that pace. The increased propensity to work remotely is likely to continue and according to Leesman it is estimated that 50% of the workforce will divide their time between office, home and third place locations. Companies will look to provide more choices and greater flexibility to work away from the office, and cities will need to offer an experience that earns both patronage and the commute. There is a projected slowdown in office demand, with hybrid working having the potential

Right: Public realm improvements on Regent Street, London.

to impact on London's office market more than the EU Exit. Therefore the continued transformation of offices will be critical to ensure the workplace remains a sought-after destination that meets the needs of a more fluid workforce.

The latest take up figures for 2020/21 are sluggish and some way below the long-term average. However this is mainly driven by the steady rise in grey space (tenant supply) entering the market, estimated at 40% of total available space. In contrast to slow demand for grey space, demand for modern, amenity-rich quality space that meets individual and collective working needs has remained strong and is expected to increase. However there is a question as to the timing of any meaningful supply of new stock, given the pandemic's impact on development timelines.

Retail

The three lockdowns meant all non-essential retail and leisure operators were unable to trade from physical spaces for a large part of the reporting period. Retail sales, unsurprisingly, suffered and ONS reports total retail sales volumes for 2020 as a whole decreased by 1.9% when compared with 2019, the largest year-on-year fall on record. Category spend was highly polarised, specifically performance of food versus non-food and also within non-food, where home categories proved more resilient than fashion. Retailers will embrace the return of shoppers, office workers and domestic tourism, hoping to benefit from pent-up demand with current household excess savings nearing £140 billion according to the Bank of England. We anticipate international travel restrictions to remain for the foreseeable future and individuals to continue to be reticent to visit busy places, so providing a safe and enjoyable experience will be key.

COVID-19 accelerated the structural move to online, with many consumers trialling and embracing online as a more significant proportion of spend. Retailers will review their store portfolios and determine how best to drive value from their floor space as they strive to provide a joined up digital and physical experience. In response, 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. In the capital markets, investment volumes remain historically low, with shopping centres continuing to underperform against retail parks that have proven a little more resilient. The market has started to see some movement to re-purpose retail space to the development of mixed-use.

Energy

The UK has made increasingly strong policy commitments towards decarbonisation and thus far has decarbonised fast, and exceeded emissions reductions as required under the First (2008-2012) and Second Carbon Budgets (2013-2017). We are currently in the Third Carbon Budget period (2018-2022) and progress against this appears tight according to the Climate Change Committee. Further, to meet 2050 targets it is clear that change to existing policies will be needed. The recent adoption of the Sixth Carbon budget (2033-2037) aims to further reduce emissions whilst creating green jobs, including up to 60,000 through the Government's target of delivering 40GW of offshore wind power by 2030.

Gearing up the supply chain and enabling infrastructure such as ports will be key. The Government's '10 Point Plan' also states a target for 1GW of floating offshore wind power by 2030, opening up significant areas of the seabed unsuitable for fixed foundation offshore wind. Hydrogen is also emerging as a low carbon energy sector, especially in facilitating decarbonisation of sectors with limited alternatives e.g. transport and heating. During the lockdowns, the drop in emissions and flourishing of wildlife has been notable positive news, further fuelling expectations and demands from empowered and climate-conscious consumers. The energy transition coupled with strong market appetite, continues to provide a compelling backdrop for the offshore wind industry.

Agriculture

Farmland supply is at a record low, but encouraging market activity saw farmland values edge higher, a demonstration of its separation from the economic uncertainty experienced elsewhere. Demand remained resilient, particularly where property quality, locality and lifestyle/amenity farmland boosted appeal, with the pandemic further fuelling desire for more green space. EU Exit trade negotiations and agricultural support reform continued to create uncertainty for much of the agricultural sector, but commodity prices held firm. The scale and depth of the climate emergency means that sustainable land management is now viewed as being increasingly important. Indeed, farmland has proven to offer long-term security and it is anticipated the new value offering of environmental and ecosystem services will prove themselves to be income-generating ventures. The UK has been one of the first countries to recognise this from a national policy level, which coupled with a growing sustainability ambition from the private sector means environmentally-conscious farming and sustainable land use has an ever stronger future.

Minerals

The first national lockdown saw a drop in demand for marine aggregates with a portion of the dredging fleet inactive. From early summer 2020, recovery was evident with performance for the year only 10% below that of 2019 in terms of volume for construction aggregates. The market pick-up was led by continuity in road construction activity, a release of pent-up demand in housing activity and some large infrastructure projects. Post-pandemic, the forecast is for sales volumes to see growth supported by the recovery across sub-sectors of construction and robust growth in new infrastructure work. Timelines are uncertain given the fiscal pressures. The Government's support for construction as an essential industry is pertinent, as is its commitment to future infrastructure spending.

Infrastructure

As all sectors embrace technology and as it plays a more central role in operations, there has been further growth in demand for digital and data services. This means that infrastructure cable demand from the internet sector has remained robust with the ongoing developments in technology. Looking ahead, the global pandemic poses little risk to income generated from pipelines.

OUR GROUP STRATEGY

An ambitious new strategy that is responsive to the changing market

The case for change

The world around us continues to change rapidly – the impact of technology, digital disruption, economic inequality, changing consumer behaviour, and the dual threats of climate change and biodiversity loss – are all having a profound impact on us, our customers and society. COVID-19 has served to amplify these changes, read more in Our changing markets on pages 10-11.

Creating holistic value

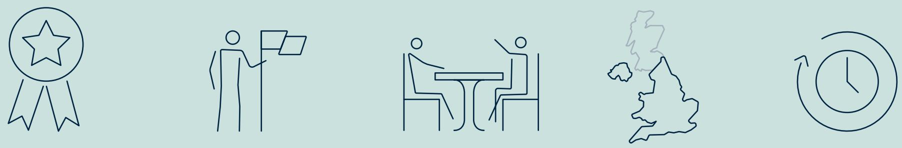
Over the course of the last year, alongside redefining our purpose, to create lasting and shared prosperity for the nation, and values (see pages 4-5), we have undertaken a comprehensive strategic review.

We have set out an ambitious new Group strategy that is responsive to the changing external environment, builds on our unique offer, and establishes the broad financial, environmental and social impact we want to have (read more in Our business model on pages 14-15). Its principles are set out below and over the coming year we will define a set of key performance indicators to measure our success in its delivery.

Drawing on what makes us unique

We know we are best placed to create value by building on what makes us unique. We will draw on these attributes to drive opportunities to create broad value across our operations.

As a commercial entity sitting between the Sovereign and the Treasury, we have a unique status which creates valuable differentiators. These are:



Trusted brand and reputation

Independence and simplicity of role

Power to convene and catalyse

Our ownership

Long-term view

We will focus our strategy on serving national needs where we see a role for us and clear positive momentum

Each of our Strategic Business Units has a new and ambitious role to play in delivering our Group strategy.

Read more about our Group on page 1

Be a leader in supporting the UK towards a net zero carbon future

- Align our business to a zero carbon trajectory and decarbonise our portfolios
- Maximise the UK's opportunity offshore through enhancing our marine resource management role and work with stakeholders to develop a net zero roadmap offshore
- Support the adoption and scale-up of net zero technologies such as offshore wind and the growth of green supply chains.

Help create thriving communities and renew urban centres in London and across the UK

- Identify potential partnerships to help create urban centres and communities that are diverse, sustainable and inclusive
- Invest in and activate industries and supply chains where we operate
- Help renew London's iconic centre and support the changing needs of its population and visitors
- Provide economic opportunities and promote education, training and skills through our activities.

Take a leading role in stewarding the UK's natural environment and biodiversity

- Create sustainable solutions in areas of potential stress, such as the seabed
- Innovate and educate using our unique holdings and relationships, bringing best practice to our portfolio and beyond
- Redefine best practice in biodiversity for urban development and renewal.

Aligned with our values, across all of our activities, we will strive for equality of outcomes.

OUR BUSINESS MODEL

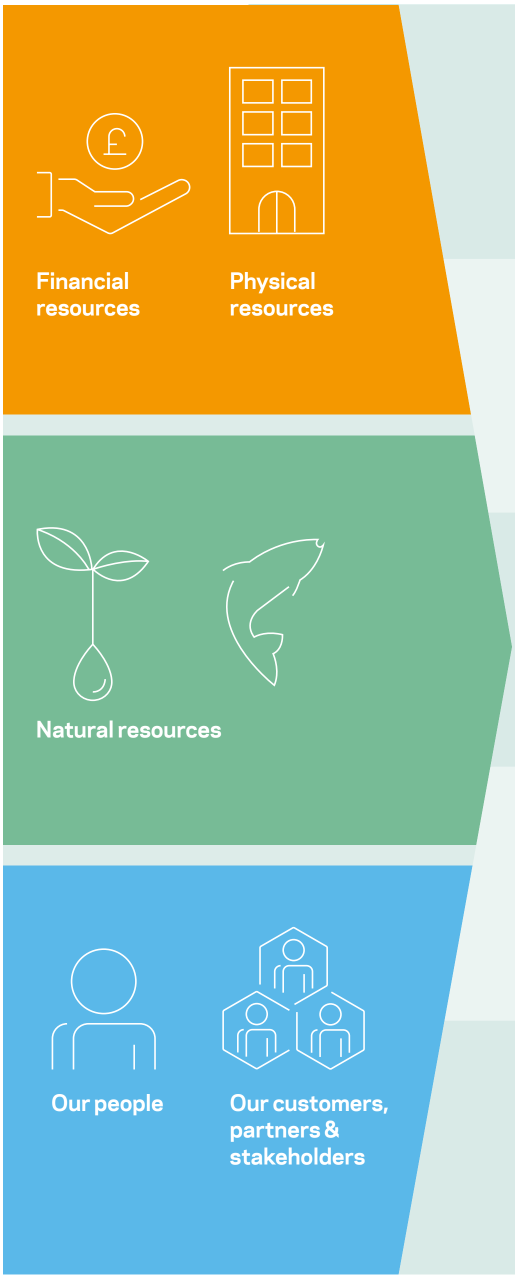
Our business model articulates how we deliver our strategy, setting out what we do to create value

WHAT WE RELY ON

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

WHAT WE DO

We are active owners and managers of land and seabed around England, Wales and Northern Ireland.



We use our scale and unique capabilities to drive impact across the UK

We have a diverse portfolio but operate as one business. We take a long-term perspective, drawing on our uniqueness, our relationships and the breadth and scale of our holdings to create enduring social, environmental and financial value for our customers, stakeholders and the country.

We optimise the use of our capital

Through careful and agile management, we look to optimise the use of capital across all of our business units. We drive value through long-term investment – into our places, destinations, new acquisitions and development pipeline or to enable and accelerate activity in our Marine business. We source capital through divestment and partnerships to fund our strategy and scale our impact.

We deliver value for our customers

Customers are at the heart of everything we do. By aligning our goals with theirs, it sets them on a path to success while putting us in the best possible position to maximise long-term value creation. Whether that is facilitating a pipeline of offshore renewable energy, or supporting our customers as they recover from the pandemic.

We use our scale and relationships to drive outcomes

We draw on our brand, relationships and track record to convene partners and stakeholders around common issues, looking to catalyse activity in our places, communities and core markets and create a greater overall impact.

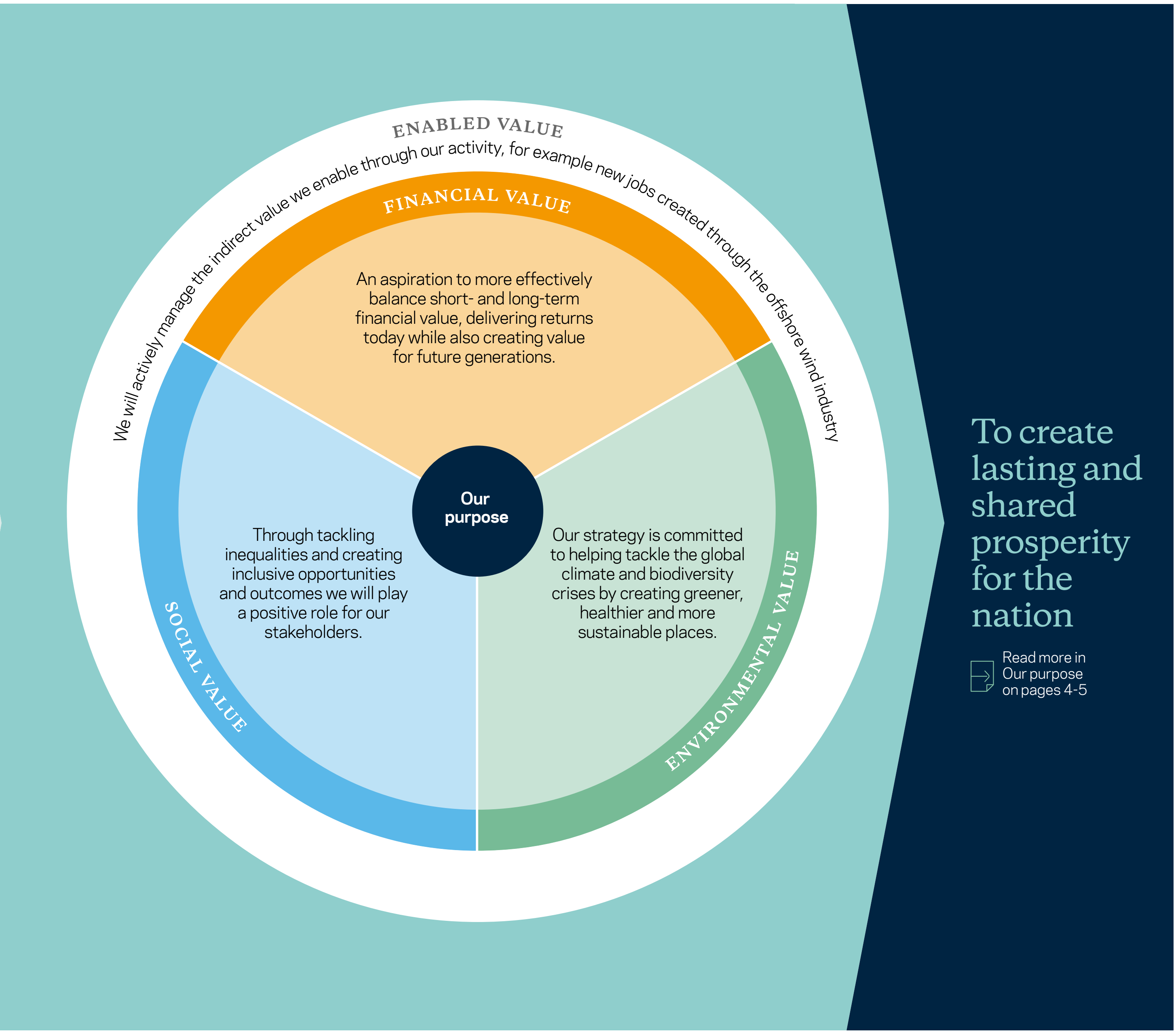
We drive value through digital

We are taking a digital first approach, investing in data and technology to improve productivity and create value, developing new digital services and a differentiated offer for our customers.

THE VALUE WE CREATE

Over the last year we have begun to develop a new framework which allows us to set out and measure the direct financial, environmental and social value we wish to create, alongside the wider value we can enable, in pursuit of our purpose: our Value Creation Framework.

We will be using emerging ESG (Environmental, Social and Governance) best practice to validate the measures that we will be reporting against.



Read more in Our purpose on pages 4-5

KEY PERFORMANCE INDICATORS

Our performance against targets

As we continue to evolve our Group strategy, we will be setting new targets and key performance indicators (KPIs), which we will report against in our next Annual Report. The KPIs shown below relate to our performance against the strategic objectives that were in place throughout the 2020/21 reporting year. See pages 12-13 for details of our new strategy.

Key
- A Achieved
- O On track
- M Missed
- N Not yet determined

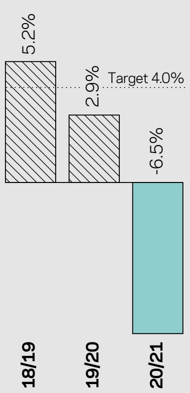
⚠ Independent limited assurance (see inside front cover)

Strategic objectives	Actively manage our assets to drive sustainable outperformance against our commercial targets	Nurture a high-performance culture and reputation as a 'Great place to work'
What this means for 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. Our two commercial targets underpin our strategy and support this obligation. They are measured through net revenue profit growth and outperformance against 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.
Our 2020/21 targets	Growth in net revenue profit: – 4% annualised growth in net revenue profit on a three-year rolling basis Total return: – Outperform our MSCI bespoke total return benchmark on an annualised three-year rolling basis	Employee engagement: – Outperform the UK national benchmark* for employee engagement of 78% (2020/21) * Provided by Willis Towers Watson

KPIs – How we performed this year

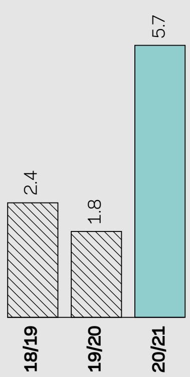
-6.5% M

annualised reduction in net revenue profit on a three-year rolling basis



5.7 percentage points A

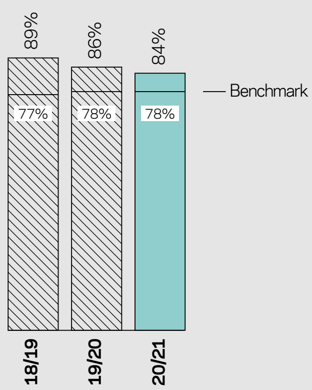
relative outperformance on an annualised three-year rolling basis of our bespoke total return benchmark



Excluding the valuation effect of Offshore Wind Leasing Round 4, our outperformance of the benchmark was 0.7 percentage points.

84% A

of our employees think The Crown Estate is a 'Great place to work'



Key
- A Achieved
- O On track
- M Missed
- N Not yet determined

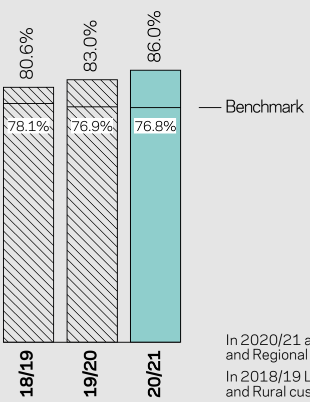
⚠ Independent limited assurance (see inside front cover)

Strategic objectives	**Build ever stronger relationships through high levels of customer and partner satisfaction, loyalty and recommendation**	**Be a leading responsible and resilient business which thinks long term**
What this means for 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 regularly engage with our customers to understand their needs, implement priority findings and anticipate future trends.	We aim to create social, environmental and financial value, both now and in the future, by acting responsibly and sustainably in everything we do. This includes balancing the needs of all 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. Reducing carbon emissions is critical to becoming a net zero carbon business by 2030 and climate positive thereafter.
Our 2020/21 targets	Customer satisfaction: – Outperform the Institute of Customer Service benchmark of 76.8% (January 2021)	Health and safety: – 10% improvement in Incident Severity Score (incidents and significant near misses) against a three-year rolling average Carbon emission intensity: – We have developed a more accurate methodology to calculate our emissions intensity. As part of our net zero carbon roadmap we are setting Science-Based Targets which will determine a target for this KPI

KPIs – How we performed this year

86% A

of our customers are 'satisfied' or 'very satisfied'

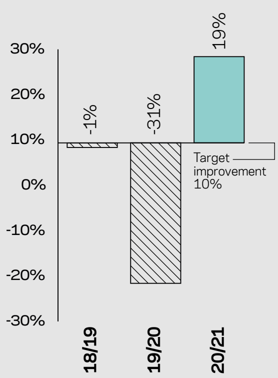


In 2020/21 and 2019/20 London and Regional customers were surveyed.

In 2018/19 London, Regional, Marine and Rural customers were surveyed.

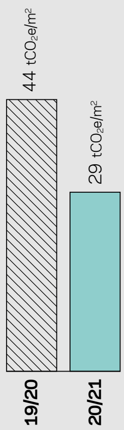
19% ⚠ A

outperformance of our Incident Severity Score target of 10% improvement against a three-year rolling average



34% N

reduction in carbon emissions intensity against a 2019/20 baseline



ENVIRONMENTAL REVIEW

Towards a sustainable future

Faced with the inextricably-linked, twin environmental crises of climate change and diminishing biodiversity, we commit to making every effort to play our part in helping to address these challenges.

Above:
Vattenfall's Ormonde wind farm, west of Barrow-in-Furness in the Irish Sea.

Key highlights

14.1m tCO_2* (2019/20: 13.1m tCO_2)	Carbon dioxide emissions avoided as a result of 35.3 TWh of offshore wind renewable energy generated
341m^2	Additional green space created as part of the Regent Street public realm improvements
21% (2019/20: 9.3%)	Reduction in absolute, year-on-year, carbon dioxide emissions on our direct-managed portfolio

*For methodology see our Environmental data supplement online at: thecrownestate.co.uk/Environmental-Data

These are the Sustainable Development Goals on which we have an impact and have the opportunity to make a difference

We acknowledge that our business activity has an impact on the natural environment which, when aggregated with that of others, has long-term global implications. In addition, we recognise that growing the financial returns we generate for the nation are not enough. We have an equal responsibility to help meet the wider challenges it faces, including stepping-up with purpose and pace to address the climate emergency.

Our developing Value Creation Framework (VCF), see page 15, will provide a framework for the creation of holistic financial, environmental and social value we wish to deliver as we work to our strategy, aligning to our purpose. We believe all three dimensions of value work together and that creating social and environmental value will deliver greater long-term financial performance.

From an environmental perspective, this means focusing, with a long-term view, on opportunities to:

- Contribute to the UK's green agenda and;
- Contribute to the UK's agenda on biodiversity.

The scope of our contribution in these areas will be defined as we work to our new strategy, with our compass being our commitment to align with the 1.5°C goal of the Paris Climate Agreement, with a target to become a net zero carbon business by 2030 and climate positive thereafter. This is a significant commitment: we do not yet have all the answers and know that there will be challenges along the way which will require innovation and collaboration.

Since making our net zero commitment in December 2020 we have started work on a number of different workstreams and, with others, are identifying opportunities to optimise the potential of the nation's seabed as a source of clean energy and carbon capture in a way which also protects marine biodiversity and the natural environment.

Work has commenced on the development of 1.5°C Science-Based Targets (SBT) and a trajectory for the decarbonisation of our real estate. We are piloting two asset-level net zero plans for 1 St James's Market, London, and Rushden Lakes, Northamptonshire, and have started work on a 10-year landscape restoration and replanting scheme at Windsor. Further examples of progress against our commitment can be found on page 9.

The task at hand is immense. We need to act beyond our immediate interests on all issues which have an impact on the environment, innovating and working with stakeholders who share our ambitions, to amplify our contribution to securing the nation's green future.

The challenge of accurate measurement of environmental and social metrics has been brought into sharp focus as we have been working to develop the VCF. If we are to provide evidence of progress we need to establish baselines, define meaningful KPIs, and improve data quality, validating and benchmarking it for legitimacy.

More supporting data to this Environmental review can be found online in our Environmental data supplement at: thecrownestate.co.uk/Environmental-Data

Contributing to the UK's green agenda

We have a role to play in the green agenda with regard to the climate emergency and a number of other relevant environmental issues such as air quality and resource efficiency (e.g. materials, waste and water). We are helping to address the climate emergency through decarbonisation of the design, construction and operation of our real estate; adapting to weather changes which are already becoming apparent; and building resilience across our portfolio.

Our contribution to a low carbon economy is significant as manager of the seabed around England, Wales and Northern Ireland. We will leverage our position to optimise a low carbon economy by enabling sustainable and coordinated deployment of affordable green energy technologies on the seabed, including encouraging technological and environmental innovation such as Floating Wind and Carbon Capture, Utilisation and Storage (CCUS). You can read more on this is in our Marine review on page 37.

Our contribution to the UK's green agenda is reported under the following activities:

- Climate action
- Valuing resources

Climate action

We continue to work to mitigate the effects of climate change and to adapt to those effects already evident. Our objective with regard to mitigation is to decarbonise our real estate by improving its energy performance, reducing embodied carbon in developments, generating and procuring renewable energy, and improving air quality. Regarding adaptation, our objective is to build the resilience of our business, those of our customers and our communities by understanding, responding and adapting to the physical risks of climate change. Our work on adaptation is covered on page 22.

In this section we report, under specific headings, to show progress towards our objectives and in accordance with regulation and best practice, starting with the Taskforce for Climate-related Financial Disclosure (TCFD) as it is relevant to both climate change mitigation and adaptation.

TCFD

As part of our net zero commitment we are preparing our business to be resilient in the face of higher levels of warming, and are using the TCFD framework to inform our strategy, drive the testing of climate scenarios, and as a basis for climate-related project implementation and disclosure.

We are assessing the physical risk of climate change on our portfolio and transition risk in the form of increasing compliance related to a decarbonising economy and disruption in the supply chain. Preliminary scenario analysis on the risk of flooding and wind-related events has already been undertaken on our London and Regional portfolios. It will be extended in scope, and to the rest of the portfolio, to inform a proper assessment of risk and to drive action to adapt where necessary.

The adoption of our net zero commitment will help us to manage our transition risks and also highlight opportunities where we can support the UK's transition to a low carbon economy through management of the seabed.

We will disclose progress on both physical and transition risks, together with opportunities, in next year's report.

Governance and strategy: A 'struggling environment and natural world' has been acknowledged by the Board as a major trend affecting our ability to create value over the short, medium and long term. This, together with our commitment to become a net zero carbon business by 2030, has informed our new strategy which is detailed on pages 12-13. Our Board's activity on climate-related issues is detailed on page 64.

Risk management: Climate change has been identified as a risk to the business. Further details and the process by which we identify and manage risks is set out on pages 46-52.

Metrics and targets: Current metrics and targets related to climate-related risks and opportunities to mitigate climate change are reported below in the Energy, Carbon and Renewables sections. New targets are being developed as part of our commitment to net zero.

Energy use

A reduction in our energy use and carbon intensity of our real estate activities is key to achieving net zero. As part of our emerging cross-business decarbonisation trajectory we will be updating our Development Sustainability Principles (DSPs) v3 to take account of our net zero ambition.

Absolute energy use across our direct-managed portfolio has declined by 24% this year. On a like-for-like basis (properties with data for the last two consecutive years) there has been a 25% reduction. The reduction was mainly due to COVID-19, which resulted in lower occupancy levels from properties which were closed during lockdown. Conversely, in order to keep our buildings COVID-19 secure and in accordance with latest industry guidance, ventilation run times were extended to circulate fresh air, with ventilation in WCs in office space extended to 24 hours a day. Additionally, upgraded Air Handling Units have been installed at a number of Regent Street and Regional assets, which require more energy to pump air through the robust filters.

ENVIRONMENTAL REVIEW
continued

Energy consumption – absolute (direct-managed portfolio)[1]

	Absolute (MWh)			Like-for-like (MWh)		
Source	2019/20	**2020/21**	Year-on-year % change	2019/20	**2020/21**	Year-on-year % change
Electricity	68,073	**52,262**	-23%	62,675	**44,788**	-29%
Fuel	38,293	**28,408**	-26%	29,911	**24,830**	-17%
Total	**106,366**	**80,670**	**-24%**	**92,586**	**69,618**	**-25%**
Number of assets	158	**145**	-8%	108	**108**	
Energy intensity (kWh/m²) – baseline 2019/20[2]	191	**136**	-29%			

Data notes:
[1]Absolute figures for 2020/21 relate to 88% of direct-managed floor areas, of our London and Regional portfolios and the Windsor Estate.
[2] Data reported is Group-level intensity for our direct-managed portfolio – see the breakdown between office/mixed-use, retail shopping centres and retail parks in the Environmental data supplement online: thecrownestate.co.uk/Environmental-Data

This year we have revised our methodology for measuring energy and carbon intensity to make it simpler, more accurate and in line with industry approach. We have applied it to, and restated, 2019/20 intensity data to give comparability, which shows a 29% decrease in kWh/m² over the past year.

For transparency it should be noted that the strict application of data quality criteria has meant that intensity data represents 39% of the portfolio floor area whilst the assets represented contribute to 59% of the absolute energy consumed on the portfolio. Work on data quality will continue.

Detail of the methodology is found in our Environmental reporting criteria online at: thecrownestate.co.uk/assurance-reporting

Numerous energy saving measures have been implemented this year, across 23 assets, with expected energy savings of 1.504m kWh and equivalent cost savings of £139,682. Energy savings equate to 343 tCO_2e.

Energy saving measures relate to LED lighting updates, Air Handling Unit upgrades, Building Management System installation, and software and strategy updates, ductwork insulation, chiller coil cleaning, calorifier and boiler replacement and variable speed drive installation.

More detail and costs of energy by source can be found in our Environmental data supplement online at: thecrownestate.co.uk/Environmental-Data

Summary methodology for quantification and reporting of energy and carbon 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 2020 Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data.

For the full methodology see the Environmental data supplement at: thecrownestate.co.uk/Environmental-Data

Carbon dioxide emissions
There has been a 21% decrease in absolute emissions from our direct-managed portfolio over 2020/21. This was largely due to the impact of COVID-19, which resulted in a reduction in the use of our commercial space, and decarbonisation of the grid. Intensity emissions have reduced by 34%. In the table below Scope 2 emissions are reported under the location-based and market-based methodologies.

Carbon dioxide emissions – absolute (direct-managed portfolio – Scopes 1 and 2)[1]

Emission scopes		2018/19 (tCO_2e)	2019/20 (tCO_2e)	**2020/21 (tCO_2e)**
Scope 1	Direct emissions from fleet and heating of buildings	6,678	7,457	**5,546**△
Scope 2 (location-based)	Emissions from generated electricity usage	11,738	9,247	**7,681**△
	Gross Scope 1 and 2 emissions	**18,416**	**16,704**	**13,227**△
	Year-on-year percentage decrease	8.9%	9.3%	**21%**
Scope 2 (market-based)	Emissions from generated electricity usage	1,325	1,760	**4,253**△
Emissions intensity (tCO_2e/m^2) – 2019/20 baseline[2]			44	**29**

Data notes:
[1]Absolute figures for 2020/21 relate to 88% of direct-managed floor areas (m²), of our London and Regional portfolios and the Windsor Estate.
[2]Carbon intensity data represents 39% of the direct-managed portfolio floor area. However, assets contributing to the intensity data account for 59% of the absolute energy consumed at direct-managed properties. See also data note [2] accompanying the Energy table at the top of the page.

Definitions
Location-based emissions: emissions from electricity usage calculated in accordance with the spread of energy sources in the National Grid over the year in question (e.g. fossil fuels and renewables).
Market-based emissions: emissions from electricity usage calculated taking into account the sources of the energy purchased (e.g. validated renewable sources) and the corresponding emissions actually released into the atmosphere (i.e. as a result of the purchase of non-renewable sources).

△ Independent limited assurance (see inside front cover).

Indirect emissions (Scope 3)

Our Scope 3, indirect, emissions are those we produce as a result of our activity and include those produced as a result of work we commission through our supply chain and those we enable through our leasing and licensing activity. They occur from sources not owned or controlled by us.

Carbon dioxide emissions – absolute (indirect – Scope 3)

Emission scopes	GHG Protocol category	2018/19 (tCO_2e)	2019/20 (tCO_2e)	**2020/21 (tCO_2e)**
Scope 3	Category 3: transmission and distribution losses (modelled)	1,677	1,477	**1,048**
Scope 3	Category 6: business travel	178	181	**52**
Scope 3 (location-based)	Category 13: evidenced customer-purchased energy	8,048	8,232	**4,549**
	Gross scope 3 emissions	**9,903**	**9,890**	**5,649**⚠
	Year-on-year percentage decrease	10.6%	0.1%	**42.9%**
Scope 3 (market-based)	Category 13: evidenced customer-purchased energy	185	15	**1,030**

Understanding the extent of our Scope 3 emissions and influencing their reduction is a challenge which has to be overcome. As with other organisations, we know that our Scope 3 emissions dwarf our direct emissions. To date we have voluntarily disclosed a very small proportion of our Scope 3 emissions, where we have had the data (see table above). There are 15 Scope 3 categories listed in the GHG Protocol and as part of the work being undertaken to set SBTs we will identify our most material emissions, and increase the breadth and depth of our reporting in order to track progress against our net zero commitment. As a start, next year we expect to report additionally on emissions from construction and refurbishment, waste, forestry and purchased goods and services.

We are developing a Supplier Charter which will include requirements of suppliers with regard to carbon emissions. Our DSPs are to be updated to align with industry best practice in construction and we will take the opportunity to add requirements to significantly reduce both embodied carbon and operational energy use.

A further breakdown of our Scope 1, 2 and 3 emissions, as reported above, can be found in our Environmental data supplement online at: thecrownestate.co.uk/Environmental-Data

Renewables

We purchase renewable energy, generate renewable energy onsite and facilitate the significant generation of offshore wind renewables.

71%⚠ (2019/20: 88%) of our electricity purchased (relating to 61% of electricity meters) during the year was from renewable sources, which significantly reduces our emissions released into the atmosphere. This is exemplified in the two carbon dioxide emissions tables above (Scopes 2 and 3) where location-based emissions (based on a spread of sources of energy in the grid) are compared with corresponding market-based emissions (renewable sources).

The percentage of electricity purchased from renewable sources is lower than reported last year (and emissions consequently higher) as a result of improvements in data availability. Supplier analysis has been carried out at an energy meter, as opposed to a building, level. This practice will help us to identify meters which are not yet on a green tariff. Our target is to procure 100% of our electricity from renewable sources by 2023 and all energy from renewable sources by 2030.

