

*Building  
strong  
partnerships*

Scotland Report 2011



*Working in partnership lies at the heart of The Crown Estate. Although our statutory basis determines that we operate as a commercial organisation, we have an equally firm commitment to working hand-in-hand with Scotland's organisations, agencies and individuals, for the benefit of local businesses and communities.*

*Our ability to take a long-term view means we can build strong, lasting relationships that deliver sustainable, long-term mutual benefit for our tenants and other customers; their businesses; the communities they represent; and for the environment.*

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 Available online:  
[www.thecrownestate.co.uk/scotland\\_report\\_2011.pdf](http://www.thecrownestate.co.uk/scotland_report_2011.pdf)

 Other publications available:  
**The Crown Estate Annual Report 2011**  
**Wales Financial Highlights 2011**  
**Northern Ireland Financial Highlights 2011**

# Understanding The Crown Estate

## Who we are and what we do

- *The Crown Estate is the organisation, established by Parliament, which manages the estates of the Crown throughout the whole of the United Kingdom.*
- *In Scotland, The Crown Estate manages a diverse property portfolio which includes five rural estates, retail premises, mineral and salmon fishing rights as well as around half the foreshore and almost all the seabed.*
- *The responsibilities of The Crown Estate are to maintain and enhance the value of the estate and its income over the long term, using management principles that create added value for everyone – the people, businesses and communities who deal with us, and the nation.*
- *Profit earned by The Crown Estate is paid to the Treasury for the benefit of the public.*
- *The Crown Estate is managed by a Board, which includes a Scottish Commissioner. The Board's responsibilities are similar to trustees of a trust fund.*
- *In Scotland, The Crown Estate works in partnership with the Scottish Government, Scottish Parliament, local authorities, communities and our own customers for mutual benefit.*
- *The Crown Estate is a business success story guided by core values of commercialism, integrity and stewardship, which inform the way we behave and the actions we take to fulfil our responsibilities.*

## Where we operate

### Scottish marine estate

The marine estate in Scotland consists of approximately 50 per cent of the foreshore and beds of tidal rivers and almost all the seabed out to 12 nautical-miles which results in an estate that is both extensive and diverse. It includes oil and gas pipelines, telecommunication and power cables, marinas, ports and harbours, and aquaculture. The marine estate also includes rights to gas storage and renewable energy Scottish territorial waters and in UK waters adjacent to Scotland.

### Scottish rural estate

The rural estate in Scotland includes 37,000 hectares (91,400 acres) of agricultural land, 5,000 hectares (12,300 acres) of forestry, residential and commercial property and salmon fishing rights.

### Scottish urban estate

The urban estate in Scotland comprises 39/41 George Street, Edinburgh. Our other investment in Scottish commercial property is through a 50 per cent interest in an English Limited Partnership which owns Fort Kinnaird Retail Park in Edinburgh.

 To see a schedule of The Crown Estate's holdings, please visit our website: [www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

## How we've performed

	The Crown Estate Scotland 12 months to 31 March 2011 £m	The Crown Estate Scotland 12 months to <sup>1</sup> 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	per cent increase/ (decrease) from prior year	per cent of total
<b>Revenue recognised in the income account</b>	<b>11.9</b>	13.1	<b>306.8</b>	299.7	(9.2)%	3.9%
Gross surplus	9.9	11.0	264.3	246.8	(10.0)%	3.7%
<b>Property</b>						
Property value <sup>2,3</sup>	207.1	183.5	6,703.3	5,988.7	12.9%	3.1%
<b>Property transactions</b>						
Capital investment <sup>2,3</sup>	7.4	4.2	571.0	394.4		
Capital receipts	3.4	68.4	406.1	419.0		

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

2 Excludes properties held within joint ventures which hold property UK wide and as such cannot be allocated by region.

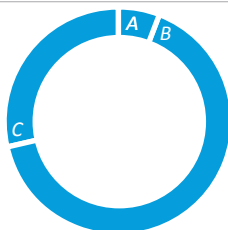
3 See valuation of wind farms on page 17.

Revenue by activity	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Cables/Pipelines	2.0	1.8
Coastal	2.7	2.3
Dredging	0.1	–
Aquaculture	2.5	2.3
Renewables	0.5	0.4
<b>Marine</b>	<b>7.8</b>	<b>6.8</b>
Agricultural	1.9	1.9
Minerals	0.8	1.0
Forestry	0.2	0.2
Residential	0.5	0.4
<b>Rural</b>	<b>3.4</b>	<b>3.5</b>
Office	–	1.8
Retail	0.7	1.0
<b>Urban</b>	<b>0.7</b>	<b>2.8</b>
<b>Total</b>	<b>11.9</b>	<b>13.1</b>

