DUCHY *of* CORNWALL

Financial Statements

Year Ended 31st March 2014

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

Cover Photograph: Dartmoor

DUCHY *of* CORNWALL

Financial Statements Year Ended 31st March 2014

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

DUCHY *of* CORNWALL

Financial Statements Year Ended 31st March 2014

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

STRATEGIC REPORT

Principal activities and business environment

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 53,134 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.

Dartmoor

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 2014

The results for the year to 31st March 2014 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 2.4% to £19.5million. Property rental income grew by 3%, income from the sale of goods grew substantially as a result of a full year's income derived from the anaerobic digester unit at Dorchester, although this gain was largely offset by a corresponding increase in direct cost of sales. A large element of the increase in staff costs was attributable to one-off payments in relation to members of staff retiring combined with higher pension costs following the adoption of IAS 19 (revised).

Finance income increased by £1.1million as the Duchy held a higher weighting in financial investments for the majority of the year awaiting reinvestment within the property portfolio when opportunities arise.

Finance costs increased by £0.7million as the loan facilities drawn down part way through the previous financial year were retained. A £10million loan was repaid in April 2014 which will reduce annual interest payable by £1million.

The Group capital account increased by £72.9million arising predominantly from significant rises in agricultural holding values, which rose by 16%. Commercial and residential holdings also increased in value although this gain was marginally offset by a decline in financial asset values.

01

02

01. Restormel Castle, Cornwall
02. New development at Courtenay Street, Kennington, London

Bluebells in Cornwall

Strategy

Mission statement

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."

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.

This year the Annual Report reproduces some of the articles which have featured on the Duchy's new website, launched in November 2013. These 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.

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.

Principal risks and uncertainties

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 which is actively monitored by management so as to reduce the overall 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.

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.

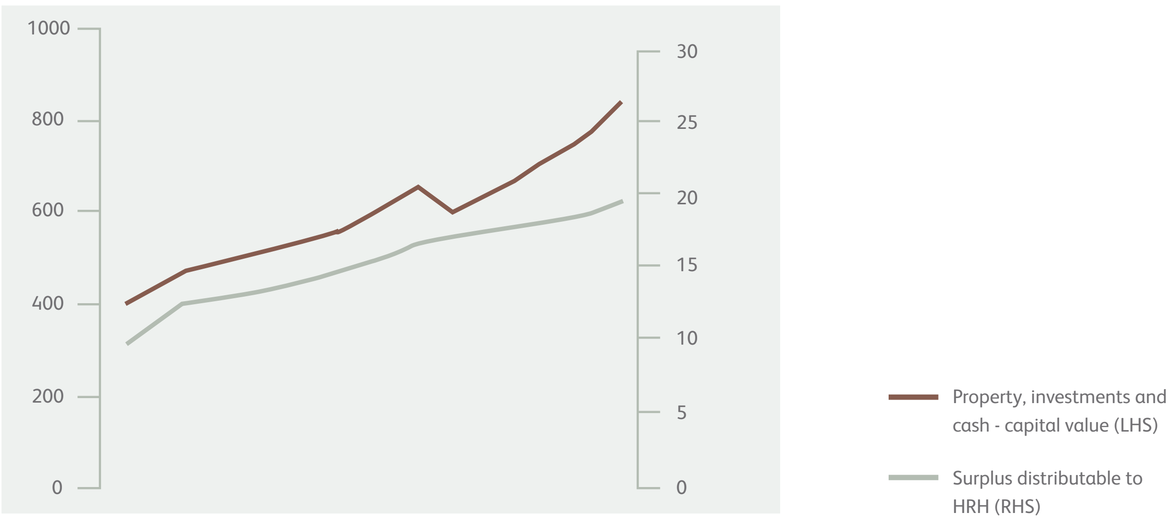
Key performance indicators

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…"

		2009/10	2010/11	2011/12	2012/13	**2013/14**
Total income	£m	24.5	25.4	26.5	28.8	**31.4**
Total costs	£m	7.3	7.6	8.2	9.7	**11.9**
Surplus distributable to HRH	£m	17.2	17.8	18.3	19.1	**19.5**
Annual growth	%	4.3	3.7	2.8	4.2	**2.4**
Bad debt cost/(release)	£'000	122.0	96.3	(86.0)	24.0	**(30.6)**
Property, investments and cash capital value	£m	677	713	770	838	**897**
Annual growth	%	10.9	5.3	8.0	8.9	**6.9**
Capital investment in the property estate	£m	8.8	11.6	11.9	10.0	**10.1**
Investment to reduce emissions	£'000	83	116	1,324	642	**257**
Sequestration	tCO2	10,577	10,268	10,587	10,576	**10,575**
Emissions	tCO2	359	309	271	232	**229**
Reduction on baseline	%	27.5	37.5	45.4	53.1	**54.0**