We currently have limited onsite renewables in the form of solar photovoltaics (PVs) across our direct-managed portfolio. During lockdown very few meter readings were taken, resulting in limited data for reporting. Ongoing maintenance was also affected and new PV metering projects delayed.

We are exploring more opportunities for PV installation across our Regional portfolio and on all new developments. In light of our net zero commitment and as part of our new strategy we have begun a review of our Rural portfolio to determine the potential for new renewable energy opportunities to augment existing let wind and solar sites.

As manager of the seabed we enable our customers to generate a significant amount of renewable energy which currently delivers the demand for about a third of all UK homes and supports the Government goal of delivery of 40GW by 2030. During 2020/21 operational capacity of the offshore wind sector increased from 9.31GW to 9.61GW⚠ (an increase of 0.3GW⚠), meeting our target of 8-10GW by 2020. The generation of 35.3 TWh of energy during 2020/21 equates to avoided carbon emissions of 14.1m tCO_2. You can read more on our offshore wind story and its contribution to the transition to a low carbon economy and net zero carbon on pages 37-39.

External air quality

Air quality is a particularly significant issue in London and a high priority in Westminster. We want to play our part in improving air quality and are exploring ways of working with other landowners and Westminster City Council to make a more significant impact. As members of the Air Quality Network initiative (led by Imperial College London) in January 2021 we introduced an air quality monitoring station at Waterloo Place. It is the first monitor in London to measure ozone gas in the atmosphere. A temporary monitor, measuring only oxides of nitrogen (NOx), has been in place on nearby Heddon Street since May 2020. Two full years' data is required before we have meaningful analysis given the abnormal year we have had with reduced traffic due to lockdown. Other measures we have introduced across our portfolio to help to improve air quality, include sustainable travel (see below) and tree planting in London (see page 23).

Sustainable travel

Alongside the decarbonisation of our directly managed portfolio we are working with our partners and customers to promote sustainable travel.

With our regional managing agent, to date, we have rolled out Sustainable Travel Plans for all but two of our directly-managed retail and shopping parks to encourage more people to use public transport, cycle or walk. Measures introduced include walking maps and safe routes, changing rooms and showers for cyclists and walkers, bike pools, cycling proficiency training and discounted public transport initiatives. These will deliver benefits to people working on site, our customers and local communities in terms of improved health, wellbeing, air quality and productivity, as well as contribute to a reduction in carbon emissions.

⚠ Independent limited assurance (see inside front cover).

ENVIRONMENTAL REVIEW
continued

Whilst we already have a number of electric vehicle charging points across our Regional portfolio, over the coming year we will be launching our electric vehicle charging infrastructure strategy for our Regional portfolio and the Windsor Estate. At Fosse Park, Leicestershire, 16 electric vehicle chargers, eight of which are Tesla superchargers with higher power ratings, are now available to customers.

In London we continue to offer our consolidated freight delivery service to retail customers and will be piloting an extension of the service to include personal deliveries and non-perishable office supplies. We are exploring the use of a bi-fuel vehicle while we await the delivery of our new electric vehicle.

On the Windsor Estate we continue to review the use of alternative fuels for all vehicles. Approximately 20% (eight) of our leased road-going vehicles are electric. The opportunity to switch to fully electric or plug-in hybrids will come at the next fleet change in 2023/24 when technology in this area will have progressed. We own three electric agricultural vehicles and will review viable sustainable alternatives to others as they become available in the market.

While in our Marine business, following our introduction of one of our aggregates' customers to building materials company, AC Marine Aggregates, we were pleased to see the revival of the use of barges to transport aggregates. Taking them from Hull into the centre of Leeds, via the existing river and canal system, revitalises an underutilised and sustainable freight transport system. Single use of a 500-tonne barge takes the equivalent of 25 standard tipper trucks off the road, with the associated improvement in air quality and reduction in traffic congestion.

Adaptation

We have been working with stakeholders, where we can, to adapt our assets to evident climate changes and upgrading infrastructure to cope with prevailing weather systems. Whilst TCFD scenario analysis will help to identify further opportunities to adapt across the business, adaptation has been ongoing. For many years our Windsor forests have been planted with more climate resilient tree species .

We were involved in the introduction of the Sandscaping concept to the UK, a first of a kind engineering solution designed to reduce the effects of coastal erosion using millions of tonnes of sand. Following regular monitoring, the first Sandscaping scheme at Bacton, Norfolk, (constructed in 2019), is performing as planned. We continue to work with other stakeholders to evaluate further potential for Sandscaping.

Another example of recent work is the repair of an eroded section of Crown Estate owned sea defences at Hawkins Point on Sunk Island, on the north bank of the Humber, which was completed in the autumn. During 2021 we intend to create a long-term plan for Crown Estate defences within the emerging Humber Strategy, working closely with the Environment Agency.

While at Fosse Park we are building resilience by installing 2,800 sq m of permeable paving and planting 5,000 sq m of soft landscaping to help allow water run-off and reduce flooding.

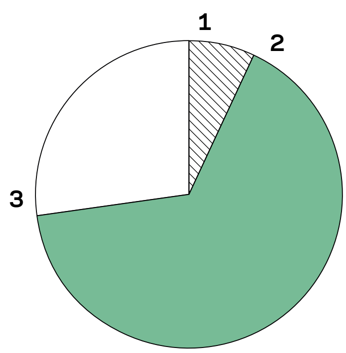
Valuing resources

In line with circular economy principles, our objective is to sustainably source and use materials and natural resources, designing out waste and maximising reuse and recycling across our real estate portfolio.

Achievement of this objective is closely linked to our net zero commitment. Disposal of waste, consumption of water and the procurement and use of raw materials all contribute to our carbon footprint, as well as having social impacts.

Efficient use of all natural resources is critical to their continued availability. Our DSPs set requirements of our construction projects and provide a framework for the responsible sourcing of materials. We engage with our customers through sustainability days and Fit-Out Guides, in which we encourage careful consideration of the use of all resources and suggest sustainable options. We are developing a Supplier Charter which will also cover best practice in the use of resources.

Operational waste – end disposal breakdown 2020/21



1	**Anaerobic digestion**	**7%**
2	**Recycled** (following on-site segregation)	**66%**
3	**Incineration off-site** (with energy recovery)	**27%**

Above: We welcomed Bike-Drop to our London portfolio, helping to reopen the West End in a safe and sustainable way.

Over the past year, due to lockdown, operational waste generated reduced by 73% with 100% diverted from landfill. Of this, 73% was recycled (including anaerobic digestion) against a target of 80% by 2022/23. Much of the waste generated was recyclable cardboard packaging from new stock. With regard to construction waste, 91% was diverted from landfill.

In last year's Annual Report we highlighted the Food Waste Pledge whereby 13 restaurants committed to reduce their food waste by 25% in one year. Due to COVID-19 we did not obtain a full year's data and report an 8% reduction in food consumption over 10 months, with an increase in food recycling of 10%. It was clear reductions were gaining momentum over time and the scheme would have seen better results over a longer period. However, the pledge resulted in improved data quality with all restaurants committing to continue measurement and the vast majority wishing to continue with the pledge.

Whilst water consumption is not as material to our business as other environmental impacts, much of our portfolio is situated in water-stressed areas. We continue to measure and monitor water use and abstraction, and to identify opportunities to maximise water efficiency. Data on water, and more on waste, can be found in our Environmental data supplement online at: thecrownestate.co.uk/Environmental-Data

Contribution to the UK's agenda on biodiversity

We recognise our role as stewards of the natural environment and biodiversity across our portfolio. Our two environmental contributions (to the UK's green agenda and on biodiversity) are mutually reinforcing. Nature-based solutions are going to be an important part of our net zero strategy and enhancement of habitats will have a long-term role in reducing the extent of climate change. In collaboration with other landowners we can have a bigger impact, especially in rural areas. Wherever possible we aim to create valuable green space (terrestrial) and blue space (seabed) to provide, and protect, existing habitats.

Enhancing biodiversity

Our objective is to actively invest to support the essential role played by biodiversity in the provision of ecosystem services, through the creation, protection, restoration and enhancement of natural habitats on land and at sea.

In order to measure our progress it is clear that we need to both understand our natural capital baseline and develop an appropriate measure of biodiversity net gain for all parts of our portfolio. We will be working with others to achieve this terrestrially and for the seabed.

Habitat creation

Our Windsor Estate provides a unique and diverse haven for biodiversity which requires careful visitor management to prevent damage to ecosystems. Commercial forestry felling delivers a continuous creation of new habitats for ground-nesting birds. Our 10-year landscape restoration and replanting scheme will deliver many new trees and hedgerows and create biodiversity corridors (see the case study on page 44 for more detail).

The diverse range of trees will also contribute to carbon sequestration, climate resilience and prevent wholesale risk from pests and disease. Windsor's Sites of Special Scientific Interest remain classified as 100% in favourable condition.

Offshore we are working in collaboration with the Government, statutory bodies and NGOs in a number of initiatives to create and restore habitats, and to develop policy and broad targets on biodiversity net gain on the seabed. These include:

- Reversing centuries of decline of estuarine and coastal habitats by restoring seagrass meadows, salt marshes and oyster reefs, known as the ReMeMaRe initiative, led by the Environment Agency
- A working group to address the regulatory hurdles to beneficial reuse of dredged material, primarily for habitat creation, for example to create protective bunds for saltmarshes or nature reserves. We recently contributed to the production of a guidance manual on beneficial reuse of material with detail of our role in providing seabed rights.

There are a number of other initiatives in the pipeline and we expect to be able to report more on these in the coming years.

Further opportunities for habitat creation are being explored across our Regional portfolio. At Fosse Park, as part of the new extension, we are already planting 100 sq m of living green walls, 2,010 sq m of new wild flower meadows and 122 linear metres of new native hedgerows. Other examples include honey bee hives and Bikes in Bloom at Princesshay, Exeter; a wildflower meadow and bird boxes at Ocean Retail Park, Portsmouth; and a green wall at Silverlink, Newcastle. The total area of greenspace across the Regional portfolio is 17.6 hectares and of this approximately six hectares is 'higher value' habitat as defined in our Regional Landscaping Handbook.

While in London, as part of the Regent Street public realm improvements, we planted 62 semi-mature trees (16 different species) and 332 planters (equating to 341 sq m of greening) as a means of encouraging greater biodiversity, improving air quality and general wellbeing (read more on page 41). This supplements the greening we already have across the rooftops of our London estate as part of Wild West End (a partnership of landowners in central London, the London Wildlife Trust and the Greater London Authority). In total we now have 3,703 sq m of additional, valuable green space in London, against our target of 5,000 sq m by 2023.

Below: The Crown Estate sponsors the Underwater Photographer of the Year award (British Waters Living Together category). Below is a highly commended entry by Trevor Rees.

SOCIAL REVIEW

Our place in the community

Alongside our financial contribution to the nation, doing the right thing for the people we work with and the communities in which we operate, has been a long-held Group objective.

Above: Our charity partner, The Felix Project's tap-to-donate window on 55 Regent Street.

Key highlights

88 (2019/20: 154).	Unemployed people placed into employment through our Recruit Regional employment programme
19%△ (2019/20: -31%).	Outperformance of our Health and Safety Incident Severity Score target
49% (2019/20: -26%).	Increase in volunteering hours, based on 2,104 hours volunteered by our people

△ Independent limited assurance (see inside front cover)

These are the Sustainable Development Goals on which we have an impact and have the opportunity to make a difference

1 NO POVERTY | 3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 11 SUSTAINABLE CITIES AND COMMUNITIES

From making our places healthier and safer to amplifying the diversity and inclusivity agenda, from driving employment initiatives to providing concessions to customers during the pandemic or encouraging volunteering, we are already making a positive contribution in a variety of ways.

However, we recognise through our emerging strategy that we have the opportunity to significantly build on our approach, leveraging our unique attributes and diverse portfolio to deliver broad-reaching social value.

Through our developing Value Creation Framework (see page 15) we will define and measure the holistic financial, environmental and social value that we wish to deliver as we work to our strategy, aligning to our purpose. We believe we will deliver greater long-term financial performance, by creating social and environmental value, as all three dimensions of value work together.

From a social perspective, this value creation means focusing holistically, and with a long-term view, on opportunities to:

- Contribute to bettering the UK's health, wellbeing and equality; and
- Contribute to the UK's agenda for decent work, economic growth and productivity.

As we continue to refine our strategy to align with our purpose and these two key social impact areas, the following review focuses on current activity in support of these overarching objectives, recognising the greater impact we will look to have in the future. As well as looking outside of our business into wider society, we report on our actions internally with our own people.

Good quality data is always a challenge, particularly social data where we are trying to measure the impact of a programme on the quality of a person's life. We are working to identify appropriate KPIs and, with our programme partners, to set up processes which will allow us to gather meaningful data. More supporting data to this Social review can be found in our Social data supplement online at: thecrownestate.co.uk/Social-Data

Above: This year we formed a new partnership with Drive Forward Foundation, a charity that supports young care leavers into employment.

Stakeholder engagement

Our approach to delivering social value, and wider success as a business, is underpinned by relationships and establishing two-way dialogue with both colleagues and key stakeholders.

We have many and diverse stakeholder groups, including the Sovereign, the Treasury, central and local Government, as well as partners, customers, consumers, suppliers, community groups and our own people. We seek to have open and transparent relationships with all of our stakeholders as an important part of our governance.

Our values are our guiding principles that define our culture. As well as guiding our actions and behaviours internally, they shape our engagement with stakeholders externally in terms of the way we do business and what can be expected of us.

Building strong collaborative relationships is central to understanding our stakeholders' needs. By addressing these needs, and solving our shared problems through diverse and creative thinking, we will align to our purpose and leave a positive legacy, not only for our stakeholders, but for the nation as a whole.

A full list of our stakeholders, along with details of how we engage, listen and collaborate can be found on page 63. For more information on how our Board aligns with the stakeholder requirements of section 172 of the Companies Act 2006, see page 64.

This year we surveyed customers of our London and Regional portfolios, which revealed an improvement in satisfaction from 83% last year to 86% this year. This figure reflects the proportion of our customers who are either satisfied or highly satisfied, and outperforms the Institute of Customer Service benchmark of 76.8% as at January 2021.

We also measure our Net Promoter Score (NPS), which tracks to what extent our customers would recommend us. Our overall score is now 41.6, an improvement from 34.3 last year for our London and Regional portfolios, placing us ahead of the Institute of Customer Service UK benchmark, with an average NPS of 21.2 as at January 2021.

This improvement has been driven by strong endorsement of the level of support given to customers through the pandemic. In relation to our communications, 76% rated our COVID-19 communications programme as Good or Excellent, highlighting its proactivity and fit with what they needed – clear, concise and informative thinking.

For more information on how we engaged with our customers through the pandemic see page 36.

Contribution to bettering the nation's health, wellbeing and equality

Ensuring people remain safe in our places is paramount, and continuous improvement in this area remains a top priority. In addition to our work to improve our performance in health and safety, we recognise the opportunity we have to go beyond this and positively protect and enhance mental health and wellbeing, particularly during a year that has been so challenging in so many ways. Part of this links to our commitment to create environments in which everyone can thrive and to remove barriers that prevent people from realising their potential due to who they are. Our internal focus on diversity and inclusion has evolved this year, and we will continue to build on this in the workplace and the communities we operate in to help create a fairer world.

Health & Safety

In last year's report we acknowledged the need to do much more to improve our performance in health and safety.

We have adopted a 'safety first' approach to shift towards taking a much greater proactive stance; ensuring better risk mitigation and a strengthening of our processes and culture. We have identified areas where we need to be more robust, and actively sought those where improvement is needed. We are committed to working hard to embed health and safety at the outset of our decision-making to ensure we are always prioritising the protection of people, particularly where we can have the greatest impact such as at the early design stage of our schemes and assets.

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 property 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 achieved that target and outperformed it by 19%Ⓐ, representing a 34%Ⓐ improvement on the 2019/20 score. However, in spite of the decreased footfall across our schemes, we have seen a number of significant near misses and RIDDORs, including COVID-19 related reportable health impacts, which have kept our Incident Severity Score higher than we would have hoped. Next year we will be changing our health and safety target from a reactive to a proactive target.

In 2020/21 our staff Accident Frequency Rate (AFR) was 0.21Ⓐ (2019/20: zero) and our staff Accident Severity Rate (ASR) was 0.02Ⓐ (2019/20: 0.04).

We have had two (2019/20: two) reportable incidents (RIDDOR) to the Health and Safety Executive (HSE) on directly managed assets, and three (2019/20: zero) within those parts of the portfolio managed by third parties. On our construction projects we also review our contractor accident statistics and our Construction AFR of 0.24Ⓐ (2019/20: zero). Health and safety reporting criteria can be found online at: thecrownestate.co.uk/assurance-reporting

Details of our reportable incidents and environmental incidents can be found in our Social data supplement online at: thecrownestate.co.uk/Social-Data

SOCIAL REVIEW
continued

One of our first actions during the year was to start building greater health and safety resource. We now have a Health and Safety Manager dedicated to Windsor and have appointed two Health and Safety Risk Managers for our London and Regional property portfolios to enhance risk management and provide additional coaching to the teams.

The past year was inevitably dominated by COVID-19, which saw us implement a comprehensive and consistent response in terms of health, hygiene and wellbeing. Working closely with our supply chain, risk was constantly assessed and re-assessed to ensure our response remained proportionate and effective. Led at a senior level, the wellbeing of people, from our customers and supply chain to our communities and in-house team, was prioritised within our response, and has remained front and centre of our activity throughout. Read more on our response to COVID-19 on page 36.

Externally, we conducted surveys within our supply chain at all live construction sites to assess how people felt in relation to getting to and from site, and about onsite COVID-safe practices, as well as general compliance against best practice more broadly. Additionally, contractor and managing agent forums were held to share best practice and showcase individual COVID-19 responses.

Fire safety is a critical area in which we need to learn as much as we can following the Grenfell tragedy. We need to strengthen our ways of working to enhance fire safety operationally – in active and passive protection, and in our approach to development and data. Our fire safety working group has a number of work streams, with cross-business representation, to ensure we make consistent progress across the business including enhancing internal and external competency.

Over the course of the next year we will be developing a new strategy for health and safety which will start with completing a benchmarking exercise to assess our cultural health and safety maturity. We have already identified areas we wish to strengthen including some processes and systems and competency requirements.

Wellbeing
Our ambition is to put wellbeing at the heart of how we operate, thereby supporting people to thrive through their work.

The measures we put in place to support our people at the start of the pandemic continued throughout the year. We clearly communicated that caring responsibilities should come first, offered greater flexibility to working patterns, reprioritised workloads and projects and provided access to online resources to support physical and mental wellbeing.

We created a Wellbeing Delivery Group, to provide extra support through the pandemic. The team initiated specific projects such as a wellbeing portal, a workplace social networking tool, and a calendar of activity to keep everyone connected and supported while working remotely. Events have ranged from a stress awareness programme, and expert talks, through to weekly online exercise and mindfulness sessions.

While in support of wellbeing for the local community, the Windsor Estate provided access to essential green open space during the pandemic. Read more on page 44.

We have a low sickness absence rate for the business of 1.66% (2019/20: 2.63%) of working time compared to a national average of 2.9% (2019/20: 2.7%).

Embracing diversity and inclusion (D&I)
We want The Crown Estate and all our places to be environments where people thrive through a diverse, collaborative and inclusive culture where uniqueness is valued.

To steer this ambition, we established the D&I Group in 2019. It coordinates our approach to D&I across five primary focus areas, each of which has its own network group and dedicated lead to drive progress and ensure each network's objectives are applied across the organisation. The five areas are: Eliminating System Bias; Race, Ethnicity and Culture; Accessibility and Inclusivity; LGBT+; and Gender.

While we are making progress, for example we're delighted that over 10% of our people actively participate in our D&I Group and networks, we know we have a lot more work to do.

Eliminating System Bias acts as the umbrella for all our D&I activity. Reflecting our overarching D&I principles, it challenges us to facilitate and nurture a culture of care, empowerment and inclusivity, embrace all forms of diversity and call out and remove any unfair bias in our processes and systems.

This is far reaching, from our recruitment procedures to procurement measures. Being able to demonstrate an embedded commitment to diversity is playing an increasing role in the award of contracts, and over the next 12 months we will be formally developing a process to comprehensively assess and score all procurement tenders against a range of D&I criteria.

Our Race, Ethnicity and Culture network is building a culture where there is a level playing field for people of all ethnicities to thrive across The Crown Estate. A roadmap of initiatives to positively impact the Black and Asian community within the Group is being set out and as a first step we became a Business in the Community 'Race at Work Charter' signatory during the year, which we will use as a framework to achieve our ambition of racial inclusion.

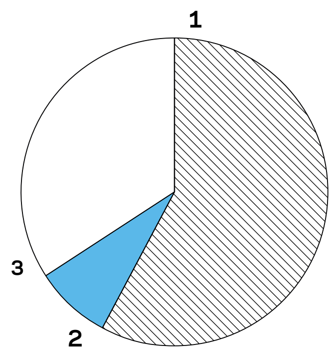
Data on staff diversity can be seen below and in our Social data supplement online at: thecrownestate.co.uk/Social-Data

Our LGBT+ group aims to support our business in inspiring, delivering and reinforcing an inclusive environment which enables people to perform at their best. We are looking to foster a deeper understanding of LGBT+ issues across our Group and delivered activities in support of LGBT+ month during the year. In the coming year we plan to take part in the Stonewall UK Workplace Equality Index to benchmark our progress on lesbian, gay, bi and trans inclusion in the workplace.

Our Accessibility and Inclusivity network aspires to create accessible and inclusive places and experiences across our portfolios that present positive opportunities and experiences for all, regardless of physical or mental disability or social background.

To this end we have achieved Level 2 in the Government's Disability Confident scheme, becoming a Disability Confident Employer (from a Level 1 Disability Confident Committed Employer last year). In practice this means our policies, systems and processes actively encourage people with disabilities to apply for roles with us, and once employed they are fully supported. In the current financial year we will strive to achieve the third and final level and become a Disability Confident Leader.

Staff ethnicity as at 31 March 2021



1	White	58%
2	Black, Asian and Minority Ethnic	8%
3	Not stated	34%

Our work with AccessAble across our assets continued apace during the year. While undertaking the Regent Street public realm improvements, we collaborated closely to ensure accessibility considerations featured in our proposals. And building on the work undertaken in London, we rolled out Detailed Access Guides for seven of our regional destinations, including the first AccessAble guide for a retail park. In the current financial year we will look to complete the regional programme, audit our St James's portfolio, and produce an accessibility guide for Windsor Great Park.

Building on our existing relationship with Purple, the disability and accessibility organisation, we became founding members of Purple 365, a new initiative recognising the need to champion accessibility throughout the year. Our people took part in a range of seminars on subjects from unconscious bias, to mental health and discrimination.

Finally, our network dedicated to promoting gender equality has a clear goal for the business, to be inclusive of all genders and to raise awareness of gender identity and gender bias. Some of the key deliverables for the year ahead include exploring how we can all support women in business and encouraging men to be comfortable talking about subjects such as mental health and flexible working. One initiative we are also exploring is how to support young people of all genders to consider a variety of career paths, to avoid occupational gender bias.

Data on gender can be found in our Social data supplement online at: thecrownestate.co.uk/Social-Data

Mental health

Our mental health programme is focused on three areas: reducing stigma and raising awareness; providing a framework of support; and creating a physical and cultural environment where people can thrive. This latter area was a particular focus of the year, and we provided line manager support training around how to engage with teams in conversations around mental health along with mind fitness sessions for the whole business.

We have 64 mental health first aiders in the Group, equating to one for every eight members of staff. During the year the first aiders took part in a series of virtual workshops to plan group-wide support and awareness raising activities around issues such as mindfulness, active listening and virtual conversations.

Above: One Heddon Street in London, which received WELL Platinum certification, the first fully fitted co-working space in the world to do so.

Alongside this, all our people have 24/7 access to our employee assistance programme, Lifeworks, delivering confidential support on subjects ranging from legal and financial advice through to mental health matters.

We continued our support for Estates Gazette's Mental Health Programme, a campaign to open up the subject of mental health within the real estate sector, and are members of This Can Happen, an organisation set up to empower workplace mental health. We find both invaluable forums for learning what more we can do to support good mental health amongst our stakeholders.

Gender Pay Gap

As reported above, we support gender equality and inclusivity as part of our wider D&I ambition.

This year we reported our gender pay gap data for the fourth time and as at April 2020, the median gap narrowed from -13.0% to -6.3%◈, and the mean gap moved from -3.2% to 5.9%◈.

As a business with a relatively modest headcount relative to the size of our portfolio, even small changes in the makeup of our team can have a statistically significant impact on the figures we report – and in this case, reflect a number of senior changes and in particular the appointment of a male Chief Executive since the last reporting period. In the current year, we will be looking to actively achieve gender diversity balance of men and women across all levels of the organisation, and particularly at a senior management level.

More information on the Gender Pay Gap, our methodology, and the full report can be found online at: thecrownestate.co.uk/gender-pay-gap

Working with our supply chain

We work closely with our managing agents and supply chain and carry out regular training and stress testing with our managing agents, supported by our business continuity plans, crisis management and operational procedures at an asset level. Moving forward we are seeking to better leverage our supply chain and form more effective relationships with key suppliers.

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.

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

◈ This data has been reproduced from our website disclosure and has been independently assured by KPMG LLP under ISAE(UK)3000. KPMG's unqualified Limited Assurance Opinion can be viewed online at: thecrownestate.co.uk/assurance-reporting

SOCIAL REVIEW
continued

Contribution to the UK's agenda for decent work, economic growth and productivity

The societal impact of the pandemic has been significant, particularly with regards to jobs and employment. As well as rising unemployment rates across a range of industries, it has been reported that the opportunity gap faced by young people from disadvantaged backgrounds has become even greater as a result. We recognise the role we can play supporting unemployed people into jobs within our network, and the opportunity we have to help unlock potential by supporting young disadvantaged people gain employability skills to prepare them for future careers. This section of the review outlines some of the progress made in this area over the last 12 months with regards to skills and employment in our communities and also covers our approach to the development of our people.

Looking ahead we'll be considering how we can extend our work in this area to fully realise the role we can play in creating decent work, economic growth and productivity in line with our emerging strategy. For example we have the potential to make an impact through our strategic land ownerships, development pipeline and offshore wind business.

Supporting people into employment in our communities

In response to the turbulent employment landscape, our focus has been on responding with agility to the changing needs of our customers and communities. An important part of this was working closely with our partners to understand how best to respond.

In partnership with the Department for Work and Pensions (DWP), we ran Mentoring Circles, a programme that supports young people with employability skills. By running a virtual programme we were able to offer the joint opportunity to young people from around both Fosse Park and Rushden Lakes. Of the 12 young people who took part, five have now progressed into employment. In total our Recruit Regional programme, which is delivered in partnership with the DWP and North Tyneside Council placed 88 unemployed people into employment at a Crown Estate location. In addition, we brokered a new partnership with Drive Forward Foundation, a charity that supports young care leavers into employment. Our colleagues have been sharing their skills and employability tips with a group of young people from foster care, adoption or residential homes.

Recognising the longer-term challenges around the employment and skills landscape, both from a COVID-19 recovery perspective, but also in light of emerging industries, we have worked with East Northamptonshire Council to pilot a business and support hub at Rushden Lakes. The hub provides a range of walk-in services for people wishing to retrain, find employment or explore a business opportunity. We aim to expand this model and bring together our key partners to establish a meaningful employment and skills offering that supports the workforce of the future.

We also delivered, via a week-long virtual experience, our annual Reading Real Estate Foundation internship for two young people from disadvantaged backgrounds to gain experience in the property industry. The Marine team additionally supported three interns as part of the Marine Futures North West and Marine Research Internship Programmes. All three interns have subsequently secured roles with organisations involved in the programmes, including The Crown Estate. Our Coastal Explorer Internship Programme, while paused during the pandemic, will welcome a new intern to the programme in the current financial year. This year we will be launching a new programme that will focus on bringing the next generation into the workforce.

Looking to maximise value from our apprenticeship levy, and in support of our customers and local community in the rebuilding of the West End as we come out of the pandemic, we are partnering with the London Progression Collaboration to use part of our unused apprenticeship levy to fund apprenticeship schemes on behalf of our customers. To date, our customer Bike-Drop has taken up the opportunity and created seven apprenticeship vacancies.

Volunteering

Volunteering is known to derive mutual benefit for the individuals and organisations being supported, as well as for the volunteers themselves. Donating time to support charity work or other community-focused activities can help build confidence, enable new skills and improve mental health.

Our people are eligible for two days' volunteering per year, and while our physical volunteer programme was impacted by the restrictions of the pandemic, we were able to adapt our offer to create a number of virtual opportunities. Many linked to our existing partners, such as virtual mentoring and internships, but others responded to the unexpected impacts of the last year, such as our new relationship with Age UK

Above: We support interns through our Marine Futures North West and Marine Research Internship Programmes.

Westminster which has seen colleagues from across the business befriend older and vulnerable people to help reduce isolation and loneliness.

In total 2,104 hours were volunteered by 36% of our people, exceeding our internal target by over 500 volunteer hours, a 49% increase on last year.

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.

Employee engagement

In what was an exceptional year, we adapted our approach to employee engagement, ensuring our check-ins with our people were frequent and timely as events unfolded during the pandemic.

In addition to our Group-wide employee engagement survey, One Voice, we ran regular shorter 'pulse surveys' throughout the year to gain a clear understanding of how our people were feeling at particular points, responding to their needs accordingly and capturing if and how their responses and needs changed as the year progressed.

The pulse surveys had a particular focus on wellbeing through the pandemic and covered areas such as managing workloads and caring for dependants, helping us to understand the different pressures people were feeling at different times.

The One Voice mid-year survey gave us a deeper dive into employment engagement across all areas. It also provided the opportunity to give written feedback to qualify scores and deliver vital insight. It revealed our employee engagement remains high with 93% (2019/20: 96%) of our people proud to work for The Crown Estate. 84% (2019/20: 86%) said our business was a 'Great place to work', outperforming the UK national benchmark for employee engagement by six percentage points.

We continued to perform well in the area of Wellbeing, with a score of 86% (2019/20: 85%) placing us 12 percentage points above the UK national benchmark. And while we saw an improvement in Leadership communication, managing change and decision-making, particularly around transparency, in other areas we fell back or underperformed the UK national benchmark. This includes in Talent and Opportunity, which saw a year-on-year decline of 11 percentage points to 58% and in Empowerment, a new measure for this year, where there was an underperformance against the benchmark of eight percentage points at 78%.

Perhaps not to be unexpected given remote working, we were however still disappointed not to have made more progress in the area of collaboration between teams in London, an area we called out for needing improvement last year.

On Talent and Opportunity, our next steps include improving visibility of internal opportunities and maximising the potential of new learning and development platforms. The key opportunities to improve around empowerment and collaboration are informing the work on our new Group operating model, enabling a more agile and empowered organisation. This work forms part of our wider strategic review of the business, which alongside the creation of our new strategy involves a restructuring of our organisation to improve our ways of working and bring in new skills and capabilities to support in the delivery of our new strategy.

Our learning and development
Like much of our activity during the year, with the move to working from home our attention turned to how we could deliver an uninterrupted learning and development programme for our people working remotely.

To support our managers and supervisors we moved existing monthly meet-ups online, bringing these communities together to share and learn from each other, on topical subjects such as building resilience and motivating your team in periods of change. We also worked with our partners to offer externally run development courses online.

The onset of the pandemic heightened the need for a more blended approach to learning across different channels. Through LinkedIn Learning, we have been able to offer our people personal, self-directed learning, as well as bespoke learning paths to enhance specific skills. It will also play a key role in the Digital Academy we will be launching in the coming months to specifically upskill in the area of digital.

We have continued to invest in coaching those on maternity leave and returning to work with a programme we introduced three years ago to support with the transition back to work. We initiated the coaching as a high percentage of those returning were leaving the business within one year of maternity leave ending. Since its inception we have offered the programme to 25 women, 23 of whom have participated. Demonstrating its success, all those who participated have now returned to the business or are still on maternity leave.

In total 81% of our people attended a development programme, day course, coaching session or other development activity in the past 12 months.

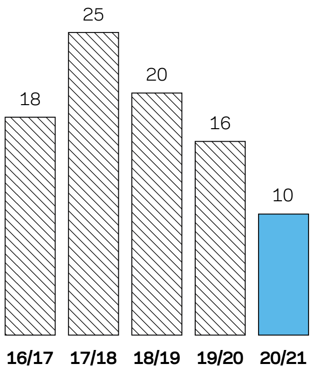
26% of our total recruitment activity in the year has involved internal candidates moving into new roles, either as secondment opportunities or permanent positions.

Partly as a result of COVID-19, particularly in Windsor where learning and development is more typically face-to-face and was therefore unable to take place, and also as result of a high level of manager and supervisor development in the prior year, the average number of hours per person decreased in the year to 10 hours. In the year ahead we plan to return to some face-to-face development programmes, while continuing with the blended approach of self-directed learning alongside facilitator-led events in London, and in Windsor we hope to introduce new and more frequent 'Tool Box Talk' sessions.

Internal performance management
Last year we noted improvements were needed to our performance management process. The roll-out of a new process was paused in light of the ongoing work on our new strategy and operating model. We will be reviewing our total reward strategy and performance management process throughout 2021/22, with an ambition to implement it from the following financial year. For more information on our reward strategy please see the Remuneration report on pages 75-80.