Property value by activity	As at 31 March 2011 £m	As at 31 March 2010 £m
Cables/Pipelines	17.1	18.2
Coastal	22.6	20.0
Dredging	0.6	0.6
Aquaculture	12.2	11.3
Renewables	24.1	3.7
<b>Marine</b>	<b>76.6</b>	<b>53.8</b>
Agricultural	89.0	89.6
Minerals	2.6	2.9
Forestry	9.9	8.9
Residential	16.2	16.5
<b>Rural</b>	<b>117.7</b>	<b>117.9</b>
Office	–	–
Retail	12.8	11.8
<b>Urban</b>	<b>12.8</b>	<b>11.8</b>
<b>Total</b>	<b>207.1</b>	<b>183.5</b>

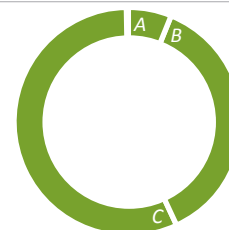
### Revenue by estate 2011 £million

- A Urban estate – 0.7
- B Marine estate – 7.8
- C Rural estate – 3.4



### Property valuation including indirect investments £million

- A Urban estate – 12.8
- B Marine estate – 76.6
- C Rural estate – 117.7



*Roger Bright*

**Roger Bright CB**

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

# Scottish commissioner's overview

***Travelling around Scotland I am constantly impressed by the commitment of our people to make a difference to the local communities in which they work. Whether it involves promoting sustainable tourism on our Glenlivet Estate or encouraging wave and tidal stream energy in the Pentland Firth and Orkney Waters, the expertise of The Crown Estate's team is at the heart of what we do.***

Of course, these initiatives also depend on the strong partnerships that we have developed over many years – with local businesses from fish farms to timber harvesters, with local communities – as well as with councils and the Scottish Government.

In this report we look back at what our Scottish team have achieved over the last financial year – and look forward to the opportunities ahead. This report comes at a time when The Crown Estate is the subject of increasing scrutiny and one of the aims of this report is to help explain our role and our contribution to Scotland.

We are keen to identify more ways in which we can engage with, and be responsive to, Scottish interests. Through our Scottish Liaison Group we already engage with 22 stakeholders with an interest in our work. Another example is the wave and tidal delivery group on the Pentland Firth and Orkney Waters that includes the Scottish Government, Highlands and Islands Enterprise, Highland Council and Orkney Islands Council. Similar close working with the Scottish Government takes place on the Scottish Territorial Waters offshore wind programme. We plan to further strengthen how we communicate and consult in Scotland including how we account to the Scottish Government and the Scottish Parliament. Indeed, we have been in discussions to agree memoranda of understanding with the Scottish Government and with the local authorities in the Highlands and Islands.

Inevitably, the opportunities offered by marine renewable energy have been a central theme of our work in Scotland. We share the view that the low carbon economy will be a key factor in enabling Scotland achieve sustainable economic growth. But success will involve meeting challenging targets including the Scottish Government's commitment to produce 100 per cent of electricity consumed in Scotland from renewable sources by 2020.



We can play an important role in helping to achieve this goal. The Crown Estate is investing around £20 million over the next five years in the development of offshore renewable energy in Scotland including wind, wave, tidal stream energy – and carbon capture and storage.

Realising Scotland's offshore energy potential depends on major investment and at this stage it is not without risk. However, by match funding option fees The Crown Estate can build the confidence of developers and investors. And the strength of our reputation with international investors means that we can help leverage these funds at key stages in the process.

It is vital that Scotland is prepared if it is to fully benefit from these developments. That's why we have been working with Highlands and Islands Enterprise and Scottish Enterprise on supply chain events, helping to ensure that Scottish businesses are ready to take advantage of the economic opportunities available.

However, our partnerships to build Scotland's low carbon economy extend beyond offshore renewable energy. We have also been developing sustainable tourism, for example, through our plans to develop mountain bike trails on the Glenlivet Estate. We have also invested £1.4 million in marinas and sailing facilities in Tarbert, Rhu and Tobermory. This involves a partnership with local communities seeking to maintain the west coast's international reputation for leisure and competitive sailing.

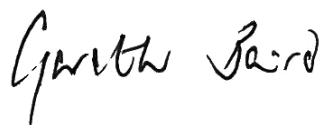
Alongside this, we have worked with local partners on our estates to develop sustainable forestry, winning the Dulverton Flagon trophy for innovation and diversity at the Scotland's Finest Woods Awards.

Working with tenants, we have continued our £1 million major programme of improvements following the harsh winter of 2009/10, to ensure farmers stand in good stead for severe weather. This included constructing new buildings, carrying out major refurbishments and energy efficiency works – and the creation of small-scale renewable programmes.

Over recent years we have seen growing investment in The Crown Estate in Scotland, and I would like to acknowledge the particular contribution to this of our chief executive Roger Bright. He has played an important role in ensuring that our relationships in Scotland are front of mind for the commissioners and he will be sadly missed when he retires at the end of the year.

