

*Delivering
with expertise...*



Introduction

Our activities in Wales are guided by our core values of commercialism, integrity and stewardship. The last year has been a period of stability and steady progress as we continued to work closely with partners and other stakeholders to deliver a wide range of projects associated with our energy, retail, rural and coastal assets. We actively manage those assets at all times, ensuring that they provide demonstrable benefits to the people of Wales, as well as to the Treasury.

How we've performed	The Crown Estate Wales Year ended 31 March 2013 £m	The Crown Estate Wales Year ended 31 March 2012 ¹ (restated) £m	The Crown Estate total Year ended 31 March 2013 £m	The Crown Estate total Year ended 31 March 2012 £m	Increase/ (decrease) from prior year %	Percentage of total %
Revenue	8.6	6.8	332.2	314.2	26.5	2.6
Gross surplus	8.2	6.5	283.2	272.4	26.2	2.9
Property value	139.5	132.7	7,752.2	7,219.9	5.1	1.8
Capital investments	1.6	84.3	324.3	409.9		
Capital receipts	0.7	—	351.9	639.7		

1 During a financial review, an error of allocation was identified in the previously published information. Accordingly, some of the comparators have been restated to correct this mis-allocation.

How we operate

The Crown Estate is a diverse business governed by an Act of Parliament. We are responsible for maintaining and enhancing the value of the estate and its income, with a particular focus on management for the long term. Across our four portfolios, and in line with our core values, we deliver commercial return with integrity and are committed to the careful stewardship of the assets we have been trusted to manage.

The profit earned from our activities is paid to the Treasury for public benefit. Over the last 10 years this has amounted to over £2 billion UK-wide, whilst the capital value of the portfolio has increased by over £4 billion during the same period.

Our Welsh portfolio is diverse including substantial areas of common land, agricultural holdings and a range of mineral interests. We are also responsible for around 65 per cent of the foreshore which includes the management and, in certain cases, the development of, ports, harbours, marinas, and moorings as well as supporting community initiatives, encouraging good environmental practice and promoting long-term sustainable management of our coastal marine assets. Furthermore, we are responsible for the seabed out to 12 nautical miles and have specific rights on the continental shelf. We play a key role in enabling developers to realise the potential for renewable energy, particularly through offshore wind farms. In addition, our urban portfolio includes the successful Morfa Shopping Park in Swansea.

In managing our Welsh portfolio 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.

Whilst 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 our assets for the sustainable, long-term benefit of our tenants and other customers, their businesses, the communities they represent, and the environment.

The portfolios and financial highlights



The Energy and Infrastructure portfolio in Wales

As we are responsible for the management of the seabed out to 12 nautical miles, our dealings include renewable energy, oil and gas pipelines, marine aggregate extraction, telecommunications and power cables. We also have specific rights over the continental shelf up to 200 nautical miles (excluding hydrocarbons).



The Rural and Coastal portfolio in Wales

We have rural estates at Plynlimon and Tintern totalling 1,310 hectares (3,238 acres) of agricultural land and 26,900 hectares (66,470 acres) of Welsh common land. In addition, our economic interests include ports, marinas and wind farms.

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

We are responsible for approximately 65 per cent of the Welsh foreshore.



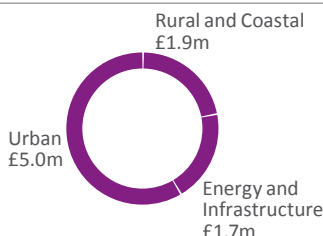
The Urban portfolio in Wales

The 346,000 sq ft Morfa Shopping Park in Swansea is a significant asset in the regional portfolio managed by our Urban team.

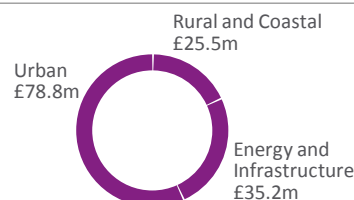
Purchased for £80 million in 2011 and close to both the city centre and the M4, Morfa is home to several leading retailers including Outfit, WM Morrison, TK Maxx, Next and B&Q.