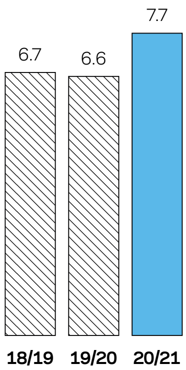
Average hours of training per year per person
A reduction of 38% on 2019/20

10 hours



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

7.7%



However as a result of COVID-19, we did make some immediate and interim changes to our existing performance management process, resetting objectives to prioritise wellbeing and caring responsibilities, reflecting our commitment to supporting our people in finding the right work solutions to suit their personal circumstances.

Staff turnover
This is our fourth 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. Although it is slightly higher than the prior year figure of 6.6%, it remains relatively low at 7.7%.

FINANCIAL REVIEW

Charting our recovery

"I joined the Group at the end of a challenging year that has tested the resilience of our business. As we chart our recovery from the pandemic there is both a lot to do and a significant opportunity to create social, environmental and financial value."

Robert Allen
Interim Chief Financial Officer

Key highlights

Net revenue profit

£269.3m

(2019/20: £345.0m)

Net assets

£15.2bn

(2019/20: £14.1bn)

Property value

£14.4bn

(2019/20: £13.4bn)

As I look back on our performance in the year it was dominated by two events: the challenge of responding to the stress in our customers' businesses as a direct result of the pandemic, and the successful selection of nearly 8GW of offshore wind projects for progression to environmental assessment as part of Offshore Wind Leasing Round 4.

COVID-19
The three national lockdowns and varying local restrictions as a result of the pandemic have created significant challenges for many of our customers, which, as you would expect, has had a bearing on our results. Net revenue profit of £269.3 million is £75.7 million lower than last year, and annualised net revenue profit over a three-year period has declined by 6.5% against a pre-pandemic target of 4% growth.

This represents an underperformance of 10.5 percentage points. The decline has primarily been driven by lower rental collections, as a result of weak occupational markets and the case-by-case support agreed as some of our customers have not been able to afford to pay their full rent and service charges. Consequently, we have granted £20.5 million of concessions and recorded a further £34.2 million of bad debts costs in the year.

We are acutely aware that government schemes have been supporting many of our customers' businesses, such as the Coronavirus job retention scheme (furlough), the rates holiday and rent moratorium. In spite of this, and our necessary support, many businesses have significantly more debt on their balance sheets than at the start of the pandemic, and we expect to see further business failures and CVAs when this support is lifted. As a result, there remains uncertainty over the level of our bad debt provisions at 31 March 2021 and around the trading conditions for the current financial year both of which will continue to be areas of focus.

Another impact of the pandemic has been to accelerate existing structural trends, especially in the retail market. Weakness in the occupational markets and a move to turnover-based rent has led to decreasing ERVs with negative investor sentiment towards retail resulting in increased valuation yields, consistent with the market. These trends are the primary driver behind the combined revaluation loss in our London and Regional portfolios of £1.1 billion.

Offshore Wind Leasing Round 4
In contrast to the Group's retail assets, the Marine portfolio has increased in value by £2.1 billion, primarily as a result of including, for the first time, a value for the Offshore Wind Leasing Round 4 (Round 4) following the successful tender that completed in February 2021 with four customers being awarded preferred bidder status over six sites. The success of Round 4, independently valued at £1.9 billion, has directly led to a 15.1 percentage points increase in our total return performance. As we move into the option period the net revenue profit from Round 4 will begin to be recognised and paid annually to the Treasury for the benefit of the nation's finances.

Currently at the preferred bidder phase, we are holding £879 million of Marine customers' deposits on the balance sheet at 31 March 2021, which represents one year's option fee income from Round 4. The quantum of annual option fees for Round 4 will introduce significant variability into our revenue in future years due to the timing of when customers enter their option agreements (in one to two years' time) and then again as they enter their leases, or as a result of attrition. This uncertainty is a key driver behind the relatively modest £1.9 billion valuation and will also result in future volatility in asset values and our total return performance. The key phases of Round 4 and potential time lines are set out below.

Given the changing shape of our business as a result of Round 4 and our emerging strategy, we will complete a review of the current MSCI benchmarking approach during the current financial year to ensure it remains an appropriate performance benchmark.

Payments to Treasury

At the date of preparing this report we have settled the outstanding 2019/20 net revenue profit liability to the Treasury, which we had agreed to pay in instalments, given we cannot draw on our capital account to cover operating expenses. We have agreed a mechanism for staged payments of our net revenue profit for the next three years, which along with the additional income from Round 4, supports our status as a viable business. All of the 2020/21 net revenue profit remains as a liability on our balance sheet to be settled as revenue cash balances allow.

Revenue account

	2020/21 £m	2019/20 £m	Change £m	Change %
Revenue (excluding service charge income)	486.9	519.4	(32.5)	(6.3)
Direct costs (including net service charge expense)	(130.2)	(99.0)	(31.2)	31.5
Gross profit	**356.7**	420.4	(63.7)	(15.2)
Gross profit margin	73.3%	80.9%		(7.6)
Administrative expenses	(38.5)	(34.6)	(3.9)	11.3
Operating profit	**318.2**	385.8	(67.6)	(17.5)
Net investment revenue and other income	(3.8)	2.6	(6.4)	(246.2)
Treasury agreements and statutory transfers	(45.1)	(43.4)	(1.7)	3.9
Net revenue account profit	**269.3**	345.0	(75.7)	(21.9)

Revenue has declined year-on-year as a result of customer concessions, administrations, CVAs, increased voids, and lower rents, reflecting the impact of the pandemic and challenging occupational markets. This has been partially offset by increases in revenue from offshore wind farms, one-off income from customers seeking to exit leases early and increased mineral extraction.

We offered a total of £53.7 million of targeted financial support across our London and Regional portfolios to customers for whom our help could make the greatest difference. This support included revised payment frequencies, rent deferrals and a substantial package of rent-free periods. At 81%, cash collections are significantly lower than pre-pandemic levels. As we established last year, we assess for impairment all invoiced amounts due before 31 March regardless of the service period. Our bad debt expense has increased, reflecting the expected credit loss on the resulting larger arrears balance on top of the cost of writing off receivables for the 47 customers who have entered a CVA or administration during the year.

We continue to work with customers with balances in arrears to reach a fair and balanced agreement to settle outstanding amounts. We have recorded an additional bad debt expense of £34.2 million, which is marginally offset by lower direct costs from reduced marketing activity and site closures during the year as a result of the pandemic. The combination of lower revenue and higher costs has led to a £63.7 million or 15.2% reduction in gross profit.

Administrative expenses have increased primarily as a result of severance costs arising from a restructure across much of our business – in order to improve our ways of working and bring in new capabilities to support our emerging strategy.

Lower interest rates on cash deposits, reduced dividend rates from property investments and the in-built lag into the mechanism to retain income for capital have all had a detrimental impact on this year's net revenue profit.

In total, our net revenue profit has fallen by 21.9% compared to last year and on a three-year rolling basis this amounted to a decline of 6.5%, 10.5 percentage points off our 4% growth target.

Round 4 – key phases

Phase	Preferred bidder		Option period		Construction phase		Operational wind farms
Time period	**1 to 2 years**		**up to 10 years**		**Typically 3 years**		**25 to 60 years**
Annual impact	Nil revenue £nil revenue (£879m non-refundable deposits received)	Option signed*	£879m Up to £879m revenue per annum	Lease signed	£25m Pre-generation rental income based on projected output, expected to be up to £25m per annum	First power	£40m Variable revenue based on output, expected to be up to £40m per annum Up to 8GW of power and 12.5m tonnes of CO_2 emissions avoided**

Revenue estimates are subject to indexation
*The option agreement is predicated on HRA approval **Equivalent to 19% of the nation's annual household emissions

FINANCIAL REVIEW
continued

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

Customer concessions of £20.5 million and lost revenue from the closure of visitor attractions at Windsor Great Park and allowing NHS staff to use some of our car parks free of charge led to a reduction in revenue of £23.5 million across our business. In addition to the lost revenue, we have also recorded additional bad debt costs of £34.2 million.

Offshore wind revenue grew by £13.8 million (25.1%) 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; the impact of increased pricing; and slightly higher than average wind speeds, particularly last autumn.

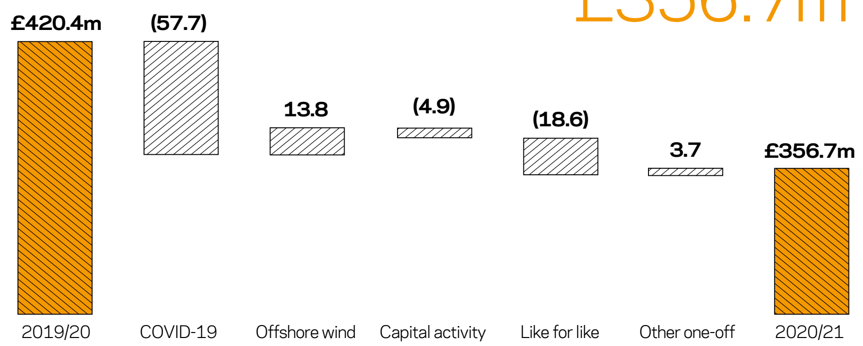
After a quiet year for capital transactions net income decreased by £7.0 million as a result of lost income from properties sold in the year to 31 March 2020. This was only partially offset by the full year's income being recognised from acquisitions and developments completed in the year to 31 March 2020.

Our like-for-like income decreased by £18.6 million reflecting the challenging operational markets, and as new leasing activity has not kept pace with the rate of lease expiries, partially offset by increased minerals extraction revenue.

One-off items, which net to a gain of £3.7 million, arose principally from customer receipts to exit leases early, offset by the absence of the one-off items from last year and an accounting adjustment.

Gross profit bridge

£356.7m



Balance sheet

	2020/21 £bn	2019/20 £bn	Change £bn	%
Total property at valuation	**14.4**	13.4	1.0	7.5%
Cash	**2.2**	1.1	1.1	100.0%
Other net liabilities	**(1.4)**	(0.4)	(1.0)	250.0%
Net assets	**15.2**	14.1	1.1	7.8%

Net assets have increased by 7.8% to £15.2 billion, driven mainly by a net capital gain on our investment properties of £1.0 billion, which is analysed on page 33.

The principal components of our balance sheet are investment properties and cash. Cash and other net liabilities have both increased as a result of the receipt of £879 million of customer deposits for Round 4 along with associated VAT. In addition to the customer deposits, other net liabilities also comprise the net revenue profit to the extent it has not been paid to the Treasury.

Investment properties

Properties at valuation	2020/21 £m	2019/20 £m
Investment properties	**13,562.0**	12,390.3
Investment properties in joint ventures	**657.6**	781.5
Owner occupied properties	**134.2**	131.8
Other property investments	**54.7**	68.0
Total property at valuation	**14,408.5**	13,371.6

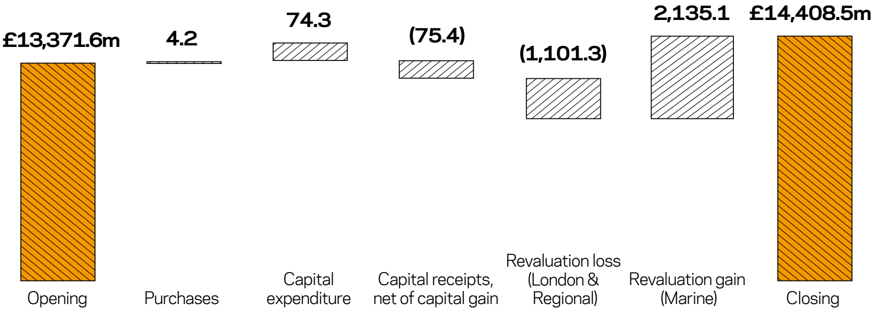
The table above shows the fair value of all properties as shown in the balance sheet, following an open market valuation of the entire portfolio as at 31 March 2021. Following a competitive tender, CBRE was appointed as valuer to our London and Regional portfolios and Cushman and Wakefield was appointed as valuer to our offshore wind portfolio, both of which were new appointments during the year.

Following a resumption of activity in the capital markets the material uncertainty clauses that were a feature of the valuations at 31 March 2020 have been lifted. An outline of the principal valuation methodologies and assumptions is given in note 18 to the financial statements.

The total value of properties increased 7.5% to £14.4 billion. Like-for-like capital values have increased by £1.0 billion, as analysed by portfolio on page 33.

Investment property valuation bridge

£14.4bn



Valuation movement by portfolio

	Value		Revaluation surplus/(deficit)	
	2020/21 £bn	2019/20 £bn	**£bn**	%
London	**7.7**	8.4	**(0.8)**	(9.5)
Regional	**2.3**	2.7	**(0.3)**	(11.1)
Marine	**4.1**	2.0	**2.1**	105.0
Windsor Estate	**0.3**	0.3	**-**	-
Total investment property	**14.4**	13.4	**1.0**	7.5
Gain on disposal			**0.1**	
Capital gain			**1.1**	8.2

The investment property valuation bridge above illustrates the changes in capital value.

Our decision to pause the development pipeline as a result of the pandemic and in anticipation of the strategic review of our business, has led to a significant slow-down in the rate of investment in our assets. We spent just £78.5 million in the year including the development of the food court and western extension at Fosse Park; Morley House in London achieved practical completion; and we continued to invest in key capital generative schemes such as Round 4 and proposed developments at East Hemel and Rushden Lakes.

Property sales (including long-lease extensions), capital receipts from offshore wind projects and sales of rural land together provided £148.5 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 £73.1 million.

The value of our total portfolio has increased by 7.5% from £13.4 billion to £14.4 billion. Our one-year total return is 11.9%, outperforming our annual MSCI bespoke total return of -2.9%. On a three-year rolling basis, it is 6.0% against our annual MSCI bespoke benchmark of 0.3%.

Excluding the impact of Round 4, on a three-year rolling basis, our performance is 0.7 percentage points ahead of the bespoke benchmark.

The value of our Marine portfolio increased 105.0% to £4.1 billion. This growth is primarily within offshore wind, specifically the Round 4 valuation. It is our policy to ascribe a value to a wind farm once preferred bidder status is achieved, which in the case of Round 4, was the auction that completed in February 2021. Despite this major milestone, there remains significant risk to future lease revenue, as each asset needs to pass a Habitat Regulations Assessment; option fee revenue could vary as expected final capacities are adjusted; there is variability over the timing of customers entering into leases which affects the revenue profile; and, there is likely to be some attrition through the process. The level of uncertainty in future cash flows is reflected in the relatively modest capital value ascribed to Round 4 when compared to the expected option fee revenue. We would expect the financial value of Round 4 to continue to grow in the short term as this uncertainty recedes.

The London portfolio decreased in value to £7.7 billion as the softening in retail valuations seen in our regional assets last year caught up with our prime West End locations. The combination of lower estimated rental values and weaker investor sentiment towards the retail sector is the primary cause of the £0.8 billion devaluation in the London portfolio. Our office rental values have remained stable with a continued shortage of prime stock and the defensive nature of our long lease portfolio proved resilient through the challenging market conditions. Our void rate has risen to 8.2%, up from 4.7% as at March 2020, due to increased levels of CVAs, administrations and lower demand, especially for retail space.

Our Regional portfolio decreased in value to £2.3 billion, also reflecting reduced short-term revenue expectations combined with increasing yields as COVID-19 has accelerated structural trends within the retail markets. Our void rate at 5.7% compares with a rate of 3.5% at March 2020.

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 or are managed by third parties on our behalf. 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 form 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 122-123.

FINANCIAL REVIEW
continued

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 paid to the Treasury 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 105. A more detailed explanation of the revenue and capital accounts can be found in note 1.

The Group's taxation position
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 VAT and SDLT and we aim to be transparent in our dealings with HMRC. The Crown Estate does not enter into any form of tax mitigation which could credibly be seen to be unethical.

Cash flow

	2020/21 £m	2019/20 £m
Net cash inflow from operating activities	1,339.3	375.3
Net cash inflow/(outflow) from investing activities	52.0	(136.3)
Payment to Consolidated Fund	(247.0)	(13.5)
Other items	(7.2)	6.4
Net cash inflow	1,137.1	231.9
Opening cash	1,058.6	826.7
Closing cash	2,195.7	1,058.6

Our cash balance increased from £1,058.6 million to £2,195.7 million in the year, primarily as a result of Round 4 customer deposits received, including the associated VAT, which is reflected within net cash flow from operating activities above. The net investment in our portfolios described on page 32 contributed to an overall net cash inflow from investing activities of £52.0 million.

The Crown Estate is prohibited from borrowing and founded on trust principles, which in practice requires capital, revenue and third party cash deposits are accounted for separately. In order to ensure resilience of revenue cash reserves, and with the agreement from the Treasury, we implemented a structured process for the deferred payment of our net revenue profits for a period of four years, which is available to us from 31 March 2020. In the year to 31 March 2021, £247.0 million of the 2019/20 net revenue profit was settled with the remaining £98.0 million settled in April 2021. The payment of the entire 2020/21 net revenue profit of £269.3 million is outstanding.

Strategic partners
We manage £2.0 billion (2019/20: £2.4 billion) 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 £16.7 million across our portfolio primarily in the developments at Fosse Park and Morley House as well as early stage investment in future schemes such as the second phase of St James's Market.

The Crown Estate Pension Scheme
The pension arrangements are described in detail in the Remuneration Committee report on pages 75-80 and note 8 to the financial statements. The Crown Estate Pension scheme (CEPS) comprises three sections, of which two (the Opal and Quartz Core sections) are accounted for as defined benefit schemes. Certain of our staff also contribute to the Principal Civil Service Pension Scheme, a multi-employer scheme. Participation rates across all our pension schemes are high with 482 of our 511 people (including seasonal members of our team at Windsor) actively contributing to one of our pension schemes at 31 March 2021.

The Opal and Quartz Core sections of the CEPS were subject to their triennial valuation at 31 March 2020. Given the turbulence in the markets at the valuation date, the scheme's trustees have also considered performance since the valuation in agreeing the future contribution rates. From 1 April 2021 the contribution rate will fall from 45% to 41.5% for the Opal and from 19.5% to 17.1% for the Quartz core sections of the scheme, reflecting the well-funded nature of the scheme and the increase in the Normal Retirement Age of the Quartz section of the CEPS.

2021/22 Restatement
Following a strategic review of our business, the Rural portfolio moved from the Regional portfolio to the Windsor portfolio from 1 April 2021. The financial statements for the year to 31 March 2022 will be restated to reflect the new Windsor & Rural Strategic Business Unit, alongside the existing London, Marine and Regional Strategic Business Units.

Going concern and viability

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 us as outlined on page 56. The Board has assumed the Act will continue in place indefinitely.

The structured payment process for our net revenue profit, as described on page 34, is available to us for another three years. The Board expects that a longer-term arrangement will be agreed during that period.

The Board's process for assessment for both going concern and viability included consideration of: our principal risks (which are detailed on pages 46-52); 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.

The going concern assessment was completed for a period of 18 months from 31 March 2021, in which we assume the economy will begin to recover and that some of the Round 4 customer deposits will convert to revenue towards the end of the period.

A five-year period was considered when assessing our viability after considering the corporate strategy timeframe, development life-cycles and our approach to capital forecasting. The viability statement assumes ongoing downward pressure on rents; lower occupancy levels; contracted and planned spend on major developments; as well as assumptions arising from our Group strategy.

Stress testing was performed by flexing a number of assumptions in the revenue and capital requirement forecasts through a range of severe but plausible scenarios. Under all realistic scenarios The Crown Estate is able to continue to satisfy all revenue and capital account obligations over both the going concern and viability periods.

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. 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 to meet its liabilities as they fall due, over the five years to 31 March 2026.

Supplier payments

We aim to pay our suppliers within 30 days of the invoice date unless our contractual terms specify a shorter period. We do not seek to extend payment terms with our suppliers. Over the past financial year, we paid 73% of invoices within the target period (2019/20: 71%). This includes disputed invoices, amounts recoverable from third parties and invoices that were received late.

On average, suppliers are paid within 37 days (2019/20: 38 days) of invoice date. 12% (2019/20: 14%) of invoices were paid between 31 and 60 days and 15% (2019/20: 15%) of invoices were paid after more than 61 days. During the year there has been a focus on paying suppliers more promptly as we have sought to support our supply chain through the pandemic.

Average payment days have improved over the year, although work is ongoing to improve the speed with which we settle utility invoices, which caused six days of underperformance against our target. We do not offer our suppliers e-invoicing or supply chain finance. We do not make deductions from supplier invoices. We observe the principles of the Better Payment Practice Code.

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 regulations. 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. As we seek to better leverage our supply chain, we intend to conduct regular reviews with our suppliers to create a competitive advantage for our business and better manage costs.

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 (2019/20: £10,000).

BUSINESS REVIEW

Our response to COVID-19

The 2020/21 financial year has been a year dominated by COVID-19. It has transformed how we live, and where we work and spend our time, both personally and professionally.

In a year that has seen three national lockdowns, varying levels of local restrictions and almost no international travel, we are acutely aware of the pressures the pandemic has put on our stakeholders and society in general, and of the economic challenges many customers continue to face.

Setting up our response

At the start of the pandemic we established a business-wide incident response team which directed our overall operational response for stakeholders and oversaw the implementation of our business continuity plans. It remains responsible for coordinating and managing our ongoing response to COVID-19. It is also charged with driving business change, and developing a culture of continuous improvement and learning, both as a direct result of the events of the past year and in support of our emerging strategy.

In terms of health, safety and wellbeing our incident response framework laid out a comprehensive approach. Our in-house teams worked closely with our managing agents and wider supply chain to implement our coordinated response. They ensured all our places – from our directly managed assets such as Windsor and the seabed, to our customers' workplaces and destinations, and from our construction sites to our own team's home workspaces – were COVID-safe and supportive, from both a practical perspective, and a broader wellbeing one. And in this regard, we would like to thank our managing agents and supply chain for their hard work and professionalism. Read more on our health, safety and wellbeing response on page 26.

Keeping in touch with customers

Whether through meetings and calls from senior management, virtual building meetings, our COVID-19 web portal, reoccupation packs, weekly updates or our regular surveys, keeping in touch with customers throughout the pandemic has been a major focus of our COVID-19 response. As with everything to do with the pandemic our actions needed to evolve with the situation, which led to frequent and regular communication to find out how our customers were, how we could better support them, and how their needs and circumstances were changing with events.

To ensure all operational considerations were addressed, our engagement programme with customers sought business-wide input, in conjunction with our managing agents. Around the time of each reoccupation, and in accordance with the Government roadmap, customers were surveyed and sector specific reoccupation packs were issued. Our managing agents were also mobilised to support our customers directly, offering practical advice and guidance as well as the supply of physical resources such as Personal Protective Equipment (PPE) and signage.

Beyond this practical support, and the financial support outlined below, our existing health and wellbeing offer has played a pivotal part in the wider support package to customers, with the majority of our established fitness and wellbeing classes continuing online.

The results of our customer satisfaction survey, which positively reflect the support given to customers during the pandemic, can be found on page 25.

Supporting customers

Having ensured our places were COVID-safe and adhered to Government guidance, we quickly recognised the necessity of providing appropriate direct support to our customers where we could make the most meaningful difference.

Our approach throughout has been to work in partnership with our customers, reviewing our support regularly, to find sustainable financial solutions. These included a range of measures such as: revised payment frequency, rent deferrals and a substantial package of rent-free periods. This support was derived on a case-by-case basis and awarded in a balanced way using a concession framework with the levels of support tailored and flexed as the effect of the pandemic evolved, and as customers' circumstances changed.

Our support was focused on the retail, leisure and food and beverage sectors, as well as smaller and independent customers. In total a support package of £53.7 million has been approved to assist customers across our London and Regional portfolios.

The majority of our Regional retail destinations remained partially open during the year, with many of the retailers classified as 'essential'. This contrasted with our London portfolio, where the majority of our office, retail and leisure space remained closed for much of the year. Rebuilding London for the better, as we continue to come out of the pandemic, remains a significant challenge. Read more on our London and Regional portfolios on pages 40-43.

While a small number of coastal customers have been impacted by a reduced leisure and tourism industry, and where appropriate we have helped by allowing the spreading of rental payments to assist cashflow, the construction aggregates and energy sectors of our Marine portfolio have been less affected. Offshore wind energy is classified as critical national infrastructure and with social distancing procedures in place, maintenance and operations teams have been able to ensure an uninterrupted service.

Across our Rural portfolio we have provided a small amount of financial support in the form of deferred rent payments, to a limited number of residential, leisure and commercial tenants, but our agricultural customers' businesses have, in the main, weathered the pandemic without the need for assistance.

While at Windsor, following the necessary risk assessments, our teams ensured the Estate remained open, providing a safe public space critical to supporting the wellbeing of the local community.

Looking ahead

COVID-19 was an unprecedented, fast moving crisis which continues to have a far reaching global impact. It is likely to lead to long-term or permanent change in behaviours which will impact our business and society more broadly.

Our strategy review had commenced just as COVID-19 arrived. As part of this review we were considering the major trends impacting our business, most of which were amplified by COVID-19.

As we look to implement the first stages of our new strategy, we are alert to the risks that may arise from the pandemic, but also ready to drive the significant change and innovation needed to build success in the post pandemic era. In this way our strategy incorporates the impact of COVID-19 and has informed a review of our portfolios and working methods to seek alignment with our purpose to ensure we are striving to make a greener, fairer and more profitable contribution to society.

Marine

We manage the seabed and about half the foreshore around England, Wales and Northern Ireland, working alongside customers and stakeholders to unlock its potential and to support its long-term sustainable development.

Above: Triton Knoll wind farm began turbine installation and achieved first generation in 2021.

60,000

Number of people the UK offshore wind sector could employ by 2030

12.5m tonnes

Amount of CO_2 emissions which could be saved a year, as a result of Round 4 projects

We provide seabed rights and facilitate the development of sectors such as cables, pipelines, CO_2 storage, and marine aggregates and play a key role in enabling the growth of the UK's offshore wind industry.

Demand for seabed space has never been greater, driven by both the urgent need to progress the UK's net zero energy transition through technologies like offshore wind, as well as the continued demand from other market sectors, all set against the need to protect marine life. And we are evolving our role offshore accordingly, taking a greater coordinating role in support of the UK, optimising the economic, environmental and social potential of its seabed and marine environment.

From playing a part in facilitating the UK's net zero ambition, exploring opportunities to invest in making the seabed a more attractive place for the market, through to protecting and enhancing marine biodiversity, we want to ensure that the seabed can help drive the green economy in the light of unprecedented demand for seabed rights. We will also continue to build on our unique convening position to help balance a number of competing demands and ensure that this precious resource is managed responsibly for the benefit of the whole nation. Read more on our emerging Group strategy on pages 12-13.

This means identifying space for future offshore wind, noting areas and habitats to protect in line with environmental regulation, identifying locations for potential CO_2 storage reservoirs, and other parts of the seabed as key resource areas for minerals and aggregates. In a busier world it gets ever more important to plan ahead.

The development of Round 4 – our first major new offshore wind leasing round in a decade – underscores the value of the seabed and the part it has to play in reaching the Climate Change Committee's target for the UK to generate about 100GW from offshore wind by 2050. In support of this we published a technical study in December 2020 – Broad Horizons, with an initial analysis of where on the seabed it is technically and environmentally viable to develop offshore wind. The report can be viewed online at: thecrownestate.co.uk/Broad-Horizons

Offshore Wind Leasing Round 4

During 2019, following 18 months of market and stakeholder engagement, we launched an innovative leasing process to award new offshore wind development rights in support of government targets for 2030 and beyond. In February 2021, six projects were selected through the competitive tender. The provisional outcome of Round 4 provides the potential for up to 8GW of capacity, good diversity of location on both the east and west coasts, and a strong field of developers with both new entrants and incumbents.

Preferred projects now move into the environmental assessment known as the Habitats Regulations Assessment (HRA) process and, subject to its conclusion, we will look to award rights in 2022. More detail on Round 4 is provided online at: thecrownestate.co.uk/Round4

Offshore wind updates

During 2020/21, across our seabed holdings, cumulative operational capacity in the offshore wind sector increased from 9.31GW to 9.61GW△ (an increase of 0.3GW△). Read more about the UK's offshore wind sector in our 2020 Offshore Wind Operational Report online at: thecrownestate.co.uk/OSW-Report-2020

Offshore wind generation across our seabed holdings is now estimated to power 9.4 million homes, equivalent to delivering the electricity needs for around 34% of all UK homes, and 13% of the UK's total electricity needs.

We enable developers to deliver a robust pipeline for offshore wind. East Anglia ONE offshore wind farm (714MW) completed construction and became fully operational this year. Triton Knoll (857MW) began turbine installation and achieved first generation in February 2021, with full operation expected later in 2021.

Dogger Bank, phases A and B, achieved final investment decision and commenced onshore construction. Once fully operational this will be the world's largest offshore wind farm at 2.4GW. The country's offshore wind farms remained operational during the pandemic by virtue of assessing risk and adopting working measures to operate and maintain sites safely.

BUSINESS REVIEW
continued

Supporting existing developers, we completed our 2017 Offshore Wind Extensions opportunity with Agreements for Lease (AfL) for seven offshore wind farm extensions amounting to 2.9GW. We also entered into an AfL on the last area of seabed awarded as part of Round 3, adjacent to the Rampion offshore wind farm.

Floating wind

During the year we signed an AfL for the proposed 96MW Erebus floating wind demonstration project, in the Welsh waters of the Celtic Sea. This is the first time that rights have been awarded for floating wind in Wales, marking a milestone moment for the Welsh offshore wind sector.

There is significant market appetite and capability to meet the UK Government's target of delivering 1GW of energy from floating wind by 2030, and we have started work to design and deliver a new leasing opportunity for early commercial-scale floating wind projects in the Celtic Sea. This could create projects of around 300MW and provide innovation and learning opportunities for the UK supply chain, positioning them to win more business at home and abroad as the industry grows to commercial scale.

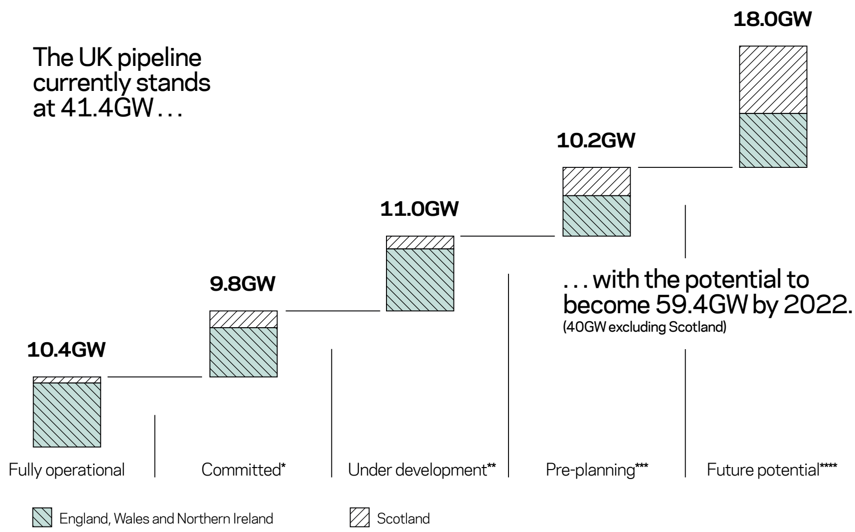
The leasing process will balance the opportunity for a new, clean electricity source, with the interests of other sea users and the protection of the marine environment. This will be supported with enabling actions to help us understand and act on a wide range of factors, including potential impacts on the fishing sector, and to support regions and local communities to maximise the economic benefit from it.

UK offshore wind opportunity

The UK offshore wind pipeline at 31 March 2021 stands at 41.4GW. Capacity emerging from both Round 4 and the Crown Estate Scotland's ongoing leasing process could take the total pipeline to 59.4GW, including up to 8GW from Round 4. This provides a robust footing for the UK Government's 40GW deployment ambition for 2030. For a breakdown of the UK development pipeline see above.

As more wind farms are built, the coordinated development and location of onward transmission infrastructure is needed. We are participating in the BEIS-led Offshore Transmission Network Review, with specific support by way of the East Coast Grid Spatial Study. This study was funded by the Offshore Wind Evidence and Change programme, delivered in partnership with the National Grid Electricity System Operator, National Grid Electricity Transmission and the Marine Management Organisation.

UK offshore wind pipeline at 31 March 2021



* Committed: Maximum capacity of wind farms that have secured a Contract for Difference, achieved FID or commenced construction, but are not yet fully operational.
** Under development: Maximum capacity of wind farms that have submitted a consent application, or received consent, but not yet secured a Contract for Difference.
*** Pre-planning: Maximum capacity of wind farms for which a consent application has not yet been submitted.
**** Future Potential: Up to 8 GW Leasing Round 4 and 10 GW ScotWind Leasing.

Carbon capture, utilisation and storage (CCUS)

In its sixth Carbon Budget Statement, a copy of which can be found online at: www.theccc.org.uk/publication/sixth-carbon-budget/. The Committee on Climate Change advise that by 2050 the UK will need to remove between 75 and 180 million tonnes of carbon dioxide every year in order to reach net zero. Transporting and storing CO_2 securely underground offshore is therefore critical to achieving the UK's legislated 2050 target. We are working closely with developers to grant seabed rights to ensure that the first UK storage facilities can be brought online to meet Government interim targets in 2025 and 2030. These pathfinder projects will service large regional clusters of industry and begin to decarbonise our industrial and traditional power sectors in the north of England, supporting both jobs and the growth of new low carbon products.

Bringing industry together to share knowledge

The Offshore Wind Evidence and Change programme, which is an example of our emerging strategy in action, was formally launched in December 2020 with a charter signed up to by 26 organisations. Read more on this initiative in the case study on page 39.