Throughout this report we highlight the types of partnership which reflect the way we work. Some may be local initiatives to promote public engagement in renewables, or national award schemes to help fund development of fledgling businesses. Others are designed to help young people understand and engage with the low-carbon economy, as well as ensuring that communities benefit from the job opportunities arising from green energy projects.

All of these examples show how our resources, combined with the expertise of our Scottish team, are helping communities and businesses across Scotland realise new opportunities.



**Gareth Baird**  
Scottish commissioner

***“Realising Scotland’s offshore energy potential depends on major investment and at this stage it is not without risk. However, by match funding option fees The Crown Estate can build the confidence of developers and investors.”***

# Chairman's statement

***The theme of The Crown Estate's reporting this year is 'partnership', and there's no stronger example of partnership than the bond we have with Scotland and its long-term economic interests.***

We recognise that there's a wider political debate about The Crown Estate in Scotland, and it would not be appropriate for me to comment on matters which are the responsibility of the UK Parliament. We do, however, stand by our record in Scotland on four key counts: as an active and committed supporter of the policies of the Scottish Government; as an expert, professional and trusted intermediary for companies considering major investment in renewable energy in Scottish waters; as a promoter of Scottish companies and communities seeking to make the most of supply chain opportunities; and as an active and supportive landlord on our marine and rural holdings in Scotland.

The Scottish Government has set ambitious targets for the development of renewable energy around Scottish coastal waters. It's a vision which we share, and we've committed our full resources to its achievement.

The initial focus has been on wind, with progress being made on five sites in Scottish Territorial Waters and a further two sites which are part of our UK-wide Round Three offshore wind programme.

Alongside that we now have the wave and tidal programme in Pentland Firth and Orkney Waters, the first commercial scale programme of its kind in the world; this has been built through close partnerships with developers, local authorities and government and has also drawn on the innovation of the European Marine Energy Centre on Orkney, which we're proud to support.

We're committed to investing some £20 million over the next five years to support the growth of the offshore renewables sector in Scotland. Our ability to do so comes from three things. First, we have strong cash flow from other parts of our portfolio, such as London's Regent Street, and this enables us to make long-term investment decisions, something which was acknowledged by the Commission on Scottish Devolution. Secondly, our UK-wide remit has enabled us to build up a team of highly experienced people who understand the complexity of the projects and the key issues which will determine their outcome. We've developed the technical expertise, for example in marine mapping resources, which informs detailed planning. And thirdly,



developers recognise the integrity and capability of The Crown Estate, so that the work we do, for example on preparatory studies, is valued as one element of reducing the risk they face in the consents process.

Success in marine renewables will benefit communities in every part of Scotland. We understand the scale of the prize to be won if these massive projects can be brought to fruition in terms of energy security, meeting carbon emissions targets and, crucially, creating jobs.

But we also appreciate that billions of pounds will be needed just to realise the plans already underway, and ambitions alone won't bring the outcomes Scotland needs. The decision makers who are crucial to the investment in all these schemes are looking at the opportunities worldwide. They have a choice. There are many countries in the world equally keen to attract funds for new infrastructure projects. The Crown Estate will continue to devote all its energies to put Scotland in prime position, to make these investments attractive and to minimise the risks that investors see when they're making up their minds.

Our commitment to invest in the economic sustainability of Scotland's communities isn't confined to marine renewable energy. Over the last five years we've invested in research to support the development of Scotland's aquaculture industry, vital to the economic wellbeing of coastal communities. On our rural estates too we've supported the development of new affordable housing designed to reinforce the long-term future of local communities; we've initiated projects in

sustainable tourism and forestry; and we've invested in the future of our tenant farmers, some of whom are in their third or fourth generation as tenants of The Crown Estate while others reflect our belief in the importance of encouraging new entrants to farming as the future life-blood of rural communities.

In all these sectors, The Crown Estate is far from being a passive landlord. We seek to build on the shared interest we have with the communities in our areas of activity. I would echo Gareth's view that our success draws on the expertise of our excellent Scottish team and the relationships they've developed with the individuals and businesses with which we work. The revenues generated in Scotland, at £11.9 million only 3.9 per cent of the total, don't reflect the full scale which the country plays in our activities.

We're committed to working in Scotland with government, with business and with local communities, and we look forward to the challenges of the year ahead and discovering new ways to extend and strengthen our partnerships in Scotland.



**Sir Stuart Hampson**  
Chairman

***“We’re committed to working in Scotland with government, with business and with local communities, and we look forward to the challenges of the year ahead and discovering new ways to extend and strengthen our partnerships in Scotland.”***

# Education and engagement

*“Accelerating the development of marine energy in Scotland is a priority for us, and engaging with communities by putting on public information is a critical part of that process.”*

**John Robertson**  
Wave and tidal development manager  
at The Crown Estate



*We are proud to be working in partnership with communities, local groups and schools across Scotland on initiatives that promote learning and engagement.*

*This year, we co-ordinated public events on the world’s first commercial wave and tidal energy programme, developed a ground-breaking teacher resource on the role of trees in mitigating climate change, and continued to fund coastal projects that promote good stewardship.*

*Here are just a few of the projects that we have supported.*

## Marine Communities Fund

Since 1999, our marine communities fund has distributed nearly £2 million to a wide range of practical projects around the UK coast that contribute to good stewardship.