Continued capital and revenue growth

2002/03 to 2013/14 - £m



Signed on behalf of the Proper Officers by Mr Alastair Martin, Secretary and Keeper of the Records 3rd June 2014

PROPER OFFICERS' REPORT

HRH and the Hooper family, Wardbrook Farm, Rillaton

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.

New Secretary

His Royal Highness The Prince of Wales appointed Mr Alastair Martin, FRICS, to succeed Sir Bertie Ross, who retired as Secretary and Keeper of the Records of The Duchy in June 2013.

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 3rd June 2014 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 CVO
The Attorney-General to His Royal Highness
– Jonathan Crow, Esq, QC
The Secretary and Keeper of the Records
– Alastair Martin, Esq
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
William Nye, Esq
Ian Marchant, Esq

The Thatch, Newton St Loe, Bath

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	4
Commercial & Development	John Stephen	To advise on commercial property portfolio and development sites	4
Rural	The Lord Warden	To advise on the rural economy	2
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	4

Restormel Manor, Cornwall

Charitable and political donations

During the course of the year the Duchy made charitable donations amounting to £87,000 (2013: £400,000) including £Nil (2013: £307,000) to The Duke of Cornwall's Benevolent Fund (note 19). In the Benevolent Fund's last financial year, it made grants and commitments of nearly £179,000 (2013: £100,000) 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 (£87,000 (2013: £93,000)) consisted of donations to agricultural (£14,000 (2013: £14,000)), environmental (£33,000 (2013: £38,000)) and community (£40,000 (2013: £41,000)) causes. Significant individual donations included £25,000 (2013: £15,000) to the Isles of Scilly Initiative, a body dedicated to the promotion of the destination of the Isles of Scilly and £11,000 (2013: £10,000) to the Dartmoor Hill Farm Project.

There were no donations to political parties in the year (2013: £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.

Llwynywermod (photo by Charles Sainsbury-Plaice)

Lambs being weighed, with Restormel Castle in the background

Carbon and human rights

Carbon emissions

Total emissions and sequestration are shown in the KPI table of this report. Emissions per full time equivalent member of staff were 2.3 tonnes (2013: 2.3 tonnes). Full details of the Duchy's carbon emissions and sequestration are given in its annual Carbon Report, available from the Duchy website **www.duchyofcornwall.org**

Human rights

The Duchy complies with all UK legislation governing human rights.

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 Governance Report and the Accounts, defined below, in accordance with applicable law and regulations.

The Accounts Direction given by H M Treasury dated 20th May 2014 (the "Accounts Direction") requires the Proper Officers to prepare Accounts for each financial year. Under the Accounts Direction the Proper Officers have prepared Group financial statements and Duchy of Cornwall financial statements (the "Accounts") in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied to the Accounts by the Accounts Direction. Under the Accounts Direction the Proper Officers must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Duchy of Cornwall and of the surplus or deficit of the Group for that period. In preparing these Accounts, the Proper Officers:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and as applied to the Group and the Duchy of Cornwall by the Accounts Direction have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Group and the Duchy of Cornwall will continue in business;
- prepare the Accounts in accordance with the Accounts Direction, which is reproduced in the Appendix to the Accounts.

The Proper Officers are responsible for keeping proper accounting records that are sufficient to show and explain the Duchy of Cornwall's transactions and disclose with reasonable accuracy at any time the financial position of the Duchy of Cornwall and enable them to ensure that the Accounts comply with the Accounts Direction. They are also responsible for safeguarding the assets of the Duchy of Cornwall 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 of Cornwall's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts 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 of Cornwall's auditor is unaware; and they have taken all the steps that they ought to have taken as a Proper Officers in order to make themselves aware of any relevant audit information and to establish that the Duchy of Cornwall's auditor is aware of that information.

HRH visits for Poundbury's 20th anniversary, November 2013

Annual report

Celebrating the 20th anniversary of Poundbury

His Royal Highness was guest of honour at a 20th anniversary reception for people who were involved in the Poundbury project when building work first began on the urban extension to Dorchester in October 1993.

