



DUCHY *of* CORNWALL

Financial Statements

Year Ended 31st March 2013

Presented to Parliament pursuant to Section 2 of
the Duchies of Lancaster and Cornwall (Accounts) Act 1838.

The Duchy owns around
150 rural workshops
where artisans, trades
and businesses are
based in the heart of
rural communities

Cover story

The cover photo shows part of Upper Twyford Barns in Herefordshire. These derelict barns were brought back in to use by the Duchy following its purchase of the rural estate of the Prudential in 2000. Sustainable design criteria were at the forefront of the project; built by a Herefordshire company using local materials, the conversion incorporated one of the estate's first energy efficient biomass boilers. The buildings have won a number of awards including the RIBA Sustainability Award in 2007. The offices are the base for 16 people who work for a firm of architects.

Cover Photograph: Upper Twyford Barn



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BUSINESS REPORT

Introduction to the Duchy and its management

The Duchy of Cornwall is a private estate which funds the public, charitable and private activities of The Prince of Wales and his family. The Duchy consists of 53,154 hectares of land in 24 counties, mostly in the South West of England. The current Duke of Cornwall, His Royal Highness The Prince of Wales, is actively involved in running the Duchy and his philosophy is to improve the estate and pass it on to future Dukes in a stronger and better condition.



Hugh Town and the harbour, St Mary's, Isles of Scilly

The Duchy estate was created by charter in 1337 by Edward III for his son and heir, Prince Edward. The land, property and other assets of the Duchy, and the proceeds of any disposals of assets, are subject to the terms of the charter and the Duchy of Cornwall Management Acts 1863 to 1982, the combined effect of which is to govern the use of the Duchy's assets for the benefit of the present and future Dukes of Cornwall.

His Royal Highness The Prince of Wales, as Duke of Cornwall, is entitled to the annual net revenue surplus of the Duchy. He is not entitled to the proceeds or profits from the sale of the Duchy's Capital assets, which are retained in the Duchy so as to provide income for future beneficiaries. The Duchy is not subject to tax, however, His Royal Highness voluntarily pays Income Tax in respect of the Duchy's annual revenue surplus.

This report coincides with the publication of the Annual Review issued by The Prince of Wales's Office, which gives an overview of the work carried out by The Prince of Wales and The Duchess of Cornwall and of how his income from the Duchy of Cornwall is used. A copy of the Annual Review may be obtained from the Office of The Prince of Wales or can be found at www.princeofwales.gov.uk.

In accordance with His Royal Highness's directions, the overall management approach for the Duchy seeks to achieve a balance over the long-term between the Duchy's commercial objectives and its environmental and social responsibilities. This ensures that not only are current requirements met but also the interests of future Dukes of Cornwall and of those people who live in, earn their living from or simply enjoy Duchy property are also given due weighting. This approach reflects the fundamental belief that, by working in sympathy with the environment and in partnership with tenants and local communities, the Duchy will continue to thrive and prosper.

The landed estate comprises agricultural, commercial and residential property, in addition to which the Duchy has a portfolio of financial investments. The majority of the properties are in the rural portfolio and are mainly located in the South West of England. In addition to the rural portfolio, the Duchy has small urban residential and commercial property portfolios.

The Duchy's long-term property investment strategy is to own, manage and, wherever possible, improve its balanced

portfolio of high quality property. This strategy will continue to involve the disposal of surplus property, investment in the maintenance and improvement of the retained estate and the acquisition of new properties that meet the Duchy's investment objectives.

The management of the estate is subject to the supervision of The Prince's Council and the Duchy is subject to an independent external audit. In addition, H M Treasury has an important role in overseeing financial transactions, with particular emphasis on ensuring that capital is maintained for future beneficiaries. For example, land transactions over £500,000 can only be carried out with H M Treasury approval.

Principal activity of the Duchy of Cornwall

The principal activity of the Duchy is the sustainable, commercial management of its land and properties. The Duchy's primary function is to provide an income for the present and future Dukes of Cornwall, while ensuring that the Capital value is maintained for future beneficiaries. The activities of the Duchy are not expected to change in the forthcoming year.

Financial summary for the year ended 31st March 2013

The results for the year to 31st March 2013 show an increase in the revenue surplus distributable to His Royal Highness the Prince of Wales as well as growth within the Duchy capital asset base.

The revenue surplus increased by 4.1 % to £19million. The sector exhibiting the largest year-on-year increase was the commercial property portfolio although this increase was the result of the full year impact of a property acquisition in the previous financial year. On a like-for-like basis commercial property income fell following considerable pressure on rent levels achievable for smaller units. Agricultural rents increased following successful rent reviews, particularly within the arable sector. Repairs and maintenance expenditure of £2million was similar to the previous year.

Finance costs of £3.2million increased by £900,000 following the draw-down of an additional loan facility which will be utilised to improve the quality of the Duchy asset base while taking advantage of the current low interest rate environment.

The capital value of the Duchy increased by 4.9 % to £763million. Growth within the property portfolio was dominated by the agricultural holdings which increased in value by 8 % on a like-for-like basis and are now at record values on the back of high commodity prices and a limited supply of land available. The financial investment portfolio grew by 12 % following positive returns across all holdings, especially within UK equities.



01. Duchy Nursery - terrace and plant sales area
02. Newton Park Estate near Bath



Key Performance Indicators

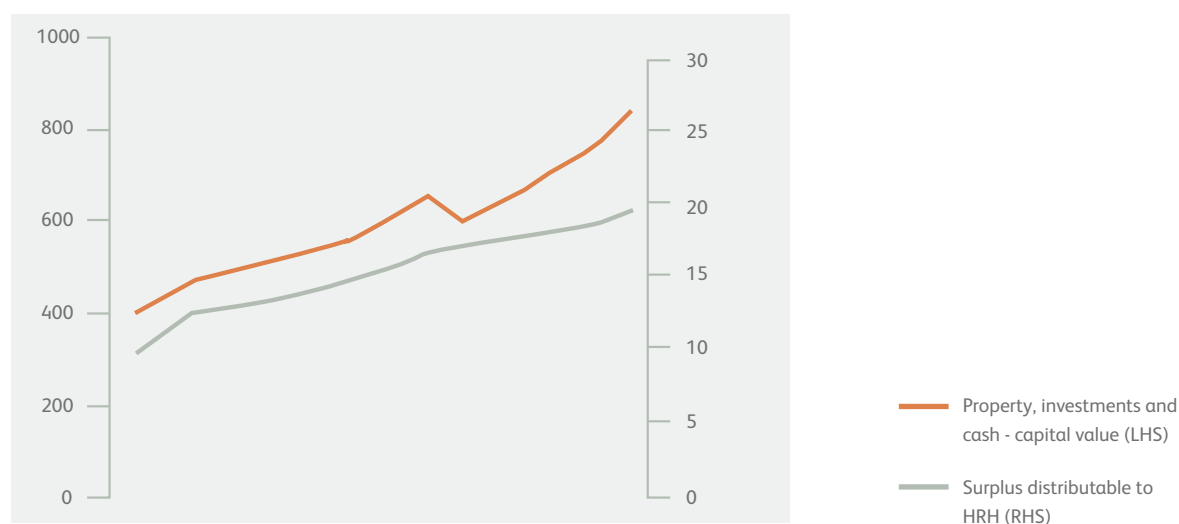
The key performance indicators of the Duchy derive from its mission statement:

“To maintain and develop a landed estate... which will continue to provide an adequate income for His Royal Highness and which he will be able to pass proudly on to his son, from the viewpoints of its environmental integrity, its physical and social fabric...”

		2008/09	2009/10	2010/11	2011/12	2012/13
Total income	£m	23.7	24.5	25.4	26.5	28.8
Total costs	£m	7.3	7.3	7.6	8.2	9.7
Surplus distributable to HRH	£m	16.5	17.2	17.8	18.3	19.1
Annual growth	%	1.1%	4.3%	3.7%	2.8%	4.2%
Bad debt cost/(release)	£'000	46.0	122.0	96.3	(86.0)	24.0
Property, investments and cash capital value	£m	610	677	713	770	838
Annual growth	%	-7.8%	10.9%	5.3%	8.0%	8.9%
Capital investment in the property estate	£m	13.8	8.8	11.6	11.9	10.0
Investment to reduce emissions	£'000	674	83	116	1,324	642
Sequestration	tCO2	10,143	10,577	10,268	10,587	10,576
Emissions	tCO2	372	359	309	271	232
Reduction on baseline	%	24.9%	27.5%	37.5%	45.4%	53.1%

Continued capital and revenue growth

2002/03 to 2012/13 - £m





Camel Estuary from Rock, Manor of Penmayne

Governance

The financial success of the Duchy and continued delivery against its long-term mission are not guaranteed: Leadership from His Royal Highness The Prince of Wales, guidance from The Prince’s Council, and expert professional management from its staff, all operating within a high standard of corporate governance, ensure that the Duchy continues to be a leading private landed estate.

The Prince’s Council

The management of the Duchy operates under the overall guidance of The Prince’s Council, chaired by His Royal Highness. Individuals with expertise in various areas of business within which the Duchy operates, including agriculture, commercial property, estate management, investment management, law and finance, are appointed to The Prince’s Council to provide advice with regard to the management of the Duchy. With the exception of The Secretary and Keeper of the Records, to whom executive responsibility for the management of the Duchy has been delegated, The Prince’s Council is a non-executive body.

The Prince's Council met twice during the year. The members of The Prince's Council during the year and up to 30th May 2013 were:

H.R.H. The Prince of Wales, KG, KT, GCB, OM, ADC

The Lord Warden of the Stannaries

– Sir Nicholas Bacon, Bt., OBE, DL

The Receiver General to His Royal Highness

– The Honourable James Leigh-Pemberton

The Attorney-General to His Royal Highness

– Jonathan Crow, Esq, QC

The Secretary and Keeper of the Records – Sir Robert Ross, KCVO

The Rt Hon The Lord Rothschild, OM, GBE, FBA

Mark Thomas, Esq

The Countess of Arran, MBE, DL

James Williams, Esq, DL

John Stephen, Esq

Alastair Martin, Esq

William Nye, Esq

Ian Marchant, Esq



Manor of Mere, Wiltshire

Several members of The Prince's Council also sit as non-executives on one or more of the Duchy sub-committees. The sub-committees currently operating are: Finance & Audit, Executive, Rural, Commercial & Development and Remuneration. It is through this structure that the requirements of The Prince's Council are delivered to the executives and the resulting activities reported back to The Prince's Council.

Committee	Chairman	Role	No. times met in year
Finance & Audit	The Receiver General	To advise on overall financial strategy and liaise with the auditor	5
Commercial & Development	John Stephen	To advise on commercial property portfolio and development sites	4
Rural	The Lord Warden	To advise on the rural economy	4
Remuneration	The Lord Warden	To review and approve staff salaries and benefits	1
Executive	Secretary and Keeper of the Records	To implement strategy and manage operational activities	6

Statement of the Proper Officers' Responsibilities

The Lord Warden of the Stannaries, the Receiver General and the Secretary and Keeper of the Records (the "Proper Officers") are responsible for preparing the Proper Officers' Report and the financial statements in accordance with applicable law and regulations.

The Accounts Direction issued by H M Treasury requires the Proper Officers to prepare financial statements for each financial year. Under that Direction the Proper Officers have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under that Direction the Proper Officers must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Duchy and of the surplus or deficit of the Duchy for that period. In preparing these financial statements, the Proper Officers are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Duchy will continue in business; and
- prepare the financial statements in accordance with the Accounts Direction given by H M Treasury, which is reproduced in the Appendix to the accounts.