Revenue by activity	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Property value by activity	Year ended 31 March 2013 £m	Year ended 31 March 2012 (restated) £m
Coastal	1.3	1.4	Coastal	16.4	17.1
Cables/pipelines	0.1	0.1	Cables/pipelines	1.6	1.5
Agricultural	0.1	0.1	Agricultural	4.0	4.3
Forestry	–	–	Forestry	0.4	0.4
Minerals	0.4	0.3	Minerals	3.1	3.1
Rural and Coastal total	1.9	1.9	Rural and Coastal total	25.5	26.4
Cables/pipelines	0.3	0.2	Cables/pipelines	4.1	2.0
Dredging	0.7	0.8	Dredging	4.0	4.1
Renewables	0.7	0.4	Renewables	27.1	20.3
Energy and Infrastructure total	1.7	1.4	Energy and Infrastructure total	35.2	26.4
Urban retail	5.0	3.5	Urban retail	78.8	79.9
Total	8.6	6.8	Total	139.5	132.7

Revenue by activity 2013
£ million



Property valuation by activity 2013
£ million



Alison Nimmo CBE
Signed by Second Commissioner and
Accounting Officer on behalf of the Board

17 June 2013

The Energy and Infrastructure portfolio in Wales

The Energy and Infrastructure portfolio plays an important role in bringing investment, businesses and jobs to Wales.

Over the course of the year, our Energy and Infrastructure interests have been consolidated into a defined portfolio. This has to some extent been driven by the transfer of the coastal assets to the newly-formed Rural and Coastal portfolio and has helped us focus on successfully managing and delivering all the strategic objectives of the newly formed Energy and Infrastructure portfolio through its distinct sectors: energy, infrastructure and marine minerals.

Facilitating the renewables sector

2012/13 saw developers make good progress with renewable projects in Welsh waters. On the Gwynt y Môr wind farm off the coast of North Wales, around half of the foundations for the 160 turbines have already been installed, with the rest due to be completed during the summer of 2013. Both offshore substations were also installed during the year as was the first of four export cables. Work on inter-array cables began in April 2013, with the first turbine due to be erected in the summer. The site should be fully operational in 2014, with an installed capacity of 576 MW. The developers RWE Innogy forecast that it will be capable of generating enough energy to meet the average annual needs of around 400,000 homes.

The two Round 3 zones in waters close to Wales, in the Bristol Channel and Irish Sea, continued to make significant progress. The emphasis this year has again been on completing surveys and consultation events.

The emerging wave and tidal industry has also experienced another strong year. In February, Siemens MCT secured planning approval from the Welsh Government and at the same time funding from DECC's Marine Energy Array Demonstration Fund to develop the Skerries tidal farm, located off the north-west coast of Anglesey.

We recognise that the tidal range in Welsh waters creates significant opportunities for renewable projects and we continue to work with the Welsh Government, DECC and other stakeholders to realise these potential opportunities. During 2012/13 we undertook a detailed study of the size and distribution of wave and tidal resources around the UK, using our Marine Resource System (MaRS), with support from Black & Veatch Ltd, input from industry, and in association with key stakeholders including the Welsh Government. The study concluded that England and Wales share the largest single area of tidal range resources, in the Bristol Channel and Severn Estuary.

Supporting the cables industry

In 2012/13 the income from cables and pipelines in Welsh waters was approximately £300,000. Consistent with other parts of the UK, in Wales we take a reactive role granting rights as new projects occur. For example, we are pleased to be helping deliver the critical infrastructure for the Eirgrid East-West Interconnector, a 500 MW submarine cable linking Ireland and Wales which became operational in December 2012. The cable is expected to bring improvements to energy security, increase competition in the electricity sector, encourage the growth of renewables in Ireland and facilitate trade.

Licensing arrangements for submarine telecoms cables will be subject to review in the year ahead and we expect to commence consultation with the sector shortly.

Managing offshore mineral rights

The portfolio also includes the mineral rights on or under the seabed, from the coastline out to the edge of the UK continental shelf, excluding 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. To a large extent, the Welsh construction industry relies on a regular and reliable supply of sand and gravel dredged from the Bristol Channel. We continued to experience declining activity as demand remained low due to the continuing downturn in construction.