This year, £10,000 went to the Rising Tide project to explore the remains of ancient sites and landscapes in the waters off Orkney. The research brings together experts from four universities, and their findings are providing new insights into the ways in which people have dealt with sea-level change over millennia.

In addition, we granted £10,000 towards upgrading a Lerwick junior sailing facility where over 40 young Shetlanders enjoy sailing and boating activities.





*“Having one organisation oversee the marine energy public events proved invaluable in helping developers engage with communities early on, in a co-ordinated way, and gather their thoughts and views on the projects.”*

*Alan Mortimer  
Scottish Power*

### Low carbon education

To mark the UN’s International Year of Forests (2011), we have worked with Forestry Commission Scotland and the Royal Highland Education Trust to develop *Forests for the Future*, an innovative web-based teacher resource for pupils aged 10 to 12 years.

Designed to meet the cross-curricular requirements of the new Curriculum for Excellence, it is part of our contribution to engaging children in Scotland’s transition to a low-carbon society.

In addition, local volunteers, pupils and community groups joined Crown Estate staff at our rural estates in planting a total of 1,600 trees to mark National Tree Week.



### Marine energy bursaries

Our Round 3 enabling actions fund provided nine bursaries of £3,600 for UK students studying a post-graduate course covering marine renewable energy, marine stewardship and environmental impact assessment.

The distance learning programme, run by University of Strathclyde among other universities, will provide specialist education for those employed or seeking employment in the offshore wind industry, helping build knowledge and expertise.

***Nine bursaries of £3,600 provided for post-graduate marine energy students.***

# Energy

*"We've worked with partner organisations such as Scottish Enterprise to ensure thousands of suppliers and buyers can meet and do business at offshore wind supply chain events around the country. We will continue to help Scottish communities and businesses benefit from the growth in renewables."*

**Dorothy Shepherd**  
Round 3 Offshore Wind Contract Manager



*Our staff in Scotland – and indeed UK-wide – are dedicated to helping Scottish businesses and communities benefit from the green energy revolution.*

*Across our marine estate, we are investing in activities that de-risk and accelerate offshore wind projects and the Pentland Firth and Orkney Waters, the world's largest planned development of wave and tidal stream energy.*

*With a Crown Estate report estimating maximum total capital expenditure on Pentland Firth and Orkney Waters alone at over £6 billion, much of our work is designed to ensure the country secures international investment and that Scottish businesses can capitalise on opportunities to supply and service the renewables industry.*

## Inner Sound project awarded

We awarded an agreement for lease for the Inner Sound to MeyGen, a joint venture between Atlantis, International Power and Morgan Stanley.

The 400 MW project is one of the world's largest planned commercial tidal stream energy developments.

The first round of leasing in the Pentland Firth and Orkney Waters has a total potential capacity of 1.6 GW, and we're investing over £5 million in enabling actions that will accelerate development and de-risk these projects.





*“The Crown Estate’s commitment to developing the supply chain – through dedicated events and other initiatives – has played a key role in attracting investment and maximising job creation in the Scottish renewables industry.”*

*Linda Gosden  
Scottish Enterprise*

**Attracting global investment in renewables**

The Crown Estate’s work on Round 3 saw the UK placed top of the Ernst & Young international league table as the most attractive location for global investment in offshore wind.

And the wave and tidal Pentland Firth and Orkney Waters projects won the 2010 Euromoney and Ernst & Young Renewable Energy Landmark Renewable Deal of the Year Award, recognising the Crown Estate’s success in placing the wave and tidal industry firmly in the sight of global financial investors, generating significant interest in the projects.



**MaRS**

Our marine planning tool, MaRS, was successfully used by Scottish Government for the Strategic Environmental Assessment for Scottish Territorial Waters offshore wind leasing.

Mapping over 450 layers of geographical information, MaRS uses multi-criteria analysis to investigate areas with the most development potential and least risk, in a transparent, evidence-based manner.

We will continue to work with Government and industry to advance offshore wind, an industry of critical importance to the Scottish economy.



**Delivering on marine energy**

We are working with Scottish Government in co-ordinating the Pentland Firth and Orkney Waters Delivery Group to ensure an integrated approach to developing the marine energy industry.

In addition, we have designed a competition framework for applications for further projects.

Companies are invited to apply for projects of up to 30 MW installed capacity. Leases may be awarded with commercial-length terms, including an operating period of up to 25 years, to help attract investment.