The Proper Officers are responsible for keeping adequate accounting records that are sufficient to show and explain the Duchy's transactions and disclose with reasonable accuracy at any time the financial position of the Duchy and enable them to ensure that the financial statements comply with the Accounts Direction issued by H M Treasury. They are also responsible for safeguarding the assets of the Duchy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Proper Officers are responsible for the maintenance and integrity of the Duchy's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Proper Officers are aware, there is no relevant audit information of which the Duchy's auditor is unaware; and they have taken all the steps that they ought to have taken as Proper Officers in order to make themselves aware of any relevant audit information and to establish that the Duchy's auditor is aware of that information.

Risk and Internal Control Statement

A comprehensive risk management process exists within the Duchy, covering all the assets and activities of the Duchy and its strategic, project, operational and financial risks. The Prince's Council and its sub-committees take account of strategic risk as part of their deliberations. Project, operational and financial risk is controlled by members of the Executive Committee and any issues arising are highlighted at their regular meetings or escalated at an earlier stage if appropriate.

Principal risks and uncertainties: The Duchy's operations expose it to a variety of financial risks that include the effects of changes in credit risk, investment markets risk, currency risk, movements in interest rates, and liquidity issues. All these risks could affect the organisation's net assets, operating surplus, liquidity and/or structure. The Duchy's risk management process seeks to minimise potential adverse effects on financial performance. Looking at each of these risks in turn:

- **Property risk:** The Duchy holds a diversified property portfolio so as to reduce the risk profile.
- **Credit risk:** The Duchy is exposed to credit risk in relation to its tenants. Credit risk in respect of the Duchy's tenants is reviewed on a regular basis and appropriate action is taken where necessary.
- **Investment markets risk:** The Duchy is exposed to adverse movements within the financial markets and employs fund managers to manage its investment portfolios and the risks associated therein. The portfolios are reviewed on a regular basis to ensure that they reflect the overall objectives of the Duchy.
- **Foreign exchange risk:** Foreign exchange risk arises on assets and liabilities denominated in a currency other than the Duchy's functional currency of Sterling. The major exposure is to the US Dollar.
- **Interest rate risk:** The Duchy's exposure to interest rate fluctuations is primarily related to bonds and is managed by external fund managers. Exposure to interest rate fluctuations on borrowings is fully hedged.
- **Liquidity risk:** Without resorting to further borrowing the Duchy has to generate all the capital cash it requires for major improvements to the fabric of the estate and for the restructuring of the portfolio. Such activities are therefore constrained by the Duchy's ability to raise capital cash through sales of property, which can be adversely affected during periods when there is limited economic activity in the property sectors within which the Duchy operates.



Dartmoor

His Royal Highness has delegated to the Secretary and Keeper of the Records executive responsibility for the management of the Duchy. The Finance & Audit Committee regularly reviews the nature and extent of the Duchy's operations, and the financial risks associated with its activities. As a result of this review process, the committee is satisfied that the Duchy maintains and operates a system of internal controls appropriate for the conduct of the Duchy's activities, although any control system can only manage, rather than eliminate, risk. It is not possible for such a system to provide absolute assurance against material misstatement or loss. The key internal financial controls are:

Financial management: There is a comprehensive annual budgeting and forecasting system, which is approved in Council. Attention is paid to the composition and performance of the Capital account along with Revenue account returns, including benchmarking where appropriate. These reports are considered in detail by the senior management team before being submitted to Council.

District office procedures and controls: District offices operate a system of procedures and controls, in accordance with directions issued by the Secretary and Keeper of the Records. Compliance with these procedures is overseen by the senior management team.

Capital investment appraisal: Clearly defined guidelines for the assessment, authorisation and control of all Capital receipts and expenditure are in place.

Risk Register: A comprehensive risk register is maintained and used as the basis for regular reviews by the risk management committee.

Charitable donations

During the course of the year the Duchy made charitable donations amounting to £400,000 (2012: £522,000) including £307,000 (2012: £450,000) to The Duke of Cornwall's Benevolent Fund (note 20). In the Benevolent Fund's last financial year, it made grants and commitments of over £100,000 (2012: £143,000) to a variety of charities, primarily operating in the South West of England. In accordance with the wishes of His Royal Highness The Prince of Wales, grants were made to educational and agricultural charities together with the restoration of churches and environmental charities, as well as to a variety of other charitable causes. Other charitable donations (£93,000 (2012: £72,000)) consisted of donations to agricultural (£14,000 (2012: £12,000)), environmental (£38,000 (2012: £17,000)) and community (£41,000 (2012: £43,000)) causes. Significant individual donations included £15,000 (2012: £15,000) to the Isles of Scilly Initiative, a body dedicated to the promotion of the destination of the Isles of Scilly and £10,000 (2012: £10,000) to the Dartmoor Hill Farm Project. There were no donations to political parties in the year (2012: £Nil).

Going concern

After making due enquiries and undertaking the normal forecasting procedures, the Proper Officers consider that the Duchy has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

Future activities

The Duchy will continue to monitor its capital assets on a regular basis and take advantage of improving the asset quality when suitable opportunities arise. Investment in completing Queen Mother Square at Poundbury will be the main target of capital funds over the next few years.

Signed on behalf of the Proper Officers by Sir Robert Ross,
Secretary and Keeper of the Records, 30th May 2013

ANNUAL REPORT FOR THE DUCHY OF CORNWALL FOR THE YEAR ENDED 31ST MARCH 2013

Annual Report

The Duchy of Cornwall has adopted the Connected Reporting Framework developed by the Prince’s Accounting for Sustainability Project. This framework brings together financial, social and environmental information, in order to provide a complete and balanced record of the Duchy of Cornwall’s performance and impact on society and the environment.

The core objectives of the Duchy are enshrined in its mission statement:

To maintain and develop a landed estate which fully reflects His Royal Highness’s views and wishes, which will continue to provide an adequate income for His Royal Highness and which he will be able to pass proudly on to his son, from the viewpoints of its environmental integrity, its physical and social fabric and its ability to continue to provide an on-going level of income sufficient to meet the requirements of the heir to the Throne.



HRH meets members of the Isles of Scilly Farming Initiative Steering Group

The implementation of this mission statement is guided by Duchy Stewardship, a comprehensive series of objectives which illustrate the Duchy’s commitment to best practice in the sustainable management of its estates. The brief reviews which follow seek to illustrate how the Duchy runs its business from a financial, social and environmental perspective.

The management of the Duchy estate is devolved to a number of districts within which there is a Duchy office which administers the respective estates.

The Rural Estate

The Isles of Scilly

The Isles of Scilly have been part of the Duchy estates since its creation in 1337

The Duchy's property interests extend to the most westerly tip of England, to the small island community of the Isles of Scilly. Since the creation of the Duchy in 1337, the islands have been in the Duchy's care and are inevitably unlike any other of its landholdings.

There are five inhabited islands and the Duchy is the freehold owner of the islands of St Agnes, Bryher, St Martins, Tresco and much of St Mary's, as well as the many hundreds of smaller uninhabited islands and rocks. Most of Hugh Town, the main settlement on St Mary's, was sold in the 1940's but the rural parts of the island are still largely owned and let by the Duchy.

Despite the islands relatively small area, the Duchy has almost 700 tenancies of houses, farms and commercial premises. The Duchy owns and operates St Mary's Harbour, the only commercial port on the Islands.

The Isles have a thriving community of around 2,300 people who work hard to maintain an economy that is now heavily reliant on tourism. Scilly is a popular holiday destination, with many visitors coming to enjoy its spectacular scenery. The Duchy works very closely with all the agencies that are responsible for ensuring the fragile environment is suitably protected whilst allowing the economy to develop.

Through its involvement in the 'Islands Partnership' the Duchy is taking part in a significant new venture to enable the Islands to compete better in the international tourism market, providing marketing and destination management that will help ensure that the visitor economy remains vibrant and forges links with farmers who are the stewards of the landscape.

Farming remains a significant enterprise on the islands with a unique system of agriculture. Small family farms still predominate and many of the Duchy's tenants specialise in growing scented narcissi, which thrive in Scilly's mild climate, well protected behind substantial windbreak hedges. The Duchy is hosting another new venture, the Scillonian Farmers and Growers Initiative that seeks to reduce the logistical disadvantage of farming 28 miles off the mainland, by providing support for co-operative ventures and seeking new routes to market, particularly for the livestock and horticultural sectors.



Dartmoor



Dartmoor ponies at Dunnabridge Farm, Princetown

In Devon and Cornwall the Duchy owns a wide range of property, including farms, cottages, and workshops, together with marine and mineral interests

The Western District

The Western District covers upland and lowland rural estates and marine and minerals interests in Devon and Cornwall.

The Duchy estates in Cornwall are scattered throughout the county and comprise 40 let dairy or livestock farms, rural business premises, cottages and a variety of other small agreements for the use of land. The farmhouses and most farm buildings have been provided by the Duchy, and tenants own the livestock, machinery, specialised fittings and equipment.

The minerals interests are both under land that is part of the Duchy estate and where the surface belongs to others. Many such mineral rights are derived from ancient manorial rights. In line with many other owners of manorial rights around the country, the Duchy is in the process of registering these with the Land Registry since from October 2013 manorial rights will no longer be automatically protected following transfer of the past or present surface unless they have been registered.

The marine estate comprises much of the foreshore (between high and low water marks) around the Cornish coast. Most of this is not used or let in any way, but there are numerous agreements ranging from leases to parish councils to licences for commercial activities and consents for telecommunications cables, many of which land from overseas across the Cornish coast. There are also a number of estuaries in the marine estate in Cornwall and in South Devon. These are mainly let to a variety of local or harbour authorities apart from developments such as marinas which are let direct to the operators.

The Dartmoor estate is the largest of all the Duchy's estates and covers much of the high Moor, including commons, "in-bye" farms, residential and small rural commercial properties. More unusual properties are Dartmoor Prison (let to the Ministry of Justice) and much of the Dartmoor military training area (for which a new 21-year licence was granted from September 2012). The Duchy is involved in a wide range of farming community and environmental initiatives on Dartmoor.

Land from Dorset to Herefordshire to Norfolk is managed in the Eastern District

The Eastern District

The Eastern District of the Duchy's rural portfolio extends to 15,063 hectares located in thirteen counties within England and Wales.

The district encompasses a wide range of agricultural, residential, commercial, sporting and miscellaneous tenancies located between Dorset in the south, Nottinghamshire in the north, Carmarthenshire to the west and Norfolk to the east. There are around 870 tenancies.

Land characteristics vary considerably from chalk down lands in the south through the Somerset wetlands, Cotswold brash up to the fine loams within Herefordshire.

Estates vary significantly in size from as small as 1.6 hectares up to 1,934 hectares and include two residencies utilised by His Royal Highness The Prince of Wales – Highgrove in Gloucestershire and Llwynywermod in Carmarthenshire.

In recent years investment within the district has concentrated on re-equipping the core farm holdings together with developing buildings into diversified uses whether through residential lettings, tourism or other commercial enterprises.

Across the district there has been significant investment in renewable energy including biomass, ground source and solar photovoltaic. These demonstrate best practice, reduce the estate's carbon footprint, and generate income.



Cottages, Newton St Loe

The new café and shop at the Nursery have dramatic views across the Fowey Valley to Restormel Castle

Duchy Nursery, Lostwithiel

The new café and shop has been trading for almost two years since its total redevelopment was completed in June 2011. The facilities have quickly become a focal point for the community of Lostwithiel. Its idyllic rural location set within the Duchy woodlands high above the River Fowey valley is a popular destination for local residents, holidaymakers and keen plants people.

The business had a footfall in excess of 90,000 customers in 2012/13. 29 staff are employed, mainly drawn from the local town. During the last year the business has offered two apprenticeships in horticulture and catering. Three further staff are undertaking management and business training courses based within the business.