Over the course of the past 12 months we have supported partners, including the Foreign, Commonwealth and Development office, in several international engagements. We have shared our experience of, and insights from, delivering offshore wind leasing in the UK with global audiences, including the US, Taiwan, Japan, Vietnam and The Netherlands.

The Marine Data Exchange (MDE) is a publicly accessible free data archive for anyone who is interested in the marine space. It stores, manages and shares offshore survey data collected by our customers. The MDE continued to grow over the past year, and now holds over 199 terabytes of data, of which 62% is publicly available. The database has been recently redeveloped and can be accessed online at: thecrownestate.co.uk/MDE

Above: Cornish Lithium geologists surveying geological structures in the cliffs that can be traced offshore, these have the potential to carry lithium enriched geothermal fluids.

Mineral resources

The marine aggregates market has remained resilient during the pandemic, coming back strongly after a brief slowdown in the period from mid-March to spring 2020. We have seen customers making significant financial commitments to build new dredgers and wharf infrastructure to support the long-term sustainability of the sector. As part of our commitment to regularly tender exclusive rights to enter an Exploration and Option Agreement for marine aggregates, we will be holding a tender in 2021 to help ensure the future pipeline of this critical building material component for the construction sector and to support coastal defence and adaptation projects, including resilience to climate change. Read more in our Environmental review on page 22. The last such tender was held in 2018.

Following the conclusion of a tender process for the exploration of minerals off the coast of Cornwall, and the required Habitats Regulations Assessment, we have granted Cornish Lithium the rights to explore for lithium in the area. The successful extraction of lithium could support the potential for production of batteries in the UK, and encourage the manufacture of electric vehicles close to the source of a key raw material.

For a summary of marine aggregate extraction activity please see online the latest Area Involved Annual Report at: thecrownestate.co.uk/Area-Involved and the Marine Aggregates Capability & Portfolio report at: thecrownestate.co.uk/Marine-Aggregates

Cables, pipelines and interconnectors

We have seen renewed confidence in the interconnector market following the signing of The Trade and Cooperation Agreement with the EU, which has resulted in interest for options and leases for three projects linking England to Denmark, Germany and Ireland, with over 3GW of total capacity. Alongside the increase in renewable generation, considerations of energy security have seen new projects being proposed, such as offshore intra-UK grid connectivity, leading to a slight growth in the forward pipeline of projects.

Activity in the telecommunication cables sector has been relatively steady for a number of years, however, more recently we have seen an upturn in interest, as a result of the continued growing demand for digital and data services.

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. This totalled around 325 agreements covering leases, licences, consents, rent reviews and assignments.

CASE STUDY

Promoting a sustainable seabed

The Offshore Wind Evidence and Change programme is a cornerstone of our marine strategy for 2021 and beyond. Initiated in January 2019, and formally launched in December 2020, with a charter signed up to by 26 organisations, it is a pioneering programme led by The Crown Estate in partnership with the UK Government. Broadly, its ambition is to ensure that offshore wind can develop in harmony with the environment. To this end it will pursue three supporting objectives. It will gather and harness data and evidence. It will enable a more coordinated and strategic approach to the delivery of the new infrastructure required to deliver net zero emissions by 2050. And it will promote a more sustainable, healthy and economically viable use of the seabed. With a hallmark focus on the long term, the programme will chart a responsible course towards net zero emissions by unlocking the green energy potential of the UK seabed.

Read more online at:
thecrownestate.co.uk/sustainable-seabed-cs

BUSINESS REVIEW
continued

London

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

Above: Our co-working and flexible office space at One Heddon Street, London.

It has been an incredibly challenging year for all our occupiers. Our office portfolio, while remaining reasonably resilient, has been affected by prolonged periods of lockdown and working from home. And the impact of opening and closing businesses in line with pandemic restrictions, had a particularly marked effect on our retail, dining and leisure customers, causing some to ultimately fail. Average annual footfall for Regent Street at year end, compared to 31 March 2020, showed a decline over the year of c.75%.

While making our places safe and COVID-compliant was our first priority, we also recognised the need to provide more direct support to our occupiers. Our approach has been to work closely together, aiming for sustainable partnerships rather than short-term transactional solutions. As a result, our financial support was focused where we could have the most meaningful impact and saw us convert the majority of our food and beverage leases to turnover and base arrangements. Rent collection for the year has fallen to 85% including concessions granted. Read more on our COVID-19 response for customers on page 36.

Having appointed JLL as our sole managing agent for London in the prior year, this single and more meaningful partnership has meant that our response to the pandemic has been more co-ordinated, assisting customers in areas from the provision of PPE to online wellbeing programmes. It has also unlocked the potential to build a stronger platform from which to deliver for our customers.

For the most part, our office customers have been understandably quiet in terms of expanding their office occupation, and are looking at their future space requirements carefully. However we did conclude a letting in excess of 25,000 sq ft with an entrant internet provider, taking up our new flex offering, and agreed a 20-desk membership at One Heddon Street for a customer wanting growth space as London reopens.

Within retail, dining and leisure the pandemic has had an even more profound effect, and the estimated market rental value of lettable space has reduced by 12.3% over the year due to continued affordability pressures. As a result, we have sought to offer greater flexibility to our customers, and attracted a number of pop-ups including Matchless, Colorful Standard and The Koppel Project. Alongside welcoming new customers, we also secured a number of lease renewals across the portfolio.

Collectively, and in spite of the challenging market, we welcomed 44 new customers across all sectors, leasing 97,933 sq ft of space, however in relation to space let, this is 36% down on the prior year.

While the new lettings are encouraging, and the overall level of insolvencies in our London portfolio was lower than anticipated at the start of the pandemic, with 11 customers entering an administration, two entering into liquidation and eight completing a CVA, we do anticipate an increase in the impact from insolvencies in the current financial year.

The void rate for the portfolio has increased from 4.7% to 8.2%, in line with the market.

The capital value of our London portfolio has decreased from £8.4 billion to £7.7 billion, largely as a result of falling retail values, a trend seen across the market.

It was a quiet year in the capital markets, with net divestment activity totalling £14.1 million (2019/20: net investment £110 million). We made no major acquisitions (2019/20: £293 million). Development and capital expenditure totalled £35.6 million (2019/20: £73.7 million), and disposals and receipts totalled just £49.7 million (2019/20: £256.7 million).

Driven by both structural change within our core markets, and the impact COVID-19 has had during the year, we have performed in line with the MSCI West End total return benchmark at -8.2% versus the benchmark of -6.1%. Over a three-year basis we continue to outperform the benchmark.

The challenges of the past year have acted to highlight and accelerate trends such as digital disruption, crises in the natural world, and economic inequality, which are driving the continual change in consumer behaviour of recent years. Indeed they have challenged the relevance of cities like London. We recognise the need to utilise insights and data to inform the evolution of our spaces to reflect the changing needs and expectations of customers.

We also believe, in line with our purpose, that our responsibility to innovate and embrace change goes further than just what we directly manage, we want to deliver a far-reaching masterplan for the whole estate. This will include looking at areas such as diversifying our customer base to make our destinations more relevant to more people, and using technology and digital to shape our places to make compelling reasons to visit. Improving the use of the spaces between buildings and public realm more broadly will also be essential.

Our aspiration is to play our part in the renewal of London for the better, delivering a greener, safer, more vibrant and accessible city, which provides more equitable opportunities than it does today. Read more on pages 12-13 on our emerging Group strategy which will see us, in partnership, reposition ourselves in London over time.

In line with our net zero commitment, we are increasingly focusing on how to begin to decarbonise our portfolio. Improving air quality across our estate and London more widely is another immediate priority. Recognising the greater impact we can have working in partnership, we have introduced an air quality monitoring station at Waterloo Place, as part of the London Air Quality Network. Read more on this in our Environmental review on page 21.

In a bid to create more healthy environments inside our spaces, One Heddon Street's WELL Platinum rating is another milestone. It is the first fully fitted co-working space in the world to gain this certification and is a great example of how we are making improved health and wellbeing a primary driver in the design of our places. Alongside wellbeing, we are looking to amplify our commitment to accessibility across our estate.

As we recover from the pandemic, we recognise the way people use our spaces and the reasons for visiting our estate will be different.

Our expectation is that we'll see more of a mix and blend of people working from home and coming into the office. Although our view remains that the social capital generated from working as teams is still incredibly valuable. Consequently, we think there is huge opportunity in responding to what people have experienced, making sure we create spaces for people to collaborate. Greater flexibility and agility will remain central to our offer, with fully furnished, adaptable workspaces of varying sizes, available on flexible short-term leases.

Turning to the future of our retail, leisure and food offer, our immediate priority is ensuring our visitors feel safe to return. Our improvements to Regent Street's public realm, including creating more space for pedestrians, was an important first step in welcoming people back. Read more on this scheme in our case study below. We believe physical retail stores in well-located areas will remain an important part of successful retailing. However, we recognise the need to continue to diversify our retail and amenity mix to provide a range of choices and reflect an increasingly conscious consumer, looking for a more sustainable and socially responsible offer on our estate.

Working with our stakeholders, we are delivering planning consents that we can draw down on over the years ahead. As part of this, we are working hard to attract new and diversified customers by creating places that are designed around the needs of people for generations to come, while maintaining the heritage of the West End as a world-renowned destination.

Our Morley House redevelopment completed in early 2021, and represents another step in our long-term investment in Regent Street. The 44 residential apartments and 10,000 sq ft of retail space are delivered behind the retained original Grade II listed façades and include a new core with improved energy efficiency and BREEAM 'Excellent' rating.

After receiving planning consent in February 2021, we continue to explore the refurbishment of New Zealand House and the Royal Opera Arcade in close partnership with the New Zealand Government. The consent would sensitively restore the building's exterior and refurbish the interior to meet modern needs and improve sustainability, both to suit the New Zealand Government's needs, as well as offer newly refurbished retail and office space to the market.

We are additionally reviewing the adjacent St James's Market Phase Two scheme, which received full planning consent in July 2020, evaluating its design to ensure it makes a good contribution to this new district in the West End.

In close partnership with Westminster City Council we are also working on the future of Oxford Circus as the heart of the Oxford Street district framework.

CASE STUDY

A street for all

COVID-19 presented an enormous challenge for our urban fabric. The requirement to enable space for social distancing, as well as deliver a compelling environment to return to, called for immediate innovation and collaborative action. It also created a unique placemaking opportunity to significantly enhance Regent Street's public realm.

Working in partnership with Westminster City Council and Transport for London, we initiated public realm improvements to create a safer, greener, cleaner and more accessible destination. This coordinated approach enabled us to design and implement the scheme within just months, balancing the requirements of all those who need to use Regent Street.

The scheme has delivered over 5,000 sq m of additional pedestrian space, reduced traffic from four to two lanes, and introduced dedicated cycle lanes, as well as 332 planters, 62 trees and seating, all for the first time on Regent Street.

As an experimental trial, this is an opportunity to look to the future – testing technology, monitoring data and gathering feedback from stakeholders and the community to understand what works. This insight will enable us to optimise accessibility and improve sustainability as we travel towards a net zero future, through a more people-centred Regent Street.

Read more online at:
thecrownestate.co.uk/regent-street-cs

BUSINESS REVIEW
continued

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.

Above: Rushden Lakes, Northamptonshire.

Retail and leisure

The retail and leisure assets within our Regional portfolio, like all those operating in the sector, have had a difficult year. Ongoing structural change in the retail sector has been accelerated by COVID-19. Threats to the role and viability of physical retail space have been mounting for some time. Increased online penetration, the UK's exit from the European Union, the devaluation of the pound, and increased occupational costs have all had a part to play in impacting our customers' businesses. The lockdowns of the past year have seen new working, socialising and shopping patterns emerge – some of which will be lasting, but the extent to which remains uncertain.

In terms of shaping the emerging strategy for our Regional business, we are striving to respond through our strategy to the wider drivers of change at a national level such as economic inequality, declining productivity, and the housing crisis, alongside the dual challenges of climate change and biodiversity loss.

We recognise the future success of our regional retail holdings will depend on re-mixing and re-purposing where conditions allow. Through our strategic land ownerships and development pipeline we are exploring the potential to take a more active role in building communities, creating high levels of social value in line with our purpose, by supporting economic development in the regions, creating local skills and employment opportunities, resulting in healthier and more resilient communities. Alongside this, we believe we can directly contribute to the UK's green agenda through sustainable and responsible development. Read more on our emerging Group strategy on pages 12-13.

In light of the pandemic a key focus for the year has been making our places as safe and secure as possible. At the same time we have been responding to how our customers have been impacted on a case-by-case basis, providing assistance as appropriate, and where required. Remaining open for essential retail all year, retail parks have proved much more resilient than shopping centres, in large part because they are better suited to social distancing and offer safe click and collect services. Rent collection for the year has fallen to 72% including concessions granted. For more detail on our response to the pandemic for customers see page 36.

During the course of the year we have seen a valuation decline across the Regional portfolio. This is partly accounted for by negative investor sentiment towards the retail sector impacting valuation yields, and partly as a result of the ongoing decline in rental values due to structural change, both of which have been accelerated by the pandemic. As a result, we have seen net revaluation losses of £335.7 million, a 11.1% decline since March 2020. At -14.8%, the portfolio, with its relatively high weighting to fashion retailers, has underperformed its MSCI benchmark of -10.1% for the year, and over a three-year period the return was -12.6% compared with a benchmark of -9.1%.

Customer insolvencies have been a key feature of the market over the year. 21 of our customers entered either an administration or a prepack administration and 13 of our customers completed a CVA. Recognising the challenges that some of our customers faced, we continued to respond to each CVA on a case-by-case basis, considering what was best for our shoppers, our customers and our assets. Where appropriate, we sought to agree greater flexibility within new lease terms. Over the year the retail sector saw an increased number of major closures including Arcadia, Debenhams, Oasis and Harveys, and we anticipate further customer insolvencies in the current financial year.

Our void rate, while increasing from 3.5% to 5.7% as a result of tough trading conditions, has proved resilient in light of market conditions. Whilst we are seeing some encouraging signs from new leasing activity with lockdowns easing, we do not anticipate a substantial improvement in near term void rates.

Despite the challenges, customers have still been acquiring space, particularly on retail parks, which are seen as a format that contributes profitably within an omni-channel retail model. Across our portfolio, we welcomed 28 new customers and signed 43 new retail park leases plus 3 new industrial and office leases, letting 341,338 sq ft of space, whilst 159,439 sq ft of space has been exited and remains void at 31 March 2021. New customers have included Frasers at Rushden Lakes in Northamptonshire; M&S and Natuzzi at Aintree Shopping Park, Liverpool; Furniture Village at Fosse Park, Leicester; Sofology at South Aylesford Retail Park, Maidstone; Matalan at Gallagher Shopping Park, Cheltenham; and Superdrug at both Rushden Lakes and MK1 Shopping Park, Milton Keynes. Interest remains strongest from essential and low-cost retailers which have all remained resilient during the pandemic and where less online competition exists. Other retail, particularly fashion, has proven more challenging, where affordability pressures and a greater threat from online has seen some of our customers struggle.

Our Fosse Park West (retail extension) and Food Central (food court) developments completed in December 2020 and opened in April 2021. In line with the wider retail sector, rental incomes are lower than we originally anticipated and yields have increased, with a corresponding impact on overall valuations. Pre-lettings were progressed at Fosse Park West during the year including a flagship pre-let to

Frasers, alongside major brands including H&M, TKMaxx, Next and Clarks. In spite of the tough trading conditions 71% of the floorspace was let at launch. Local brands feature significantly alongside well-known national chains at Food Central and of the 13 food & beverage units, 12 are pre-let (exchanged or in legals) with discussions underway for the remaining unit. Read more on Fosse Park in our case study opposite.

Mixed-use development and regeneration

We have continued to progress our long-term plans for mixed-use development. The 350 hectares of land to the east of Hemel Hempstead is a strategic site, forming the first phase of Hemel Garden Communities (HGC) and has the potential to accommodate up to 1.75 million sq ft of commercial space alongside approximately 3,100 new homes. We continue our engagement with local stakeholders and the HGC partnership to create a master plan and subsequent 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.

Cambridge Business Park is strategically located in the emerging North East Cambridge Area Action Plan (AAP). The AAP, developed by Cambridge City Council and South Cambridgeshire District Council, will guide development in the area over the next 20 years, with a vision for an inclusive, walkable, low-carbon new city district with a lively mix of homes, workplaces, services and social spaces, fully integrated with surrounding neighbourhoods. As a major landowner, we're engaging in the AAP process and with local stakeholders to draw up plans as to how the Business Park could evolve into a mixed-use and integrated location that meets the needs of local communities and future customers.

Rural

Our rural portfolio comprises our strategic land portfolio and over 125,000 acres of farmland across England. It also holds over 50,000 acres of upland and Commons interests across Wales and Cumbria.

In light of the new Agriculture Act and Environment Bill, which collectively frame the future for the rural economy in the UK, we have started to review our Rural portfolio's strategic potential. We will carry on this work in the year ahead to inform our new Rural strategy.

CASE STUDY

Fosse Park: a space for everyone

Fosse Park exemplifies our approach of identifying and understanding local needs and aligning our activities to create places which contribute to the local community in a meaningful way.

Our Fosse Park West and Food Central developments are an example of us thinking about the community we are part of in a more holistic sense, bringing in local brands, creating spaces for people to enjoy and introducing community amenities like the children's play area and the Community Square. The Food Court alone makes this a must-visit destination with local brands like Chaiiwala and Boo Burger joining high street stalwarts. An added touch are the Fosse Foxes, a colourful art trail created by local artists with input from the community. We've worked with adjacent landowners and the local council to create something of real interest for visitors as well as local residents.

Read more online at:
thecrownestate.co.uk/fosse-park-cs

Our proactive asset management of the Rural portfolio continued during the year through a number of activities. Following on from our work to ensure safe workplaces and homes for our customers, we started a comprehensive programme of works to upgrade septic tanks across the portfolio to comply with new Environment Agency discharging regulations.

Following the expiry of a previous tenancy at our Romney Marsh Estate in Kent, over 1,500 acres of good quality arable farmland was offered to our existing customers, enabling an opportunity for them to grow their businesses. Reflecting the quality of the land, a number of offers were received, and the land has now been let to three of our customers on modern tenancy agreements.

Having obtained all necessary statutory consents, work to repair an eroded section of Crown Estate owned sea defences at Hawkins Point on Sunk Island, on the north bank of the Humber, was completed in the autumn (see page 22 for more detail).

Our sales activity reduced from prior years, however we completed the sale of the remaining two farms at our Kings Lynn Estate for £3.4 million. We also sold land at Thetford Forest to the Forestry Commission, the long leaseholder, for £1.6 million.

Strategic land opportunities

Strategic land receipts for disposals during the year totalled £59.3 million, the bulk of which comprised planning consent for 700 dwellings, a country park, primary school and other social facilities at Bingham (Nottingham) sold to Barratt David Wilson, along with planning consent for 700 dwellings at Northampton to Taylor Wimpey which included selling a local centre site to Aldi. These two land sales played their small part in helping to address local housing shortfalls providing much needed new homes.

Planning consent was also obtained for two schemes, the first for 60 dwellings and an office park at Knutsford, Cheshire, and the second for 153 dwellings at Minster in Kent.

BUSINESS REVIEW
continued

Windsor

The Windsor Estate is an important part of our business which speaks to the biodiversity and stewardship of our Group. The Estate comprises Windsor Great Park, Home Park, Swinley Forest, the Savill and Valley Gardens, Virginia Water and the Long Walk, and its activities include forestry, horticulture, tourism, residential and commercial property.

Our role as long-term custodians is nowhere more apparent than at Windsor where we have a unique opportunity to continue to build a capability and offer that showcases environmental best practice, and contributes significantly to the Group's wider net zero and biodiversity commitments. Read more on our emerging Group strategy on pages 12-13.

His Royal Highness The Duke of Edinburgh, who was the Ranger of the Great Park for nearly 70 years, made an immense contribution to Windsor and to this objective. We will miss him greatly and there is no doubt that his influence will continue to be seen in all areas of our work across the Great Park. More about His Royal Highness The Duke of Edinburgh's contribution, and a personal reflection from the Great Park's Deputy Ranger, Paul Sedgwick, can be read on page 45.

Offering access to the Great Park and Forest and much sought-after respite from the COVID-19 pandemic, the Estate remained open throughout the year, providing a vital and safe outdoor amenity for the local community.

With six million visitors, an increase of almost a third on the prior year, Windsor had its busiest year on record.

In order to work safely and maintain public safety, and to also manage a significant increase in visitors, our team rapidly adapted the way Windsor Great Park was managed, introducing COVID-safe measures and ways of working. We wish to thank all our staff for their contribution to an outstanding team effort to keep our spaces open and safe for all to enjoy during a very difficult and challenging time.

Windsor is one of the country's most unique and important environmental and ecological sites and achieving the right balance with public access remains one of its biggest challenges. This has been particularly relevant this year with the unprecedented number of visitors and social distancing which inevitably required more effort to protect the natural habitats. We are committed to improving the quality of the Estate's landscape and more on our ambitious 10-year landscape restoration and replanting scheme can be read in our case study below.

Financially, the property portfolio performed solidly, and the move to working from home has seen increased demand for residential properties on the Estate. The opening and closing of The Savill Building, The Savill Garden and visitor centre at Virginia Water in line with government guidance, alongside a reduction in forestry income, meant revenue profit for the year declined to £2.4 million (2019/20: £3.2 million).

The Gardens' team was delighted to provide flowers for a third Royal wedding in recent years at the Royal Chapel. John Anderson, Keeper of the Gardens at Windsor Great Park, was awarded The RHS Veitch Memorial Medal, an international award recognising exceptional involvement in the advancement of the science, art and practice of horticulture.

The refurbishment of the Virginia Water Pavilion was undertaken during the year and the construction of a new children's adventure play area adjacent to The Savill Garden began in spring 2021. It is expected to open in the summer of 2022 and will include an adventure playground, tree-top walk, multi-purpose indoor studio and catering facilities.

CASE STUDY

Laying roots for the future

The Windsor Estate is recognised as having the largest collection of ancient and veteran oak and beech trees in Northern Europe. It is important not only for the diversity of trees but for the plethora of organisms that depend on them for survival, including over 2,000 species of beetle and 1,000 species of macro fungi. The rich diversity produced by the Great Park and Forest also supports a very large number of breeding birds. To enhance this precious ecosystem we are undertaking a 10-year landscape restoration and replanting scheme. The aim is to increase and accelerate the planting of a number of new hedgerows, hedgerow trees and infield trees. The majority of these have been lost over the last 140 years due to the impact of tree disease, storms and a lack of planting to match the rate of loss.

Read more online at:
thecrownestate.co.uk/replanting-cs

REMEMBERING HIS ROYAL HIGHNESS THE DUKE OF EDINBURGH

His Royal Highness The Duke of Edinburgh was the longest serving Ranger of the Great Park, Windsor, acting as steward for one of the nation's most iconic landscapes for nearly 70 years.

His role began in 1952 when Queen Elizabeth II made him Ranger of the Great Park. During his time in post, His Royal Highness made an immense contribution, working closely and actively with the team at Windsor to ensure the Park was protected and enhanced for future generations.

He oversaw many significant developments which visitors now, and far into the future will benefit from, and was a conscientious guardian of the magnificent veteran trees and avenues across the Park.

His Royal Highness's impact can also be felt across the architecture and sculptures in the Park. He oversaw the development of the award-winning Savill Building visitor centre – which he officially opened in 2006, while The Savill Garden has also grown and developed under His Royal Highness's tenure, with New Zealand Garden opening in 2007, followed by the Rose Garden in 2010, and the Golden Jubilee Garden in 2012.

Thanks to His Royal Highness's understanding of land management, commercial activity in the Park continues to be carefully balanced with conservation. This has ensured the Park can sustain itself whilst allowing wildlife to flourish, rare birds and insects to thrive and ancient woodlands to be preserved.

Through His Royal Highness's tireless commitment over the past seven decades, he has played a pivotal role in the history of the Estate's landscape, ensuring that it continues to thrive, for the benefit of people and wildlife alike. We offer our gratitude for his service, and our commitment to continue his legacy, protecting, preserving and improving this iconic landscape for many generations to come.

Read more on His Royal Highness's role as Ranger online at: thecrownestate.co.uk/hrh-the-duke-of-edinburgh

A personal reflection from Paul Sedgwick, Deputy Ranger

Saturday 17 April 2021 marked the end of a 'Golden chapter' at Windsor.

At 3pm, millions of people around the world watched the funeral of His Royal Highness, The Prince Philip, Duke of Edinburgh. It was a wonderful service of remembrance, which celebrated the life of an extraordinary man, who was affectionately referred to by all of the Windsor team simply as "The Duke".

It is difficult to convey the immense affection, loyalty and respect that all of the Windsor team, both past and present, felt towards The Duke, and I am extremely grateful for having had the last seven years working together.

I had the great honour of spending a significant amount of time with The Duke in my early days at Windsor, driving to every corner of the Estate discussing and debating its history and background. This was not only invaluable to my role, but is a treasured memory.

Within the remit of his role as Ranger, The Duke spent seven decades providing oversight and advice on the Estate's day-to-day management. Wherever you look, you can see The Duke's impact. The list of his innovations and positive changes is too long to list here, however some of the highlights would be the reintroduction of the red deer herd in 1979; founding Guards Polo Club; the replanting of Queen Anne's Ride and numerous other avenues; the vineyard; the Royal Farms and the Windsor Farm Shop; and the Archimedes screw in the River Thames providing electricity to Windsor Castle.

The Duke was passionate about the Windsor environment, and was a key force in ensuring we balanced change, progression and the challenges of public access with protecting the unique and special environment for generations to come. He always took the long-term view, supported by his extraordinary knowledge and empathy for the countryside and rural matters. Combined with his legendary eye for detail, he proved a fantastic sounding board for me.

All of the Windsor team will miss The Duke. He was supportive, caring, practical, straight-talking, extremely knowledgeable, and great fun to be with. Many colleagues will remember The Duke stopping to talk to them, to discuss ideas, and often make observations about the work that they were doing.

We were so proud of having The Duke as Ranger, and would look forward to the times that both Her Majesty The Queen and His Royal Highness returned to Windsor.

It has been a period of great sadness and reflection, but also of very happy memories of an extraordinary person, who will live on through the legacy that he created over the last 70 years.

RISK MANAGEMENT

Managing risk and uncertainty

The last year has been a substantial test of an organisation's ability to deal with uncertainty.

We have managed our business through the pandemic, dealing with profound changes, positive as well as negative, impacting our core activities, alongside undertaking a significant strategic reorientation. Our ability to manage the risks that we are compelled to deal with, as well as those we choose to take, has been an important corporate strength.

In this period we have significantly increased our risk management capability, expanding the team and increasing its operational reach, and we are drawing on this greater sophistication to make informed decisions swiftly, in a constantly changing environment.

Risk management is part of good management

We believe that, to be effective, risk management has to exist at every level within our organisation. It must also be a part of business as usual, integral to normal activities and, for this to happen, the approach of the Risk team, while still offering meaningful challenge, has to be pragmatic and collegiate. The Strategic Business Units and Group Partners are the owners of the risks they run, and are best qualified to understand those risks. The purpose of our professional risk management team is to facilitate this understanding and to make sure that everyone is equipped with the advice, tools and reporting to manage risks within the appetite set by the Board, and in a way that is consistent with our purpose and values. We continue to work to raise the bar on the quality of our risk management.

Risk management in a pandemic

The pandemic has accelerated a number of major trends affecting our business (see pages 10-11). Market and societal change, especially in relation to consumer expectations and the role of digital, will affect our ability to create value and put great time pressure on our need to transform both what we do and how we do it.

The pandemic has also affected our people. 2020 has been a test of our risk management capability and our ability to maintain effective controls in an environment where most people were working from home and many of our customers were experiencing considerable hardship.

During this period we supplemented our existing structures with additional risk working groups and other committees. These addressed both the risks of our response to the pandemic and new risks arising as the pandemic evolved.

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 that may arise both for the business and for the wider world.

Risk management working throughout the business

The Board is the final owner of corporate risk and sets our risk appetite. This is one of the mechanisms by which the Board exercises its risk management responsibilities. This clear expression of the Board's wishes is being cascaded through the organisation so that decisions can be taken within a clear framework of acceptable and unacceptable risk.

Throughout 2020/21 the Board has also regularly reviewed risk management and internal control systems and has made 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 72-74.

An important element of our risk management approach is ensuring that processes and structures are in place for both individual and collective action in addressing risk and control matters.

As well as the risk responsibilities held by individual Group Leadership Team (GLT) members, the GLT has a monthly session on strategic and emerging risks where current issues and potential issues are considered and actioned – this allows an early discussion of changes in our operating environment e.g. the implications of the evolving expectations placed on us as the Government's climate change agenda develops. The Head of Risk attends this meeting to allow risk input into other elements of executive decision-making.

Given the greater direct role of the GLT in risk management, the core activities and membership of the Risk Group have evolved over the course of the year, emphasising its function as a body for addressing operational level risk and control matters on an organisation-wide basis.

Over the year the existing risk registers have been brought together in a business-wide risk platform, which allows greater transparency of individual risk and control ownership, while also permitting better reporting and analysis. This 'single source of truth' also makes clearer the collective nature of much of our risk management activity by clarifying the interdependencies and the relationships between the different business units. We will be working through the coming year to embed these tools and further improve our risk management framework.

Risk appetite

Our risk appetite framework drives decision-making and supports value creation and value protection.

We have reviewed and updated our risk appetite measures in light of our major trends, our new strategy and the changes in our activities. The new framework is intended to be comprehensive and consistent with our broader measures of success. It has also been designed to be clear and practical, giving the business readily measurable criteria to assess what we are and are not willing to do to deliver on our strategy and aligning to our purpose and values.

As well as our determination of risk appetite, we recognise that the success of its application depends on identifying and understanding our risks, as well as the integration of our broader risk management approach into the process established for our Value Creation Framework (see page 15) and strategy (see pages 12-13). The risk appetite levels represent enterprise level goals and there is scope within a well balanced portfolio to have a mixture of risk levels as long as the overall portfolio is consistent with the Board's appetite.

Our risk appetite is supported by an evolving infrastructure of control assurance, review and reporting, and these processes continue to be developed and enhanced.

It is important to note that our new risk appetite approach is also designed to flag where insufficient risk is being taken i.e. where the Board has mandated strategic risk taking but that management has not taken the levels of risk that are likely to be necessary for the delivery of our strategy.

Risk appetite

Ref	Risk area	Appetite	Description
1	**Brand and Reputation**		We have a low appetite for activities, social media, behaviours or public pronouncements which may harm our brand or reputation.
2	**Social Impact**		We seek to drive health, wellbeing and community creation and to support productivity and economic development. We are willing to take risk in the pursuit of these objectives.
3	**Environment and Net Zero**		We seek to drive the green agenda and net zero and be recognised as having an important role in advancing biodiversity. We are willing to take risk in the pursuit of these objectives.
4	**Capital Allocation and Liquidity**		We recognise that there is a need to take risk in the pursuit of our purpose and take a risk adjusted approach in the allocation of capital where differing risk weightings are applied to different activities based on a range of factors. We have a low appetite to place our liquidity position at risk.
5	**Political Exposure**		We accept that our activities deem it necessary to navigate the political environment and that our plans will be impacted by changes in that environment. We assess our strategy to be responsive to this change, while maintaining our independence in determining our response.
6	**Legal and Regulatory**		We wish to avoid, or otherwise manage on an as low as reasonably practicable basis, risks which involve compliance with primary legislation or regulation.
7	**Control and Assurance**		We have very limited appetite for lack of effective control and assurance around the operation of our processes including activities relating to the acquisition, protection and analysis of data. We address these risks through effective controls, assurance, reporting and governance.
8	**Outsourced Activities and Supply Chain**		We have limited appetite for risks arising from the operation of our supply chain and from other outsourced activities. We regard effective control of our extended enterprise as fundamental to our good operation.
9	**Business Continuity and Resilience**		We have limited appetite for risks which erode our ability to continue operating in the face of operational shocks.
10	**Health & Safety**		We have a low appetite for health and safety risk and aspire to a goal of no health and safety incidents where we operate. Where health and safety risk exists, these will be mitigated through effective controls.
11	**People and Culture**		We are willing to take risk in order to build and maintain a team and culture with the skills and convictions to deliver our strategy in accordance with our values and collective identity.
12	**Customer Needs**		We are willing to take risk in the development and delivery of clear and differentiated value propositions which fulfil or exceed our customers' needs. We recognise the need for an ambitious approach to delighting our customers and are fully conscious that not all new initiatives will succeed as we hope.
13	**Stakeholders, Partners and wider Convening Activity**		We are open to activities that leverage our contractual, commercial and wider relationships in the achievement of our strategy and our ability to use our influence to achieve value both directly and indirectly. We are open to taking risks in growing our convening activity where our convening influence is high.
14	**Change and Innovation**		We are willing to invest in change and innovation and prepared to take risks that permit us to deliver disciplined wholesale change (business transformation), and continuous improvement to our operating model and business practices.
15	**Digital Transformation**		We will take appropriate risk in driving our digital transformation to ensure business resilience into the future and in the pursuit of our strategy and delivery of our operations.