# Environment

*“Research work into bird populations is part of our collaborative approach to understanding how offshore wind developments in the regions of the Forth and Tay may affect the environment. The surveys are part of our £20 million investment over the next five years in activities designed to de-risk and accelerate the development of the Scottish offshore wind industry.”*

**Tom Mallows**  
Consents and External Relations Manager



*One of our guiding principles that underpin all that we do is stewardship.*

*From co-ordinating collaborative work on seabird research to supporting volunteer groups and sponsoring community events, safeguarding the environment, and promoting the development and sharing of knowledge about our environment, has long been a priority for The Crown Estate.*

*These projects offer just a snapshot of the valuable work our team is involved in across Scotland.*



## **Hebridean Seaweed Company**

We awarded the Hebridean Seaweed Company a lease agreement to harvest additional species, allowing them to capitalise on growing demand for algae for cosmetics, and health foods and research.

The agreement sits alongside a requirement to monitor. For the first time, Scottish Natural Heritage will be able to map the distribution and abundance of the relevant species and, ultimately, establish sustainable harvest levels to help inform the industry's growth.



*“The Crown Estate’s funding is enabling us to carry out vital research into bird populations off the east coast. The data will be crucial in assessing and monitoring the impacts of offshore wind projects on our seabirds.”*

**Dr Francis Daunt**  
Centre for Ecology & Hydrology

**Sand martins**

Over the years, we’ve supported Applegarthtown Wildlife Sanctuary at our Applegirth Estate, where volunteers recently marked a major milestone with the ringing of the 10,000th sand martin nestling, ahead of the birds’ annual migration to warmer climes.

The ringing programme, run by retired farmer Bobby Smith, began in 1994 and has used pioneering methods that are now adopted at sites elsewhere in the UK and abroad, helping tackle the worldwide decline in sand martins.



**World Oceans Week**

We continued our support for the UN’s annual World Oceans Week as a sponsor of Dumfries and Galloway’s programme of events in 2010 and 2011, helping provide a platform to showcase the local marine environment and coastline, as well as the range and quality of tourist venues, activities and facilities on offer.

World Oceans Week raises public awareness of the region’s high conservation designations and the issues facing its marine communities, industries and biodiversity. In 2010, an estimated 300 people took part and The Crown Estate are pleased to see it go from strength-to-strength.



# Enterprise and investment

*"We're delighted to have supported the Thomsons to develop and diversify their business. In recent years, severe weather and challenging markets have made our solid, productive relationship with our farming tenants all the more crucial."*

**Alan Laidlaw**  
Head of New Business Development (Rural)



***Supporting business and sustainable development, particularly in rural and coastal communities, has continued to be a focus.***

***Over the past year, our team has been working to develop tourist facilities, promote excellence in enterprise, and support the development of affordable housing.***

***We also helped Anthropologie secure the right site for their first UK store outside of London, helping Edinburgh bolster its offering of prestigious brands.***

## **Recognising excellence**

The Crown Estate once again sponsored the Scottish Marine Aquaculture Awards to celebrate and support an industry of vital importance to Scotland's rural communities.

Among the 2011 winners are The Scottish Salmon Company (Best Aquaculture Company), Grieg Seafood Hjaltland Ltd (in the business development category) and Oban-based Fusion Marine for Aquaculture Supplier of the Year.

A family-owned Islay boat builder, Stormcats, won The Crown Estate's SCDI One to Watch Award for a Marine Business, recognising their growing international reputation and innovative designs.





*“We’ve enjoyed years of good working relations with The Crown Estate. Their ongoing support means we have a thriving and sustainable farming business that the next generation of Thomsons can inherit.”*

**Frank Thomson**

*M C Thomson & Sons, who won The Crown Estate’s 2010 Rural Business Award*

### Investment in Oban Bay

The Crown Estate continues to support and work with the community in Oban to realise the prospect of a new transit marina in Oban Bay.

This year, The Crown Estate confirmed funding of £800,000 and we look forward to working with local partners to progress that project.

We have also invested £1.4 million in Rhu Marina and £250,000 in creating a 70-berth marina in Wick.

***We have also invested £1.4 million in Rhu Marina and £250,000 in creating a 70-berth marina in Wick.***



### Anthropologie

On our urban estate, we welcomed new tenant Anthropologie to George Street, helping build Edinburgh’s reputation as a quality shopping destination with luxury brands.

The Crown Estate negotiated an early end to the previous tenant’s lease to ensure that the space was available for the upmarket US fashion giant, whose store will be located over three storeys.

Anthropologie has only two other UK stores, one in a Crown Estate-owned Regent Street site and the other in King’s Rd, London. We will continue to encourage tenants to explore opportunities in Scotland and facilitate investment when possible.

### Fochabers housing

Fifty nine high-quality homes on the Fochabers estate, including affordable houses amounting to 25 per cent of the site, are set to be developed after Moray Council unanimously backed our proposals, submitted after an extensive community consultation programme.

The development will include single and two storey properties with landscape improvements, a new cycle path and a footpath that will link into the existing path network.