Plant production takes place on site and amounts to about 40% of plant sales. The nursery has a well established reputation for variety and choice, especially mature specimens and Camellias. Two previously poor springs, preceded by harsh winters have affected plant sales and the business is working hard to attract a new customer base and grow this aspect of the business.

A new meeting room has made good use of what were the old shop premises. During the last year this has hosted 15 workshops on rural crafts and horticulture and provided a venue for several garden society clubs and meetings. There is great potential to expand this facility into an educational and social resource for the community.



Duchy Nursery - café and shop



Duchy woodland



Duchy forestry

Duchy woodlands provide employment, education, and places for the public to enjoy the countryside

Woodlands

The Duchy of Cornwall's woodland estate extends to around 1,800 hectares. There are, however, a large number of woodlands that make up this area, scattered across the entire Duchy's landholding from the Isles of Scilly to Herefordshire. As well as varying in size, the woodlands vary in composition with fast-growing exotic conifers (for instance, Douglas fir and larch) dominating the Cornish woods, but native broadleaves, such as oak and ash, being the key components of the Hereford woodlands.

One of the main concerns over recent years has been the rapid increase in the number of pests and diseases threatening the nation's trees. Phytophthora ramorum is a disease affecting larch and, last year, the discovery of Chalara fraxinea, a disease affecting ash, was well-publicised. The Duchy of Cornwall has for a number of years advocated the creation of more diverse woodlands, both in terms of species and age-classes, and current management is increasingly focussed on achieving greater diversity but without compromising the timber quality that ultimately yields the economic return.

The Duchy woodlands are enjoyed by a wide range of people such as walkers, horse-riders and those enjoying other country sports. The woods are also an important venue for education and training. Twice a year the charity Woodland Heritage, of which His Royal Highness is Patron, uses Timberline Wood in Herefordshire for its 'Woodland to Workshop' course. This course has now been running for five years and is always fully subscribed. In March this year a Prince's Trust 'Get Into Woodlands' programme was held for the second successive year in the Duchy's Herefordshire woodlands. Twelve young people spent three weeks learning all manner of woodland skills from the Duchy's own estate woodsmen and the highlight this year was a visit by His Royal Highness.

The range of holiday cottages continues to grow

Holiday cottages

There are currently 21 holiday cottages available in Cornwall, Wales and the Isles of Scilly. The holiday cottages have had a successful year overall.

The number of cottages will expand when appropriate properties on the estate become available. The Duchy is currently developing a range of redundant barns at Loskeyle Farm, St Tudy in Cornwall to create four holiday cottages which will be available from the summer of 2013.

The Duchy strives to support local communities directly through employment and procurement. The new cottages at Loskeyle are located at the start of the Camel cycle trail and near Bodmin Moor. The Duchy will work with the local business community to market directly to guests before arrival so as to raise awareness of the excellent local shops and services available.

For more information see www.duchyofcornwallholidaycottages.co.uk



Gatehouse Cottage, St Mary's, Duchy Holiday Cottage

The London Estate

The Duchy's London estate is focussed on Kennington, and includes homes, pubs and The Oval cricket ground

Kennington

The Duchy has owned the Manor of Kennington since 1337. The modern estate is small but includes flats and houses as well as the County Court and property let to Guy's and St Thomas' Hospital, to Lambeth Borough Council for a variety of uses, Archbishop Tenison's School, and to BT which has generously helped by making space available to the City and Guilds of London Art School while it carries out a major refurbishment of its adjacent premises.

Pathways at Kennington Cross is a project that aims to provide opportunities to the most marginalised and disadvantaged in the local community – including ex-offenders – by drawing on the strengths of the local community.

The project is based on a redevelopment of the St Anselm's Church site in the heart of Kennington into a new community hub. At its heart will be a new cafe providing work, training and accommodation for ex-offenders. There will also be new community and charity space and further accommodation to join a nursery for local children and business units for local social enterprises that have already been completed.

The Duchy of Cornwall is a partner to the project. The public consultation which helped to shape the architectural design for the development was guided by the Duchy.

Pathways began organically as a local idea. Following community consultation, the project received planning permission from Lambeth Council in April 2012. The charity is now conducting an audit of the project before beginning fundraising for its development.



Courtenay Square, Kennington

Development

The Duchy has a number of current development sites with planning permission, primarily in Dorset and Cornwall.

It is twenty years since construction began at Poundbury

Poundbury, Dorset

Poundbury enters its twentieth year in 2013. It was in October 1993 that CG Fry commenced construction of 35 affordable and 34 private dwellings to form part of the first phase of the development as an urban extension to Dorchester. Local comment at the time was that the houses looked bleak and isolated, without any facilities or sense of place. No one would make that comment now.

By 2012 there were 2,000 people living in Poundbury and 1,600 working in a variety of businesses. These businesses are rooted in the community and provide facilities as well as job opportunities for local people. The radical ideas which engendered the Poundbury project following publication of HRH's book 'A Vision of Britain' in 1988 have become well established, and a model for other developments in Britain and further afield.

In December 2012 planning permission was obtained for 500 dwellings and 25,000m² of employment space in the North East Quadrant. Negotiations have been concluded with three developers for completion of all these 500 houses within five years.

More significant still has been the completion of design work for Queen Mother Square. The west and southern sides were completed by 2011, with a thriving Little Waitrose, a Food & Musical Festival in August 2012, and finally the relocation of the Farmers' Market from Pummery Square to this new heart of Poundbury.

The South West Quadrant approaches completion and the Duchy commissioned construction of the Buttercross building which will house Town Mill Bakery. It is hoped it will engender an artisan flavour into the Butter Market area.



The Buttercross - Poundbury



Designs for the North East Quadrant, Poundbury



Poundbury Phase 2



Trevillet Slate being laid at Tregunnel Hill

Local materials, suppliers and trades are at the heart of development at Newquay

Newquay, Cornwall

Progress is being made with flagship schemes at Newquay in Cornwall, including a mixed-use development at Tregunnel Hill on the edge of the town centre and Nansledan, which will create an urban extension to Newquay over the next 40 or 50 years.

Construction started at Tregunnel Hill in 2012 for the development of 48 affordable and 126 open market dwellings together with 572m² office space. The Phase 1 development at Nansledan will start in 2013 to provide 38 affordable and 88 open market dwellings and 368m² office space within a masterplan scheme that will deliver around 3,250 new homes and 3,250 new jobs on Duchy land.

Both developments are underpinned by a comprehensive sustainability strategy which has evolved in consultation with the local community over many years. This includes a commitment to use local materials wherever possible and resulted in £4million of contracts being placed with local suppliers and trades in the first few months of construction at Tregunnel Hill alone, with much more to follow.

Commercial property, Joint Ventures and Financial Investments



The Albert Embankment, London

A commercial property portfolio diversifies the Duchy's assets and income stream

Commercial property

To help diversify income, the Duchy has a small portfolio of commercial property comprising eighteen properties and twenty one tenancies in locations ranging from Warrington to Dover and Milton Keynes to Reading. In London the holdings range from a barristers' chambers to The Kennington Oval.

The Duchy's ancient ownership in London now borders the River Thames only at the Albert Embankment. The riparian ownership used to extend to the mid-point of the river bed but the Port of London Authority acquired it in the 1920's.

The Duchy has been working closely with Thames Water and various other stakeholders during the consultation around the proposed construction site for the Thames Tideway Tunnel near Vauxhall Bridge on the Albert Embankment.



HRH opening Rainbarrow Farm AD plant, November 2012

J V Energen LLP

An award-winning renewable energy partnership links local factories and farmers with the community's energy needs

The Duchy joined forces with a Dorset farming partnership to build and run an anaerobic digestion and biomethane injection plant. Renewable electricity is now being generated and exported to the grid, and biomethane is injected in to the local gas distribution network, the first commercial scale operation in the country. The renewable gas and electricity is used in residential and commercial properties at Poundbury and across Dorset. The UK's first Green Gas Certificates have been registered with the Renewable Energy Association's scheme.

His Royal Highness officially opened the plant in November 2012 when many guests from across the industry visited the plant to learn about the innovative processes being used. Scotia Gas Networks, was contracted by J V Energen to clean up the biogas produced by the AD and inject the resulting biomethane directly into the local gas distribution network.

Scotia Gas Networks and J V Energen won the Environmental Impact Award at the 2013 UK Energy Innovation Awards run by the gas and electricity industry, for creating "a meaningful, lasting legacy on the energy network".

A financial investment portfolio has been established to produce higher income returns than a landed estate can, while preserving capital

Financial Investment Portfolio

As part of its diversification strategy the Duchy has a mixed portfolio of financial investments administered by external managers. The aim of the portfolio is to produce a high income return while preserving capital value. The portfolio provides a good hedge against the property portfolio and is closely monitored on a daily basis.

Following the strong performance within the financial investment markets combined with a weakening in Sterling, the investment portfolio produced a capital return of 12%. In addition to the positive capital performance the portfolio continues to provide a very competitive income return.

During the year the Duchy increased its exposure to the equity market in the short term, pending the likely reinvestment of the funds within the property portfolio when appropriate opportunities arise.

Independent auditor's report to the Duke of Cornwall

I have audited the group and parent financial statements (the “financial statements”) of the Duchy of Cornwall for the year ended 31st March 2013 which comprise the Group Revenue Account Statement of Comprehensive Income, the Group Capital Account Statement of Comprehensive Income, the Group and Parent Balance Sheets, the Group and Parent Statements of Changes in Capital and Reserves, the Group and Parent Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied to the Duchy of Cornwall by the Accounts Direction given by the Treasury dated 26th March 2012.

Respective responsibilities of Proper Officers and auditor

As explained more fully in the Statement of Proper Officers' Responsibilities set out on page 10, the Proper Officers are responsible for the preparation of the financial statements in accordance with the Accounts Direction given by the Treasury dated 26th March 2012 and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Duke of Cornwall in accordance with Section 9 of the Duchy of Cornwall Management Act 1982 and for no other purpose. I do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Proper Officers; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify any material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31st March 2013 and of the group's Revenue surplus, group's Capital surplus and group's and parent's cash flows for the year then ended;
- the group and parent's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied to the Duchy of Cornwall by the Accounts Direction given by the Treasury dated 26th March 2012; and
- the financial statements have been prepared in accordance with the requirements of the Accounts Direction given by the Treasury dated 26th March 2012.

Opinion on other matter prescribed by the terms of my engagement

In my opinion the information given in the Proper Officers' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which I am required to report by exception

I have nothing to report in respect of the following matters where the terms of my engagement require me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by me; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Proper Officers' remuneration specified by the Accounts Direction given by the Treasury dated 26th March 2012 are not made; or
- I have not received all the information and explanations I require for my audit.

Other matters

In my opinion, there has been compliance with the conditions or restrictions to which:

- a sanction or approval under:
 - Section 11 of the Duchy of Cornwall Management Act 1863 or
 - Section 2 of the Duchy of Cornwall Management Act 1868 or
- an authorisation under Section 3 or 7 of the Duchy of Cornwall Management Act 1982

is subject.

Andrew Ratcliffe
Chartered Accountant and Statutory Auditor
London
31st May 2013

Group Revenue Account Statement of Comprehensive Income	Notes	Year ended	Year ended
		31 st March 2012	31 st March 2013
		£'000	£'000
Revenue	2	24,466	27,646
Operating costs	2	(8,165)	(9,744)
Operating surplus		16,301	17,902
Finance income	5	4,188	4,225
Finance costs	6	(2,289)	(3,182)
Net finance income		1,899	1,043
Share of loss from joint venture and associate		(47)	(63)
Net surplus for the year		18,153	18,882
Attributable to:			
Non-controlling interests		(135)	(169)
Net surplus for the year, distributable to HRH		18,288	19,051
Other comprehensive income:			
Actuarial loss on retirement benefit obligations	7	(1,625)	(1,485)
Total comprehensive income on Revenue account		16,528	17,397

The Duchy is not subject to Corporation Tax as it is not a separate legal entity for tax purposes. However, His Royal Highness voluntarily pays Income Tax on the Duchy's net surplus for the year (note 1).