Risk appetite level definitions

Hungry
We are willing to take a very high level of this kind of risk in order to achieve our strategic objectives

Seek
We are willing to take a significant amount of this kind of risk in order to achieve our strategic objectives

Open
We are willing to actively take this kind of risk in order to achieve our strategic objectives

Cautious
We want to avoid this kind of risk subject to the extent that doing this affects other risk appetite measures and strategic objectives

Averse
We want to avoid this kind of risk as far as is reasonably possible

Strongly averse
We see avoiding this kind of risk as fundamental, appetite is as near to zero as is reasonably possible

RISK MANAGEMENT
continued

Principal risks

Pages 48-52 set out what we believe to be our most significant risks. For each risk we have included notes on our current and planned mitigations and a little context around why the risk has been included on this list. We have also included some mapping to our Key Performance Indicators, an indication of what we believe to be the most pertinent Risk Appetite Measures and some arrows indicating broadly whether we think these risks are increasing or decreasing.

Impact
All risks are to be considered with the following categories of impact in mind:

- Financial, Environmental and Social in terms of our Value Creation Framework
- Reputation in terms of the effect on our people, customers and other stakeholders
- Injury and loss of life

The overall estimate of impact may come from a combination of these components.

Likelihood
We evaluate likelihood of a material risk event happening across a number of broad timeframes, with the greatest emphasis being placed on the near term (0-2 years)

Likelihood starts at 100% (meaning it is certain that the event will occur within the relevant timeframe) and ends at 0% (meaning it is impossible that the event will occur within the relevant timeframe).

Residual Impact and Likelihood Change
The directional arrows at the end of each column represent a simple evaluation of how we believe these risks have changed over the course of the financial year. While this is not a direct year-on-year comparison as there has been some evolution in both the risks included this year and in their descriptions, we nonetheless wanted to provide an indication of how our perception of the gravity of each of the risks has changed in the period so as to give some direction of travel.

The evaluation is given in terms of residual risk i.e. the direction of impact and likelihood after the operation of our existing controls.

Principal risks

Risk	**Value creation** Risk that overall we significantly underperform our goals in creating financial, environmental and social value due to market or broader economic change.	**Systemic change** 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.
Key mitigations	Wide-ranging strategy review and strategic realignment. Board oversight and approval of future strategy, including investment, with formal review of implementation and performance monitoring. Increasingly sophisticated financial modelling and forecasting along with regular economic and market analysis. Ongoing work to align with TCFD guidance. Definition of a pathway to meet our net zero ambitions. **Further enhancements** are planned through the implementation of our Value Creation Framework and other tools for the continual monitoring of performance and the rapid implementation of necessary course correction. Our risk platform will provide new mechanisms for linking our understanding of risk to the achievement of our objectives.	Strategic planning processes. Emerging risk review and monitoring processes. Our processes for reviewing and updating our operational model. Risk and Operational Resilience teams. Project Management Office and programme management team. **Further enhancements** are planned to provide greater insight and horizon scanning capabilities, using both internal and external data.
Link to KPIs	1 2 6	1 2 3 4 5 6
Key risk appetite measure	4 Capital Allocation & Liquidity	14 Change and Innovation
Context	This has been an extremely difficult year for our property business and while, longer term, our Marine activities and planned strategic change point a positive way forward, risk has increased in the short to medium term.	This risk has increased as our markets have been subject to epochal change and it is still unclear how these changes will play out over the longer term.
Residual impact change	⟺	↑
Residual likelihood change	↑	↑

Our KPIs

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

Read more on pages 16-17

Principal risks

Risk	Transformation	Policy Exposure	Technology Resilience
	Risk that we are unable to deliver on the transformation of our strategy because our governance, capability or operations are unable to respond adequately to the changes that are shaping our markets and our business environment, with the result that we suffer adverse effects on our finances, reputation and/or ability to deliver on our mandate.	Changes in government policy or in the wider political environment may adversely impact or prevent the implementation of our strategy.	Risk that our ability to run our critical systems or properly protect or process information, either through internal failures or external attack or failure of critical infrastructure, results in diminished ability to operate, damage to our reputation, loss of confidence with customers/partners/stakeholders and/or other costs.
Key mitigations	Strategic planning processes. Our processes for reviewing and updating our operational model. Project Management Office, change management and programme management teams. Focus on culture through enhancement of our people and leadership capabilities. **Further enhancements** are planned to ensure that our organisational structures develop to match our evolving business needs.	Regular liaison with the Treasury. Ongoing review of upcoming legislative/policy changes potentially affecting our business. Strong working relationships with stakeholders and partners across Government – national, local and devolved administrations. Active development of working relationships with non-government stakeholders and interested parties. Our strategic alignment with broader national prosperity goals is intrinsically a mitigation of this risk. **Further enhancements** are planned to increase our insight and our ability to anticipate the progress of political change.	Governance structures are in place with specific responsibility for addressing risks relating to the management of information. The corporate IT infrastructure and systems are protected by a comprehensive Information Security Management System, including firewall threat and detection monitoring systems. Risk-based GDPR compliance processes in place. Mandatory e-learning and regular user testing. **Further enhancements** are planned to broaden and deepen our technological skills base with specific new hires focused on data and information management.
Link to KPIs	1 2 3	1 2	1 2 3 4
Key risk appetite measure	14 Change and Innovation	5 Political Exposure	9 Business Continuity and Resilience
Context	Despite the pandemic, our strategy and our organisation continue to evolve to meet the demands of our changing environment.	Our good relations with Government together with a strategic agenda that maps well to government priorities provides a basis for confidence in our management of this risk although the policy environment has become more volatile.	The external threat continues to be significant but internal controls should benefit from our increased focus.
Residual impact change	↓	↔	↔
Residual likelihood change	↓	↑	↔

Our KPIs

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

Read more on pages 16-17

RISK MANAGEMENT
continued

Principal risks

Risk	Marine Programmes	Major Incident
	Risk that we don't deliver the Offshore Wind programme or other initiatives in the Marine business to the satisfaction of customers and stakeholders.	A major incident or series of events affecting us could lead to a significant financial loss, business interruption and/or reputational damage.
Key mitigations	Strengthen engagement with key stakeholders, and build organisational capability to meet growing customer demand. **Further enhancements** are planned through significant increases in Marine capability built into our strategy.	Best practice Crisis Management Framework 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 in place. **Further enhancements** are planned following recent reviews of our incident management and business continuity processes.
Link to KPIs	1 2 4 6	1 2 3 4 5
Key risk appetite measure	5 Political Exposure	9 Business Continuity and Resilience
Context	Opportunities have expanded significantly in the period but so have political and stakeholder risks.	This has been a lower risk for most of 2020 due to the lower level of property occupation. In the period UK terrorist threat levels have been lowered.
Residual impact change	⟷	↓
Residual likelihood change	↑	↓

Our KPIs

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

Read more on pages 16-17

Principal risks

Risk	People	Strategic Relationships	Health & Safety
	Risk that we cannot manage and develop our people leading to failure to reach our potential as an organisation by failing to build an effective operational culture, robust and diverse capabilities and organisational maturity.	Significant financial loss, reputation damage or loss of convening power from failure to understand and manage strategic relationships – customers, JV 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.	Risk to Health & Safety of our staff, 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 & Safety incident on our premises or in relation to our portfolio adversely impacts our reputation, causes financial loss and/or results in criminal liability.
Key mitigations	Extensive additional processes in place to support people during disruption. Purpose, values, operating model and ways of working review processes. Remuneration Committee oversight and appointment of advisory reward consultants. Remuneration benchmarking and industry comparison. **Further enhancements** are planned through the restructuring of our senior management team and the implementation of our new operating model.	Development of stakeholder strategy addressing key stakeholder aspirations. Management focus on procurement control and streamlining. Supplier engagement to ensure alignment with our values and customer experience aspirations. Regular partner and stakeholder engagement. Robust joint venture governance processes to support compliance and performance. Governance structures in place with specific responsibility for management of our relationships with joint venture partners. **Further enhancements** are planned to deepen our relationships and understanding of our customers and we are reviewing our other relationships as part of our strategy and operating model changes.	Development and roll-out of management systems accredited to OHSAS 18001. Comprehensive regular reporting to the Group Leadership Team and Board. Health & Safety training, programme of compliance reviews, Incident Reporting Hotline, and promotion of health and safety culture. Health & Safety is core to our strategy and values and is being incorporated at every level of our activities. **Further enhancements** are planned in terms of building capabilities, reporting and structures that recognise the centrality of Health & Safety across our business.
Link to KPIs	1 2 3 4	1 2 4	1 4 5
Key risk appetite measure	11 People and Culture	1 Brand and Reputation 5 Political Exposure	10 Health & Safety
Context	The disruption caused by our substantial reorganisation increases this risk in the short term but in the medium and longer term the changes should reduce it.	This risk is closely managed and an increased focus on procurement has reduced the risk level in terms of supplier management but the pandemic and the evolution of the policy environment have clearly affected some of our other relationships.	This has been the focus of considerable management attention in the period and controls continue to be improved.
Residual impact change	↑	↔	↔
Residual likelihood change	↑	↔	↔

Our KPIs

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

Read more on pages 16-17

RISK MANAGEMENT
continued

Principal risks

Risk	**Digital Business Transformation** Risk that we do not meet our technological needs and the digital expectations of our customers, through failure to act with a clear purpose and an understanding of those needs and an integrated approach to cultural elements.	**Climate Change** 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.
Key mitigations	Corporate strategy programme. Customer insight and analysis. Lessons learned from pilot initiatives. **Further enhancements** are planned through the broadening and deepening of our technological skills base.	Modelling has been performed of the physical exposure of our real estate portfolio to climate-related risks (London and Regional). **Further enhancements** will be developed through the integration of climate change measures into our Value Creation Framework and the review of our transitional risks in line with TCFD.
Link to KPIs	1 2 4	4 6
Key risk appetite measure	15 Digital Transformation	3 Environment and Net Zero
Context	This aspect of our business has undergone considerable change and further evolution is underway.	We have made a significant commitment to playing our part in addressing climate change (see page 9).
Residual impact change	↓	↔
Residual likelihood change	↔	↔

Our KPIs

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

Read more on pages 16-17

Governance

Strong and adaptable governance, supporting The Crown Estate's strategy and resilience.

The Crown Estate has a longstanding commitment to best practice corporate governance and transparency. In taking this approach we seek to build trust with our people, stakeholders and customers, while also ensuring that we are able to be flexible to our changing environment. This approach has been both tested and validated by the challenge of managing and rebuilding from the disruption caused by COVID-19, while also setting a new strategic direction for our business.

Guide to the Governance section

The Crown Estate's key corporate governance requirements are codified in: the Crown Estate Act 1961, the framework agreement between The Crown Estate and the Treasury, and voluntary compliance with the 2018 UK Corporate Governance Code (where compatible with the Crown Estate's constitution under the Crown Estate Act 1961).

The Crown Estate seeks to deliver good corporate governance in alignment with our strategy and in service of The Crown Estate's purpose. To that end, our adoption of the Financial Reporting Council's UK Corporate Governance Code is used as a benchmark for our corporate governance performance.

We also use the UK Corporate Governance Code and its disclosure requirements as a means to demonstrate good governance practice to all of our stakeholders.

This Governance section 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 in service of The Crown Estate's purpose. Read about how it discharges its leadership responsibility, sets strategic direction and provides independent and objective rigour to The Crown Estate's strategic thinking.

Read more on pages 56-60

Division of Responsibilities

Discover how our Board has structured the corporate governance of The Crown Estate to deliver strategic decision-making with proportionate checks, balances and controls.

Read more on pages 61-66

Composition, Succession and Evaluation

Find detail on how our Board delivers continuous improvement and how it rigorously assesses its own performance, while our Nominations Committee seeks to ensure we continue to attract, nurture and develop The Crown Estate's people.

Read more on pages 68-71

Audit, Risk and Internal Control

See how our Audit Committee oversees the structures by which we manage and assess risk and assure our control environment.

Read more on pages 72-74

Remuneration

Find a report on how our Remuneration Committee seeks to develop and integrate remuneration policies that promote the delivery of our strategy, the creation of value and the long-term success of The Crown Estate.

Read more on pages 75-80

CHAIRMAN'S INTRODUCTION

Embracing change

Robin Budenberg
Chairman

"The Crown Estate's resilience and ability to embrace change has ensured that we will continue to have the ambition of creating lasting and shared prosperity for the nation, for many years to come."

This financial year marked the beginning of my second term as Chairman of The Crown Estate and was Dan Labbad's first full year as Chief Executive. I feel an enormous sense of responsibility leading the Board of an organisation that has a strong track record of material contribution for the UK. That contribution is not just financial, but is also measured through the positive social and environmental impact that our business can have on the customers and communities we interact with and the natural world within which we operate.

This also marks a moment to reflect briefly on all that has changed in recent years. We have seen profound structural changes in real estate markets, the accelerating rise of concern for the environment and other sustainability issues and most recently, a global pandemic of a wholly unanticipated scale. Dan and his senior team have been engaging the Board in rearticulating the ambitions of this business, to meet these challenges.

A time of disruption

As with the majority of company annual reports this year, COVID-19 is a dominant theme for us, having impacted our people, our customers and our stakeholders throughout the year. As a Board we have lent our full endorsement to the significant efforts within the business to ensure that each of those groups has been supported through The Crown Estate's approach to the crisis. We have at the same time reframed our strategy and business for the COVID-19 world we now operate in.

The Crown Estate's business is not immune to the ongoing disruption and the Board has been heavily involved in ensuring that the impact on our net revenue profit for the 2020/21 financial year was mitigated as far as possible and that our net revenue profit for the previous year was paid in full to the Treasury in support of the nation's finances.

At a more practical level, you will see in this Governance section that we have undertaken a full set of meetings, together with additional engagement with the executive team and our advisers. While regrettably we have missed out on site visits and in-person engagement with our people and customers, digital technology and the flexibility of our governance has allowed us to operate as normally as possible and discharge our duties in full.

Purpose, Values and Strategy

I view the principal duties of our Board to be centred on the purpose, culture and strategy of The Crown Estate. This year the Board has particularly focused on these areas, as Dan and his leadership team have re-examined The Crown Estate's purpose, set our new strategic direction and engaged in developing a new set of core values to connect our people. Notwithstanding the remote nature of our ways of working this year, we have work-shopped, engaged collectively and individually, and examined every aspect of our purpose, culture and strategy.

The result of that work is a new approach which you will have seen summarised on pages 12-13. Our new strategy works in service of our purpose and is brought to life by core values for our people which enable them to give their best. Our work will need to integrate fully that thinking into how our remuneration strategy works and how we plan for the new skills and expertise that will be needed in our senior team and throughout the organisation to deliver our strategy.

I am hugely proud of the whole team for the work that has been done and struck by the compelling future that presents itself.

Board Member update

The Crown Estate's Board draws heavily upon the renewal of the skills and experience of its Board Members. In my report as the Chair of our Nominations Committee last year, I referenced our particular desire to strengthen our Board expertise in renewable energy. I am extremely pleased that we have been able to secure Juliet Davenport OBE as a Board Member, to do just that.

Bringing a wealth of sector knowledge from her longstanding role as Chief Executive of Good Energy, I am delighted to say that we are immediately benefiting not just from Juliet's knowledge of the renewable energy sector (an aspect of The Crown Estate's business which continues to deliver exceptional long-term growth), but also from Juliet's enthusiasm and passion for the green economy. With our new strategic direction setting an ever more ambitious direction for our renewables commitments both onshore and offshore, Juliet's perspective will be invaluable.

We have also seen Karen Jones CBE agree to take up the position of Senior Independent Board Member. Karen brings a wealth of Board experience from other roles and has quickly established high levels of respect and trust from her fellow Board Members.

This year also marked the end of Kate Bowyer's time with us, as Chief Financial Officer and Executive Board Member. Kate has moved our finance function and strategic financial planning forward significantly in her four years and we will miss her professionalism and constant good humour. We wish Kate all the very best in the next chapter of her career and both I and the Board thank her for everything that she has done in her time with us.

On that note of renewal, I will conclude my introduction to this Governance section of our Annual Report by observing that, under Dan's leadership, The Crown Estate has had to overcome significant additional obstacles this year. It remains a privilege to work alongside and lead a team that has stepped up and performed admirably. It has not been easy, but The Crown Estate's resilience and ability to embrace change has ensured that we will continue to have the ambition of creating lasting and shared prosperity for the nation, for many years to come.

Robin Budenberg
Chairman

BOARD LEADERSHIP AND COMPANY PURPOSE

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. Good management is read to encompass broad value creation, including a commitment to environmental and social value creation, in alignment with strong financial performance. 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. Long-term investments 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 Commissioners' salaries and the expenses of their office.

The formalised 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 2020: 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 has been developed in alignment with our long-term strategic approach, with purposeful, risk-weighted and proportionate delegations underpinning 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 framework.

The Board

Setting strategy, answering our most significant corporate questions and ensuring The Crown Estate meets exemplar standards.

Chairman

Senior Independent Board Member

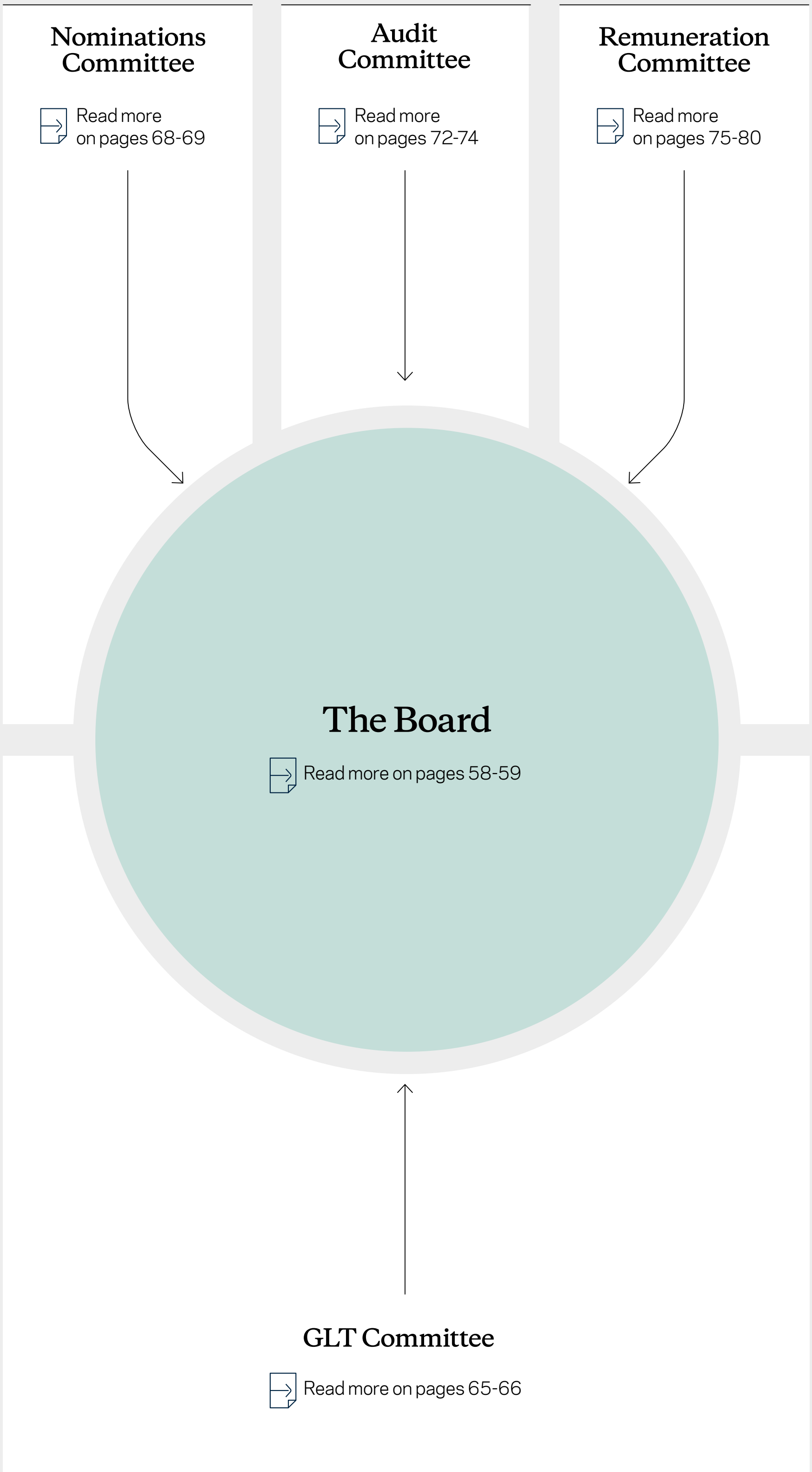
Independent Non-Executive Board Members

Executive Board Member

Non-Executive Board Counsellor

GLT Committee

Implementing the strategy set by the Board, making decisions with fully integrated checks and balances, and driving our performance.



BOARD LEADERSHIP AND COMPANY PURPOSE
continued

Our Board

Our Board membership is built upon the principle that a diversity of skill, background, experience and approach underpins strong decision-making. Our Board's purpose is founded on independence and diverse thinking which it leverages to set strategy and constructively challenge our business in service of The Crown Estate's purpose – to create lasting and shared prosperity for the nation.

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

Terms of appointment
Board Members of The Crown Estate are appointed as a Commissioner under Royal Warrant for a period of up to four years. A Board appointment may be renewed for one further period of up to 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.

Robin Budenberg CBE

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: 5 years N (R)

Key strengths: Strategic overview / Leadership / Finance / Governance

James Darkins

Independent Non-Executive Board Member

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

Tenure: 5.5 years (A) R

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

Juliet Davenport OBE

Independent Non-Executive Board Member

Appointment: Juliet was appointed to the Board on 1 September 2020.

Tenure: 1 year

Key strengths: Renewable energy / Innovation

Paula Hay-Plumb

Independent Non-Executive Board Member

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

Tenure: 6.5 years A (N)

Key strengths: Finance / Governance and audit / Regeneration

Dan Labbad

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: 1.5 years

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

Professor Peter Madden OBE

Board Counsellor

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

Tenure: 7.5 years (R)

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

For full biographical details of our Board Members, including relevant skills and experience visit: **thecrownestate.co.uk/our-board**

Karen Jones CBE

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 on 9 June 2020.

Tenure: 1.5 years (N)

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

Lynda Shillaw

Independent Non-Executive Board Member

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

Tenure: 3.5 years (A)

Key strengths: Real estate, retail and infrastructure / Finance

Kate Bowyer

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) and retired from the Board on 31 December 2020.

Tenure: 4 years

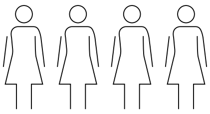
Key strengths: Real estate finance

For full biographical details of our Board Members, including relevant skills and experience visit: **thecrownestate.co.uk/our-board**

Board diversity*

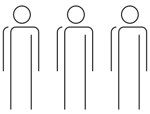
Maintaining an appropriate balance, including a diverse range of skills, experience, knowledge and background on the Board is of paramount importance. We are constantly working toward ensuring that we can demonstrate that diversity across gender, social background and ethnicity.

Board diversity



57%

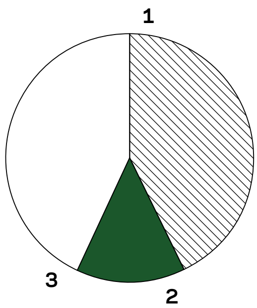
Female



43%

Male

Board tenure



1	0-3 years	43%
2	3-5 years	14%
3	5+ years	43%

*Diversity and tenure statistics are calculated for Board Members only, as at 31 March 2021.

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 Member

The role of the Independent Non-Executive Board Member 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 its strategic objectives in compliance with its constitution and in service of The Crown Estate's purpose.

Executive Board Member

The Chief Executive is the only current Executive Board Member**, discharging the role of Board Member alongside his executive duties.

Non-Executive Board Counsellor

The role of the Non-Executive Board Counsellor 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 Chief Financial Officer's Board appointment expired on 31 December 2020.

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 at: thecrownestate.co.uk/declaration-of-interests

Delegation

In our 2018/19 Annual Report we noted that our Board had 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. No changes to those delegations were made in the 2020/21 financial year.

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 external subject matter experts. While not active this year because of the impact of COVID-19, we also have an ongoing programme of Board visits across our assets. You can read more about the Board's activity this year on page 62.

Wherever possible, each Board meeting is set around a key corporate theme and for the 2020/21 year, with the emergence of our new strategic direction, a number of our Board meetings focused on this and additional strategy sessions were added throughout the year.

In addition, the Board received input from external thought leaders and commentators as part of the Board calendar. In 2020/21 this covered matters such as macro trends and global thematics and carbon capture, utilisation and storage 'CCUS'.

Subject to the COVID-19 restrictions easing, in the 2021/22 financial year, we are planning a calendar of Board activity based around our assets and the key customers and stakeholders of our Strategic Business Units.

Board activity and administration

The Board held seven scheduled meetings during the year, spread evenly across the calendar and also held six additional meetings at the Board's request. In addition, the Board undertook a virtual strategy session over two days in October, where the Board focused on progress made towards our new strategic direction, phase one of which was presented to and approved by the Board in February 2021.

Board meetings are generally 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 continued to be 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 2020/21 financial year

Board Member/Counsellor	Board	Strategy session
Robin Budenberg	13/13	1/1
Dan Labbad	13/13	1/1
Kate Bowyer[1]	9/9	1/1
James Darkins	13/13	1/1
Paula Hay-Plumb	13/13	1/1
Lynda Shillaw	13/13	1/1
Karen Jones	13/13	1/1
Juliet Davenport[2]	8/8	1/1
Ian Marcus[3]	3/3	0/0
Peter Madden[4]	13/13	1/1

1 Retired from the Board on 31 December 2020.
2 Appointed to the Board on 1 September 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 Board Counsellor.

DIVISION OF RESPONSIBILITIES

Our senior executive team

As The Crown Estate works towards a revised model of senior executive governance, we are currently operating through a transitional Group Leadership Team structure.

Last year we reported on the creation of the interim Crown Estate Leadership Team Committee, known as CELTCo, which had been set up in July 2020 to streamline our executive level governance into one committee.

CELTCo leveraged the delegations and controls of the three existing executive committees: the Executive Committee, the Investment Committee and the Finance & Operations Committee.

Following the launch of our new strategic direction and as part of our progress toward a new operating model, the Crown Estate Leadership Team was replaced by our Group Leadership Team and the CELTCo became the GLT Committee in March 2021.

GLT Committee membership consists of The Crown Estate's Group Leadership Team, which has expanded through the year as a series of senior executive hires have been made, and will continue to expand as we strive to round out the skills and experience needed to deliver The Crown Estate's new strategic direction.

GLT Committee continues to leverage the same governance as CELTCo, on an interim basis and consists of voting and non-voting members using that legacy governance. For information on how decisions are made please see pages 65-66.

A thorough governance review including an update to the terms of reference and our governance framework is being undertaken as part of embedding a new operating model within the business, which we intend to report on in the 2021/22 Annual Report.

For the purposes of this set of accounts we have reported our executive committee composition and activities in the GLT Committee report (see pages 65-66), which includes the composition and activity of that Committee throughout the 2020/21 financial year.

GLT Committee diversity*

As our senior management team, the diversity of our GLT Committee sets a tone from the top for our commitment to diversity throughout The Crown Estate. We are committed to continuing to improve the diversity of the GLT itself, as well as embedding equality, diversity and inclusion in our succession and talent development plans:

30%	70%
Female	Male

*Diversity statistics are calculated as at 31 March 2021.

More detail and biographies of the GLT can be found online at: thecrownestate.co.uk/our-leadership

Transitional Governance: The Group Leadership Team

Dan Labbad
Chief Executive

Robert Allen
Interim Chief Financial Officer

Rob Booth
General Counsel & Company Secretary

James Cooksey
Managing Director London

Huub den Rooijen
Managing Director Marine

Judith Everett
Executive Director Purpose, Sustainability & Stakeholder

Hannah Milne
Managing Director Regional

Linda Morant
Chief Digital Officer

Paul Sedgwick
Managing Director Windsor & Rural

Oliver Smith
Executive Director Operations

DIVISION OF RESPONSIBILITIES
continued

Our Board's year

Our Board activity calendar in 2020/21 has been driven by our commitment to developing the new strategic direction for the business, while also aligning with our focus on our performance, customers and stakeholders.

Following a deep examination of our strategy and purpose, The Crown Estate's rearticulated purpose was approved by the Board in September 2020 and phase one of our new strategic direction was approved in February 2021.

HOW THE BOARD SPENT ITS TIME

Strategy and innovation

- Undertook workshops on purpose, strategy and the operating model
- Undertook the Board strategy sessions and approved phase one of the new strategic direction
- Approved The Crown Estate's rearticulated purpose
- Undertook strategic risk sessions
- Approved the proposal for The Crown Estate to become a net zero carbon business by 2030, and climate positive thereafter
- Received ongoing management updates on The Crown Estate's response to COVID-19.

Financial performance

- Oversaw the staged payment of The Crown Estate's net revenue surplus from the 2019/20 financial year to the UK Consolidated Fund
- Reviewed regular performance updates, including financial and non-financial metrics
- Reviewed regular market updates and sector economic analysis
- Reviewed the financial targets and budgets for 2021/22 and the three-year projections
- Undertook retrospective investment appraisals
- Received financial updates on the impact of COVID-19.

Customers and assets

- Received regular updates on asset performance including the provision of concession arrangements to The Crown Estate's customers
- Received strategic updates on the Offshore Wind Leasing Round 4 auction process and Habitats Regulations Assessment.

People, culture and values

- Approved The Crown Estate's reframed values
- Received reports on people with a particular focus on staff wellbeing during the COVID-19 restrictions
- Received regular health and safety reports
- Set Board objectives for the 2021 calendar year.

Risk management and internal control

- Reviewed regular reports on assurance from the Audit Committee
- Examined and approved the Board's risk appetite in light of the new strategic direction
- 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 2019/20 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 engagement

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.

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.

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.

THE CROWN ESTATE

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.

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

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

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.

Engaging with our people

Having set itself a specific Board objective, throughout the year, the Board has sought to gain a deeper level of understanding of our people and our culture – notwithstanding the limitations imposed by the ongoing COVID-19 restrictions.

The Board receives and discusses people and culture updates on a regular basis, including discussion on the staff pulse surveys that were carried out this year in support of our COVID-19 response.

The Board seeks to ensure that it gets an unfiltered view from our people on what it means to work for 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 Group Leadership Team has taken to ensure that our people put themselves and their wellbeing first. This has included the provision of home-working 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 throughout the year.

DIVISION OF RESPONSIBILITIES
continued

Our approach to delivering long-term value

The Crown Estate was established to create lasting and shared prosperity for the nation; and that purpose 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. This year that has included the development of a value creation framework, which will continue to evolve as a decision-making tool for the value that The Crown Estate wishes to create.

The Board has worked with the business to continue to develop our approach to sustainability, including approving The Crown Estate's commitment to becoming a net zero business by 2030. We also remain 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 strategic approach to our people 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.

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 continuing COVID-19 crisis, specific related items have been added to our Board meeting agendas and we have continued to hold additional Board meetings to gain the Board's continued 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. In addition, the Board adopted a COVID-19 specific Board objective to ensure that it held itself to account on promoting the efforts of the business to respond to the crisis and support our people, customers and stakeholders.

The GLT Committee report

(incorporating CELTCo and Executive Committee, Investment Committee and Finance & Operations Committee reporting – together the 'executive committees')

***Distribution of meetings**

Executive Committee
April-July 2020
4

CELTCo
August 2020-February 2021
8

Investment Committee
April-July 2020
2

GLT Committee
March 2021
1

Finance & Operations Committee
April-July 2020
1

Membership as at 31 March 2021

Dan Labbad (Chair)
Robert Allen
Rob Booth
James Cooksey
Huub den Rooijen
Judith Everett
Hannah Milne
Linda Morant
Paul Sedgwick
Oliver Smith

Overview

Meeting 16* times in the 2020/21 financial year, our executive committees have provided the transitional governance that has enabled us to manage the strategic direction of our business for our Board, through a period of change.

They brought together all aspects of what we do and sought to embed value creation in our decision-making. The Executive Committees also analysed strategic risk and opportunities in support of The Crown Estate's new strategic direction, and ensured that business plans were aligned to our strategic objectives.

They regulated the investment, development and asset management functions of The Crown Estate's commercial activity.

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

The key duties of the executive committees:

- to ensure leadership delivers our purpose, through our strategy
- to deliver on the strategic direction and vision of our business, bringing together all aspects of what we do
- to analyse strategic risk and opportunities, to generate and deliver our strategy
- to ensure that business plans are aligned to our strategic objectives and corporate priorities
- to transparently report on the delivery of the strategy to the Board
- to ensure The Crown Estate is functionally supported through our operations and the management of our people and resources
- to ensure exemplar financial conduct through delivery of our finance function and the provision of accurate financial reports
- to regulate the deal flow, development and asset management functions which are the lifeblood of The Crown Estate's commercial activity
- to empower the business with clear delegations
- to conduct committee business as a role model for The Crown Estate's behaviours, values and purpose.

DIVISION OF RESPONSIBILITIES
continued

Activity

The 2020/21 year saw us combine our three separate executive committees into a single committee in August 2020 (CELTCo), which was further iterated in March 2021 (GLT Committee). These governance arrangements remain interim pending a full review of our executive level governance in connection with working towards a new operating model.

The GLT Committee is a unified executive forum that offers a single point of service for the approval of major projects, investments and strategic decision-making.

The benefits of consolidating our executive committees have been experienced throughout the business with streamlined reporting and fewer meetings.

GLT Committee decision-making is split into three segments, with a specific quorum required for each segment.

The executive committees considered all matters within their terms of reference, including:

Strategy activity

Voting members:
Chief Executive
Chief Financial Officer
Executive Director Purpose, Sustainability & Stakeholder

- developing, in collaboration with the Board, The Crown Estate's new strategic direction
- ensuring the alignment of team business plans with the new strategic direction
- receiving and reviewing reports from the business on operation and performance to ensure that delivery is on target
- receiving and reviewing reports on strategic risk
- receiving and reviewing reports on Health and Safety and People activity to ensure Committee oversight of key business issues
- receiving, reviewing and approving for onward transmission to the Board, the 2020/21 Annual Report.