Sustainability is integral to everything we do across all portfolios of The Crown Estate, and we regularly review the available scientific evidence to make sure that the dredging industry follows best practice and therefore remains an activity that can be sustained for the long term.

The Rural and Coastal portfolio in Wales

We actively manage the assets of the Rural and Coastal portfolio, tempering our commercial drive with a deep-seated commitment to integrity and stewardship.

The Rural and Coastal portfolios were merged during 2012, recognising the many similarities and synergies that existed despite the diverse nature of the assets involved.

Welsh common land

Most of our rural holding in Wales is common land which is primarily used for grazing sheep. The day-to-day management of this land usually lies 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, and to maximise the value of the landholding.

We regularly survey areas of common land in order to provide local 'presence' and to identify matters that require attention. During 2012/13 we focused on common land in Ceredigion.

Agricultural holdings

Our agricultural interests in Wales include Plynlimon, which comprises two agricultural holdings, and Tintern, which includes not only a farming enterprise but also substantial mineral interests on the west bank of the River Wye. Tintern Abbey also falls within the ownership of The Crown Estate, although, in the interest of preserving this monument for future generations, we have placed the Abbey in the care of CADW, the Welsh Government's historic environment service, under a long-term management agreement.

During the year we disposed of our remaining holding at Aberystwyth, which amounted to some 100 acres.

Enabling onshore renewables

As detailed in the previous Wales Report, we entered the year with three wind farms proposed for our landholdings in the planning process. These projects are promoted through the planning system by operators or developers; our role is to issue options and leases to develop projects on our landholdings where appropriate.

The application to erect 15 turbines at Llanllwni in Carmarthenshire was rejected by the planning committee and is currently moving through the appeals process. The projects for 11 turbines at Llys Dymper in Conwy and four at Cilfaesty in Powys continue to make good progress and we hope to be in a position to announce developments during the year ahead.

Supporting coastal projects

Coastal developments encourage tourism, support commercial activity, create valuable amenities and bring revenue and jobs to local communities in Wales.

At Fishguard, outline planning permission has been granted for the development of a 450 berth marina with workshops, stores and ancillary facilities. The project will also see the construction of up to 253 new residential apartments incorporating extensive landscaped gardens and a new platform for the potential expansion of the existing Stena Line port. The scheme will also create a new, publicly-accessible promenade and waterfront, together with visitor parking. Part of the project will involve Crown Estate foreshore, and we are working with the project developer and other stakeholders to help deliver this exciting development.

Further around the Pembrokeshire coastline at Milford Haven, outline planning permission has been approved for the Martello Quays development which will comprise a 260 berth marina, workshops and a chandlery as well as 450 houses and apartments. The project will also include a new public promenade, retail space, a public house and restaurant, a hotel and a five-screen multiplex cinema. Again, we are working with the developer to help facilitate this initiative.

Also at Milford Haven, we experienced a breakthrough in our drive to provide local people with secure, licensed moorings. Previously, moorings had been largely unregulated but many boat owners have now signed up to our scheme. This will create a platform for our increased involvement in areas such as localised management and stewardship.

Minerals, Mines Royal and abandoned mines

Mineral extraction operations across Wales extend to eight sites of various scale which are leased to mineral operators. Production includes aggregates from limestone and igneous rock, as well as slate operations which focus on roofing and other materials. Activity at these sites has remained stable over the last three years, but in common with the industry nationwide, has suffered from the downturn in the wider economy, with output well down from its previous peak.

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 and there are currently two leases in place to work gold as well as three options to take a lease to work gold.

During the last year we sold our interest in a disused quarry in North Wales in order to allow the adjoining owner, and former tenant, to consolidate ownership and to facilitate the redevelopment of the entire site. In addition, a former mine site is in the process of being sold to a trust for historical interest and educational purposes.

The Urban portfolio in Wales

In addition to assets in the West End of London, where we manage all of Regent Street and around half of St. James's, our Urban portfolio comprises prime retail properties across the UK, including the Morfa Shopping Park in Swansea.

Purchased for £80 million in 2011, the 346,000 sq ft Morfa Shopping Park in Swansea is close to the city centre and within easy reach of the M4.