Group Capital Account Statement of Comprehensive Income	Notes	Year ended	Year ended
		31 st March 2012	31 st March 2013
		£'000	£'000
Net gain from fair value adjustment on investment property	8	33,642	25,315
Net gain on the disposal of investment property		2,131	4,568
Net gain on the disposal of investment property held for sale		811	77
Net (loss)/gain on the disposal of financial assets	11	(1,652)	208
Charge from Revenue for salary costs	2	(637)	(721)
Other costs		(591)	(276)
Operating surplus		33,704	29,171
Net surplus for the year on Capital account		33,704	29,171
Other comprehensive income:			
Net gain on revaluation of owner occupied property	9	87	313
Net other comprehensive income of joint venture		(447)	893
Net gain on the revaluation of financial assets	11	942	8,252
Loss on the revaluation of financial derivatives	15	(3,072)	(1,193)
Total comprehensive income on Capital account		31,214	37,436

The notes to the accounts on pages 37 to 55 are an integral part of these financial statements.

Group Balance Sheet	Notes	31 st March 2012	31 st March 2013
		£'000	£'000
Assets			
Non-current assets			
Investment property	8	693,824	721,770
Property, plant and equipment	9	13,833	14,780
Investments in associate & joint venture	10a	2,872	3,846
Financial assets	11	69,324	106,184
Trade and other receivables	12	-	105
Total non-current assets		779,853	846,685
Current assets			
Inventories		914	1,049
Trade and other receivables	12	7,215	7,494
Cash and cash equivalents		4,011	6,556
		12,140	15,099
Investment property assets held for sale	13	13,527	12,221
Total current assets		25,667	27,320
Total assets		805,520	874,005
Liabilities			
Current liabilities			
Trade and other payables	14	(15,976)	(16,325)
Derivative financial instruments	15	(449)	-
Total current liabilities		(16,425)	(16,325)
Non-current liabilities			
Trade and other payables	14	(1,500)	(3,828)
Borrowings	16	(52,500)	(80,000)
Derivative financial instruments	15	(3,421)	(5,063)
Provisions	17	(1,885)	(1,942)
Retirement benefit obligations	7	(2,685)	(3,865)
Total non-current liabilities		(61,991)	(94,698)
Net assets		727,104	762,982
Reserves			
Revenue reserve available for distribution to HRH		3,192	3,288
Retirement benefit reserve		(3,467)	(4,952)
Capital reserve		730,892	769,521
Hedging reserve		(3,870)	(5,063)
		726,747	762,794
Non-controlling interest		357	188
Total reserves		727,104	762,982

The notes to the accounts on pages 37 to 55 are an integral part of these financial statements.

The financial statements on pages 30 to 55 were approved by the Proper Officers and signed on their behalf by Sir Robert Ross, Secretary and Keeper of the Records, 30th May 2013

Duchy of Cornwall Balance Sheet	Notes	31 st March 2012	31 st March 2013
		£'000	£'000
Assets			
Non-current assets			
Investment property	8	693,824	721,770
Property, plant and equipment	9	8,337	8,527
Investments in associate & joint venture	10a	3,297	2,873
Investment in subsidiary	10b	650	650
Financial assets	11	69,324	106,184
Trade and other receivables	12	4,800	6,710
Total non-current assets		780,232	846,714
Current assets			
Inventories		576	719
Trade and other receivables	12	6,544	6,734
Cash and cash equivalents		3,963	6,381
		11,083	13,834
Investment property assets held for sale	13	13,527	12,221
Total current assets		24,610	26,055
Total assets		804,842	872,769
Liabilities			
Current liabilities			
Trade and other payables	14	(15,094)	(15,870)
Derivative financial instruments	15	(449)	-
Total current liabilities		(15,543)	(15,870)
Non-current liabilities			
Trade and other payables	14	(1,500)	(3,828)
Borrowings	16	(52,500)	(80,000)
Derivative financial instruments	15	(3,421)	(5,063)
Provisions	17	(1,885)	(1,942)
Retirement benefit obligations	7	(2,685)	(3,865)
Total non-current liabilities		(61,991)	(94,698)
Net assets		727,308	762,201
Reserves			
Revenue reserve available for distribution to HRH		3,433	3,835
Retirement benefit reserve		(3,467)	(4,952)
Capital reserve		731,212	768,381
Hedging reserve		(3,870)	(5,063)
Total reserves		727,308	762,201

The notes to the accounts on pages 37 to 55 are an integral part of these financial statements.

The financial statements on pages 30 to 55 were approved by the Proper Officers and signed on their behalf by Sir Robert Ross, Secretary and Keeper of the Records, 30th May 2013

Group Statement of Changes in Capital and Reserves

	Revenue account		Capital account		Total	Non-controlling interest	Total Reserves
	Revenue reserve	Retirement benefit reserve	Capital reserve	Hedging reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1st April 2011	2,956	(1,842)	696,606	(798)	696,922	-	696,922
Net surplus for the year	18,288	-	33,704	-	51,992	(135)	51,857
Other comprehensive income:							
Net gain on revaluation of owner occupied property (note 9)	-	-	87	-	87	-	87
Net other comprehensive income of joint venture	-	-	(447)	-	(447)	-	(447)
Net gain on the disposal or revaluation of financial assets	-	-	942	-	942	-	942
Loss on financial derivatives (note 15)	-	-	-	(3,072)	(3,072)	-	(3,072)
Actuarial loss on retirement benefit obligations (note 7)	-	(1,625)	-	-	(1,625)	-	(1,625)
Initial investment in non-controlling interest	-	-	-	-	-	492	492
Total comprehensive income	18,288	(1,625)	34,286	(3,072)	47,877	357	48,234
	21,244	(3,467)	730,892	(3,870)	744,799	357	745,156
Less payments made to HRH							
In respect of current year	(15,096)	-	-	-	(15,096)	-	(15,096)
In respect of prior year	(2,956)	-	-	-	(2,956)	-	(2,956)
Balance as at 1st April 2012	3,192	(3,467)	730,892	(3,870)	726,747	357	727,104
Net surplus for the year	19,051	-	29,171	-	48,222	(169)	48,053
Other comprehensive income:							
Net gain on revaluation of owner occupied property (note 9)	-	-	313	-	313	-	313
Net other comprehensive income of joint venture	-	-	893	-	893	-	893
Net gain on the disposal or revaluation of financial assets	-	-	8,252	-	8,252	-	8,252
Loss on financial derivative (note 15)	-	-	-	(1,193)	(1,193)	-	(1,193)
Actuarial loss on retirement benefit obligations (note 7)	-	(1,485)	-	-	(1,485)	-	(1,485)
Total comprehensive income	19,051	(1,485)	38,629	(1,193)	55,002	(169)	54,833
	22,243	(4,952)	769,521	(5,063)	781,749	188	781,937
Less payments made to HRH							
In respect of current year	(15,522)	-	-	-	(15,522)	-	(15,522)
In respect of prior year	(3,433)	-	-	-	(3,433)	-	(3,433)
Balance as at 31st March 2013	3,288	(4,952)	769,521	(5,063)	762,794	188	762,982

Revenue reserve: The revenue reserve and only the revenue reserve is available for distribution to HRH.

Capital reserve: The capital reserve contains the gains and losses on revaluation of assets held to generate income. Proceeds from disposal of capital assets have to be re-invested. Neither the gains/losses on revaluation nor the proceeds from disposal are available for distribution to HRH.

Duchy of Cornwall Statement of Changes in Capital and Reserves

	Revenue account		Capital account		Total £'000
	Revenue reserve	Retirement benefit reserve	Capital reserve	Hedging reserve	
	£'000	£'000	£'000	£'000	
Balance as at 1st April 2011	2,956	(1,842)	696,606	(798)	696,922
Net surplus for the year	18,529	-	33,577	-	52,106
Other comprehensive income:					
Net loss on revaluation of owner occupied property (note 9)	-	-	87	-	87
Net gain on the disposal or revaluation of financial assets	-	-	942	-	942
Loss on financial derivatives (note 15)	-	-	-	(3,072)	(3,072)
Actuarial gain on retirement benefit obligations (note 7)	-	(1,625)	-	-	(1,625)
Total comprehensive income	18,529	(1,625)	34,606	(3,072)	48,438
	21,485	(3,467)	731,212	(3,870)	745,360
Less payments made to HRH					
In respect of current year	(15,096)	-	-	-	(15,096)
In respect of prior year	(2,956)	-	-	-	(2,956)
Balance as at 1st April 2012	3,433	(3,467)	731,212	(3,870)	727,308
Net surplus for the year	19,357	-	28,604	-	47,961
Other comprehensive income:					
Net gain on revaluation of owner occupied property (note 9)	-	-	313	-	313
Net gain on the disposal or revaluation of financial assets	-	-	8,252	-	8,252
Loss on financial derivatives (note 15)	-	-	-	(1,193)	(1,193)
Actuarial loss on retirement benefit obligations (note 7)	-	(1,485)	-	-	(1,485)
Total comprehensive income	19,357	(1,485)	37,169	(1,193)	53,848
	22,790	(4,952)	768,381	(5,063)	781,156
Less payments made to HRH					
In respect of current year	(15,522)	-	-	-	(15,522)
In respect of prior year	(3,433)	-	-	-	(3,433)
Balance as at 31st March 2013	3,835	(4,952)	768,381	(5,063)	762,201

Group Statement of Cash Flows

	Notes	Year ended 31 st March 2012	Year ended 31 st March 2013
		£'000	£'000
Cash generated from operating activities	18	14,501	15,737
Interest paid		(2,169)	(3,182)
Net cash from operating activities		12,332	12,555
Cash flows from investing activities			
Purchase of financial investments		(67,143)	(37,524)
Investment in associate		(92)	(97)
Proceeds from disposal of financial investments		70,559	9,124
Additional investment in QMS		-	(97)
Purchase of investment property		(40,632)	(1,152)
Property improvements and development expenditure		(12,761)	(15,459)
Proceeds from disposal of investment properties		9,369	10,351
Purchase of property, plant and equipment		(7,773)	(1,694)
Proceeds from disposal of property, plant and equipment		10	2
Proceeds from disposal of assets held for sale		3,818	13,604
Loss on expired forward contracts		(156)	-
Financial investment income received		4,433	4,279
Interest received		15	108
Net cash outflow from investing activities		(40,353)	(18,555)
Cash flows from financing activities			
Proceeds from borrowings		42,500	27,500
Proceeds from issue of shares in subsidiary		550	-
Payments made to His Royal Highness		(18,052)	(18,955)
Net cash inflow from financing activities		24,998	8,545
(Decrease)/Increase in cash in the year		(3,023)	2,545
Cash and cash equivalents at start of year		7,034	4,011
Cash and cash equivalents at end of year		4,011	6,556

Duchy of Cornwall Statement of Cash Flows

	Notes	Year ended 31 st March 2012	Year ended 31 st March 2013
		£'000	£'000
Cash generated from operating activities	18	14,784	15,822
Interest paid		(2,169)	(3,182)
Net cash from operating activities		12,615	12,640
Cash flows from investing activities			
Purchase of financial investments		(67,143)	(37,524)
Investment in associate		(742)	(97)
Loans granted to subsidiary undertakings		(4,800)	(1,800)
Additional investment in QMS		-	(97)
Proceeds from disposal of financial investments		70,559	9,124
Purchase of investment property		(40,632)	(1,152)
Property improvements and development expenditure		(12,761)	(15,459)
Proceeds from disposal of investment properties		9,369	10,351
Purchase of property, plant and equipment		(2,275)	(626)
Proceeds from disposal of property, plant and equipment		10	2
Proceeds from disposal of assets held for sale		3,818	13,604
Loss on expired forward contracts		(156)	-
Financial investment income received		4,433	4,279
Interest received		186	628
Net cash outflow from investing activities		(40,134)	(18,767)
Cash flows from financing activities			
Proceeds from borrowings		42,500	27,500
Payments made to His Royal Highness		(18,052)	(18,955)
Net cash inflow from financing activities		24,448	8,545
(Decrease)/Increase in cash in the year		(3,071)	2,418
Cash and cash equivalents at start of year		7,034	3,963
Cash and cash equivalents at end of year		3,963	6,381

Notes to the consolidated financial statements

1. Accounting policies

Basis of preparation:

The consolidated accounts incorporate the accounts of the Duchy of Cornwall and its subsidiary undertakings all prepared up to 31st March 2013.