Investment activity

Voting members:
Chief Executive
Chief Financial Officer

- receiving and reviewing reports on joint venture compliance and performance
- receiving and reviewing retrospective investment appraisals for onward submission to the Board
- considering and approving all strategic investment and disinvestment proposals, escalating such decisions to the Board for exceptional transactions.

Operations and financial activity

Voting members:
Chief Executive
Chief Financial Officer
Executive Director Purpose, Sustainability & Stakeholder

- receiving and reviewing reports on our customer and stakeholder activity
- considering our strategic approach to health and safety and receiving regular health and safety reports
- receiving reports on The Crown Estate's developing digital strategy and IT performance, including cyber-security
- receiving and reviewing reports on people and culture, including headcount and organisational design proposals
- receiving and reviewing reports on financial performance and financial controls, including supply chain management.

Alignment with the 2018 UK Corporate Governance Code

The executive committees acted as a central pillar of management's 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 committees focused on the following activities to enhance their roles in our corporate governance architecture:

- overseeing work on The Crown Estate's operating model
- reviewing and simplifying our ways of working to ensure improved traction between our corporate governance and day-to-day operations
- overseeing the detailed strategy work taking place within the business throughout the year and The Crown Estate's work on rebuilding its business model through the COVID-19 crisis
- seeking opportunities to empower the business.

The work of our executive committees was important in ensuring that The Crown Estate is properly supported to deliver our purpose and strategy. Of particular note was the role the executive committees played 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. They also provided an assurance and validation layer as part of the escalation of culture-related information to the Board.

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 those relating to the propriety and regularity of The Crown Estate's 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'. That framework document, which was updated in 2020, can be found online at: thecrownestate.co.uk/treasury-framework

With regard to this Annual Report, the Accounting Officer discharges part of that personal responsibility, in confirming 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 alignment with the requirements and duties provided in the Crown Estate Act 1961. 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 2020/21 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.

As a matter of note, in my Accounting Officer's statement last year I referenced a review of the processes, controls and assurances that The Crown Estate has in place to support Accounting Officer compliance. Informed by the findings of that review, The Crown Estate is engaged in an enterprise-wide programme, working on a systematic basis to continue to strengthen our processes and controls. Together with the restructure, this work is also acting to embed the operation of those enhanced processes and controls within our culture.

The first year of activity of our programme has been impacted by the ongoing disruption caused by COVID-19, but it has delivered a number of immediate improvements. While the enterprise controls enhancement will continue into the medium term, I am satisfied that The Crown Estate is on course to develop an exemplary approach to the conduct of its business. That includes how my Accounting Officer responsibilities integrate into our corporate governance and decision-making and how that works within our target operating model. Our work also continues to highlight areas for improvement and looking to the next steps of the programme, we will place a particular focus on the following areas:

- embedding a systemic approach to change, transformation and innovation;
- enhancing our controls approach, including improved transparency, enabling an enterprise level view and, as appropriate, adopting the use of digital tools; and
- evolving our approach to data and information security.

Dan Labbad
Chief Executive

9 June 2021

COMPOSITION, SUCCESSION AND EVALUATION

The Nominations Committee report

Overview

Meeting three times this 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.

Membership and attendance 2020/21*

Robin Budenberg (Chair)
3/3

Karen Jones**
1/3

Paula Hay-Plumb
3/3

"The Nominations Committee is focused on the future by ensuring that each new appointment to our Board reflects the skills and experience that the successful delivery of our new and ambitious strategy requires."

Robin Budenberg
Chairman and Chair of the Nominations Committee

* The Committee is supported by our Head of People, who also acts as secretary for Committee meetings.
** Karen Jones joined the Committee following her confirmation as Senior Independent Director on 9 June 2020, by resolution of the Board.

This year

This year the 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 our executive committees
- Board and senior executive succession planning.

In particular, the Committee considered:

- the appointment, by resolution of the Board, of Karen Jones as Senior Independent Director on 9 June 2020
- the appointment of Karen Jones to the Nominations Committee
- membership and succession planning for the Board and Board Committees generally
- the Board skills review
- commissioning of a search for a new Board Counsellor with digital business experience
- arrangements associated with the decision of the Chief Financial Officer not to seek renewal of her Royal Warrant at the expiry date of 31 December 2020
- arrangements in respect of the end of Peter Madden's second term as a Board Counsellor that is scheduled to expire on 31 December 2021
- commissioning a search for new Board Commissioners to fill vacancies arising during the ensuing year.

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 anticipated changes to the composition of the Board.

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 board evaluation in 2017, the 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 & delivery
- people & culture
- corporate governance
- finance and accounting
- risk management
- property, place and amenity
- customer insight and service
- innovation
- digital business and technology
- strategic partnerships
- renewable energy.

Non-Executive Board Commissioner appointments:

An open and fair approach:
In accordance with the Public Appointments Order in Council 2016, the appointment process for Non-Executive Board Commissioners 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 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). For example, all of our Non-Executive Board Commissioner Appointments are advertised online and in at least one national newspaper 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:
Any Executive Board Member appointments (our Chief Executive is an Executive Board Member) 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 worked with Heidrick & Struggles and Russell Reynolds Associates on separate assignments.

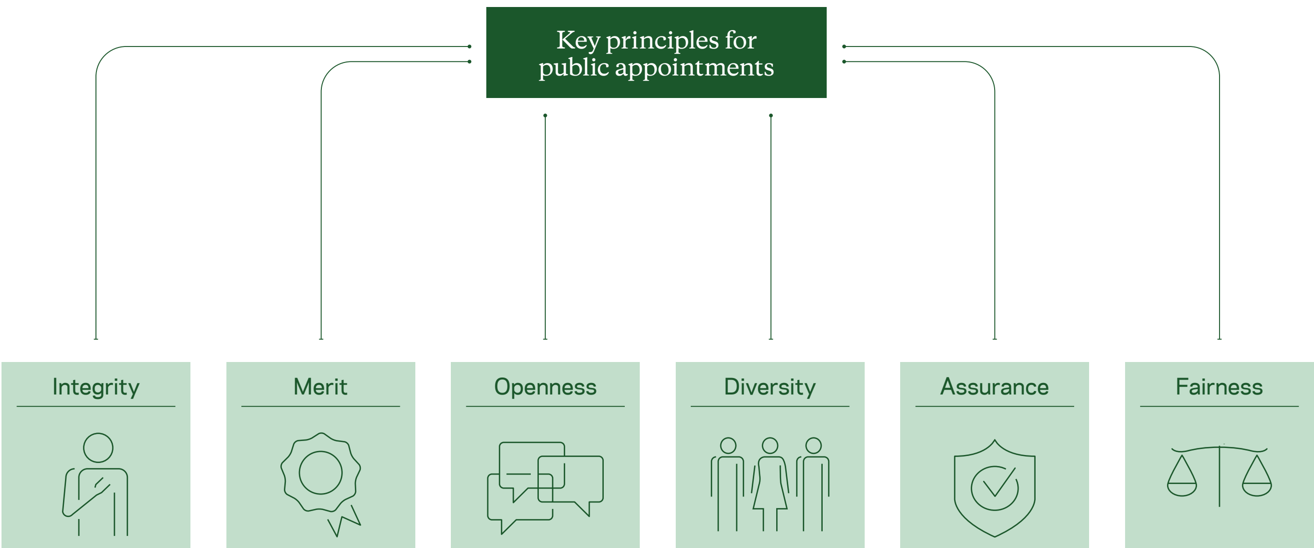
We can confirm that none of the executive search agencies used has any material connection with The Crown Estate or The Crown Estate's individual Board Members.

The key duties of the Nominations Committee:

- 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 Commissioners 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.



COMPOSITION, SUCCESSION AND EVALUATION
continued

Board evaluation

Continually enhancing our Board approach

In the 2020/21 financial year the Board recalibrated its approach to Board objectives and effectiveness. That recalibration saw a revision to the effectiveness evaluation process, with fewer but more insightful points of feedback and a broader range of evidence gathering, including increased input from the senior executive team. With regard to objectives, the Board restructured its objective setting, to ensure that the resulting objectives showed better integration with The Crown Estate's strategy, structure and culture work. An additional objective was added within the year, specifically addressing the Board's commitment to supporting the business through COVID-19.

2020/21 Board evaluation process

During the year we have undertaken an internal process to evaluate 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 was administered by the Company Secretary, with the Chairman's appraisal process being led by the Senior Independent Board Member. In October 2020, the Board resolved to defer its implementation of an externally facilitated Board evaluation until the latter part of 2021, in part due to constraints arising from the ongoing disruption from COVID-19, but principally to ensure that such an evaluation was undertaken following the approval of The Crown Estate's new strategic direction in February 2021.

Evaluation scoring

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

	Board focus	Board composition
Evaluation scoring	★★ **2020/21** ★★★ 2019/20 ★★★ 2018/19	★★ **2020/21** ★★ 2019/20 ★★★ 2018/19
Findings	– Majority of objectives delivered satisfactorily – Board wishes to get closer to the voice of our staff, our customers and our stakeholders.	– All objectives delivered satisfactorily – Board noted progress, but also wishes to see continued improvement in skills and experience mix, including in key disciplines such as digital and offshore infrastructure.
Actions/ Objectives	– Board to spend more time with staff, customers and stakeholders – Board to focus on setting The Crown Estate's new strategic direction and rearticulating its purpose – Board to ensure support is provided to the business as it rebuilds from the ongoing COVID-19 disruption.	– New appointments of Board Members and Board Counsellors 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 2020/21	– Board meetings aligned to Board areas of focus – New strategic direction for the business and rearticulated purpose approved with strong Board engagement.	– Appointment of new Board Member (Juliet Davenport) with a strong energy background – Board continues to leverage its enhanced skills matrix.

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. Effectiveness ratings, together with a three-year picture of trend, are mapped in the table below.

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

Collaboration and culture	Conflicts of interest	Resource and support
★★ **2020/21** ★★ 2019/20 ★★★ 2018/19	★★★ **2020/21** ★★★ 2019/20 ★★★ 2018/19	★★ **2020/21** ★★★ 2019/20 ★★★ 2018/19
– All objectives delivered satisfactorily – Board sees considerable progress in the openness and collaborative challenge between the Board and the senior executive team.	– All objectives delivered satisfactorily – Board supportive of use of digital tools and continued focus on improvement of processes and transparency.	– All objectives delivered satisfactorily – Board continues to feel well supported as regards time, technology, resources and administration – Quality of Board papers and materials is good.
– Board to support new Chief Executive – Board engagement to be continuously strengthened.	– Continue to ensure governance best practice in approach to conflicts of interest.	– Continuous improvement in delivery of secretariat support, including increased digitisation of materials and secretariat services.
– Board provided active support to the Chief Executive in his first year with the business – Board engagement with the senior executive team significantly enhanced, both in Board meetings and in individual/small group interactions.	– Supporting processes all delivered through digital platform – Enhanced guidance for conflicts documented – Process successfully implemented throughout the year with no known non-compliance.	– Digital support to Board meetings and administration further developed – Terms of reference reviewed and maintained.

Process followed

AUGUST 2020
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.

OCTOBER AND NOVEMBER 2020
Chairman's effectiveness review undertaken by the Board, led by the Senior Independent Board Member. Additional Chairman's effectiveness session undertaken by the Senior Independent Board Member with the senior executive team.

OCTOBER AND NOVEMBER 2020
Board, Committee and individual effectiveness assessment questionnaires completed by all Board Members and Board Counsellors, on The Crown Estate's digital Board platform; and input taken from senior executive team.

DECEMBER 2020
Special session of the Board to conclude on effectiveness, review progress against the Board's previous objectives and agree the principal areas of focus for future objective setting.

FEBRUARY 2021
The Board formally adopted revised Board objectives in support of Board effectiveness.

The Audit Committee report

Overview

During the year, the Audit Committee held its four regular meetings together with an additional meeting in August 2020. That additional meeting was convened to support an extended process for the 2019/20 Annual Report, arising from the impact of COVID-19.

The Committee has played a critical role in supporting our business and the Board by discharging its mandate in full, including the examination of the exceptional matters arising from the pandemic and from The Crown Estate's fast-changing business environment. That has included playing a central role in continuing to support the development of our internal control environment, our accounting policies and approach to risk. Following each meeting, the Committee has provided formal updates to the Board to ensure transparency and effective knowledge transfer.

Membership and attendance 2020/21 financial year

Paula Hay-Plumb (Chair)
5/5

Lynda Shillaw
5/5

James Darkins
5/5

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

- Paula Hay-Plumb, 6.5 years (as Chair)
- James Darkins, 5.5 years
- Lynda Shillaw, 3.5 years

"The Audit Committee has played a critical role in supporting The Crown Estate's resilience during the ongoing COVID-19 disruption."

Paula Hay-Plumb
Chair of the Audit Committee

Composition of the Audit Committee

Membership of the Committee remained unchanged throughout 2020/21. 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 The Crown Estate's website at: thecrownestate.co.uk/our-board

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

18%	Governance and risk management
21%	Internal audit
23%	Financial reporting and related matters
21%	External audit
13%	Other (e.g. litigation)
4%	Property valuation and performance

Reporting and assurances

In order to best enable the discharge of its duties, the Committee reviewed and obtained reports and assurances from a number of internal and external contributors. Reports included updates in relation to key matters of focus, covering for example the status of our Risk Management Framework and Capability and our risk management approach to the Offshore Wind Leasing Round 4 process. Other key sources of assurance included:

- **Management's update on accounting matters, disclosures and judgements in relation to the financial statements**. The Chief Financial Officer (and latterly the Interim Chief Financial Officer) provided regular reports to the Committee, outlining the proposed approach for treatment of significant judgements, accounting standards and alignment with the 2018 UK Corporate Governance Code. This included providing the Committee with assurance on key processes underlying our statements on viability and 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 evolution of our approach to assurance and the continued refinement of management's assurance framework. That framework provides a structured basis for the assessment of assurance suitability and the identification of areas of focus and improvement, including the plan for Internal Audit activity through the year. The assurance framework was supplemented by management's self-assessment of internal control maturity and its own planned activities for strengthening internal controls.
- **Management reports on processes to support effective management of key risks**. The Committee focused on risk through review of The Crown Estate's risk management processes. Deep dives on particular areas of risk management were undertaken through two 'risk spotlight' sessions. In 2020/21, the Committee requested and received risk spotlights on Risk Management Framework and Capability and Offshore Wind Leasing Round 4, with both sessions being undertaken at the July 2020 Committee meeting.
- **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 (inclusive of a broad range of financial and conduct impropriety) can be reported through a dedicated and publicly advertised whistleblowing hotline and email inbox, which is overseen by the Head of Internal Audit. The whistleblowing hotline is made available to customers, suppliers, stakeholders and members of the public, as well as The Crown Estate's staff. If suspected fraud involves a senior member of staff, it is 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 the status of any ongoing investigations and whether any fraud or bribery has been identified at each meeting. No instances of fraud or bribery were reported to the Committee in the 2020/21 financial year.

External auditor performance

The appointment of the Comptroller and Auditor General as external auditor is mandated by the Crown Estate Act 1961. The Committee undertook a structured assessment process of the National Audit Office's performance, for the 2019/20 audit year. The review process enables insightful feedback to be provided formally, under a performance framework agreed between The Crown Estate and the NAO.

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.

Assurance of the 2020/21 Annual Report and Accounts

Each financial year, the Committee provides a series of key assurances to the Board in connection with the Board's approval of the Annual Report and Accounts. In relation to the 2020/21 Annual Report and Accounts, the Committee requested that the standing assurance process (whereby the Committee convenes to consider the Annual Report and Accounts at its June meeting) was augmented to allow an extended examination of priority matters. Those priority items arose from significant events during the financial year, including the ongoing disruption caused by COVID-19 and the delivery of the Offshore Wind Leasing Round 4 auction process. That augmentation was catered for through two additional Committee meetings, held in April and May 2021. At those meetings the Committee considered: the valuation methodology for offshore wind; integrated reporting assurances; risk appetite; key valuation items; Accounting Officer assurances; and provisions against rent and lease incentive receivables.

AUDIT, RISK AND INTERNAL CONTROL
continued

Significant areas of judgement

At its June 2021 meeting, 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.

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 and assumptions. The Committee was satisfied that the valuation was professionally conducted resulting in an effective valuation and that appropriate disclosure has been made. 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

At its June 2021 meeting, the Committee considered whether the process followed in the production of the 2020/21 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'. 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 2020

- Review of Chief Financial Officer report
- Review of internal audit programme and results
- Review of Head of Internal Audit Annual Report 2019/20
- Initial review of going concern and viability assessment
- Initial review of matters of substance to support the Annual Report and Accounts
- Initial review of governance and assurance to support annual valuation of The Crown Estate 2019/20
- Review of external audit progress report on the 2019/20 financial statement audit
- Initial review of draft financial statements for 2019/20.

July 2020

- Review of Chief Financial Officer report
- Review and approval of amendments to the Internal Audit Plan 2020/21
- Risk spotlights
- Review of information security update.

August 2020

- Review of management assurances on internal control
- Reconfirmation and final review of the going concern and viability assessment
- Reconfirmation and final review of matters of substance to support the Annual Report and Accounts
- Reconfirmation and final review of governance and assurance to support annual valuation of The Crown Estate 2019/20
- Review of assurances over Integrated Reporting
- Review of external audit report on the 2019/20 Annual Report and Accounts
- Review and endorsement of management letters of representation for presentation to the Board
- Review and endorsement of the 2019/20 Annual Report and Accounts for presentation to the Board.

December 2020

- Review of Chief Financial Officer report
- Review of internal audit programme and results
- Review of governance update from Joint Venture Oversight Group
- Review of litigation update
- Review of information security update
- Review of external audit planning report
- Review of impairment of receivables
- Review of external audit effectiveness and reappointment.

March 2021

- Review of Chief Financial Officer report
- Review of internal audit programme and results
- Endorse the internal audit programme for 2021/22
- Review of the Control Assurance and Maturity
- Note and approve the Internal Audit Charter
- Review external audit's progress report on the 2020/21 financial statement audit
- Approval of the recommendations resulting from the Internal Audit Co-source Tender.

REMUNERATION

The Remuneration Committee report

Membership and attendance 2020/21 financial year

James Darkins (Chair)
8/8

Robin Budenberg
8/8

Peter Madden
8/8

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

- James Darkins, 5.5 years (2 years as Chair)
- Robin Budenberg, 1.5 years
- Peter Madden, 4.5 years

"After a challenging period in response to the pandemic, our role in the coming year will be to deliver remuneration policies and practices that support The Crown Estate's new purpose, values and strategic objectives."

James Darkins
Chair of the Remuneration Committee

Overview

In order to respond rapidly to the pandemic, the Remuneration Committee met eight times in the year, including four additional meetings. This helped to ensure that The Crown Estate's remuneration policies were adapted to meet the evolving needs of the business and its stakeholders.

The Committee is responsible for overseeing the remuneration for the entire business and maintaining direct oversight of executive remuneration. The remuneration strategy's objective is to ensure that remuneration practices achieve a balance between short-term financial goals and long-term strategic objectives. Additionally, it ensures that remuneration practices reinforce The Crown Estate's purpose, values and culture, alongside building a talented, diverse and motivated workforce.

The Committee has direct oversight of all reward policies and practices, including individual remuneration decisions for executive level staff, including the Chief Executive.

Membership

The Committee is chaired by James Darkins, who has held the position since 4 June 2019, having previously been a Committee Member. The other Members are Peter Madden and Robin Budenberg. See page 57 for how the Committee fits into our Governance structure.

Look back on 2020/21

At the outset of the pandemic the Committee took the decision to defer all discretionary rewards until such time as the pandemic's impact on the business and its stakeholders became clearer. This resulted in the measures outlined below, the majority of which involved deferral or sacrifice by staff across the business. The Committee would like to commend the entire Crown Estate team for the way in which it put personal considerations to one side in order to protect the business.

- The Group-wide annual pay review was cancelled and a salary freeze remained in place until the end of the financial year
- The Chief Executive and Non-Executive members of the Board took a voluntary reduction of 20% in their salaries and fees respectively from 1 May until 30 September 2020
- The Crown Estate's most senior leadership team took a voluntary salary reduction of 20% from 1 July until 30 September 2020
- The distribution of staff bonuses for the year-ended 31 March 2020 was deferred, despite the reward being for the pre-pandemic period. Agreement was reached with the Treasury to pay a bonus that was reduced by approximately one third on a per capita basis reflecting the performance against the net revenue profit target for the year ended 31 March 2020. The timing of bonus payments was also deferred and paid in instalments in March and May 2021, reflecting the delay in the payment of the net revenue profit to the Consolidated Fund for the year ended 31 March 2020
- The payment of an award under the Executive Long Term Incentive Plan (LTIP) was deferred until March 2021.

REMUNERATION
continued

Other activities

During the course of the past year, the Committee was involved in a number of activities, including:

- reviewing corporate governance and remuneration market trends
- supporting the remuneration response to the pandemic amongst stakeholders, industry peers and customers
- agreeing changes in pension arrangements
- appointing a strategic adviser to assist in devising a Total Reward Strategy (see below)
- reviewing the defined benefit pension scheme triennial valuation
- benchmarking executive positions
- adopting LTIP measures in light of the pandemic
- approving executive remuneration
- monitoring gender pay gap analysis and reporting.

Look forward to 2021/22

During the year the Board approved the new Group strategy for The Crown Estate. The role of the Committee is to ensure that remuneration practices are adapted to support the strategy's delivery by aligning staff reward to the new purpose, values and short and long-term business objectives.

To achieve this outcome the Committee, working hand-in-hand with the executive team, has commissioned a Total Reward Strategy review. The scope of this review extends from high level reward principles, to daily performance management within the business. The review's objective is to produce a performance management system that aligns Crown Estate staff performance and reward with the new Value Creation Framework.

Implementation of the Total Reward Strategy will be carried out in consultation with our stakeholders. In the intervening period, the Committee will continue to take appropriate steps in response to the pandemic and to ensure that The Crown Estate remains a competitive and attractive workplace as it seeks to recruit the skills and capabilities necessary to deliver on the strategy.

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. This 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 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 key stakeholders, such as the Chief Financial Officer and the Chair of Pension Scheme Trustees 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 Committee are invited to attend as required.

Advisers to the Remuneration Committee

The Committee is advised by Willis Towers Watson, 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 or Board Members.

Executive appointments

Paul Clark's appointment as the Chief Investment Officer ended on the 10 August 2020 after a service duration of 12 years and 9 months. Kate Bowyer's term as Chief Financial Officer (CFO) ends after four and a half years' service on 30 June 2021 and, in order to ensure a reasonable period of handover, The Crown Estate appointed Robert Allen as Interim Chief Financial Officer on 1 March 2021.

The key duties of the Remuneration Committee are:

- to ensure that independent judgement and discretion is applied to remuneration outcomes, reflecting Group 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 purpose, culture, values and strategy
- 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.

Non-executive appointments

Juliet Davenport was appointed as a Board Commissioner on 1 September 2020.

Remuneration policy and benchmarking

The Crown Estate's remuneration policy seeks to provide fair, equitable 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, when fully performing in their role, we aim to pay salaries by reference to the market with bonus awards determined by reference to the financial performance of the business and individual contribution.

The 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 outperform 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 the Committee 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.

As part of our Total Reward Strategy review, we will seek to clearly define and articulate our pay philosophy to enable more transparency and our benchmarking will reflect that.

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, subject to Committee review, 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 currently linked to delivery against key financial and business measures alongside demonstration of outstanding leadership and behavioural qualities. The Committee reviews the targets, measures and weightings to ensure they are aligned with the strategic priorities.

Principles and policy on executive annual bonuses

The annual discretionary bonus arrangement for the Group 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 and behavioural measures and individual performance ratings and is conditional on meeting 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.

Alignment with the 2018 UK Corporate Governance Code

The terms of reference for the Board and its Committees were revised to reflect our strategic goals at that time 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. We aim to revise our strategic goals and we will make sure that the terms of reference reflect this change as and if required.

Executive cash incentive plans

Ten people in the Group participate in an LTIP programme that was originally introduced in April 2016. The discretionary, non-pensionable, cash plan has a three-year vesting performance period. The award is subject to specific financial performance and leadership and behavioural measures. All LTIP awards and payments are subject to the approval of the Committee.

The maximum opportunity for the Chief Executive, and the Chief Financial Officer, is up to 40% of base pay. Seven other participants in the LTIP have an opportunity of up to 25%-40% of base pay. Dan Labbad, Chief Executive, 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 one senior manager remains a participant in the scheme.

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.

REMUNERATION
continued

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 members of the senior executive team.

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.

Dan Labbad held Non-Executive Director appointments as a Trustee of the Raspberry Pi Foundation, a Trustee of Ark Schools and a Director of The Hornery Institute.

Pensions

The Crown Estate operates two pension schemes: the Principle Civil Service Pension Scheme (PCSPS) and The Crown Estate Pension Scheme (CEPS). Each scheme comprises a number of sections, which offer different pension benefits. The Classic, Classic Plus and Premium sections of the PCSPS provide defined benefits based on final earnings. The Nuvos and Alpha sections of the PCSPS provide defined benefits based on career average earnings. PCSPS benefits are subject to an upper earnings limit of £172,800 for the 2021/22 financial year.

The CEPS scheme comprises the Quartz, Topaz and Opal sections. Quartz Core and Top Up is a hybrid scheme with two elements; a defined benefit section with an optional 'top up' defined contribution section. Topaz is a defined contribution scheme. Opal is a defined benefit scheme which is closed to new members.

Since March 2009, no new staff have been admitted to the PCSPS or the 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 opted out of pension membership receive a cash allowance equal to 8% of basic pay. The cash allowance is no longer offered to new staff or anyone opting out of pension membership, with the exception of those staff who opt out as a result of HMRC tax free pension limits.

At 31 March 2021, a total of 383 of our people were members of the CEPS and 99 were members of the PCSPS. A further 11 of our people receive the cash allowance and there were 18 non-qualifying members of staff. The total membership of 511 staff includes seasonal members of our Windsor Team.

The latest triennial funding valuation of the CEPS with effective date 31 March 2020 has recently been concluded and subsequent performance was considered. The Crown Estate and the Trustees of the CEPS determined that no deficit reducing contributions were required in relation to the funding of accrued service. In relation to future service, The Crown Estate's contribution rate will fall from 45% to 41.5% in respect of the Opal section, and from 19.5% to 17.1% in respect of the Quartz section, with effect from 1 April 2021 reflecting the well-funded nature of the scheme. Following consultation with members, The Crown Estate has also made a change to the Normal Retirement Age of the Quartz section of the CEPS, to align it with members' State Pension Age for benefits built up after 1 April 2021. This is reflected in the contribution rate shown above.

Pension benefits

Neither Dan Labbad nor Kate Bowyer are members of the CEPS as they elected to receive payments 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 with the earliest date he could have given notice being 1 January 2021. Kate Bowyer was 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. Kate elected to leave her post at the end of her first term as a Commissioner.

Board Counsellors

Board Counsellors are advisers to the Board and are usually appointed for a period of four years with consideration to a second term being available.

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 (£)[2]		Bonus payments (£)		LTIP (£)		Other payments (£)[2]		Benefits in-kind (to the nearest £100)[2]		Total (to the nearest £1,000)	
	2020/21	2019/20	2020/21	2019/20 (restated)[1]	2020/21	2019/20 (restated)[1]	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 (restated)[1]
Robin Budenberg	45,833	50,000	-	–	-	–	-	–	-	–	46,000	50,000
Alison Nimmo (former Chief Executive – appointment expired 31 December 2019)[1,2]	-	264,239	-	126,291	-	99,238	-	31,055	-	700	-	522,000
Dan Labbad (Chief Executive – appointed 9 December 2019)[1,2]	365,715	123,120	-	83,211	-	–	45,240	14,025	900	300	412,000	221,000
Kate Bowyer (Chief Financial Officer)[1,2]	223,631	233,065	-	86,000	-	69,957	33,431	33,188	900	900	258,000	423,000
James Darkins[3]	22,917	24,125	-	–	-	–	-	–	-	–	23,000	24,000
Paula Hay-Plumb[3]	22,917	25,000	-	–	-	–	-	–	-	–	23,000	25,000
Ian Marcus[4] (until appointment as Board Counsellor on 1 January 2020)	-	15,875	-	–	-	–	-	–	-	–	-	16,000
Lynda Shillaw	18,333	20,000	-	–	-	–	-	–	-	–	18,000	20,000
Karen Jones (appointed 1 January 2020)[5]	18,333	5,000	-	–	-	–	-	-	-	-	18,000	5,000
Juliet Davenport (appointed 1 September 2020)[6]	11,333	–	-	–	-	–	-	–	-	–	11,000	–

1 With respect to the 2019/20 financial year, The Crown Estate has subsequently made the deferred bonus and LTIP payments and the 2019/20 figures have been restated to reflect this.
The 2019/20 full year equivalent salary for Alison Nimmo was £352,318 and total remuneration £620,000 and for Dan Labbad the full year equivalent salary was £388,441 and total remuneration was £517,000.
2 Other payments for Dan Labbad, Alison Nimmo and Kate Bowyer comprise an allowance in lieu of pension contributions. Salary amounts for Dan Labbad and Kate Bowyer include a 5.34% flexible benefits allowance. Benefits in-kind payment is private medical insurance.
3 The various Committee Chairs received an additional £4,584 per annum to reflect their greater level of responsibility.
4 The 2019/20 full year equivalent total remuneration for Ian Marcus was £21,000.
5 The 2019/20 full year equivalent total remuneration for Karen Jones was £20,000.
6 The 2020/21 full year equivalent total remuneration for Juliet Davenport was £18,000.

Board Counsellors

	Salary £	
Single total figure for remuneration	2020/21	2019/20
Peter Madden	18,333	20,000
Ian Marcus (appointment as Board Counsellor on 1 January 2020 until appointment expired on 31 May 2020)[1]	3,000	5,000

1 The 2020/21 full year equivalent total remuneration for Ian Marcus was £18,000 (2019/20: £21,000).

GLT Committee

	Salary (within a £5,000 band)		Bonus payments (within a £5,000 band)		LTIP (within a £5,000 band)		Pension benefits (to the nearest £1,000)[2]		Benefits in-kind (to the nearest £100)		Total (within a £5,000 band)	
	2020/21 £'000	2019/20 (restated) £'000	2020/21 £'000	2019/20 (restated) £'000	2020/21 £'000	2019/20 (restated) £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 (restated) £'000	2020/21 £'000	2019/20 (restated) £'000
Judith Everett	200-205	210-215	-	70-75	-	35-40	30	30	0.9	0.9	230-235	350-355
Robert Allen (appointed 1 March 2021)[1]	25-30	–	-	–	-	–	-	–	-	–	25-30	–
Paul Clark (left 10 August 2020)[3]	180-185	275-280	-	100-105	-	80-85	345	47	0.4	0.9	525-530	510-515

Judith Everett as a member of the Group Leadership Team is appointed on a permanent contract which provides for a notice period of six months. Robert Allen was appointed on a fixed term contract.

1 The 2020/21 full year equivalent salary for Robert Allen is £350,000-£355,000.
2 In the case of the defined benefit sections of the scheme the value of the 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 For 2020/21 Paul Clark's FTE salary for the year was £280,000-£285,000. Amounts in the table above include compensation for loss of office which is as detailed on page 80.

REMUNERATION
continued

Pension benefits

Executive Committee Member	Accrued pension at normal retirement date as at 31 March 2021 £'000	Real increase in pension at normal retirement date £'000	Cash equivalent transfer value at 31 March 2021 £'000	Cash equivalent transfer value at 31 March 2020 £'000	Real increase in cash equivalent transfer value £'000
Judith Everett	n/a	n/a	n/a	n/a	n/a
Robert Allen	n/a	n/a	n/a	n/a	n/a
Paul Clark[1]	30-35	5-7.5	1,351	926	225

1 Paul Clark left the Scheme on 10 August 2020. Paul Clark's benefits at date of leaving were uplifted in line with the provisions of The Crown Estate's compulsory early retirement policy. The Crown Estate made an augmentation payment of £330,000 to the Scheme to cover this uplift. The figures stated in the table above at 31 March 2021 represent the position at 10 August 2020. On 1 December 2020, Paul Clark decided to transfer his benefits out of the scheme and therefore has no further benefits within the Scheme. The actual transfer value paid on 1 December 2020 was £1,299,000 reflecting the uplifted benefits after deduction of £52,000 of Scheme Pays Pension Debits.

Pay multiples

	2020/21	2019/20[1] (restated)
Band of highest paid executive's total remuneration on an annualised basis (as defined below) £'000	365-370	460-465
Median total remuneration of all staff £	51,764	51,570
Ratio	7.10	8.97

1 For the year to March 2020 balances have been restated to reflect the deferred bonus and LTIP pay.

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.

	2020/21 Number	2019/20 Number
£10,001-£25,000	1	1
£25,001-£50,000	1	1
£50,001-£100,000	2	2
£100,001-£150,000	1	–
Total number of exit packages	5	4
Total cost (£'000)	310	205

1. Kate Bowyer is leaving The Crown Estate on 30 June 2021 and will receive a severance payment of £88,081.
2. Paul Clark left The Crown Estate on 10 August 2020 and received a severance payment of £83,800 and £330,000 in respect of his entitlement to enhanced benefits.

