

***Building  
strong  
partnerships***

Wales highlights 2011

**The Crown Estate is committed to partnership. Whether it is working with the Welsh Government and investors to deliver offshore renewable energy, or with local communities in rural Wales, we believe that strong relationships are the foundation of good business.**

**We seek to work with the grain of government and respecting the dynamics of devolution; an approach that has been at the heart of our relationship with Wales during the 2010/11 financial year.**

### Understanding The Crown Estate

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

Our vision is to be the UK's most respected property company as a result of the commercial and sustainable way we manage the diverse portfolio of assets.

The profit earned from our activities is paid to the Treasury for the benefit of the nation. Over the last 10 years this has amounted to nearly £2 billion UK-wide, whilst the capital value of the portfolio has increased by over £3 billion during the same period.

Our Welsh portfolio is diverse including, on our rural estate, substantial areas of common land, agricultural holdings and a range of mineral interests. Our marine estate takes in around half of the foreshore and the seabed out to 12 nautical miles, where we are playing a key role in enabling developers to realise the potential for renewable energy, particularly through offshore wind farms.

In managing our Welsh estates we aim to work in partnership with government and local communities for mutual benefit. We have built good working relationships with the Welsh Government and the National Assembly for Wales, local councils, communities and our own customers.

While our core objective is to be a profitable organisation, we combine that commercial imperative with an equally firm commitment to our values of integrity and stewardship. We manage the assets in our care for the sustainable, long-term benefit of our tenants and other customers, their businesses, the communities they represent, and the environment.

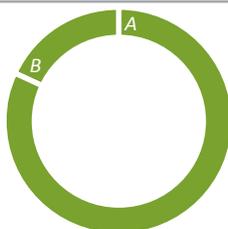
## How we've performed

	The Crown Estate Wales 12 months to 31 March 2011 £m	The Crown Estate Wales 12 months to 31 March 2010 £m	The Crown Estate total 12 months to 31 March 2011 £m	The Crown Estate total 12 months to 31 March 2010 £m	Increase/(decrease) from prior year	% of total
Revenue	2.8	2.6	306.8	299.7	7.7%	0.9%
Gross surplus	2.5	2.3	264.3	246.8	8.7%	0.9%
Property value <sup>1</sup>	31.3	28.8	6,703.3	5,988.7	8.7%	0.5%
Capital investments <sup>1</sup>	0.4	0.2	571.0	394.4		
Capital receipts	0.1	1.8	406.1	419.0		

<sup>1</sup> See valuation of wind farms on page 4.

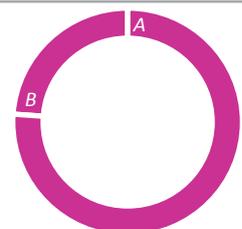
#### Property value by activity Year end 31 March 2011 £m

A Marine – 2.3  
B Rural – 0.5



#### Revenue by activity Year end 31 March 2011 £m

A Marine – 23.9  
B Rural – 7.4



**Roger Bright CB**

Signed by Second Commissioner and Accounting Officer on behalf of the Board  
28 July 2011

# The estate and financial highlights



## Welsh rural estate

We have rural estates at Aberystwyth, Plynlimon and Tintern totalling 1,326 hectares (3,277 acres) of agricultural land and 26,885 hectares (66,435 acres) of Welsh common land.

## Welsh marine estate

In Wales our economic interests include ports, marinas, wind farms and marine aggregate extraction.

We are custodians of the seabed out to the 12 nautical mile territorial limit, including the rights to explore and utilise the natural resources of the UK continental shelf (excluding oil, gas and coal). We are responsible for 65 per cent of the Welsh foreshore.

Through our Marine Communities Fund we support a range of practical projects that contribute to good stewardship around the UK coast. In Wales our projects range from supporting sustainable boating in the River Teifi to investment in Conwy Bird Reserve.



## Mines Royal and minerals

We have 245,000 acres (99,000 hectares) of mineral only ownership in Wales. The Crown Estate grants leases to commercial operators for gold and silver exploration and mining across the UK. There are 11 sites leased for mineral extraction in Wales spread across six local authorities.