These financial statements have been prepared on a going concern basis and in accordance with the Accounts Direction issued by H M Treasury dated 26th March 2012 (set out on pages 57 to 58) and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and IASB's IC. The financial statements have been prepared in Sterling (rounded to the nearest thousand), which is the presentation currency of the Group, and under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies, which have been applied consistently across the Group, is set out below. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

At the date of approval of these financial statements the following new and amended standards currently relevant to the Duchy of Cornwall were adopted:

- Amendment to IAS 1, "Financial statement presentation regarding other comprehensive Income" (effective for annual periods beginning on or after 1st January 2012). Requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they could potentially be reclassified to profit or loss.
- IAS 19 (amended) "Employee benefits" (effective for annual periods beginning on or after 1st January 2013). As a result of the amendment, there will no longer be a separate calculation of expected return on assets and interest expense in the income statement. Instead, a single amount will be calculated based on the discount rate multiplied by the net defined benefit liability (asset).

The following new and amended standards currently relevant to the Duchy were in issue but not effective for the current financial period:

- IFRS 9 "Financial instruments - classification and measurement" (effective for annual periods beginning on or after 1st January 2015). This standard will replace IAS 39.
- IFRS 10 "Consolidated financial statements" (effective for annual periods beginning on or after 1st January 2013). Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- IFRS 11 "Joint arrangements" (effective for annual periods beginning on or after 1st January 2013). Provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 "Disclosure of interests in other entities" (effective for annual periods beginning on or after 1st January 2013). Provide further clarification on the disclosure requirement of all forms of interest in other entities.
- IFRS 13 "Fair value measurement" (effective for annual periods beginning on or after 1st January 2013). Provide further clarification on the definition of fair value.

- IAS 19 "Employee benefits" (effective for annual periods beginning on or after 1st January 2013). This amendment eliminates the corridor approach and calculates finance costs on a net funding basis.
- IAS 27 (revised 2011) "Separate financial statements" (effective for annual periods beginning on or after 1st January 2013). Includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 "Associates and joint ventures" (effective for annual periods beginning on or after 1st January 2013). Includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Significant judgements, key assumptions and estimates:

Operating leases

The Proper Officers have exercised judgement in determining that in all material respects, where the Duchy of Cornwall is the lessor, all such leases are accounted for as operating leases. In exercising this judgement consideration has been given to the nature and economic life of the buildings (which are all accounted for within investment properties), and whether substantially all the risks and rewards of ownership remain with the Duchy.

Property valuations

Investment properties, owner occupied property and investment property assets held for sale are all held at fair value, in accordance with valuations carried out by external and internal valuers. Valuations are based on a number of key assumptions, including estimates of future rental income, the ready availability of a market for the properties, and published life tables.

Financial instruments valuations

The Duchy discloses the fair value of its financial instruments in a hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The three levels are as follows:

- **Level 1** financial instruments are valued at unadjusted quoted prices in active markets for identical instruments, these require no judgement.
- **Level 2** financial instruments are valued based significantly on observable market data. Inputs other than quoted prices, are directly or indirectly observable for the asset or liability.
- **Level 3** financial instruments use valuation techniques which incorporate at least one input (with a potentially significant impact on valuation) which is based on unobservable market data. The valuation techniques considered include the market approach which uses comparable market transactions and the income approach which is based on the net present value of estimated future cash flows adjusted for factors such as credit, liquidity and market risk. Inputs may include price information, volatility statistics, credit data, liquidity statistics and other factors. As a result level 3 investments require significant judgement on behalf of both the investment managers and Duchy management.

Revenue:

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided or goods supplied, stated net of discounts and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

Notes to the consolidated financial statements

Property income

This comprises rental income and premiums on lease surrenders on investment properties for the year, exclusive of service charges receivable.

Sales of produce at the Duchy's Nursery

The group operates a nursery selling plants and other goods. Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The group does not operate any loyalty programmes.

Other income

Other income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Finance income: Income in respect of bank interest, fixed interest and corporate bond investments is accounted for on an accruals basis, with equity income included on a receipts basis.

Foreign currencies: All foreign exchange dealings relate to the Capital account. Foreign currency transactions are translated into Sterling at rates prevailing at the dates of transaction or at the year end rate where items are re-measured. Gains and losses arising on conversion or translation are dealt with as part of realised and unrealised investment gains and losses within the Capital Statement of Comprehensive Income.

Post-retirement benefits: The Duchy operates a funded non-contributory pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Duchy, being invested with approved investment managers. For the defined benefit scheme, the cost of benefits accruing during the year in respect of current and past service is charged against the operating surplus. The expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time are included in finance costs.

Actuarial gains and losses are recognised in the Revenue Account Statement of Comprehensive Income. The surplus/deficit in the scheme is recognised on the Balance Sheet and is determined by taking assets at their year end market values and liabilities at their actuarially calculated values discounted using a rate of return based on high quality corporate bonds with a duration similar to that of the liabilities.

Contributions to staff personal pension defined contribution arrangements are charged as incurred.

Net Revenue surplus for the year: The Duchy of Cornwall is not subject to tax. Since 6th April 1993, on a voluntary basis, His Royal Highness has paid Income Tax at the prevailing rates in respect of the net Revenue surplus of the Duchy for the year.

Investment property valuation: Investment properties including those held for development are valued on the basis of fair value. Investment properties are those held to earn income and/or capital appreciation. Any surplus or deficit on the revaluation of investment properties is recognised within the Capital Account Statement of Comprehensive Income.

Marine and mineral interests included within investment property are only specifically valued where a letting exists or where an interest is likely to be sold for a capital premium in the next year. The interests are valued on an existing use basis.

Owner occupied property: Properties occupied by the Duchy of Cornwall are valued on the basis of fair value. The properties are included within property, plant and equipment. Any surplus or deficit arising on revaluation is taken directly to the Capital Account Statement of Comprehensive Income.

No depreciation is provided in respect of these properties: Owner occupied property is maintained to a high standard and will continue to be so. As a result the residual value of the property at the point where the Duchy would cease to use it, or would dispose of it, is expected to be materially in line with fair value. As such, any depreciation (between fair value and residual value) at any point would be immaterial.

Investment property assets held for sale: Properties being actively marketed with the intention of disposal within 12 months of the balance sheet date are held at the lower of carrying value and fair value less cost to sell. They are shown within the balance sheet as investment property assets within current assets. Any surplus or deficit arising on the revaluation of property assets held for sale is recognised within the Capital Account Statement of Comprehensive Income.

Disposal of properties: The sale of property is recognised from the date on which an unconditional contract is entered into or the last substantive condition in a conditional contract is satisfied. The profit or loss on disposal of properties is taken to the Capital Account Statement of Comprehensive Income. The profit or loss on disposal is determined as the difference between the sale proceeds and the carrying value of the asset at the commencement of the accounting period plus additions in the period and costs of sale. Properties transferred between categories are also valued at the carrying value at the commencement of the accounting period.

Impairment: All properties are carried at fair value. Impairment of other asset types is discussed, where relevant, within their respective accounting policies.

Leases: All leases and property agreements granted to tenants are accounted for as operating leases, as substantially all of the risks and rewards are retained by the Duchy.

Plant and equipment: Plant and equipment is stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Plant and equipment is purchased out of the Capital account under the terms of warrants issued under Section 7 of the Duchy of Cornwall Management Act 1982.

The plant and equipment is depreciated on a straight line basis, over the expected useful life, and repaid out of the Revenue Statement of Comprehensive Income applying the following rates:

- Motor vehicles – 25% per annum
- Plant and equipment – 4% to 33% per annum

The plant and equipment residual values and useful lives are reviewed and adjusted if appropriate at each financial year end. The carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Financial investments: Available for sale financial investments are measured at fair value with profits or losses on revaluation being taken to the Capital Account Statement of Comprehensive Income. Loans and receivable financial investments are initially recognised at fair value and subsequently measured at amortised cost under the effective interest method.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable

or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities and contingent liabilities assumed. Acquisition costs are expensed as incurred. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the Capital Account Statement of Comprehensive Income.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Associates and joint ventures

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are undertakings in which the Duchy has an interest and which are jointly controlled by the Duchy and one or more other parties. Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The group's share of post-acquisition profits or losses is recognised in the Revenue Account Statement of Comprehensive Income. Its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Inventories: Wood, nursery and other stocks are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) basis. Inventory is presented net of provisions held for slow moving, obsolete or damaged items.

Provisions: Provisions are recognised when the Duchy has an obligation in respect of a past event, where it is more likely than not that payment (or a non-cash settlement) will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Cash and cash equivalents: Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

Trade and other receivables: Trade and other receivables are recognised initially at fair value and subsequently held at amortised cost less allowances for situations where recovery is doubtful. Such allowances are

based on an individual assessment of each receivable. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

Trade payables: Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings: Borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial and hedging activities: Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Duchy designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Duchy documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Duchy also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income, within the Capital Account Statement of Comprehensive Income.

Amounts accumulated in reserves are reclassified to surplus or deficit in the periods when the hedged transaction takes place. The gain or loss relating to the effective portion of an interest rate swap, hedging a variable rate borrowing, is recognised in the Capital Income Statement.

When a hedging instrument expires, is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in the Capital Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in reserves is immediately transferred to the Capital Income Statement within other gains/(losses).

Notes to the consolidated financial statements

2. Analysis of Revenue account operating surplus	Notes	Year ended 31 st March 2012 £'000	Year ended 31 st March 2013 £'000
Property income:			
Agricultural income		7,049	7,300
Commercial income		11,334	12,498
Residential income		4,905	4,972
Total property income		23,288	24,770
Sale of goods		1,178	2,876
Total operating income		24,466	27,646
Staff costs	4	3,639	3,995
Charge to Capital account		(637)	(721)
		3,002	3,274
Direct cost of sales		645	1,282
Depreciation	9	427	743
Repairs and maintenance		2,061	2,027
Administration		1,568	1,857
Other operating costs		462	561
Total operating costs		8,165	9,744
Operating surplus		16,301	17,902

During the year the group obtained the following services from the Duchy of Cornwall's auditor and his associates:

	Year ended 31 st March 2012 £	Year ended 31 st March 2013 £
Fees payable to Duchy of Cornwall auditor for the audit of the Duchy and consolidated financial statements	67,000	67,500
Fees payable to the Duchy of Cornwall auditor and his associates for other services:		
• The audit of QMS (Poundbury) LLP	6,000	3,350
	73,000	70,850

An analysis of the Capital account operating surplus is not deemed necessary given the nature of the transactions and disclosure within the primary statements. The Capital Account Statement of Comprehensive Income includes realised foreign exchange losses of £Nil (2012: £69,000).