### Mountain bike trails

We further developed proposals to make a remote part of Moray a leading mountain biking destination, completed our pre-application consultation for a planning application for a 19km network.

We hope to contribute £242,000, with Moray Council and Cairngorm National Park Authority also expected to fund the project. Our staff successfully secured £178,467 from the European Regional Development Fund (Highland & Islands Partnership Programme).

# Our Scottish team



## Left (from left)

Dermot Grimson, Head of External Affairs, Alasdair Rankin, Head of Marine Business Development, John Stevenson, Development Manager (Scottish Territorial Waters), Alain Laidlaw, Head of New Business Development, Tom Mallows, Consents and External Relations Manager

## Below

Our office at Bell's Brae, Edinburgh



## Working together

Our principal office in Scotland is in Edinburgh, although many of our staff travel or are based throughout the country to ensure we maintain strong relationships with local partners. On our five rural estates, in particular, our local staff are an important contact point for tenants and local communities. There are also local managing agents based in Inverness, Oban, Dingwall and Perth.

Our Scottish Leadership team comprises senior staff who are the main point of contact for the Scottish Government and Parliament. They ensure that we are responsive to Scottish issues and maintain strong and co-operative relationships with key contacts in government, business and the local communities.

Alasdair Rankin heads marine business development with responsibility for ports, harbours and the vitally important aquaculture sector. John Stevenson heads up offshore wind and the fast developing wave and tidal energy sector while Tom Mallows is responsible for policy and environment

issues. Alan Laidlaw heads up the rural estate including forestry, while Dermot Grimson who has responsibility for marine external affairs completes the team.

The Scottish team of 35 staff includes a number of new members, as we respond to growth in some areas and changing demand in others. Offshore energy is clearly developing quickly and Annie Ward joined the Crown Estate this year to support the development of this sector in Scotland. Annie's role is vital in linking with stakeholders to ensure planning consents are granted and progress continues.

Our forestry expertise in Scotland extends beyond our borders. In Edinburgh, our staff have UK-wide responsibility for forestry management including business development, education and outreach. The nation's love of its woodlands was very effectively portrayed this year and The Crown Estate in Scotland works to ensure that access is balanced with stewardship and that environmental commitments are encouraged.

# Review of operations

## Scottish marine estate

**The Crown Estate has a unique role in managing coastal and marine assets for the long-term benefit of the nation. In broad terms we provide security of access to the seabed to developers and for certain uses. We do this through leasing arrangements, in a similar manner to a commercial property lease. We provide a commitment known as an 'Agreement for Lease' that is only converted into a Lease once the full range of statutory consents has been secured by the site developer from the relevant regulator.**

Our work beyond this core remit involves carrying out activities that will add value to these assets in the long term, for example by better understanding commercial potential of the marine estate or by reducing the consenting risk for prospective offshore developments.

We work in this way across our marine estate, combining these activities with our stewardship responsibilities. However we approach different business sectors in different ways, depending on their scale and specific needs. For example, in offshore renewable energy we have worked with industry to understand their aspirations, at the same time as working with Government to understand policy, and we provide the vehicle through which aligned interests are delivered. This has resulted in leasing rounds such as the Pentland Firth and Orkney Waters, and the Scottish Territorial Waters Offshore Wind.

## Offshore renewables

Unlocking the potential of offshore renewable energy has been a key priority for the marine team in Scotland. This has included continuing to help bring offshore wind projects to the consent stage and awarding a further major lease for Pentland Firth and Orkney Waters, the world's first commercial wave and tidal stream energy programme. Beyond this, The Crown Estate is continuing to invest in the development of aquaculture, an industry vital to many communities around Scotland's coasts. We are also working closely with a number of coastal businesses, from Harbour Trusts to moorings associations, to facilitate their growth and long-term sustainable management.

Offshore renewable energy offers huge potential benefits for Scotland in terms of jobs and the wider economy as well as helping to deliver Government's challenging targets. In the last five years The Crown Estate has invested £16 million in offshore renewable energy in Scotland and we plan to invest another £20 million towards it during the next five.

We are working closely with Highlands and Islands Enterprise and Scottish Enterprise to make sure that Scottish companies are ready to take advantage of the opportunities available. We are also funding bursaries for students studying a new

MSc in marine renewable energy in partnership with a number of Universities including the University of Strathclyde.

Included within our investment programme is our 'enabling actions' funding. These actions support the progression of wind, wave and tidal programmes around Scotland to the point of lodging applications for consent from the appropriate regulator.

We continue to support the development of wave and tidal programmes for the Pentland Firth and Orkney Waters and, having agreed to lease the Inner Sound in October last year, the potential capacity of the Pentland Firth and Orkney Waters projects rose to 1,600 MW, enough to power a million Scottish homes.

Last September we opened ongoing application windows for further wave and tidal leases accepting projects up to 30 MW to support the Scottish Government's £10 million Saltire Prize, which is designed to support innovation in marine renewable energy. Two sites have been awarded Agreements for Lease, one off the coast of Lewis and the other off Shetland.