## Revenue by activity

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Cables/pipelines	0.2	0.2
Coastal	1.3	1.4
Dredging	0.4	0.1
Renewables	0.4	0.4
<b>Marine</b>	<b>2.3</b>	<b>2.1</b>
Agricultural	0.1	0.1
Minerals	0.4	0.4
<b>Rural</b>	<b>0.5</b>	<b>0.5</b>
<b>Total</b>	<b>2.8</b>	<b>2.6</b>

## Property value by activity

	As at 31 March 2011 £m	As at 31 March 2010 £m
Cables/pipelines	2.1	1.9
Coastal	16.4	15.9
Dredging	0.9	0.6
Renewables	4.5	3.4
<b>Marine</b>	<b>23.9</b>	<b>21.8</b>
Agricultural	4.0	3.5
Minerals	3.1	3.2
Forestry	0.3	0.3
<b>Rural</b>	<b>7.4</b>	<b>7.0</b>
<b>Total</b>	<b>31.3</b>	<b>28.8</b>

# Working with Wales

## Building partnerships from Cardiff to Conwy

*The Crown Estate is committed to partnership. Whether it is working with the Welsh Government and investors to deliver offshore energy, or with local communities in rural Wales, we believe that strong relationships are the foundation of good business.*

We seek to work with the grain of government and respecting the dynamics of devolution; an approach that has been at the heart of our relationship with the Welsh Government and Assembly during the 2010/11 financial year.

## Strategic partnership with Welsh Government

A major area of work has been offshore renewable energy and related manufacturing capacity in Wales. The Welsh Government has made a strong commitment to tackling climate change through diversified renewable energy generation, and this is an area where we can play a key role as enablers.

In March 2011 The Crown Estate and the Welsh Government signed a Letter of Intent to work together to support the development of the renewable energy industry in Wales. This agreement was first of its kind with any devolved administration.

The work looks at the whole supply chain for offshore wind, but with a particular focus on ports and harbours. We are talking to offshore energy developers and other marine energy stakeholders about their requirements and the challenges they face. This will help identify where upgrades to port facilities are needed, and give developers a better understanding of how these improvements can be delivered.

Our shared aim is to enable Welsh ports to realise their potential; bringing jobs and new skills, and making an important contribution to the economy as well as climate change targets for Wales and the UK as a whole.

## Support for Welsh communities

Established in 1999, The Crown Estate's Marine Communities Fund supports initiatives that contribute to the good management and stewardship of our marine estate. We fund a range of projects in Wales, both large and small. For example:

### River Teifi Boating Project

Working with Afon Teifi Fairways Ltd. the project aims to manage the Teifi estuary in a more sustainable way, giving good advice to visiting boaters. To help train youth sailors The Crown Estate has part-funded the purchase of multipurpose pontoons. These are used as auxiliary landing stages in the winter months and can be reconfigured to lift moorings and perform small scale engineering operations. They are also extensively used during water-based festivals in Cardigan.

### RSPB Cymru Conwy Bird Reserve and Newport Wetlands

The Crown Estate has developed a strong partnership with RSPB Cymru on both these sites. The bird reserves continue to be a quality attraction for holidaymakers, their families and dedicated birdwatchers. Meanwhile, at Conwy we funded the refurbishment of the pumping system that regulates the levels of the lagoons at the site.

### Pembrokeshire Coast National Park Authority Zoning Scheme

Freshwater East, a beach heavily used by tourists and leisure boat users, had seen increasing conflicts arising between different user groups and a zoning scheme was identified as a way of separating activities. The Crown Estate provided a grant for the Authority to purchase thirty marker buoys and sinker chains to mark out separate areas for bathers and power craft users at Freshwater East.

### Conserving the honeycomb worm reef at Llanddulas

Gregarious honeycomb worms build tubes from sand and shell fragments, forming very fragile living reefs up to several metres across. Working with Conwy County Borough Council, we have funded and erected an interpretation board to help raise awareness amongst holidaymakers and fishermen, and protect the reef from accidental damage.

# Fuelling dynamic enterprise

## Supporting jobs, growth and the Welsh economy

***Across Wales we work with business to secure investment, jobs and growth. These businesses are a cross section of dynamic Welsh enterprise: from leisure activities like marinas to energy companies and ports involved in marine renewable energy.***

### Helping build a Welsh renewable energy industry

Across the UK the offshore wind energy industry is creating some of the largest infrastructure projects in the world. UK-wide there is the potential for over £100 billion market investment and the creation of around 57,000 new jobs by 2020. With a natural abundance of wind, Wales is well positioned to take advantage of this national shift towards low carbon energy.