3. Leasing: Operating leases with tenants

The Duchy of Cornwall leases out all of its investment properties under operating leases with, on average, 84 years remaining to expiry. The aggregate minimum rentals, excluding contingent rents, receivable under non-cancellable leases are as follows:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Less than one year	14,264	14,209
Between two to five years	47,633	47,992
After five years	313,505	304,263
	375,402	366,464

The value of the assets generating this rental income is detailed in note 8.

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Contingent rents receivable	1,279	1,375

4. Staff Costs

The average number of full time equivalent staff employed by the Duchy during the year was 103 (2012: 99). The split of staff was: Administrative 63, Estate workers 11, Nursery 29 (2012: Administrative 59, Estate workers 10, Nursery 30). The total remuneration was **£3,995,000** (2012: £3,639,000) comprising:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Wages and salaries	2,784	3,005
Social security costs	297	308
Pension costs	444	529
Other staff costs	114	153
	3,639	3,995

Staff costs of **£721,000** (2012: £637,000) are charged to the Capital account reflecting the extent that they are deemed to be enhancing its value.

Other staff costs include benefits (such as health insurance) and skill enhancement costs for appropriate staff.

Notes to the consolidated financial statements

4. Staff Costs (continued)

The emoluments of members of The Prince's Council were as follows:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£	£
Sir Robert Ross	207,512	213,552
Jonathan Crow	20,875	3,000
Mark Thomas	8,000	8,000
	236,387	224,552

In addition, pension contributions of **£37,700** (2012: £36,700) were paid into a money purchase scheme for Sir Robert Ross. The amount paid to Jonathan Crow included £Nil (2012: £17,875) in respect of services provided to the Duchy.

5. Finance income - Group

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Income from investments	4,173	4,117
Bank interest	12	12
Other interest	3	96
	4,188	4,225

6. Finance costs – Group

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Loan interest	2,249	3,182
Retirement benefits finance charge (note 7)	39	-
Interest payable to the Capital account for utilisation of a loan to fund Revenue account working capital	1	-
	2,289	3,182

7. Retirement benefit obligations – Group and Duchy

The Duchy of Cornwall Staff Pension Scheme 1978 is a defined benefit scheme with assets held in a separate trustee-administered fund. With effect from June 2003, new entrants to the scheme are allowed only on a discretionary basis. Pension costs are assessed in accordance with the advice of an independent professionally qualified actuary.

The last completed actuarial valuation as at 1st January 2010 showed a funding deficit at that date of £3.8 million. The Duchy agreed with the trustees of the Duchy of Cornwall Staff Pension Scheme a recovery plan to eliminate this funding shortfall by making additional contributions over a fifteen year period backdated to the valuation date.

The pension costs have been calculated in accordance with International Accounting Standard 19 Employee Benefits (IAS 19). The results of valuation as at 1st January 2010 have been used as a basis and then rolled forward to 31st March 2013, with the results being recalculated using the valuation assumptions used for the IAS 19 valuation.

The Duchy also contributes to defined contribution scheme arrangements, the charge for which was £200,700 (2012: £186,300).

The principal assumptions used in updating the valuations are set out below:

	31 st March 2012	31 st March 2013
Discount rate	4.85 %	4.45%
Rate of increase in salaries	4.55 %	4.65%
Rate of increase in pensions in payment	3.15 %	3.25%
Inflation assumption	3.30 %	3.40%

The mortality assumptions used are as follows:

		31 st March 2012	31 st March 2013
Life expectancy at age 60			
Current pensioners	Men	26.5	26.6
	Women	29.1	29.2
Future pensioners now aged 45	Men	27.6	27.7
	Women	30.1	30.2

Post-retirement mortality is assumed to follow the standard table PCXA00 with a multiplier of 90% applied. Pre-retirement, the standard table AXC00 is assumed to apply.

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 st March 2012	Value at 31 st March 2012 £'000	Long-term rate of return expected at 31 st March 2013	Value at 31 st March 2013 £'000
Equities	8.0 %	7,633	7.3%	8,866
Property	7.0 %	1,216	6.8%	1,185
Government Stock	3.2 %	2,525	3.0%	2,812
Corporate Bonds	4.3 %	2,529	3.6%	2,895
Cash	0.9 %	334	0.5%	402
		14,237		16,160

The expected returns on equities, property and hedge funds have been determined using guidance from the actuary's internal Economic Assumptions Group.

Notes to the consolidated financial statements

7. Retirement benefit obligations (continued)

Reconciliation of present value of scheme liabilities:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
1 st April	(14,625)	(16,922)
Current service cost	(360)	(427)
Interest cost	(808)	(827)
Benefits paid	567	581
Actuarial loss	(1,696)	(2,430)
31 st March	(16,922)	(20,025)

Reconciliation of fair value of scheme assets:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
1 st April	13,217	14,237
Expected return on scheme assets	769	811
Actuarial gains	71	944
Benefits paid	(567)	(581)
Contributions paid by employer	747	749
31 st March	14,237	16,160

In accordance with IAS 19, the expected return on assets used in the pension expense has been reduced by the administration expenses paid by the scheme in the relevant year (and not allowed for in the calculation of the defined benefit obligation).

The actual return on scheme assets in the year was **£1,755,000** (2012: £840,000).

The Duchy expects to contribute £900,000 to the defined benefit scheme in the year to 31st March 2014.

7. Retirement benefit obligations (continued)

Analysis of the amount charged to operating profit:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Current service cost	(360)	(427)
Total operating charge	(360)	(427)

Analysis of the amount included in retirement benefits finance charge:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Expected return on scheme assets	769	811
Interest on scheme liabilities	(808)	(827)
Net return	(39)	(16)

History of experience gains and losses:

	Year ended 31 st March 2009	Year ended 31 st March 2010	Year ended 31 st March 2011	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(10,611)	(14,228)	(14,625)	(16,922)	(20,025)
Plan assets	9,501	12,324	13,217	14,237	16,160
Deficit	(1,110)	(1,904)	(1,408)	(2,685)	(3,865)
Experience adjustments on plan assets					
Amount	(2,265)	2,437	148	71	944
As a percentage of plan assets	(23.8)%	19.8%	1.1%	0.5%	5.9%
Experience adjustments on plan liabilities					
Amount	(39)	(295)	206	11	(827)
As a percentage of plan liabilities	(0.4)%	(2.1)%	1.4%	0.1%	(4.1)%
Cumulative actuarial (loss)/ gain shown in revenue account statement of comprehensive income	704	(132)	94	(1,531)	(3,016)

The retirement benefit reserve does not impact on distributable surplus, whether it is in deficit or surplus.

Notes to the consolidated financial statements

8. Investment property - Group and Duchy	Commercial	Agricultural and Forestry	Residential	Development Land	Total
	£'000	£'000	£'000	£'000	£'000
At 31st March 2011	144,336	291,429	157,727	38,486	631,978
Additions	40,295	337	-	-	40,632
Capital improvements	388	2,431	2,057	-	4,876
Capitalised development expenditure	-	-	-	7,062	7,062
Transfer to QMS (Poundbury) LLP	-	-	-	(3,046)	(3,046)
Transfers from property, plant and equipment - at fair value	300	-	-	-	300
Transfers from investment property assets held for sale	-	18	37	-	55
Transfers to investment property assets held for sale	-	(8)	(1,750)	(11,767)	(13,525)
Disposals	-	(4,117)	(390)	(3,643)	(8,150)
Net gain/(loss) from fair value adjustments on investment property	(6,848)	32,311	1,743	6,436	33,642
At 31st March 2012	178,471	322,401	159,424	33,528	693,824
Additions	19	312	821	-	1,152
Capital improvements	497	3,590	1,340	-	5,427
Capitalised development expenditure	-	-	-	4,568	4,568
Transfer to investment property assets held for sale	(170)	(971)	(1,562)	-	(2,703)
Disposals	(881)	(3,103)	(1,829)	-	(5,813)
Net gain/(loss) from fair value adjustments on investment property	(4,696)	26,068	5,669	(1,726)	25,315
At 31st March 2013	173,240	348,297	163,863	36,370	721,770

All properties are valued on an annual basis, 20% by number of the properties in the rural estate are valued by SmithsGore and Clegg & Co on a rotational basis. The remaining rural estate properties are valued by internal valuers who are Chartered Surveyors and are employees of the Duchy of Cornwall. The internal valuers have detailed management knowledge of the properties concerned. External valuers have reviewed the methodology and assumptions adopted by the internal valuers. All of the London residential properties are valued externally by Cluttons each year, and all of the core commercial properties are valued externally by Savills each year.

The valuation carried out by the internal and external Chartered Surveyors who have experience of the estate as at 31st March 2013 was in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

9. Property, plant and equipment - Group	Motor Vehicles	Plant and Equipment	Owner Occupied Property	Total
	£'000	£'000	£'000	£'000
At 31st March 2011				
Cost/valuation	277	2,766	5,170	8,213
Accumulated depreciation	(207)	(1,300)	-	(1,507)
Net book value	70	1,466	5,170	6,706
Year ended 31st March 2012				
Additions/Improvements	104	7,102	571	7,777
Transfer to Investment Property	-	-	(300)	(300)
Disposals	(5)	(5)	-	(10)
Depreciation charge	(58)	(369)	-	(427)
Revaluation	-	-	87	87
At 31st March 2012	111	8,194	5,528	13,833
At 31st March 2012				
Cost/valuation	230	9,646	5,528	15,404
Accumulated depreciation	(119)	(1,452)	-	(1,571)
Net book value	111	8,194	5,528	13,833
Year ended 31st March 2013				
Additions/Improvements	45	1,334	-	1,379
Disposals	-	(2)	-	(2)
Depreciation charge	(60)	(683)	-	(743)
Revaluation	-	-	313	313
At 31st March 2013	96	8,843	5,841	14,780
At 31st March 2013				
Cost/valuation	239	11,258	5,841	17,338
Accumulated depreciation	(143)	(2,415)	-	(2,558)
Net book value	96	8,843	5,841	14,780

Notes to the consolidated financial statements

9. Property, plant and equipment - Duchy	Motor Vehicles	Plant and Equipment	Owner Occupied Property	Total
	£'000	£'000	£'000	£'000
At 31st March 2011				
Cost/valuation	277	2,766	5,170	8,213
Accumulated depreciation	(207)	(1,300)	-	(1,507)
Net book value	70	1,466	5,170	6,706
Year ended 31st March 2012				
Additions/Improvements	104	1,604	571	2,279
Transfer to Investment Property	-	-	(300)	(300)
Disposals	(5)	(5)	-	(10)
Depreciation charge	(58)	(367)	-	(425)
Revaluation	-	-	87	87
At 31st March 2012	111	2,698	5,528	8,337
At 31st March 2012				
Cost/valuation	230	4,148	5,528	9,906
Accumulated depreciation	(119)	(1,450)	-	(1,569)
Net book value	111	2,698	5,528	8,337
Year ended 31st March 2013				
Additions/Improvements	45	266	-	311
Disposals	-	(2)	-	(2)
Depreciation charge	(60)	(372)	-	(432)
Revaluation	-	-	313	313
At 31st March 2013	96	2,590	5,841	8,527
At 31st March 2013				
Cost/valuation	239	4,322	5,841	10,402
Accumulated depreciation	(143)	(1,732)	-	(1,875)
Net book value	96	2,590	5,841	8,527

An independent valuation of the group's land and buildings was performed by valuers – see note 8 for further details. The revaluation surplus was credited to other comprehensive income and is shown in capital reserves.

10a. Investments in associate & joint venture

Associate	Year ended	Year ended
	31 st March 2012	31 st March 2013
	£'000	£'000
Balance at start of year	228	251
Invested in year	92	97
Share of loss	(69)	(120)
Balance at end of year	251	228

The Duchy owns 33.3% of the A shares and 44.3% of the B shares in Coressence Limited ("Coressence"), a company incorporated in the UK, which is deemed to be an associated undertaking. Coressence is a Hereford based company established to help protect the apple orchards of Herefordshire where the Duchy has a significant land holding. Coressence is an emerging research-based, functional food ingredient and pharmaceutical company producing nutraceutical ingredients from fruit. Coressence seeks to commercialise its technologies through licensing intellectual property and know-how to major international and global brand owners.