## Valuation of wind farms

At the date of valuation (31 March 2011) the proposals 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 based on a hypothetical sale price 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 Scotland. 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.

The wind farms forming part of a separate group which are planned to be built within Scottish Territorial Waters have also been valued on a similar 'portfolio' basis, because currently there is a risk that the income from any individual wind farm may be delayed or reduced. A purchaser of the portfolio would be able to spread the risk compared to the buyer of a single wind farm interest.

## Review of operations continued

Through match funding option fees we are helping to build confidence with investors and developers working on our offshore wind programme. The Crown Estate is working in partnership with the Scottish Government to develop five sites within 12 nautical miles as part of the Scottish Territorial Waters programme with an installed capacity of almost 5 GW. Two of the Round 3 offshore wind sites are also in UK waters adjacent to Scotland, also with a capacity of almost 5 GW.

Among the actions used to support the development of offshore energy, The Crown Estate has funded collaborative action on cumulative impacts, aerial bird surveys, marine mammal research, health & safety leadership activities and an industry aviation plan.

Much of this work complements the Scottish Government's support for offshore renewables such as through their National Renewables Infrastructure plan by reducing the risk around offshore wind developments in these key areas on interest to both regulators and wider stakeholders.

The success of this work has often relied on the strong relationships formed between Crown Estate staff and developers. We set up a developers' forum to facilitate collaboration between wave and tidal developers in the Pentland Firth and Orkney Waters, giving rise to initiatives such as information days on the wave and tidal programme in Caithness and Orkney. These were attended by more than 700 people, with more than 90 per cent commenting in favour of the programme's development.

Alongside this, we are continuing to work on the development of carbon transportation and storage, in particular by ensuring that we are aligned with other relevant stakeholders around Scotland to ensure we are ready to respond effectively to the results of early stage competitions for carbon capture and storage projects.

### Aquaculture

We continue to work with and promote the aquaculture industry, which supports more than 6,000 jobs in Scotland and brings in more than £430 million to the economy. Through our biennial Scottish Marine Aquaculture Awards we continue to showcase best practice in the industry. In 2010, winners were included David Duffy, Scottish Sea Farms who won Farm Manager of the Year 2011, Walter Spiers as Aquaculture Ambassador of the Year 2011. Aquaculture Processor or Retailer of the Year 2011 was Sainsbury's; Business Development Award 2011 was won by Grieg Seafood Hjalmland Ltd. The Stewardship Award 2011 went to Wester Ross Fisheries Ltd, the Innovation Award 2011 was won by Marine Harvest (Scotland) Ltd and the Best Aquaculture Company 2011 was named as The Scottish Salmon Company.



**Top**  
Local people in Thurso attend an information event about proposals for wave and tidal power in the Pentland Firth and Orkney Waters.

**Bottom**  
The winners of The Crown Estate's Marine Aquaculture Awards 2011.

The Hebridean Seaweed Company won the UK-wide Crown Estate Marine Business award for 2010. The Isle of Lewis-based company was set up in 2006 and is now the largest industrial seaweed processor in the country. Its products are used in everything from skincare to fertiliser and have even been used in Hollywood blockbusters.

The Crown Estate sees further commercial potential in seaweed around Scotland and is exploring its potential in line with the Scottish Government's draft National Marine Plan through the commissioning of studies to inform a commercial production pilot project. This has included setting up a macro-algae forum to help co-ordinate and disseminate information on our and other macro-algae related work to industry and other key stakeholders.

Last year we invested over £100,000 in research and development including the investigation of cultivation protocols for wrasse and remote detection of jellyfish blooms.

The Crown Estate also continued to work with Government to create a detailed and up-to-date web-based overview of the Scottish industry for public and stakeholder information,

and the first phase is due for completion next year. Our comprehensive records of both current and historical aquaculture seabed interests are used to assist existing and prospective producers in exploring opportunities for development, and our aquaculture team are in frequent communication with tenants enquiring about such opportunities.

### Coastal estate

Investment in the coastal estate continued to strengthen Scotland's position as a marine tourism destination with £1.4 million provided for improvements to Rhu Marina. This will create more shelter and increase the number of berths by 58 to 249 in what is widely regarded as one of the world's finest sailing areas.

In the north of Scotland, we invested £250,000 towards creating a 70-berth marina in Wick in partnership with Wick Harbour Authority and Highlands and Islands Enterprise, as part of an ongoing programme of upgrades and improvements that will be created across a number of Scotland's coastal and sailing communities. Junior sailors have also benefited from a £10,000 grant from our marine communities fund towards a wooden boat deck and launch ramp for members of the Lerwick Boating Club.

The Crown Estate continues to support and work with the community in Oban to realise the prospect of a new transit marina in Oban Bay, having agreed to invest £800,000 in the project. The project will commence when all necessary statutory approvals are in place.