Key to realising this opportunity is a competitive, reliable and flexible supply chain that will form the backbone of the industry. Welsh businesses have the opportunity to be involved not only in Welsh wind farms but also projects across the rest of the country.

During early 2011 The Crown Estate hosted a two supply chain events for Welsh businesses. These were held in Cardiff and Merseyside and were delivered in partnership with Envirolink, NWDA and the Welsh Government. Five other events were held elsewhere in the UK.

These help Welsh companies understand what they can do to step up to the challenge, providing updated information, networking opportunities to build upon partner relationships and the opportunity get involved in supply chain specific workshops.

### Milford Haven Liquid Natural Gas terminal

The liquid natural gas (LNG) terminal at South Hook, in Milford Haven became fully operational and is bringing into the area not only well skilled and local jobs, but also a continued investment into Pembrokeshire. The project has been supported by The Crown Estate. Shipping at the terminal has this year had a total of some 12.9 million gross tonnage; an increase on the previous year of 4.3 million tonnes.



*Above  
Milford Haven Liquid Natural Gas terminal where The Crown Estate is supporting investment.*

### Raw materials for construction and industry

As our holdings in Wales include some 245,000 acres (99,000 hectares) of mineral rights and leases for 11 mineral businesses, the quarrying of raw materials for construction and industry is a significant activity for The Crown Estate. These continue to be fundamentally good assets and the various businesses operating to extract these materials continue to make an important contribution to local employment.

In addition to aggregates, The Crown Estate also has interests in slate quarries and this financial year concluded a new agreement with Welsh Slate. This will allow working of slate at Manod Quarry to continue for the foreseeable future.

Mineral extraction is a sensitive issue and we work hard to manage its impact on the environment and on local communities. Quarries are subject to rigorous legislation, with good working practices prescribed by planning authorities and reinforced by regular inspections by our mineral agents, under our environmental audit programme.

### Supporting Welsh leisure and tourism

The Crown Estate manages Conwy Marina and Deganwy Marina. During the year we invested in improvements to Deganwy Marina and both performed very well throughout 2010/11. They have continued to attract visitors and long-term berthing for leisure craft, and are now either full or near capacity.

# Energy for the nation

## Helping to build Wales' renewable future

***We believe that the renewable energy sector in Wales is set to grow. There are significant opportunities both for economic investment and for communities, from small scale onshore projects to major offshore installations.***

At one end of the spectrum The Crown Estate is investigating the installation of micro generation hydro-electric power at Plynlimon Farm on our rural estate. At the other end, offshore wind and renewable energy have the potential to make Wales an energy rich country, and to provide a significant contribution to the UK's energy security and power generated from renewable sources.

Importantly, renewable energy will also create jobs and investment and contribute to the development of a significant industry with great export potential.

Realising these opportunities requires expertise, experience and investment. As stewards of the territorial seabed and having brought forward the first two rounds of offshore wind farm developments around the UK, The Crown Estate will play an active role in helping Wales to make the most of offshore resources.

The first offshore wind farm in Welsh waters at North Hoyle has been operational since 2003 and currently meets the annual energy demands of 40,000 homes. Rhyl Flats in North Wales today meets the annual energy demands of 61,000 homes. When Gwynt y Môr is completed in 2014 it will be Wales' largest wind farm generating enough power for 400,000 homes (40% of the homes in Wales).

During 2010/11 we continued to press ahead with our Round 3 programme for offshore wind energy deployment. There are nine wind zones around the entire UK coastline, two of which are in waters close to Wales: the Irish Sea Zone was awarded to Centrica Renewable Investments Ltd with the zone in the Bristol Channel now the responsibility of Bristol Channel Zone Ltd (100% owned by RWE npower). The Crown Estate has committed to invest in excess of £100 million in Round 3 to remove as many of the risks as possible which could get in the way of development.



**Above**  
North Hoyle wind farm which generates power for 40,000 homes.

## Valuation of wind farms

At the date of valuation (31 March 2011) the proposals were to develop the individual zones making up Round 3 was at a very early stage. Whilst The Crown Estate had granted exclusivity to individual developers no reciprocal binding commitment existed and in some cases the detail of development in each zone was not finalised. Hence there is a considerable risk attached to individual Zones that they may not produce income as projected.