The latest audited accounts were produced for the year ended 31st March 2012 with the latest management accounts being utilised for the year to 31st March 2013. The aggregate assets, liabilities, revenue and results for Coressence were as follows:

	Year ended	Year ended
	31 st March 2012	31 st March 2013
	£'000	£'000
Assets	223	146
Liabilities	(69)	(205)
Loss	(178)	(267)
Revenue	0	292

Joint Venture	Year ended	Year ended
	31 st March 2012	31 st March 2013
	£'000	£'000
Balance at start of year	-	2,621
Invested in year	3,046	97
Share of profit	22	57
Share of revaluation (loss)/surplus	(447)	893
Profit transferred out	-	(50)
Balance at end of year	2,621	3,618

The Duchy owns 50% of the members' capital of QMS (Poundbury) LLP ("the LLP").

The principal activity of the LLP during the year was the commercial operation and development of a retail and office building.

Notes to the consolidated financial statements

10a. Investments in associate & joint venture (continued)

The latest audited accounts were produced for the year ended 31st March 2013. The aggregate assets, liabilities, revenue and results for LLP were as follows:

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Assets	5,248	7,255
Liabilities	(7)	(30)
Revenue	54	145
Profit	45	115

10b. Investment in subsidiary

	Year ended 31 st March 2012	Year ended 31 st March 2013
	£'000	£'000
Balance at start of year	-	650
Invested in year	650	-
Balance at end of year	650	650

During the year the Duchy retained 54% of the members' capital of J V Energen LLP for £650,000 and is entitled to 59% of the partnership profits. The limited liability partnership completed the construction of a facility for the generation of green energy during the year and trading commenced.

The partnership has been consolidated within these accounts. The investment in the group company is recorded at cost in the Duchy's own accounts, which is the fair value of the consideration paid.

11. Financial assets - Group and Duchy

	Available for sale					Loan & receivable	Total
	Equity Securities	Fixed Interest Securities	Equity Securities	Private Equity Funds	Private Equity Funds		
	(Level 1)	(Level 1)	(Level 3)	(Level 2)	(Level 3)		
	£'000	£'000	£'000	£'000	£'000	£'000	
At 31st March 2011	16,560	48,380	603	-	7,907	-	73,450
Purchases	-	49,059	137	13,807	2,890	1,250	67,143
Sale proceeds	-	(69,852)	-	-	(707)	-	(70,559)
Profit/(loss) on sale/revaluation	366	(1,626)	27	800	(277)	-	(710)
At 31st March 2012	16,926	25,961	767	14,607	9,813	1,250	69,324
Purchases	34,507	236	121	-	2,360	300	37,524
Sale proceeds	-	(7,268)	(30)	-	(1,826)	-	(9,124)
Profit on sale/revaluation	4,148	2,040	44	1,322	906	-	8,460
At 31st March 2013	55,581	20,969	902	15,929	11,253	1,550	106,184

The fair values of financial investments classified as level 1 are based on quoted market prices on the 31st March 2013. Level 2 financial instruments are valued based significantly on observable market data at 31st March 2013. Level 3 investments are valued using valuation techniques in which at least one input is not based on observable market data. There were no transfers of investments between the fair value hierarchy levels during the year. Based on information provided by the fund managers, the Proper Officers believe that whilst significant judgement is required in the valuation of level 3 investments the effect of stressing the assumptions to a range of reasonably possible alternatives would not result in a material change in the valuation at 31st March 2013.

The loan and receivable investment meets the definition of a hybrid instrument, comprising a debt instrument ("the host") with a right to convert to preference shares at a future date. The debt instrument and preference shares provide a return of 6% per annum. At 31st March 2013 there is no difference between the fair value of the hybrid instrument and the host contract.

Several of the financial investments included above are foreign currency denominated and are translated into Sterling at the prevailing rate at the year end. The table below analyses the sensitivity of the above investments to the denominated currency:

	31 st March 2012	31 st March 2013
	£'000	£'000
US Dollar exchange rate +/- 10 %	4,332	4,815

The maximum exposure to the credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

The carrying value of financial assets, including debt securities classified as held for sale and cash deposits best represents the maximum exposure to counterparty risk at the reporting date.

Notes to the consolidated financial statements

12. Trade and other receivables	Group	Duchy	Group	Duchy
	31 st March	31 st March	31 st March	31 st March
	2012	2012	2013	2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	3,741	3,741	4,695	3,935
Less provision for impairment of trade receivables	(188)	(188)	(148)	(148)
Prepayments and accrued income	2,496	2,496	2,861	2,861
Other receivables	1,166	495	86	86
	7,215	6,544	7,494	6,734
Amounts falling due after more than one year:				
Amounts due from group company	-	4,800	105	6,710

Amounts due from the group company comprise of two loans to J V Energen LLP, classified as loans and receivables. £4.6million repayable in 2026 and £2.005million repayable in 2015, both at an interest rate of 8%. These loans are secured against the land and buildings of the company. In addition there is a loan of £105,000 to Coressence Ltd at an interest rate of 7%.

All receivables are denominated in Sterling.

As of 31st March 2013 trade receivables of **£3,752,000** (2012: £3,553,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group	Duchy	Group	Duchy
	31 st March 2012	31 st March 2012	31 st March 2013	31 st March 2013
	£'000	£'000	£'000	£'000
Under 3 months	2,599	2,599	2,825	2,825
3 to 12 months	876	876	660	660
Over 12 months	78	78	267	267

As of 31st March 2013 trade receivables of **£148,000** (2012: £188,000) were impaired and provided for. The impaired receivables mainly relate to tenants who are in financial difficulty.

There is no significant concentration of credit risk with respect to trade receivables as the Duchy has a large number of tenants.

Movements in the provision for impairment of trade receivables are as follows:

	Group	Duchy	Group	Duchy
	31 st March 2012	31 st March 2012	31 st March 2013	31 st March 2013
	£'000	£'000	£'000	£'000
At 1 st April	284	284	188	188
Provision for receivables impairment	(86)	(86)	(15)	(15)
Net receivables written off	(10)	(10)	(25)	(25)
At 31 st March	188	188	148	148

The creation and release of the provision for impaired receivables has been included in the Revenue Account Statement of Comprehensive Income.

The other classes within trade and other receivables do not contain impaired assets.

The fair values of trade and other receivables are not considered to be significantly different from their carrying value.

13. Investment property assets held for sale - Group and Duchy	31 st March 2012	31 st March 2013
	£'000	£'000
Investment property assets held for sale	13,527	12,221

At the year end the Duchy was actively marketing properties for sale at the fair values less costs to sell stated above and these are expected to be sold within 12 months of the balance sheet date. This strategy forms part of the long-term aim to continue to improve and rebalance the property portfolio.

14. Trade and other payables	Group 31 st March 2012 £'000	Duchy 31 st March 2012 £'000	Group 31 st March 2013 £'000	Duchy 31 st March 2013 £'000
Amounts falling due within one year:				
Trade payables	2,584	1,830	2,468	2,013
Accruals	1,796	1,668	1,485	1,485
Social security and other taxes	979	979	1,171	1,171
Payments received on account	7,331	7,331	7,885	7,885
Rents paid in advance	3,286	3,286	3,316	3,316
	15,976	15,094	16,325	15,870
Amounts falling due after more than one year:				
Payments received on account	1,500	1,500	3,828	3,828

The fair values of trade and other payables are not considered to be significantly different from their carrying value.

15. Derivative financial instruments - Group and Duchy	31 st March 2012	31 st March 2013
	£'000	£'000
Interest rate swaps – cash flow hedge (level 2)	3,870	5,063

The Duchy has two interest rate derivatives designated into cash flow hedge relationships on loan facilities totalling £70million. Further details on the loan facilities are included in note 16. The notional amount of the interest rate derivatives is £70million. As at 31st March 2013, a loss of £1,193,000 was recognised in Other Comprehensive Income in the Capital Account Statement of Comprehensive Income, in respect of the effective cash flow hedge relationships. These are classified as level 2 financial instruments measured at fair value on directly or indirectly observable inputs, other than quoted prices included within level 1.

16. Borrowings – Group and Duchy	31 st March 2012	31 st March 2013
	£'000	£'000
Unsecured 10.48 % loan stock repayable 2014	10,000	10,000
Unsecured floating rate loan repayable 2016	40,000	40,000
Unsecured floating rate loan repayable 2019	2,500	30,000
	52,500	80,000

The bank loan of £40million is repayable in 2016, interest in the year is at a floating rate which has been fully swapped to a fixed rate of 4.58%. The bank loan of £30million is repayable in 2019, interest in the year is at a floating rate which has been fully swapped to a fixed rate of 3.355%.

The fair values of borrowings are not considered to be significantly different from their carrying value.

Notes to the consolidated financial statements

17. Provisions - Group and Duchy	£'000
At 1 st April 2012	1,885
Amortisation of discount	57
At 31 st March 2013	1,942

The provision relates to a payment required for the early surrender of a tenancy. The payment is expected to be settled within one year.

18. Reconciliation of operating surplus to net cash inflow from operating activities	Group	Duchy	Group	Duchy
	Year ended 31 st March 2012	Year ended 31 st March 2012	Year ended 31 st March 2013	Year ended 31 st March 2013
	£'000	£'000	£'000	£'000
Net surplus on the Revenue account	18,153	18,529	18,882	19,357
Net surplus on the Capital account	33,704	33,577	29,171	28,604
Adjusted for:				
Depreciation	427	425	743	432
Dividend income on available for sale assets	(4,173)	(4,173)	(4,117)	(4,117)
Net finance costs	2,274	2,100	3,074	2,560
Share of loss from associate & joint venture	47	-	63	-
Loss on forward contracts	156	156	-	-
Shortfall of pension charge over contributions	(387)	(387)	(322)	(322)
Net gain from fair value of investment property	(33,642)	(33,642)	(25,315)	(25,315)
Net gain on property held for sale	(811)	(811)	(77)	(77)
Profit on disposal of investment property	(2,131)	(2,131)	(4,568)	(4,568)
Loss/(profit) on disposal of financial investments	1,652	1,652	(208)	(208)
Increase in inventories	(364)	(26)	(135)	(143)
Increase in debtors	(1,433)	(786)	(446)	(29)
Increase in creditors	948	220	(344)	312
Other non-cash movements	81	81	(664)	(664)
Net cash inflow from operating activities	14,501	14,784	15,737	15,822

19. Related party transactions

Two members of The Prince's Council are also the only trustees of The Duke of Cornwall's Benevolent Fund to which the Duchy of Cornwall pays surplus receipts of bona vacantia as detailed in note 20.

Certain Duchy properties, including Highgrove House, are occupied by His Royal Highness The Prince of Wales and his office staff for living accommodation. These are let at open market values, the total value of annual rent charged amounting to £375,548 (2012: £385,973).

During the year the Duchy paid Mrs Annabel Elliot, The Duke of Cornwall's sister-in-law, in the normal course of business and on an arm's length basis £33,034 (2012: £82,272) for fees and commission and £7,160 (2012: £90,285) for the purchase of furniture and furnishings for the Duchy of Cornwall holiday accommodation, the Welsh estate and Penlyne Nursery. At 31st March 2013 there was £Nil (2012: £Nil) remaining payable to Mrs Elliot.

Key management personnel are individuals which have the responsibility for planning, directing and controlling the activities of the Duchy. For the year ended 31st March 2013, the Duchy of Cornwall made the following payments to key management personnel: Short-term benefits (salary) £1,051,000 (2012: £1,029,000); Post employment benefits (retirement benefit plan contribution) £225,000 (2012: £213,000); Benefits £85,000 (2012: £83,000); Total £1,361,000 (2012: £1,325,000).