### Scottish rural estate

**Another hard winter reinforced awareness of just how fragile our rural environment is, and how acutely important it is to support those who make a living from it as well as safeguard the wildlife that relies upon it. Crown Estate staff worked alongside tenant farmers to support them through the worst weather, while ongoing investment extended beyond immediate aid to providing improved facilities for local communities.**

Overall, the Scottish rural estate comprises 37,000 hectares of land, of which 5,000 is forest. This includes almost 204 tenanted farms and 110 residential tenancies. It also includes 140 salmon fishing tenancies and mineral resources. The five rural estates are at Glenlivet, Fochabers, Applegirth, Whitehill and Stirling.

The winter of 2009/10 caused widespread damage with the depth of snow on rooftops causing buildings to collapse. We set about strengthening buildings and replacing those which did not stand up to the winter, building new sheds for livestock where necessary.

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**Above**  
The Crown Estate's award winning Glenlivet estate in Moray.

## *Review of operations continued*

This vital activity cost more than £1 million and was a priority for our rural team. Preparations started early and we ensured delivery before the seasons turned for those requiring livestock accommodation. This timely repair programme prevented a repeat of the extensive damage suffered the previous winter, and was widely welcomed by tenant farmers.

We also supported existing tenants in ensuring the long-term future of their businesses, particularly where the management of a farm passed from one generation to the next. Through financial investment and by granting long-term leases to sound businesses we gave tenants the security to strengthen, grow and diversify their business. We continued to work in partnership with our tenants to help them improve their businesses, often through the Government's Scotland Rural Development Programme. Such additional support ensured continued viability for many of our tenants.

Some of our tenancies are true family businesses having reached their third generation on the estate, but we are still conscious of the need to encourage new entrants to farming. On our Whitehill Estate in Midlothian we are hoping to conclude negotiations with Scottish Coal to reinstate a former opencast mining area, which could enable a new entrant to farm the unit.

We continued our commitment to sustainable forestry and last year won the Dulverton Flagon in the Scotland's Finest Woods' Silver Jubilee Competition for the innovative nature of our work at Glenlivet. We also encouraged public understanding of forestry with initiatives such as 'Take a tree to school' and through continued support for National Tree Week in which 1,600 trees were planted across our estates.

Alongside Forestry Commission Scotland and the Royal Highland Education Trust, we developed 'Forests for the Future', an educational resource for children aged between 10 and 12 years. This is a teacher resource pack which explores trees, forests and climate change. It promotes outdoor learning and is specifically designed to meet the cross-curricular aims of the Curriculum for Excellence.

We continued to invest in projects to protect Scotland's biodiversity. At Applegirth in Dumfriesshire volunteers tagged the 10,000th sand martin as part of an ongoing programme, while at Glenlivet and Fochabers, in the north, attention was on barn owls, with Crown Estate staff providing a number of nesting boxes for these distinctive birds. Also at Applegirth, vital work continued to control the spread of grey squirrels into native red squirrel habitats.

Co-operation with other organisations is key to promoting best practice. We are working with the Scottish Rural Property Business Association on a pilot wildlife management project in the Cairngorms National Park and continue to work with Scottish Natural Heritage's key landowners' group to develop their SSSI remedies database and condition monitoring project.

As well as protecting the diversity of wildlife, we must also look to diversification in other areas. In Glenlivet we are actively promoting tourism and have plans to submit a planning application (following local consultation) for new mountain biking trails and a visitor centre. Working with Moray Council and Cairngorm National Park Authority, we hope to invest more than £240,000 in making one of Moray's most remote areas a popular biking destination.

Housing is another key element to sustain smaller rural economies, and we are supporting the development of 59 high-quality new homes on our Fochabers Estate, including affordable housing. We recognise also that our estates can provide valuable community amenities. For example, around a third of our salmon fishing rights are leased to local angling associations, thus providing access at an affordable cost to anglers.

Over the course of the year we invested £2.0 million in our rural estate and the property value at 31 March 2011 was £117.7 million. Revenues were down 2.9 per cent to £3.4 million. The work that we carry out across our rural estates is complex and at all times is attempting to balance a commitment to both environmental and economic sustainability. Our efforts during the past financial year were geared towards providing a sustainable future for all those reliant on our rural estate.

## **Scottish urban estate**

**The Crown Estate has attracted the prestigious US fashion retailer Anthropologie to Edinburgh's George Street where they are going to undertake a significant refurbishment prior to opening a flagship store in this prime location. The retailer, which already leases Crown Estate property in London's West End, will occupy 39-41 George Street.**

Overall, the urban estate in Scotland generated a revenue of £0.7 million in 2010/11 and the value was £12.8 million.

# 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 page 3 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**

*Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP*

29 July 2011



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**Edinburgh**

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

**Glenlivet**

The Crown Estate  
Main Street  
Tomintoul  
Banffshire  
AB37 9EX

**London**

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