Staff report

	2020/21 £m	2019/20 £m	2020/21 Average number	2019/20 Average number
Commissioners	0.8	0.9	9	9
Staff with employment contracts	41.6	37.5	472	447
As shown in note 7 of the financial statements (excluding reorganisation and early retirement costs)	42.4	38.4	481	456
Other staff engaged on the objectives of The Crown Estate	2.0	2.0	14	16
Total staff	44.4	40.4	495	472

There were no off-payroll payments made during the year.

James Darkins
Chair of the Remuneration Committee

9 June 2021

Financial statements

For the Group and Parent for the year ended 31 March 2021

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 of its Group for the year ended 31 March 2021 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards, except where the requirements of International Accounting Standards conflict with the Crown Estate Act 1961.

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 Group's and The Crown Estate's affairs as at 31 March 2021 and of the Group's consolidated revenue account profit and consolidated capital account profit for the year then ended; and
- have been properly prepared in accordance with the Crown Estate Act 1961 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of The Crown Estate in accordance with the ethical requirements that are relevant to my audit of 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 framework of authorities that has been considered in the context of my opinion on regularity includes the Crown Estate Act 1961, The Crown Estate's framework agreement with HM Treasury and Managing Public Money.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that The Crown Estate's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Board's assessment of The Crown Estate's ability to continue to adopt the going concern basis of accounting included understanding 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. I have also reviewed the evidence supporting their going concern and Viability Statement assessments. I made no observations with respect to that assessment.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on The Crown Estate's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to The Crown Estate's reporting on how the UK Corporate Governance Code has been applied, I have nothing material to add or draw attention to in relation to 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.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the 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) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I have determined that there are no other key audit matters to communicate in my certificate and report.

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 included information relating to the work I have performed around the presumed risk of management override of controls, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 72-74.

In this year's certificate the following change to the risks identified has been made compared to my prior year certificate:

- A new key audit matter was identified this year in respect of the recoverability of receivables.

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 2021. 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 investment property valuations in the prior year and all valuations commissioned by The Crown Estate as at 31 March 2020 included a 'material uncertainty' clause to express that a higher degree of caution should be attached to valuations. Whilst valuers have removed this clause from valuations as at 31 March 2021 in the majority of sectors, continued disruption to the market from Covid-19 and structural changes in the retail sector is continuing to impact both the volatility and the uncertainty of investment property valuations.

The Crown Estate's balance sheet has also increased by £1.9 billion as a result of valuing Offshore Wind Round 4 assets for the first time. As the projects are at the early stage of the process, this introduced additional volatility and uncertainty around key assumptions used in the valuations and resulted in an increased audit risk.

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 periods and of the property market at the year end.

I responded to the estimation uncertainty on Offshore Wind Round 4 assets through scrutiny of assumptions relating to future periods, consideration of alternative assumptions and procedures to assess the appropriateness of disclosures in The Crown Estate's accounts.

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. The disclosures within notes 3 and 18 of the financial statements provide further details of the key assumptions underpinning the valuations and the sensitivity of the valuations to a change in assumptions.

Revenue recognition

Description of risk

The Crown Estate has a strategic objective to deliver a compound 4% per annum increase in the consolidated revenue account 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 consolidated revenue account profit of £368.9 million in 2020-21. The growth in consolidated revenue account profit 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 profit growth 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.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

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 observed that the consolidated revenue account profit performance measure would not be achieved due to the impact of Covid-19 on The Crown Estate's revenue and expected credit loss provision. The 2020-21 consolidated revenue account profit was reported as £269.3 million.

I have also considered whether management's recognition of revenue from unsettled rent reviews is appropriate and considered the findings from my review of the recoverability of receivables, an additional key audit matter.

Key observations
I found The Crown Estate's controls to be designed and implemented adequately. I have no matters to raise from my testing of revenue recognition.

Recoverability of receivables

Description of risk
The Crown Estate recognised an immaterial expected credit loss provision in respect of receivables in 2019-20 of £20.0 million. Most of this was due to a reduction of collection rates from March 2020 onwards due to Covid-19 disruption and the UK being in lockdown.

Additional Covid-19 related restrictions in November 2020 and January 2021 put additional strain on tenants, especially those in the retail and leisure sectors, where many remained closed. The moratorium on rent collection introduced by the Government as a support measure for tenants, has impacted The Crown Estate's ability to pursue collection of outstanding debts. This affected the collection rates for all of the rental quarters during 2020-21 and has led to a significant increase in the gross receivables subject to the expected credit loss provision at 31 March 2021 (£180.7 million compared to £73.9 million in the previous year) as well as the actual expected credit loss provision at 31 March 2021 (£73.6 million compared to £20.0 million in the previous year).

I consider the valuation of expected credit losses to present a risk of material misstatement as it requires a degree of judgment around each customer's financial situation, and an assessment as to the likelihood of debt recovery.

How the scope of my audit responded to the risk
I have considered the design and implementation of key controls over estimation processes, including how assumptions are set and reviewed at a customer level, and how the expected credit loss models are maintained.

I have reviewed the reasonableness of key assumptions and tested a sample of input data sources, for example rent arrears balances for individual customers.

I have reviewed the modelling methodology and have tested the integrity of the model.

Key observations
I found The Crown Estate's controls around the estimation of credit losses to be designed and implemented adequately. I have no matters to raise from my testing of expected credit losses.

Application of materiality

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 as a whole as follows:

	The Crown Estate Group	The Crown Estate
Materiality	£168m	£167m
Basis for determining materiality	1% of gross assets of £16.8bn (£14.6bn in 2019-20)	1% of gross assets of £16.9bn (£14.5bn in 2019-20). This has been adjusted to £167m to be lower than the materiality applied to the Group.
Rationale for the benchmark applied	I chose gross assets as a benchmark as I consider it to be the principal consideration for users assessing the financial performance of the Group.	I chose gross assets as a benchmark as I consider it to be the principal consideration for users assessing the financial performance of The Crown Estate.

I have determined that for financial statement components connected with the consolidated revenue account, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts given the consolidated revenue account profit is distributable to the Consolidated Fund. I have therefore determined that the level to be applied to these components is £31.5 million (for both The Crown Estate and the Group), being approximately 10% of the normalised (three-year average) consolidated revenue account profit.

Performance Materiality
I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of materiality for the 2020-21 audit (2019-20: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations
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 Executives' 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.

Error Reporting Threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit Committee have decreased net assets by £5.2 million.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of The Crown Estate and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Total assets for the Group are £16,815.3 million, of which £16,906.6 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 other information comprises information included in the Strategic Report and Governance sections of 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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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;
- the information given in the Strategic Report 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

In the light of the knowledge and understanding of The Crown Estate and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report and Governance sections of the annual report. 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.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Corporate governance statement

The Listing Rules require me to review the Board's and Accounting Officer's statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to The Crown Estate's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Strategic Report and Governance section is materially consistent with the financial statements or my knowledge obtained during the audit:

- the Board's statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 35);
- the Board's and Accounting Officer's explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate (set out on page 35);
- the Accounting Officer's statement on fair, balanced and understandable (set out on page 67);
- the Board's and Accounting Officer's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 46);
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on pages 46-52 and 72-74); and
- The section describing the work of the Audit Committee (set out on pages 72-74).

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Accounting Officer's Statement, the Chief Executive as Accounting Officer and the Board are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board and Accounting Officer determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing The Crown Estate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer either anticipates that the services provided by The Crown Estate will not continue to be provided in the future, or has no realistic alternative but to cease operations.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, The Crown Estate's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to The Crown Estate's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including The Crown Estate's controls relating to the Crown Estate Act 1961, The Crown Estate's framework agreement with HM Treasury and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in investment property valuations;
- obtaining an understanding of The Crown Estate's framework of authority as well as other legal and regulatory frameworks that The Crown Estate operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of The Crown Estate. The key laws and regulations I considered in this context were the Crown Estate Act 1961, The Crown Estate's framework agreement with HM Treasury, Managing Public Money, and relevant property, health and safety, employment, pensions and taxation legislation;
- reviewing The Crown Estate's accounting policies; and
- using analytical procedures to identify any unusual or unexpected relationships and transactions.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- in addressing the risk of fraud in revenue recognition, reviewing the design and implementation of controls over processing of revenue, sample testing of non-rental income and receivables, and reviewing whether management's recognition of revenue from unsettled rent reviews is appropriate;
- engaging property valuation specialists to review the methodology and key assumptions related to the valuation of The Crown Estate's investment property portfolio.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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.

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
Victoria
London SW1W 9SP

14 June 2021

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated revenue account for the year ended 31 March

	Note	2020/21 £m	2019/20 £m
Revenue	5	482.7	516.2
Expenses	6	(179.3)	(161.4)
Operating profit		303.4	354.8
Net finance income	9	1.0	5.0
Share of revenue profit from joint ventures	19	14.8	31.0
Share of revenue profit from other property investments	20	0.8	2.4
Net operating profit before depreciation, Treasury agreements and Statutory transfers		320.0	393.2
Depreciation of tangible fixed assets	10, 21	(5.6)	(4.8)
Net operating profit before Treasury agreements and Statutory transfers		314.4	388.4
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	(37.3)	(34.9)
Statutory transfers	13	(10.1)	(10.8)
Parliamentary supply finance	14	2.3	2.3
Consolidated revenue account profit		269.3	345.0
Consolidated statement of comprehensive income of the revenue account			
Consolidated revenue account profit		269.3	345.0
Item that will not be reclassified subsequently to revenue account profit:			
Re-measurement (loss)/gain in retirement benefits	8c	(3.2)	1.8
Total consolidated comprehensive income of the revenue account		266.1	346.8

Consolidated capital account for the year ended 31 March

	Note	2020/21 £m	2019/20 £m
Capital account expenditure		(15.6)	(14.6)
Net revaluation gain/(loss) in investment properties (including gain on disposal)	11	1,253.5	(112.3)
Share of revaluation loss in joint ventures (including gain on disposal)	11	(136.7)	(169.2)
Share of revaluation loss in other property investments	11	(13.3)	(11.3)
Capital profit/(loss) before Treasury agreements and Statutory transfers		1,087.9	(307.4)
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	37.3	34.9
Statutory transfers	13	10.1	10.8
Consolidated capital account profit/(loss)		1,135.3	(261.7)
Consolidated statement of comprehensive income of the capital account			
Consolidated capital account profit/(loss)		1,135.3	(261.7)
Items that will not be reclassified subsequently to capital account profit:			
Revaluation gain/(loss) in owner occupied properties	11	3.4	(4.3)
Revaluation gain in antiques	22	-	0.1
Total consolidated comprehensive income/(loss) of the capital account		1,138.7	(265.9)

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 £266.1 million (2019/20: £346.8 million) and a total comprehensive income of the capital account of £1,176.9 million (2019/20: £206.5 million) are recorded in the financial statements of the parent for the year ended 31 March 2021.

No income statement or statement of comprehensive income is presented for the parent.

BALANCE SHEETS
As at 31 March

	Note	Group 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Assets					
Non-current assets					
Investment properties	16	**13,094.2**	11,972.2	**12,872.5**	11,724.8
Owner occupied properties	17	**134.2**	131.8	**134.2**	131.8
Investment in joint ventures	19	**667.9**	802.7	**667.9**	802.7
Other property investments	20	**54.7**	68.0	**10.9**	17.6
Property, plant and equipment	21	**29.1**	30.3	**29.1**	30.3
Other investments	22	**10.9**	10.9	**10.9**	10.9
Trade and other receivables	23	**488.1**	434.7	**488.1**	434.7
Pension asset	8	**8.2**	11.8	**8.2**	11.8
Total non-current assets		**14,487.3**	13,462.4	**14,221.8**	13,164.6
Current assets					
Assets held for sale	16	**18.9**	8.5	**18.9**	8.5
Trade and other receivables	23	**134.6**	105.6	**494.7**	461.0
Cash and cash equivalents		**2,174.5**	1,029.1	**2,171.2**	1,023.7
Total current assets		**2,328.0**	1,143.2	**2,684.8**	1,493.2
Total assets		**16,815.3**	14,605.6	**16,906.6**	14,657.8
Liabilities					
Current liabilities					
Payables and deferred income	24	**674.0**	496.9	**670.3**	492.3
Provisions	25	**3.4**	–	**3.4**	–
Total current liabilities		**677.4**	496.9	**673.7**	492.3
Non-current liabilities	24	**937.6**	43.9	**937.6**	43.9
Total liabilities		**1,615.0**	540.8	**1,611.3**	536.2
Net assets		**15,200.3**	14,064.8	**15,295.3**	14,121.6
Capital and reserves					
Revenue reserve available for distribution to the Consolidated Fund		**2.3**	1.9	**2.3**	1.9
Pension reserve		**8.2**	11.8	**8.2**	11.8
Capital reserve		**15,134.2**	13,997.4	**15,229.2**	14,054.2
Revaluation reserve		**55.6**	53.7	**55.6**	53.7
Total capital and reserves		**15,200.3**	14,064.8	**15,295.3**	14,121.6

Dan Labbad
Chief Executive, Second Commissioner and Accounting Officer

9 June 2021

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 2020	1.9	11.8	13.7	13,997.4	53.7	14,051.1	14,064.8
Net consolidated profit for the year	269.3	–	269.3	1,135.3	–	1,135.3	1,404.6
Other consolidated comprehensive income:							
Revaluation gain in owner occupied properties (note 17)	–	–	–	–	3.4	3.4	3.4
Re-measurement loss in retirement benefits (note 8)	–	(3.2)	(3.2)	–	–	–	(3.2)
Total consolidated comprehensive profit for the year ended 31 March 2021	269.3	(3.2)	266.1	1,135.3	3.4	1,138.7	1,404.8
Transfer from owner occupied reserve	–	–	–	1.5	(1.5)	–	–
Pension reserve adjustment	0.4	(0.4)	–	–	–	–	–
Payable to the Consolidated Fund in respect of current year net revenue profit (note 15)	(269.3)	–	(269.3)	–	–	–	(269.3)
As at 31 March 2021	2.3	8.2	10.5	15,134.2	55.6	15,189.8	15,200.3

	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 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 (note 17)	–	–	–	–	(4.3)	(4.3)	(4.3)
Revaluation gain in antiques (note 22)	–	–	–	0.1	–	0.1	0.1
Re-measurement gain in retirement benefits (note 8)	–	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)	–	–	–	–	–
Payable to the Consolidated Fund in respect of current year net revenue profit (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

Parent	Revenue account			Capital account			Total
	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 2020	1.9	11.8	13.7	14,054.2	53.7	14,107.9	14,121.6
Net profit for the year	269.3	–	269.3	1,173.5	–	1,173.5	1,442.8
Other comprehensive income:							
Revaluation gain in owner occupied properties (note 17)	–	–	–	–	3.4	3.4	3.4
Re-measurement loss in retirement benefits (note 8)	–	(3.2)	(3.2)	–	–	–	(3.2)
Total comprehensive profit for the year ended 31 March 2021	269.3	(3.2)	266.1	1,173.5	3.4	1,176.9	1,443.0
Transfer from owner occupied reserve	–	–	–	1.5	(1.5)	–	–
Pension reserve adjustment	0.4	(0.4)	–	–	–	–	–
Payable to the Consolidated Fund in respect of current year net revenue profit (note 15)	(269.3)	–	(269.3)	–	–	–	(269.3)
As at 31 March 2021	2.3	8.2	10.5	15,229.2	55.6	15,284.8	15,295.3

	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 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 (note 17)	–	–	–	–	(4.3)	(4.3)	(4.3)
Revaluation gain in antiques (note 22)	–	–	–	0.1	–	0.1	0.1
Re-measurement gain in retirement benefits (note 8)	–	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)	–	–	–	–	–
Payable to the Consolidated Fund in respect of current year net revenue profit (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

STATEMENTS OF CASH FLOWS

For the year ended 31 March

	Group 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Operating profit – consolidated revenue account	303.4	354.8	299.0	354.8
Increase in provisions for retirement benefits	0.7	0.4	0.7	0.4
Increase in receivables	(43.2)	(2.5)	(42.7)	(23.2)
Increase/(decrease) in payables	1,046.9	(13.7)	1,049.7	(14.0)
Increase/(decrease) in provisions	3.4	(1.1)	3.4	(1.1)
Cash generated from operating activities	**1,311.2**	337.9	**1,310.1**	316.9
Interest received	1.3	5.1	1.3	5.1
Revenue distributions from investments in joint ventures and subsidiaries	26.0	29.9	26.0	29.9
Distributions received from other property investments	0.8	2.4	–	1.5
Net cash inflow from operating activities	**1,339.3**	375.3	**1,337.4**	353.4
Cash flows from investing activities				
Acquisition of investment properties	(4.2)	(311.8)	(2.1)	(300.1)
Capital expenditure on investment properties	(74.7)	(146.7)	(72.8)	(137.7)
Proceeds from disposal of investment properties	143.0	349.7	143.0	349.7
Other capital receipts	5.5	6.8	5.5	6.8
Capital distributions from investments in joint ventures	–	0.9	–	0.9
Net investment in joint ventures	(13.1)	(29.9)	(13.1)	(29.9)
Purchase of plant and equipment and other investments	(4.5)	(5.3)	(4.5)	(5.3)
Net cash inflow/(outflow) from investing activities	**52.0**	(136.3)	**56.0**	(115.6)
Cash flows from financing activities				
Finance lease payments	(1.2)	(1.5)	(1.2)	(1.5)
Parliamentary supply finance	2.3	2.3	2.3	2.3
Net cash inflow from financing activities	**1.1**	0.8	**1.1**	0.8
Net increase in cash and cash equivalents before Consolidated Fund payment	**1,392.4**	239.8	**1,394.5**	238.6
Consolidated Fund payment	(247.0)	(13.5)	(247.0)	(13.5)
Increase in cash in the year after Consolidated Fund payment	**1,145.4**	226.3	**1,147.5**	225.1
Cash and cash equivalents at start of the year	1,029.1	802.8	1,023.7	798.6
Cash and cash equivalents at end of the year	**2,174.5**	1,029.1	**2,171.2**	1,023.7

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) adopted by the UK, 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.

The Crown Estate was established with a resilient capital structure and no debt. As described in the Financial review on pages 30-35, we have agreed a structured process for the payment of our annual net revenue surplus to the Treasury, which allows adequate revenue cash reserves to settle obligations as they fall due for a period of at least 12 months from the date these financial statements are signed. As a result, these financial statements have been 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 31 March 2020. 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 2020.

Standard, impact and effective date	Actual/likely impact for The Crown Estate
Amendments to IAS 1 (Presentation of financial statements) and IAS 8 (Accounting policies, changes in accounting estimates and errors) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards and is effective for The Crown Estate from 1 April 2020.	There has not been 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.	There has not been any material change to the reported results of disclosures from this change.
Amendments to IFRS 16: Covid-19-Related Rent Concessions was issued 28 May 2020 (updated in July 2020) and is effective for The Crown Estate from 1 April 2021.	The Crown Estate does not anticipate any material change to the reported results or disclosures from this change as the change does not impact lessor accounting which follows existing guidance although the clarifications provided by the IASB in its education document are applicable to lessors.

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS

continued

2. Significant accounting policies

2a. Basis of consolidation

The consolidated financial statements for the year ended 31 March 2021 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 a lease has been entered into, 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 last 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 contains a lease. A contract 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, which is physically distinct or represents substantially all of the capacity of a distinct asset and there are no substantive substitution rights.
- 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 equal to the net investment in the lease at inception. Rentals received are accounted for as repayments of principal and finance income as appropriate. 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.

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS
continued

2. Significant accounting policies (continued)

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
Non-lease revenue is 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.

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 terms and attributes as leases, but do not qualify as leases as the asset is not explicitly identified within the contract. Revenue from licences is recognised on a straight-line basis over the term of the licence and is reported separately from lease revenue.

  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
  The cost of property management and support services provided to joint venture and joint operating partners in relation to the properties managed is recognised evenly across the period over which the services are provided. Distributions from equity investments 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.

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 discount rates. The valuers also compare their valuations to market data for other similar assets.

Given the lack of directly comparable transactions for our interests in offshore wind farms, establishing appropriate discount rates is inherently subjective and there is a greater degree of valuer judgement required in comparison to a traditional property valuation. As a result, and similar to the valuation of investment properties, the valuation of interests on offshore wind farms are subject to a degree of uncertainty and are determined on the basis of assumptions which may change with future events. Further details on key assumptions are included within note 18.

Following a resumption of activity in the capital markets, the material uncertainty clause that was a feature of the 31 March 2020 valuation has been lifted.

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, which is further analysed in the Financial review on pages 30-35.

Receivables have increased significantly through the year as a result of government guidance and restrictions arising from COVID-19. Judgement is required in assessing the recoverability of rental and service charge receivables as many debtors are financially stressed and it is unclear how market actions or future interventions could affect recovery of these receivables.

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. The same inherent judgement is required when assessing the carrying value of receivables, although the longer-term recovery period increases the uncertainty around collection.

The Crown Estate assesses the likely recoverability of receivables for potential provisions which are estimated using an expected credit loss model. To estimate the provision, The Crown Estate considers recent payment history; and future expectations of customers' ability and willingness to pay in order to recognise a lifetime expected credit loss allowance. Expected credit losses for all receivables are calculated using the simplified approach.

Waivers of lease receivable balances are fully expensed in the Statement of Comprehensive Income when agreed with customers in accordance with derecognition requirements of IFRS 9, and are not associated with another future lease modification.

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS
continued

4. Segmental analysis

The Crown Estate operations are all in the UK and are currently organised into four Strategic Business Units, plus central costs. These four Strategic Business Units are the basis on which operations are monitored and in the 2020/21 financial year, decisions were made by the voting members of the GLT, who are considered to be the Primary Operating Decision Makers. From 1 April 2021 the management of the rural portfolio will move from the Regional to the Windsor & Rural Strategic Business Unit.

							2020/21
Consolidated revenue account	**Note**	**London £m**	**Regional £m**	**Marine £m**	**Windsor Estate £m**	**Central costs/ other £m**	**Total £m**
Lease revenue	5	208.1	97.2	95.0	7.3	-	407.6
Finance lease revenue	5	8.0	-	-	-	-	8.0
Other revenue from contracts with customers	5	0.4	2.0	25.8	5.2	-	33.4
Property management and support services	5	2.1	1.7	-	-	-	3.8
Revenue (excluding service charge revenue)	5	218.6	100.9	120.8	12.5	-	452.8
Service charge revenue	5	21.6	8.3	-	-	-	29.9
Revenue – as reported	5	240.2	109.2	120.8	12.5	-	482.7
Direct property expenses	6	(44.0)	(28.4)	(5.7)	(9.6)	-	(87.7)
Service charge expenses	6	(39.8)	(13.3)	-	-	-	(53.1)
Total direct expenses		(83.8)	(41.7)	(5.7)	(9.6)	-	(140.8)
Gross profit		156.4	67.5	115.1	2.9	-	341.9
Administrative expenses[1]	6	4.2	-	-	(0.1)	(42.6)	(38.5)
Operating profit/(loss)		160.6	67.5	115.1	2.8	(42.6)	303.4
Net finance income	9	-	-	-	-	1.0	1.0
Share of revenue profit from joint ventures[1]	19	3.1	11.7	-	-	-	14.8
Share of revenue profit from other property investments	20	0.8	-	-	-	-	0.8
Net operating profit/(loss) before depreciation, Treasury agreements and Statutory transfers		164.5	79.2	115.1	2.8	(41.6)	320.0
Depreciation of tangible fixed assets	10, 21	-	-	-	(0.4)	(5.2)	(5.6)
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	-	-	-	-	(37.3)	(37.3)
Statutory transfers	13	-	-	-	-	(10.1)	(10.1)
Parliamentary supply finance	14	-	-	-	-	2.3	2.3
Consolidated revenue account profit/(loss) – distributable to the Consolidated Fund		164.5	79.2	115.1	2.4	(91.9)	269.3

1 Included within the 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	London £m	Regional £m	Marine £m	Windsor Estate £m	Central costs/ other £m	Total £m
							2020/21
Capital account expenditure		(5.0)	(3.5)	(7.0)	(0.1)	-	(15.6)
Net revaluation (loss)/gain in investment property (including gain on disposal)	11	(699.0)	(183.6)	2,135.8	0.3	-	1,253.5
Share of revaluation loss in joint ventures (including gain on disposal)	11	(25.6)	(111.1)	-	-	-	(136.7)
Share of revaluation loss in other property investments	11	(6.6)	(6.7)	-	-	-	(13.3)
Capital (loss)/profit before Treasury agreements and Statutory transfers		(736.2)	(304.9)	2,128.8	0.2	-	1,087.9
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	-	-	-	-	37.3	37.3
Statutory transfers	13	-	-	-	-	10.1	10.1
Consolidated capital account (loss)/profit		(736.2)	(304.9)	2,128.8	0.2	47.4	1,135.3

Investment properties	Note	London £m	Regional £m	Marine £m	Windsor Estate £m	Central costs/ other £m	Total £m
							2020/21
Market value of investment properties	16	7,179.5	2,046.7	4,100.4	235.4	-	13,562.0
Investment properties treated as finance leases	26	(437.1)	(0.8)	-	-	-	(437.9)
Headlease liabilities	16	-	2.5	-	-	-	2.5
Assets held for sale	16	(18.9)	-	-	-	-	(18.9)
Less: lease incentives	16	(0.4)	(13.1)	-	-	-	(13.5)
Investment properties at fair value – as reported	16	6,723.1	2,035.3	4,100.4	235.4	-	13,094.2
Joint ventures							
Share of investment properties in joint ventures at valuation	19	384.8	272.8	-	-	-	657.6
Share of other net assets in joint ventures	19	7.6	2.7	-	-	-	10.3
Share of joint ventures – as reported	19	392.4	275.5	-	-	-	667.9
Proportionally consolidated investment properties							
Market value of investment properties	16	7,179.5	2,046.7	4,100.4	235.4	-	13,562.0
Owner occupied properties	17	38.4	-	-	95.8	-	134.2
Share of investment properties in joint ventures at valuation	19	384.8	272.8	-	-	-	657.6
Other property investments	20	43.8	10.9	-	-	-	54.7
Total market value of investment properties – proportionally consolidated		7,646.5	2,330.4	4,100.4	331.2	-	14,408.5
Acquisitions and capital expenditure	16,17	34.6	21.9	2.2	7.0	-	65.7

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS
continued

4. Segmental analysis (continued)

2019/20

Consolidated revenue account	Note	London £m	Regional £m	Marine £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	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 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.

2019/20

Consolidated capital account	Note	London £m	Regional £m	Marine £m	Windsor Estate £m	Central costs/ other £m	Total £m
Capital account expenditure		(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 gain/(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)

4. Segmental analysis (continued)

2019/20

Investment properties	Note	London £m	Regional £m	Marine £m	Windsor Estate £m	Central costs/ other £m	Total £m
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
Held for sale		–	(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		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

5. Revenue

	2020/21 £m	2019/20 £m
Lease revenue (note 26)	**407.6**	426.1
Finance lease revenue (note 26)	**8.0**	4.9
Other revenue from contracts with customers	**33.4**	41.2
Property management and support services	**3.8**	3.8
Revenue before service charge income	**452.8**	476.0
Service charge income	**29.9**	40.2
Revenue – as reported	**482.7**	516.2

Lease revenue and finance lease revenue are recognised in accordance with IFRS 16 (Leases).

Total revenue recognised under IFRS 15 (Revenue from contracts with customers) is £67.1 million (2019/20: £85.2 million). Licence revenue from undersea cables, pipelines and interconnectors is £16.2 million (2019/20: £15.1 million). Mineral royalty revenue is £10.2 million (2019/20: £13.1 million).

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS
continued

6. Revenue account expenses

	2020/21 Property expenses £m	2020/21 Administrative expenses £m	2020/21 Total £m	2019/20 Property expenses £m	2019/20 Administrative expenses £m	2019/20 Total £m
Management fees and costs[1]	17.6	16.6	34.2	19.2	17.1	36.3
Repairs and maintenance	3.7	–	3.7	3.7	–	3.7
Staff costs (note 7)	11.3	21.9	33.2	9.7	17.5	27.2
Other direct expenditure	55.1	–	55.1	35.7	–	35.7
Direct expenses	87.7	38.5	126.2	68.3	34.6	102.9
Service charge expenses	53.1	–	53.1	58.5	–	58.5
Expenses reflected in the revenue account	**140.8**	**38.5**	**179.3**	126.8	34.6	161.4

1 Included in the table above is the auditor's remuneration in respect of their audit of the financial statements of £0.2 million (2019/20: £0.2 million). No non-audit fees have been incurred from the auditor (2019/20: £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:

	2020/21 £m	2019/20 £m
Wages and salaries	33.7	30.5
National insurance	4.0	3.8
Current service cost – defined benefit scheme	1.4	1.5
Past service cost and gains and losses on settlements	0.7	–
Pension contributions – other pension schemes	2.6	2.6
Reorganisation and early retirement costs	2.5	1.0
Total staff costs	**44.9**	39.4
Charged to:		
Property expenses (note 6)	11.3	9.7
Administrative expenses (note 6)	21.9	17.5
Staff costs reflected in the revenue account	**33.2**	27.2
Capital account	11.7	12.2
Total staff costs	**44.9**	39.4
	Number	Number
The average number of staff during the year	481	456

The remuneration of The Crown Estate's key management personnel is as disclosed in the Remuneration report.

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 2020 and updated to 31 March 2021 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. From 1 April 2021, the equivalent rates will be 41.5% and 17.1%, respectively.

8a Balance sheet and notes

Group and Parent

Amounts recognised in the consolidated balance sheet	2020/21 £m	2019/20 £m
Present value of funded obligations	(54.0)	(45.7)
Fair value of scheme assets	62.2	57.5
Net asset recognised in the consolidated balance sheet at 31 March	**8.2**	11.8

Changes in the present value of the defined benefit obligation	2020/21 £m	2019/20 £m
Present value of defined benefit obligation at beginning of year	45.7	48.1
Current service cost	1.4	1.5
Past service costs	0.7	–
Interest cost	1.0	1.2
Members' contributions	0.3	0.2
Actuarial loss/(gain) on scheme liabilities	7.9	(4.0)
Benefits paid	(3.0)	(1.3)
Present value of defined benefit obligation at 31 March	**54.0**	45.7

Changes in the fair value of scheme assets	2020/21 £m	2019/20 £m
Fair value of scheme assets at start of year	57.5	58.2
Interest income	1.2	1.4
Actuarial gain/(loss) on scheme assets	4.7	(2.2)
Contributions by The Crown Estate	1.5	1.2
Members' contributions	0.3	0.2
Benefits paid	(3.0)	(1.3)
Fair value of assets at end of year	**62.2**	57.5

Analysis of return on scheme assets	2020/21 £m	2019/20 £m
Interest income	1.2	1.4
Actuarial gain/(loss) on scheme assets	4.7	(2.2)
Actual return on scheme assets	**5.9**	(0.8)

8b Amounts to be recognised in the consolidated revenue account

	2020/21 £m	2019/20 £m
Net financing surplus (note 9)	(0.2)	(0.2)
Current service cost	1.4	1.5
Past service cost	0.7	–
Total pension expense	**1.9**	1.3

8c Total amount recognised in the consolidated statement of comprehensive income

	2020/21 £m	2019/20 £m
Actuarial gain/(loss) on scheme assets	4.7	(2.2)
Actuarial (loss)/gain on scheme liabilities	(7.9)	4.0
Re-measurement (loss)/gain on retirement benefits	**(3.2)**	1.8
Actuarial gain/(loss) on defined benefit obligation:		
Gain due to experience	0.5	0.3
Loss due to demographic assumptions	(0.2)	(0.1)
(Loss)/gain due to financial assumptions	(8.2)	3.8
Total actuarial (loss)/gain on defined benefit obligation	**(7.9)**	4.0

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS
continued

8. Retirement benefits (continued)

8d Cumulative amount recognised in the consolidated statement of comprehensive income of the revenue account

	2020/21 £m	2019/20 £m
Cumulative actuarial gains since adoption of IAS 19	1.6	4.8

8e Major categories of scheme assets

	2020/21 £m	2020/21 %	2019/20 £m	2019/20 %
Equities	10.4	16.7	8.0	13.9
Diversified growth fund	9.9	15.9	8.1	14.1
Liability driven investments	34.1	54.9	36.0	62.6
Alternatives	7.3	11.7	5.3	9.2
Cash	0.5	0.8	0.1	0.2
As at 31 March	62.2	100.0	57.5	100.0

The overall expected return on assets has been derived by considering the long-term expected rate of return for each asset class and taking the average of these rates weighted by the proportion invested in each asset class at the year end.

8f Principal actuarial assumptions at 31 March

	2020/21	2019/20
Discount rate	2.10%	2.30%
RPI price inflation	3.25%	2.55%
CPI price inflation	2.75%	1.65%
Rate of increase in salaries	3.00%	2.25%
Pension increases	2.70% to 3.25%	1.70% to 2.55%

	2020/21	2019/20
The mortality assumptions used in this calculation were:		
Life expectancy for a male currently aged 60	28.0	27.6
Life expectancy for a female currently aged 60	29.6	28.7
Life expectancy for a male when they are 60, currently aged 40	29.3	29.4
Life expectancy for a female when they are 60, currently aged 40	31.1	30.6

8g Experience gains and losses

	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m
Liabilities at year end	(54.0)	(45.7)	(48.1)	(45.6)	(46.1)
Assets at year end	62.2	57.5	58.2	55.0	54.5
Surplus at year end	8.2	11.8	10.1	9.4	8.4
Asset gain/(loss)					
Amount	4.7	(2.2)	2.0	(0.5)	9.2
Percentage of scheme assets	7.6%	(3.8)%	3.6%	(0.9)%	16.9%
Liability gain/(loss)					
Amount	0.5	0.3	(0.1)	(0.5)	0.3
Percentage of scheme liabilities	0.9%	0.7%	(0.2)%	(1.1)%	0.7%

For the year to 31 March 2021, employer contributions to The Crown Estate Pension Scheme (including money purchase sections) were £2.6 million (2019/20: £2.5 million). For the year to 31 March 2021, employer contributions to the Principal Civil Service Pension Scheme (CSP) were £1.3 million (2019/20: £1.3 million).