A high quality shopping experience

The park was fully let at the time of the acquisition and remains so today. During the year, we were pleased to welcome a major new tenant to Morfa. Outfit is a retail concept that brings together many of the Arcadia Group's top brands under one roof, such as Burton, Miss Selfridge and Topshop.

Other tenants at the park include WM Morrison, TK Maxx, New Look, Next, B&Q and DSG Currys megastore.

Working with our tenants

We work closely with our tenants at all times, making sure that the facilities and strategy of the park are aligned with their business objectives.

For example, in response to tenant concerns we have implemented a car parking time limit on certain days. Morfa is adjacent to the Liberty Stadium, home of Swansea City, and on match days the cars of supporters have taken up valuable spaces thus reducing footfall. We are currently monitoring the success of the policy with our tenants and will fine-tune it to make sure it suits the exact needs of both stores and shoppers.

Across our portfolio we are exploring new and innovative ways to improve the quality of the retail offer and the consumer experience, including trialling events and other schemes to attract shoppers. At Morfa, during the past year we have enabled charities, such as local firefighters, to carry out promotions and we are currently looking at a number of initiatives to drive footfall and increase dwell time.

Working with government and communities

Across The Crown Estate, our teams work with the grain of government. We are keen to engage with stakeholders and to play our part in helping Wales benefit from the assets under our management.

We formally demonstrated our commitment to working closely with the Welsh Government by signing a Memorandum of Understanding (MoU) in 2011, which sets out the responsibilities and levels of accountability of our respective organisations.

Beyond the MoU, we understand and respect the dynamics of devolution and are keen to play our part by making sure that the ways in which we manage our assets deliver benefits to the people of Wales. We sit on many advisory committees, including technical groups and those concerned with marine conservation, where our experience and advice can help bring policy initiatives to fruition, such as the Welsh Government's commitment to tackling climate change through diversified renewable energy generation.

1 April 2013 saw Natural Resources Wales (NRW) take over the work of the Countryside Council for Wales, Environment Agency Wales, Forestry Commission Wales and the Welsh Government's Marine Consents Unit. We welcome NRW and look forward to maintaining the close relationships we enjoyed with the previous agencies.

Marine stewardship fund

The Crown Estate's marine stewardship fund is widely valued throughout the UK for supporting community initiatives, helping encourage good environmental practice and promoting the long-term sustainable management of our marine assets. There are currently five priority areas for funding: access, awareness, biodiversity, environment and management.

Improving access to the marine environment has always been a funding priority. This year we provided £15,000 for a new slipway from Glan-y-Don Beach at Pwllheli as part of the overall development of the Welsh National Sailing Academy and Events Centre. An additional £15,000 will be provided in 2013/14 towards a slipway into the inner harbour from the new pontoon, helping a range of watersports to benefit from improved access to the water.

This is the second year in which we have directed funding towards Marine Energy Pembrokeshire, a forum set up to help developers and statutory bodies to work together to support the development of wave and tidal energy in Pembrokeshire. Over three years we are providing funds of £45,000 as well as supporting the working group with our expertise and experience. The Welsh Government has also agreed to fund the project for three years, and other stakeholders involved in the forum include Pembrokeshire County Council, Milford Haven Port Authority and Pembrokeshire Coast National Park Authority, which are some of the major tenants within our Pembrokeshire coastal portfolio.

At RSPB Conwy Nature Reserve we provided funds of £62,000 to develop a new observation room to help raise awareness of local marine and estuarine issues, and highlight the diverse flora and fauna that can be found around the reserve. The building will be made from straw bales sourced from one of our rural tenant farmers at Tabley. The entire reserve was built on Crown Estate land in 1991 as habitat compensation for the construction of the A55 road tunnel which runs under the estuary, and is leased to the RSPB specifically for the purposes of conservation and environmental management. This helps to protect a variety of habitats including grassland, scrubland, reedbeds, saltmarsh and mudflats. In 2007, the reserve was chosen as winner of The Crown Estate's marine business award for providing new learning facilities and a range of activities which have not only contributed towards good management of the reserve but also created local jobs.

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 2013, 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 12 June 2013, 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 Crown Estate's 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.

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18 June 2013