The valuation of the Round 3 wind farms has been prepared on a 'portfolio' basis, that is on the assumption that The Crown Estate's interest in all the Zones would be sold as a single entity in order to spread the risk. As a result the valuation shown in the main Crown Estate accounts cannot be split between individual Zones and no individual value can be provided for the Round 3 wind farms located off the coast of Wales. As such the figures for property value and capital investment shown in 'how we've performed' exclude any allocation of costs or value in respect of Round 3.

Looking beyond offshore wind farms, we continue discussions with the Welsh Government on how we can help exploit the potential for generating energy from wave and tidal projects around Wales.

# Getting back to nature

## Safeguarding the environment and Welsh heritage

***Wales has a rich and diverse environment that must be protected and enhanced, both for today and for generations to come.***

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

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

### Welsh Common Land

The majority of our estate in Wales is common land; this is primarily used for grazing sheep.

The day-to-day management of common land is usually in the hands of commoners, operating through commons associations. Our aim is to work with our tenants to help in the continued success of their businesses. We provide capital for viable co-investment projects and facilitate the promotion and marketing of high quality products and services.

For example, we are currently investigating the use of small hydro-electric schemes on common land and are working with the Countryside Council for Wales, to identify and catalogue in a database all Sites of Special Scientific Interest (SSSIs) in Wales. We then aim to agree action needed to improve the condition of such sites; helping to preserve them for future generations.

### Tintern Abbey and Plynlimon

We are responsible for two agricultural holdings in Wales: Plynlimon comprises of two agricultural holdings and Tintern, which includes Tintern Abbey and substantial mineral interests on the west bank of the River Wye. In the interest of preserving this monument for future generations we agreed to place the Abbey in the care of CADW under a long-term management agreement. Tintern Abbey is an historic gateway for visitors entering Wales which attracts many visitors each year.

## Mines Royal and abandoned mines

Deposits of gold and silver are known as Mines Royal and are owned by The Crown Estate wherever they occur in the majority of the UK. Commercial production has taken place in Wales in the past, but there is no production activity at the moment. The high price and cache of Welsh gold has been creating greater interest in exploration over the past two years and ultimately this could lead to resumption of production.

Through our historic ownership of minerals, we have some responsibilities for certain abandoned mine workings and during 2010/11 we invested over £100,000 in looking after these sites. For example, we are working closely with the Countryside Council of Wales (CCW) and CADW to balance safety and conservation issues on the Cwmystwyth mine site in Ceredigion. Here historic surface structures had deteriorated into a hazardous state and are being made safe.

This is part of a long-term programme to ensure public safety by managing environmental risks, and carrying out hazard treatment works and mine shaft fencing.

### Custodians of Welsh coastline

Our coastal holdings comprise areas of great beauty and national importance, and we take our responsibilities towards them and to the people of Wales very seriously indeed. The challenge is to balance environmental priorities with opportunities for commercially sustainable development. We achieve this by working closely with the full spectrum of marine-based industries such as ports, harbours, marinas, the renewables sector and throughout our rural land holdings.

### Managing offshore mineral rights

Our marine estate also includes the mineral rights on or under the seabed, from the coastline out to the edge of the UK continental shelf, but not including oil and gas. As a landowner, we issue licences for aggregate extraction once a company has received approval from the Welsh Government, which regulates the matter.

As part of our stewardship role, 2010/11 saw us continue to invest in research into dredging and its impacts. We regularly review the available scientific evidence in order to follow best practice to ensure that this remains a sustainable industry.

Aggregates are an important part of our business, not only for the construction industry of Wales, but also for the many businesses, people and communities that rely on it for employment and income. The vast majority of natural sand used in construction across south east Wales is extracted from the Bristol Channel.

# Report of the Comptroller and Auditor General to The Crown Estate Commissioners

I have audited the financial statements of The Crown Estate for the year ended 31 March 2011, from which the financial information on the inside front cover and page 1 was derived, in accordance with International Standards on Auditing. In my report dated 23 June 2011 I expressed an unqualified opinion on the financial statements from which the financial information was derived.

In my opinion, the accompanying financial information has been correctly extracted, in all material respects, from the accounting records used to construct the audited financial statements from which they were derived.

For a better understanding of the company's financial position and the results of its operations for the period and of the scope of our audit, the financial information should be read in conjunction with the financial statements from which the financial information was derived and our audit report thereon.

**Amyas C E Morse**

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*29 July 2011*