For 2019/20 and 2020/21, 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 2021, 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.

9. Net finance income

	2020/21 £m	2019/20 £m
Bank interest income	1.2	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	**1.0**	**5.0**

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

	2020/21 £m	2019/20 £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	37.3	34.9
Depreciation of tangible fixed assets charged as costs in the revenue account (note 21)	5.6	4.8
Total recovered under the Treasury agreement	**42.9**	**39.7**

11. Net revaluation gain/(loss) in properties and investments (including gain/(loss) on disposal)

	2020/21 £m	2019/20 £m
Reflected in the consolidated capital account		
Revaluation gain/(loss) in investment properties (note 16)	1,180.4	(295.7)
Gain on disposal of investment properties	73.1	183.4
Net revaluation gain/(loss) in investment properties (including gain on disposal)	**1,253.5**	**(112.3)**
Share of revaluation loss in joint ventures (note 19)	(136.7)	(169.8)
Share of gain on disposal of investment property in joint ventures (note 19)	-	0.6
Share of revaluation loss in joint ventures (including gain on disposal)	**(136.7)**	**(169.2)**
Share of revaluation loss in other property investments (note 20)	(13.3)	(11.3)
Total reflected in the consolidated capital account	**1,103.5**	**(292.8)**
Reflected in the statement of comprehensive income of the capital account		
Revaluation gain/(loss) in owner occupied properties (note 17)	3.4	(4.3)
Total	**1,106.9**	**(297.1)**

Included within revaluation gain/(loss) in investment properties in the above tables is £39.3 million of revaluation gain (2019/20: £9.1 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 46-52. 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 the UK Debt Management Office, an executive agency of the Treasury, and 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. As described in note 3, the three national lockdowns and local restrictions in place as a result of COVID-19 increase the risk over the recoverability of The Crown Estate's receivables. However, the balance of trade receivables remains low in relation to the value of The Crown Estate's assets.

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS

continued

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 2021	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	7.1	–	–	–	–
Financial liabilities within other payables	0.4	–	–	–	–
Total financial liabilities (undiscounted)	**7.5**	–	–	–	–

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	–	–	–

13. Statutory transfers

Under the provisions of the Crown Estate Act 1961, amounts of £10.1 million (2019/20: £10.8 million) are carried to the capital account from 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. The net revenue profit of £269.3 million relating to the year ended 31 March 2021 has been deferred and will be settled using a structured repayment process in the form agreed with Treasury. The outstanding balance in relation to the 31 March 2020 net revenue profit was settled in full in April 2021.

	2020/21 £m	2019/20 £m
Amounts due to the Consolidated Fund at the start of the year (note 24)	345.0	13.5
Payments to the Consolidated Fund made in the year	(247.0)	(13.5)
Amounts due in respect of prior year net revenue profit	98.0	–
Consolidated revenue account profit	**269.3**	345.0
Amounts due to the Consolidated Fund at the end of the year (note 24)	367.3	345.0

16. Investment properties

Group	2020/21 Investment properties £m	2020/21 Properties under development £m	2020/21 Total £m	2019/20 Investment properties £m	2019/20 Properties under development £m	2019/20 Total £m
At opening valuation (before lease incentives)	11,906.8	71.4	11,978.2	12,066.9	52.2	12,119.1
Acquisitions	4.2	–	4.2	311.8	–	311.8
Capital expenditure	52.4	8.2	60.6	104.7	25.5	130.2
Capital receipts	(5.0)	–	(5.0)	(6.8)	–	(6.8)
Transfers to other categories	–	–	–	7.5	(7.5)	–
Net transfer to owner occupied properties	1.9	–	1.9	(37.7)	–	(37.7)
Disposals	(109.7)	–	(109.7)	(242.7)	–	(242.7)
Revaluation	1,190.2	(9.8)	1,180.4	(296.9)	1.2	(295.7)
At closing valuation (before lease incentives)	13,040.8	69.8	13,110.6	11,906.8	71.4	11,978.2
Net finance lease payable	2.5	–	2.5	2.5	–	2.5
Assets held for sale	(18.9)	–	(18.9)	(8.5)	–	(8.5)
Closing fair value – as reported	13,024.4	69.8	13,094.2	11,900.8	71.4	11,972.2
Reconciliation to valuation						
At closing valuation (before lease incentives)	13,040.8	69.8	13,110.6	11,906.8	71.4	11,978.2
Investment properties treated as finance leases (note 26)	437.9	–	437.9	398.6	–	398.6
Lease incentives	13.5	–	13.5	13.5	–	13.5
Market value	13,492.2	69.8	13,562.0	12,318.9	71.4	12,390.3

All properties classified as investment properties under development are within the London and Regional Strategic Business Units.

Group and Parent

The property portfolio was valued on 31 March 2021 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 properties in Regent Street and a 50% interest in 20 Air Street in London. The Crown Estate's share of jointly controlled assets is £3,820.6 million at 31 March 2021 (2019/20: £4,766.5 million) out of the total investment property value of £13,094.2 million (2019/20: £11,972.2 million).

Included within disposals and revaluation in the group and parent tables is £39.3 million of revaluation gain (2019/20: £9.1 million) that arises on investment properties that have been classified as finance leases.

Parent	2020/21 £m	2019/20 £m
At opening valuation (before lease incentives)	11,730.8	11,836.2
Acquisitions	2.1	300.1
Capital expenditure	58.7	121.4
Capital receipts	(5.0)	(6.8)
Transfer from/(to) owner occupied properties	1.9	(37.7)
Disposals	(109.7)	(242.9)
Revaluation	1,210.1	(239.5)
At closing valuation (before lease incentives)	12,888.9	11,730.8
Net finance lease payable	2.5	2.5
Classified as assets held for sale	(18.9)	(8.5)
Closing fair value – as reported	12,872.5	11,724.8

The unamortised element of lease incentives granted at 31 March 2021 was £13.5 million (2019/20: £13.5 million).

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS

continued

16. Investment properties (continued)

	Group 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Historic cost of investment properties	3,513.3	3,568.5	3,176.6	3,235.8
Market value of freehold investment properties	13,514.6	12,273.2	13,292.9	12,025.8
Market value of long leasehold properties	47.4	117.1	47.4	117.1
Total market value	13,562.0	12,390.3	13,340.3	12,142.9

17. Owner occupied properties

Group and Parent	2020/21 £m	2019/20 £m
Opening fair value	131.8	96.7
Capital expenditure	0.9	1.7
Revaluation gain/(loss) in owner occupied properties	3.4	(4.3)
Net transfer (to)/from investment properties	(1.9)	37.7
Closing fair value	134.2	131.8

All owner occupied properties are classified as level 3 within the value hierarchy.

The historic cost of owner occupied properties at 31 March 2021 was £78.6 million (2019/20: £78.1 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.

During the year, The Crown Estate conducted a tender exercise, as a result of which CBRE Limited (CBRE) was appointed as the new principal valuer of the London and Regional portfolios and Cushman and Wakefield (C&W) was appointed as the new principal valuer of the offshore wind portfolio.

Portions of the 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 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 fixed fee basis.

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 2020/21 £m	Valuation 2019/20 (Restated)[1] £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
London:						
Retail	**2,321.9**	3,131.4	Investment	ERV	£35.00-£900.00 psf ITZA	CBRE
				Yield	3.3%-5.4%	
Offices	**3,491.6**	3,445.4	Investment	ERV	£45.00-£115.00 psf	CBRE
				Yield	2.5%-5.4%	
Other multi-use	**863.2**	894.4	Comparable/	£ psf	£700-£7,300 psf	CBRE
			Investment	Yield	1.5%-7.9%	CBRE
Total commercial properties	**6,676.7**	7,471.2				
Residential	**502.8**	422.6	Comparable	£ psf	£700-£7,300 psf	CBRE
Total London	**7,179.5**	7,893.8				
Regional:						
Retail	**135.9**	203.7	Investment	ERV	£3.50-£215.00 psf ITZA	CBRE
				Yield	6.3%-15.8%	
Retail & Leisure Parks	**695.1**	850.0	Investment	ERV	£8.50-£50.00 psf	CBRE
				Yield	5.3%-10.0%	
Offices	**172.8**	172.3	Investment	ERV	£28.00-£33.00 psf	CBRE
				Yield	4.8%-5.3%	
Other	**155.8**	154.0	Comparable/ Investment	ERV	£5.50-£7.00 psf	CBRE
				Yield	4.5%-7.0%	
Total commercial properties	**1,159.6**	1,380.0				
Agricultural	**840.0**	878.7	Comparable/ Investment	Proportion of vacant possession value	50.0%-100.0%	Strutt & Parker
				Yield	1.5%-20.0%	
Other	**47.1**	47.0	Comparable/ Investment	ERV	£5.50-£7.00 psf	CBRE
Total Regional	**2,046.7**	2,305.7				

1 Certain residential properties in the London portfolio have been reclassified as other multi-use.

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS

continued

18. Fair value measurement of properties (continued)

Valuation techniques used to derive level 3 fair values of group properties

Class of property	Valuation 2020/21 £m	Valuation 2019/20 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Marine:						
Aggregates	**179.5**	174.7	Investment/ DCF	Yield	7.0%-10.0%	Wardell Armstrong
				Annual extraction	c. 19 million tonnes	
Renewables (Rounds 1-3)	**1,618.5**	1,427.0	DCF	Discount rate	4.5%-19.0%	C&W
Renewables (Round 4)	**1,926.8**	–	DCF	Discount rate	2.5%-50.0%	C&W
Coastal	**222.8**	217.2	Investment	Yield	5.0%-75.0%	Various
Cables and pipelines	**137.7**	129.5	Investment	Yield	5.5%-12.0%	Powis Hughes
Minerals	**15.1**	14.9	DCF	Yield	5.0%-25.0%	Wardell Armstrong
Total Marine	**4,100.4**	1,963.3				
Windsor Estate:						
Other	**235.4**	227.5	Comparable/ Investment	Yield	1.0%-20.0%	Savills
				Proportion of vacant possession value	23.0%-100.0%	
Total investment properties	**13,562.0**	12,390.3				
Owner occupied properties:						
London	**38.4**	38.4	Investment	Yield	3.5%-4.4%	CBRE
				ERV	£72.50-£77.50 psf	
Windsor Estate	**95.8**	93.4	Comparable/ Investment	Proportion of vacant possession value	23.0%-100.0%	Savills
				Yield	1.0%-20.0%	
Total owner occupied properties	**134.2**	131.8				
Total at valuation	**13,696.2**	12,522.1				

Market value of properties on a proportionally consolidated basis

	2020/21 £m	2019/20 £m
Investment properties (note 16)	**13,562.0**	12,390.3
Owner occupied properties (note 17)	**134.2**	131.8
Total at valuation (Group)	**13,696.2**	12,522.1
Share of investment properties in joint ventures at valuation (note 19)	**657.6**	781.5
Other property investments (note 20)	**54.7**	68.0
Total value of all properties on a proportionally consolidated basis	**14,408.5**	13,371.6

18. Fair value measurement of properties (continued)

The fair value of investment property is determined using the following valuation techniques:

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.

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
Values for offshore wind farms are only recognised when site exclusivity is granted to customers which is achieved when preferred bidder status is granted because there is insufficient certainty over the cash flows before this point. Each wind farm project has been valued individually using a discounted cash flow (DCF) methodology where a wider range of discount rates has been applied to Round 4 representing the stage of these projects and the risks around these cash flows.

The DCF methodology is the typical approach for valuing complex revenue streams and also provides a means to value in a market where there are no directly comparable sales of the seabed subject to a 'ground' lease structure.

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:

Retail, offices and residential

- 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

Rural and residential

- choosing the appropriate discount rate to vacant possession value for differing lengths and types of tenure

Properties under development

- the assessment of the value created on completion and the allowance for construction and letting costs to achieve that

Strategic land and properties with potential for residential conversion

- inclusion of hope value for a higher value use dependent upon the likelihood, time and cost of achieving that use

Wind farms

- assessing the appropriate discount rate reflecting the risk in the variability of cash flows for offshore wind farms from site exclusivity through to a generating wind farm.
- estimating the generation capacity and the timing of milestone achievements

Other

- 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

These inputs have all been affected by COVID-19 and we expect the impact will continue to evolve over the coming year.

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS

continued

18. Fair value measurement of properties (continued)

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.

The Crown Estate's properties include multi-use assets, which may be configured with commercial uses and/or residential uses on different floors. Consequently, the sensitivity analysis below has been performed on portfolios as a whole and the London and Regional portfolio analyses only include commercial assets. The Marine portfolio analysis only includes renewable assets.

The following tables detail the impact changes in ERV and discount rates have on the market value of the commercial assets of the London and Regional portfolios and renewable assets in the Marine portfolio.

Group - 2020/21		Impact on valuations of 10% change in ERV		Impact on valuations of 50 bps change in yield	
	Market value £m	Increase £m	Decrease £m	Decrease £m	Increase £m
London	6,676.7	508.9	(517.6)	890.0	(539.3)
Regional	1,159.6	83.0	(78.8)	94.2	(81.5)

Group - 2020/21		Impact on valuations of 50 bps change in discount rates		Impact on valuations of 250 bps change in discount rates	
	Market value £m	Increase £m	Decrease £m	Decrease £m	Increase £m
Marine - Rounds 1-3	1,618.5	80.9	(75.9)	n/a	n/a
Marine - Round 4	1,926.8	n/a	n/a	132.6	(115.4)

Different sensitivities have been used for Round 4 compared to Rounds 1-3 representing the different risk profiles of the projects.

Group - 2019/20		Impact on valuations of 10% change in ERV		Impact on valuations of 50 bps change in yield	
	Market value £m	Increase £m	Decrease £m	Decrease £m	Increase £m
London	7,471.2	170.9	(277.5)	1,194.1	(1,002.2)
Regional	1,380.0	106.0	(104.7)	132.8	(113.2)

Comparative figures for Marine are not disclosed because the amounts cannot be estimated reliably.

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 2020/21 £m	Valuation 2019/20 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
London:						
Other multi-use	**795.0**	831.6	Comparable	£ psf	£700-£7,300 psf	CBRE
			Investment	Yield	1.5%-7.9%	CBRE
Regional:						
Retail & Leisure Parks	**541.6**	665.5	Investment	ERV	£8.50-£50.00 psf	JLL
				Yield	5.3%-10.0%	

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 Park, Leicester
Fosse Park West Limited Partnership	50%	August 2015	Gingko Tree Investment Limited	Fosse Park West, 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:

	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 2021								
Investment properties at valuation	210.6	465.8	93.2	59.2	-	245.1	241.3	1,315.2
Lease incentives	-	-	-	(0.3)	-	(10.2)	(6.5)	(17.0)
Cash and cash equivalents	2.7	8.8	0.9	1.4	3.8	8.4	16.4	42.4
Other assets	(4.0)	19.9	2.1	4.3	-	16.0	16.1	54.4
Current liabilities	(3.1)	(10.2)	(1.8)	(2.6)	(3.4)	(9.8)	(28.2)	(59.1)
Non-current liabilities	-	-	-	-	-	(0.1)	-	(0.1)
Net assets	206.2	484.3	94.4	62.0	0.4	249.4	239.1	1,335.8
Comprehensive income statement for the year ended 31 March 2021								
Revenue	7.6	5.7	5.6	5.6	-	28.5	15.2	68.2
Expenses	(3.1)	(5.7)	(3.8)	(0.5)	(0.2)	(21.8)	(3.5)	(38.6)
Revenue account profit/(loss)	4.5	-	1.8	5.1	(0.2)	6.7	11.7	29.6
Revaluation loss in investment properties	(30.2)	(15.0)	(6.0)	(14.3)	-	(117.8)	(90.2)	(273.5)
Total capital account comprehensive loss	(30.2)	(15.0)	(6.0)	(14.3)	-	(117.8)	(90.2)	(273.5)

1 Balances include those for Fosse Park West Limited Partnership.

The Crown Estate share at 50% was:

	Total London £m	Total Regional £m	Total £m
Investment properties at valuation	384.8	272.8	657.6
Cash and cash equivalents	6.2	15.0	21.2
Net assets	392.4	275.5	667.9
Revenue	9.5	24.6	34.1
Revenue account profit	3.1	11.7	14.8
Revaluation loss	(25.6)	(111.1)	(136.7)

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:

	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/(liabilities)	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								
Revenue	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 London £m	Total Regional £m	Total £m
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

19. Investment in joint ventures (continued)

Summary of movement in investment in joint ventures

Group and Parent	2020/21 £m	2019/20 £m
Opening balance	802.7	941.8
Share of revenue profit	14.8	31.0
Revaluation loss in investment property	(136.7)	(169.8)
Share of gain on disposal of investment property	–	0.6
Net equity additions	13.1	29.9
Revenue distributions received	(26.0)	(29.9)
Capital distributions	–	(0.9)
Closing balance	**667.9**	802.7

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 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Opening balance	68.0	79.3	17.6	25.5
Share of revaluation loss in investment reflected in the consolidated capital account	(13.3)	(11.3)	(6.7)	(7.9)
Share of net assets reflected in the balance sheet	**54.7**	68.0	**10.9**	17.6
Share of revenue profit	**0.8**	2.4	**0.8**	1.5

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 £3.0 million. If the NAV of other property investments declined by 5%, the total effect of declines in liquidity discounts and valuations would be £5.6 million.

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS
continued

21. Property, plant and equipment

Group and Parent	Leasehold right-of-use asset £m	Leasehold improvements £m	Office equipment £m	Plant and machinery £m	Motor vehicles £m	Total £m
Cost at 1 April 2020	15.1	9.7	33.0	2.8	1.5	62.1
Additions	-	-	3.8	0.2	0.4	4.4
Disposals	-	-	-	(0.1)	(0.4)	(0.5)
Cost at 31 March 2021	15.1	9.7	36.8	2.9	1.5	66.0
Depreciation at 1 April 2020	2.9	1.8	23.5	2.2	1.4	31.8
Charge in the year	1.1	0.7	3.6	0.1	0.1	5.6
Disposals	-	-	-	(0.1)	(0.4)	(0.5)
Depreciation at 31 March 2021	4.0	2.5	27.1	2.2	1.1	36.9
Net book value at 31 March 2021	11.1	7.2	9.7	0.7	0.4	29.1
Group and Parent						
Cost at 1 April 2019	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 at 31 March 2020	15.1	9.7	33.0	2.8	1.5	62.1
Depreciation at 1 April 2019	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 at 31 March 2020	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

Included within motor vehicles at 31 March 2021 is £0.9 million (2019/20: £0.9 million) of historic cost and £0.8 million (2019/20: £0.8 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	2020/21 £m	2019/20 £m
Other investments comprise antiques and paintings		
Fair value – opening balance	10.9	10.8
Revaluation in the year	-	0.1
Fair value – closing balance	10.9	10.9

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 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Amounts falling due within one year				
Trade receivables – leases	148.1	57.3	139.8	53.9
Capital receivables – non-leases	5.5	16.6	4.0	14.8
Other financial assets	0.1	0.1	0.1	0.1
Amounts owed by subsidiary undertakings	-	–	367.6	359.4
Other receivables	15.3	14.5	11.9	14.0
Prepayments	2.8	1.7	2.8	1.7
Investment properties treated as finance leases (note 26)	8.0	8.0	8.0	8.0
Accrued income from leases	27.2	26.2	27.1	25.9
Accrued income from revenue	1.2	1.2	1.2	1.2
	208.2	125.6	562.5	479.0
Provision for expected lifetime losses	(73.6)	(20.0)	(67.8)	(18.0)
Total receivables falling due within one year	134.6	105.6	494.7	461.0
Amounts falling due after more than one year				
Capital receivables – non-leases	27.1	–	27.1	–
Other financial assets	2.3	2.3	2.3	2.3
Investment properties treated as finance leases (note 26)	429.9	390.6	429.9	390.6
Other receivables	28.8	41.8	28.8	41.8
Total receivables falling due after one year	488.1	434.7	488.1	434.7

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 2021 has been or will be invoiced within four months of the year end (2019/20: 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 2021	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	3%	32%	55%	61%	41%
	£m	£m	£m	£m	£m
Gross carrying amount	30.4	59.4	31.2	59.7	180.7
Provision	1.0	18.8	17.1	36.7	73.6
At 31 March 2020					
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

NOTES TO THE GROUP AND PARENT CONSOLIDATED FINANCIAL STATEMENTS

continued

24. Payables and deferred income

	Group 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Amounts falling due within one year				
Trade payables	5.7	2.0	5.3	1.5
Rents received in advance	77.4	68.2	75.5	65.4
Deferred income from revenue	3.8	4.4	3.8	4.4
Taxes and social security	154.2	16.5	153.8	15.8
Other payables	32.8	25.7	32.8	26.9
Consolidated Fund	367.3	345.0	367.3	345.0
Accruals	31.0	33.4	30.0	31.6
Obligations under finance leases (note 26)	1.8	1.7	1.8	1.7
Total amounts falling due within one year	674.0	496.9	670.3	492.3
Amounts falling due after more than one year				
Deferred income[1]	920.9	26.3	920.9	26.3
Obligations under finance leases (note 26)	16.7	17.6	16.7	17.6
Total amounts falling due after more than one year	937.6	43.9	937.6	43.9

1 Included in deferred income due after more than one year are £879.0 million of customer option fee deposits in respect of Offshore Wind Leasing Round 4.

25. Provisions

Group and Parent	2020/21 £m	2019/20 £m
	Restructuring provision	Remediation provision
Opening balance	–	1.1
Payments in year	–	(1.8)
Expenses recorded in the capital account	–	0.7
Expenses recorded in the revenue account	3.4	–
Closing balance	3.4	–

Following the announcement to restructure The Crown Estate, a provision has been recorded in the year to 31 March 2021.

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 has classified these leases as operating leases, because the leases 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 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Less than one year	298.0	313.2	287.5	301.8
Between one and five years	929.5	990.3	890.1	949.4
More than five years	4,779.5	4,992.3	4,714.5	4,918.7
Total operating leases with customers	6,007.0	6,295.8	5,892.1	6,169.9

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	2020/21 £m	2019/20 £m
Less than one year	8.0	8.0
Between one and five years	32.1	32.1
More than five years	1,516.2	1,533.0
Total undiscounted lease assets at 31 March	1,556.3	1,573.1
Future finance lease income	(1,316.7)	(1,334.5)
Unguaranteed residual values	198.3	160.0
Investment properties disclosed as finance leases (note 16)	437.9	398.6
Disclosed as:		
Current (note 23)	8.0	8.0
Non-current (note 23)	429.9	390.6

During the year ended 31 March 2021 there was no gain on the sale of finance leases (2019/20: £92.0 million).

Lease liabilities

Lease liabilities are payable as follows:

Group and Parent	2020/21 £m	2019/20 £m
Less than one year	1.8	1.7
Between one and five years	7.1	6.9
More than five years	56.4	58.4
Total undiscounted lease liabilities at 31 March	65.3	67.0
Future finance charges	(46.8)	(47.7)
Present value of lease liabilities at 31 March	18.5	19.3
Disclosed as:		
Current	1.8	1.7
Non-current	16.7	17.6

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	2020/21 £m	2019/20 £m
Income from sub-leasing right-of-use assets	2.2	1.4
Contingent rents receivable	36.4	36.8
Variable lease payments not included in the measurement of lease liabilities	(0.6)	(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 2021, The Crown Estate had committed to make capital expenditure of £106.7 million (2019/20: £112.2 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 (2019/20: £3.2 million) were made during year and the prepaid balance with the joint venture is £0.8 million at 31 March 2021 (2019/20: £0.8 million).

	Group 2020/21 £m	Group 2019/20 £m	Parent 2020/21 £m	Parent 2019/20 £m
Management fees receivable	3.2	3.1	1.8	1.4
Charges from joint ventures	(1.8)	(1.9)	(1.8)	(1.9)

Transactions with subsidiaries

Details of transactions between The Crown Estate and other related parties in the normal course of business are disclosed below.

	2020/21 £m	2019/20 £m
Management fees paid	2.9	2.8

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, was London Chairman of Centerview Partners UK LLP, a subtenant of The Crown Estate.

30. Third party deposits

At 31 March 2021 The Crown Estate held £33.8 million (2019/20: £45.2 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

TCE Morley House GP Limited

TCE Morley House LP

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

Fosse Park West Nominee Limited

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 8 June 2021, the financial statements were approved by the Board prior to certification by the Comptroller and Auditor General on 14 June 2021. 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.

ADDITIONAL INFORMATION SUPPLEMENTARY DISCLOSURES (UNAUDITED)

Summary consolidated income statements on a proportionally consolidated basis

The tables below do not form part of the consolidated primary statements or notes thereto. They present 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.

	2020/21			2019/20		
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	452.8	34.1	486.9	476.0	43.4	519.4
Service charge revenue	29.9	4.0	33.9	40.2	3.9	44.1
Revenue – as reported	482.7	38.1	520.8	516.2	47.3	563.5
Property expenses	(140.8)	(23.3)	(164.1)	(126.8)	(16.3)	(143.1)
Gross profit	341.9	14.8	356.7	389.4	31.0	420.4
Administrative expenses	(38.5)	–	(38.5)	(34.6)	–	(34.6)
Operating profit	303.4	14.8	318.2	354.8	31.0	385.8
Net finance income	1.0	–	1.0	5.0	–	5.0
Share of revenue profit from joint ventures	14.8	(14.8)	–	31.0	(31.0)	–
Share of revenue profit from other property investments	0.8	–	0.8	2.4	–	2.4
Depreciation of tangible fixed assets	(5.6)	–	(5.6)	(4.8)	–	(4.8)
Net consolidated operating profit before Treasury agreements and Statutory transfers	314.4	–	314.4	388.4	–	388.4
Treasury agreements	(37.3)	–	(37.3)	(34.9)	–	(34.9)
Statutory transfers	(10.1)	–	(10.1)	(10.8)	–	(10.8)
Parliamentary supply finance	2.3	–	2.3	2.3	–	2.3
Consolidated revenue account profit	269.3	–	269.3	345.0	–	345.0

	2020/21			2019/20		
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	(15.6)	–	(15.6)	(14.6)	–	(14.6)
Revaluation gain/(loss) (including gain/(loss) on disposal)	1,253.5	(136.7)	1,116.8	(112.3)	(169.2)	(281.5)
Share of revaluation loss in joint ventures (including gain/(loss) on disposal)	(136.7)	136.7	–	(169.2)	169.2	–
Share of revaluation loss in other property investments	(13.3)	–	(13.3)	(11.3)	–	(11.3)
Consolidated capital account profit/(loss) before Treasury agreements and Statutory transfers	1,087.9	–	1,087.9	(307.4)	–	(307.4)
Treasury agreements	37.3	–	37.3	34.9	–	34.9
Statutory transfers	10.1	–	10.1	10.8	–	10.8
Consolidated capital account profit/(loss)	1,135.3	–	1,135.3	(261.7)	–	(261.7)

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	2020/21 Group £m	2020/21 Share of jointly controlled entities £m	2020/21 Proportionally consolidated £m	2019/20 Group £m	2019/20 Share of jointly controlled entities £m	2019/20 Proportionally consolidated £m
Investment properties – as reported	13,094.2	649.1	13,743.3	11,972.2	774.5	12,746.7
Investment properties treated as finance leases	437.9	–	437.9	398.6	–	398.6
Owner occupied properties	134.2	–	134.2	131.8	–	131.8
Other property investments	54.7	–	54.7	68.0	–	68.0
Assets held for sale	18.9	–	18.9	8.5	–	8.5
Total properties	13,739.9	649.1	14,389.0	12,579.1	774.5	13,353.6
Investment in jointly controlled entities	667.9	(667.9)	–	802.7	(802.7)	–
Cash and cash equivalents	2,174.5	21.2	2,195.7	1,029.1	29.5	1,058.6
Other assets	233.0	27.2	260.2	194.7	31.8	226.5
Current liabilities	(677.4)	(29.6)	(707.0)	(496.9)	(33.0)	(529.9)
Payables – amounts falling due after more than one year	(937.6)	–	(937.6)	(43.9)	(0.1)	(44.0)
Net assets	15,200.3	–	15,200.3	14,064.8	–	14,064.8

Properties at valuation on a proportionally consolidated basis

Properties at valuation	2020/21 Group £m	2020/21 Share of jointly controlled entities £m	2020/21 Proportionally consolidated £m	2019/20 Group £m	2019/20 Share of jointly controlled entities £m	2019/20 Proportionally consolidated £m
Investment properties – as reported	13,094.2	649.1	13,743.3	11,972.2	774.5	12,746.7
Investment properties treated as finance leases	437.9	–	437.9	398.6	–	398.6
Assets held for sale	18.9	–	18.9	8.5	–	8.5
Headlease liabilities	(2.5)	–	(2.5)	(2.5)	–	(2.5)
Lease incentives	13.5	8.5	22.0	13.5	7.0	20.5
Market value of investment properties	13,562.0	657.6	14,219.6	12,390.3	781.5	13,171.8
Owner occupied properties	134.2	–	134.2	131.8	–	131.8
Joint venture properties	657.6	(657.6)	–	781.5	(781.5)	–
Other property investments	54.7	–	54.7	68.0	–	68.0
Total properties at valuation	14,408.5	–	14,408.5	13,371.6	–	13,371.6

ADDITIONAL INFORMATION
TEN-YEAR RECORD (UNAUDITED)

Based on the Financial Statements for the year ended 31 March

Revenue account	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Revenue (excluding service charge revenue)	314.2	332.2	350.8	373.1	395.1	419.6	421.9	441.0	476.0	**452.8**
Direct operating expenses (including net service charge expenses)	(41.8)	(49.0)	(45.9)	(51.1)	(54.2)	(53.4)	(60.0)	(61.2)	(86.6)	**(110.9)**
Gross profit	272.4	283.2	304.9	322.0	340.9	366.2	361.9	379.8	389.4	**341.9**
Administrative expenses	(18.4)	(19.8)	(20.0)	(20.9)	(23.0)	(27.7)	(28.8)	(30.7)	(34.6)	**(38.5)**
Net revenue account profit	**240.2**	**252.6**	**267.1**	**285.1**	**304.1**	**328.8**	**329.4**	**343.5**	**345.0**	**269.3**
Payments to the Consolidated Fund – paid/payable in year	240.2	251.8	266.2	285.1	304.1	328.8	329.4	343.5	345.0	**269.3**

Balance sheet	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Investment, development and owner occupied properties (including assets held for sale)	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	**13,247.3**
Investment in joint ventures	266.9	275.3	396.3	646.8	820.4	990.9	1,111.1	941.8	802.7	**667.9**
Other non-current assets	73.5	84.8	97.3	163.9	177.8	180.5	455.1	464.0	555.7	**591.0**
Cash and cash equivalents	557.0	585.5	552.0	552.5	907.3	825.6	886.9	802.8	1,029.1	**2,174.5**
Current assets (excluding assets held for sale)	51.7	25.1	19.3	39.2	51.1	53.3	83.9	100.6	105.6	**134.6**
Current liabilities	(121.3)	(115.5)	(110.9)	(136.1)	(154.7)	(180.1)	(157.1)	(179.9)	(496.9)	**(677.4)**
Non-current liabilities	(914.2)	(920.5)	(992.5)	(1,181.1)	(1,371.1)	(1,560.6)	(19.7)	(18.7)	(43.9)	**(937.6)**
Net assets	**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**	**15,200.3**

ADDITIONAL INFORMATION GLOSSARY

Bespoke benchmark
An MSCI benchmark based upon the Annual Index weighted to reflect our average capital employed at March 2021. 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.

ONS
Office for National Statistics.

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.

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

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.

Supplementary reports are also available:

Wales Highlights
thecrownestate.co.uk/Wales-highlights-2021

Wales Highlights (Welsh)
thecrownestate.co.uk/Wales-highlights-Welsh-2021

Northern Ireland Highlights
thecrownestate.co.uk/NI-highlights-2021

Environmental data supplement
thecrownestate.co.uk/Environmental-Data

Social data supplement
thecrownestate.co.uk/Social-Data

PHOTOGRAPHY

IFC & page 22
Photograph courtesy of Bike Drop

Page 5
Photograph copyright Natural England, Angela Gall

Page 18
Photograph courtesy of Vattenfall

Page 23
Photograph copyright Underwater Photographer of the year 2021, Trevor Rees

Page 24
Photograph courtesy of The Felix Project, Alex R Elms

Page 25
Photograph courtesy of Drive Forward Foundation

Pages 27 & 40
Photograph courtesy of Neda Lahrodi Storyett

Page 39
Photograph copyright Natural England, Ross Bullimore

Page 41
Vinyls on Regent Street planters by Claire Luxton and MTArt agency

MIX
Paper from responsible sources
FSC® C022913
www.fsc.org

Printed by Pureprint.

Printed sustainably in the UK by Pureprint, a CarbonNeutral® company and is certified to ISO 14001 environmental management system recycling.

Printed digitally without the use of film separations, plates and associated processing chemicals. 99% of all dry waste associated with this production has been recycled.

This publication is printed on Image Indigo which is manufactured at a mill that has ISO 14001 environmental standard accreditation and the fibres are bleached using a Chlorine Free bleaching process (ECF).

Design and production
Radley Yeldar | www.ry.com

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