Transactions with QMS (Poundbury) LLP and J V Energen LLP are shown in notes 8, 10a, 10b and 12.

During the year the Duchy provided a further loan of £1.805million to J V Energen LLP (making the total £6.605million) and received £514,000 of interest (2012: £174,000). In addition the Duchy leased an area of land to the Partnership for which a rent of £58,000 (2012: £43,000) was received.

20. Bona vacantia

During the year, His Royal Highness in right of his Duchy of Cornwall, received bona vacantia (being the estate of deceased intestates resident in Cornwall and dying without next of kin) of £335,000 (2012: £552,000) before allowing for ex gratia payments and other associated costs of £30,000 (2012: £86,000). Surplus receipts of bona vacantia by His Royal Highness are paid over to The Duke of Cornwall's Benevolent Fund; £307,000 (2012: £450,000) was paid during the year. At 31st March 2013, the Duchy retained £152,000 (2012: £154,000) within creditors to meet potential future claims from individuals statutorily entitled to estates which had previously passed as bona vacantia to His Royal Highness.

Copies of the Duke of Cornwall's Benevolent Fund financial statements may be obtained from 10 Buckingham Gate, London, SW1E 6LA.

21. Capital commitments

At 31st March 2013 the Duchy had Capital commitments of £3,332,000 (2012: £495,000) in respect of property improvement works and £9,685,000 (2012: £5,940,000) for the acquisition of financial investments.

As at 31st March 2013, J V Energen LLP had commitments of £Nil (2012: £668,000).

22. Contingent liability

During the year to 31st March 2007 the Duchy sold an area of land subject to obtaining vacant possession. If vacant possession is not agreed between 2010 and 2017 it is possible for the purchaser of the land to require the Duchy to repurchase the land concerned at the original price received plus interest. The Duchy considers the likelihood of this outcome to be remote.

The Duchy is committed to purchase the share of a building at the greater of market value or £3million in November 2014.

23. Duchy of Cornwall total comprehensive income on Revenue Account

The Duchy has elected under Section 408 of the Companies Act 2006 not to include its own statement of comprehensive income in these accounts. The result for the year for the Duchy was £19,357,000 (2012: £18,529,000).

24. Financial risk management

A review of the group's financial risks is set out in the Business Report on pages 10 to 11.

Market risk

All borrowings at floating rates are fully hedged by swap agreements. Sensitivity to currency exchange movements are outlined in note 11.

Liquidity risk

The table below summarises the maturity profile of the group's financial liabilities on a contractual undiscounted cash flow basis:

	At 31 st March 2012	At 31 st March 2013
	£'000	£'000
Less than 1 year	8,323	19,011
2-5 years	56,880	50,570
More than 5 years	2,668	31,007
Total	67,871	100,588

Credit risk

For banks and financial institutions, the Duchy's appointed investment consultants assesses the credit quality of the organisation, taking into account its financial position, past performance experience and other relevant factors.

Capital management

The Duchy continually monitors the capital assets and liabilities as part of its comprehensive financial management systems as described on page 11. This ensures that the covenants in relation to the bank loan facilities are adhered to.

PARTICULARS OF AUTHORISATION AS REQUIRED UNDER SECTION 9(9) OF THE DUCHY OF CORNWALL MANAGEMENT ACT 1982

Treasury consents

Treasury consents under section 7 of the Duchy of Cornwall Management Act 1982:

Authority to fund compensation for improvements undertaken by tenants under residential leases up to £500,000 per case.

Authority to fund up to £1,040,000 towards the restoration and conversation of Lostwithiel Red Brick Range.

Sir Robert Ross, Secretary and Keeper of the Records 30th May 2013

Accounts Direction given by H M Treasury

1. The Duchy of Cornwall shall prepare accounts for the financial year ended 31st March 2012 and subsequent financial years comprising:
 - a report for the year, including an Operating Review; a Statement of the Proper Officers' Responsibilities, and a Governance Statement;
 - a Revenue Account Statement of Comprehensive Income and a Capital Account Statement of Comprehensive Income;
 - a Balance Sheet;
 - a Statement of Changes in Capital and Reserves;
 - a Cash Flow Statement;including such notes as may be necessary for the purposes described in the following paragraphs.

2. The accounts shall give a true and fair view of the Revenue Account Statement of Comprehensive Income, Capital Account Statement of Comprehensive Income, Statement of Changes in Capital and Reserves, Cash Flow Statement for the financial year and the balance sheet as at the end of the financial year. Subject to these requirements and the exemptions set out in Schedule 1, the accounts shall be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

3. The application of the accounting and disclosure requirements of the Companies Act 2006 (CA), accounting standards, and other disclosure requirements is given in Schedule 1 attached.

4. This direction supersedes that of 15th March 2011. It shall be reproduced as an appendix to the accounts.

Paula Diggle
Treasury Officer of Accounts
26th March 2012

SCHEDULE 1

Accounting and Disclosure Requirements

Companies Act 2006

1. The disclosure exemptions permitted by the CA shall not apply to the Duchy of Cornwall unless specifically approved by the Treasury.
2. The CA requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, information relating to the Duchy shall be contained in the Report for the year, which shall be signed and dated by the Secretary or other Proper Officer.
3. The Duchy shall take into consideration the CA requirements as they apply to non-listed companies (to the extent that they can be applied in the circumstances of the Duchy).
4. When preparing its Revenue Account Statement of Comprehensive Income, the Duchy shall take into consideration the requirements of the profit and loss account format 2 prescribed in statutory instruments 2008 No 410 (SI20081410), Schedule 1 Part 1.
5. When preparing its balance sheet, the Duchy shall take into consideration the requirements of the balance sheet format 1 prescribed in Schedule 1, Part 1 of SI20081410 to the CA, subject to the exceptions listed below. The balance sheets shall be signed by the Secretary or other Proper Officer.
6. The Duchy is not required to provide the historical cost information described in paragraph 34(3) of Schedule 1 to the SI20081410.
7. The Duchy is not required to comply with the requirement specified in paragraph 35 of Schedule 1 to SI20081410 to maintain a revaluation reserve.

Accounting standards

8. It is considered that the Duchy should prepare separate Statements of Comprehensive Income for both the revenue and capital accounts rather than one Statement of Comprehensive Income as required by International Accounting Standard 1.

Other disclosure requirements

9. The Report for the Year shall, inter alia:
 - state that the accounts have been prepared in accordance with this Treasury Direction;
 - include a brief history of the Duchy and its statutory background, and identify its estates by county and area;
 - list Treasury consents under section 7 of the Duchy of Cornwall Management Act 1982 granted in that year and
 - provide information concerning the Duchy's charitable and other activities and the principles supporting them. The information should also indicate where copies of the accounts of the charities may be obtained.
10. The notes to the accounts shall, inter alia:
 - disclose the names of the external valuers and the qualifications of the internal valuers;
 - (where it arises) provide details of the terms of any loan from the capital account for revenue purposes, and the purpose for which it is required and, together with explicit assurance that the loan is not being used to inflate the revenue surplus payable;
 - provide details of the remuneration package of each member of the Prince's Council, together with a note of the pension contributions made in respect of Council members.
11. A formal valuation of the pension scheme was undertaken in 2010 and the contribution rate subsequently adjusted to ensure that the deficit is forecast to be made good within the term recommended by the actuary and agreed by the trustees. The pension reserve required by IAS 19 shall be a separate non-distributable reserve within the balance sheet. The next formal valuation of the pension scheme will be concluded during 2013.

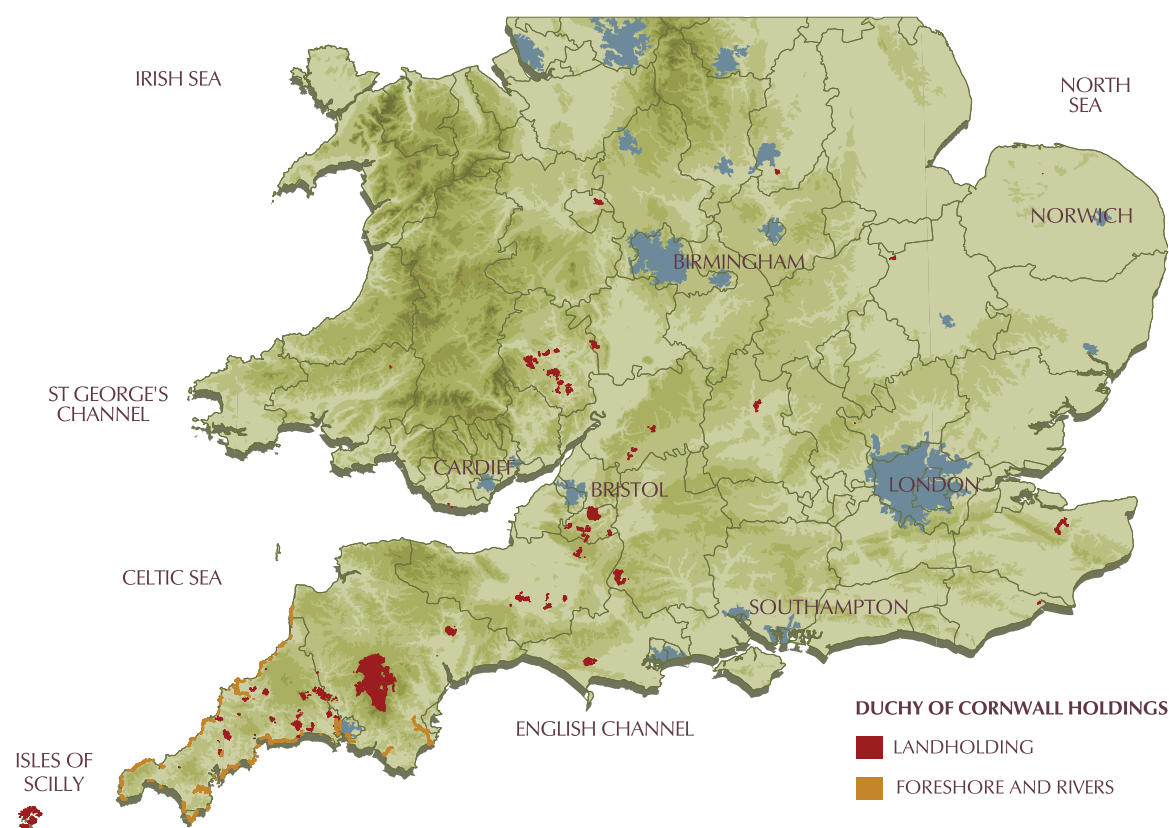
Duchy of Cornwall estates

Surface Area Report 31st March 2013

The Duchy of Cornwall is a landed estate of 53,154 hectares.

The extent and distribution of the major land holdings at 31st March 2013 were as follows:

County	Hectares	County	Hectares
Devon	28,506.6	Carmarthenshire	84.0
Cornwall	7,107.1	Cambridgeshire	43.3
Hereford	5,351.5	Vale of Glamorgan	20.4
Somerset	5,308.7	Greater London	15.6
Isles of Scilly	1,583.1	Buckinghamshire	10.9
Dorset	1,335.0	Hertfordshire	6.0
Wiltshire	1,253.5	Norfolk	2.2
Kent	847.9	Berkshire	1.5
Gloucestershire	658.3	Cheshire	0.7
Shropshire	581.5	Hampshire	0.4
Nottinghamshire	287.6	Leicestershire	0.2
Oxfordshire	148.4	Middlesex	0.1
TOTAL			53,154.5



Financial Statements

Year Ended 31st March 2013

www.duchyofcornwall.org

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