Poundbury

180 people attended the event at Jubilee Hall in Queen Mother Square on November 1st 2013, including Masterplanner Leon Krier who designed the estate in the 1980's, Development Director Andrew Hamilton and Estate Director Simon Conibear.

His Royal Highness thanked everyone involved in the project for realising his dream and said: "I hope I live long enough to see it finished - I shall hope for the best but at least there is McCarthy & Stone over the road" and humorously pointed to a block of retirement flats under construction.

After the reception, His Royal Highness walked around the development where many residents stopped him to have a conversation along the way. He called in at a new business, Boo's Toy Shop, and was presented with gifts for his grandson, Prince George - a wooden helicopter and a bear - by owner Charlie Polley.

The Prince said he was delighted and congratulated her on her traditional wooden toy range before declaring that he *"would be back"*. Mrs Polley said afterwards: *"It was absolutely marvellous and I was so shell-shocked that he came in and spent time in here. He was really down to earth and was really interested in the shop and what we were doing - it was an absolute honour for me."*

Poundbury is expected to be fully completed by 2025 by which time it will house 5,000 people and provide more than 2,000 jobs. It is already home to 2,500 people, providing employment for some 1,650 people and housing more than 140 businesses. Before touring Poundbury, The Duke of Cornwall found his love of painting came in handy when he was asked to help preserve rare legal documents. With brush in hand, His Royal Highness was put to work gluing protective linings to 18th-century jury lists when he visited Dorset History Centre in Dorchester. The Prince, who is a keen watercolour painter, was helping staff complete part of the conservation process before the archive material, which has been affected by mould, can go on display to the public.

The Prince also saw some of the treasures of Dorset's written history including the Women's Institute War Record book, written after the war and containing accounts of WI members in Dorset. He was also shown the Fordington Tithe Map from 1840, which featured the Duchy of Cornwall site where Poundbury has been built.

New allotments, Nansledan

Allotments flourish under plans for a sustainable urban extension to Newquay

New allotments created by the Duchy of Cornwall have proved a great success as plans for a sustainable urban extension to Newquay begins to take shape. Nansledan - which is Cornish for 'broad valley' - is a 218-hectare site that has been earmarked by local authorities as a way to meet the future business, housing, educational and health needs of Newquay.

At the heart of the design plan is sustainability, community and well-being. One feature of this is a focus on creating allotments and green spaces that make a practical contribution to the everyday lives of local people.
The new allotments have been created from an old pony paddock and mark the spot where Newquay will meet Nansledan. They already have a waiting list and are the first of hundreds more allotments planned for the future.

Duchy of Cornwall Estate Surveyor, Tim Gray said: *"It was a happy coincidence when Newquay Town Council proposed the idea that the Duchy might be able to help find a site for the Tretherras Allotment Association. It meant that the first foundations for Nansledan were literally in the soil, thus emphasising the core philosophy that we should put sustainability first."*

Using GPS technology, the Duchy has been able to place the allotments precisely on a field that will tie in with a bus route to follow later. The allotments are also deliberately positioned near schools to promote learning and there are plans afoot for a nearby community orchard.

As Nansledan progresses, the creation of 'edible streets' will see roads lined with trees that produce apples, pears, plums, nuts and cherries. The trees have a relatively short life span - approximately 20 years - and the plan is to use their wood for fuel in new local houses before replanting and starting the process again.

Tim Gray said: "*The allotment scheme has been so successful and gives us confidence that our Masterplan for Nansledan is likely to strike a chord with the way we all wish to live our lives nowadays. I hope that this will be one of the reasons people might choose to live or to work, and preferably both, at Nansledan.*"

"...this initiative is a great opportunity for them to not only grow their businesses but to tap into the expertise that already exists and support each other as their businesses grow."

Joining forces with Women in Rural Enterprise

The Duchy has joined forces with Women in Rural Enterprise (WiRE) in October 2013 to create a new initiative to support female entrepreneurs in the Eastern District.

Duchy Women in Rural Enterprise has begun to deliver a series of workshops focused specifically on social media and marketing for rural business, and how to improve leadership skills and to build a business.

The initiative has the full backing of HRH The Prince of Wales who named WiRE's director, Polly Gibb, as one of his 'countryside champions' in his guest edit of Country Life magazine in 2013.

As Duke of Cornwall, His Royal Highness is keen to ensure that as many women as possible benefit from the new partnership. In addition to financing the project, the Duchy of Cornwall is also offering women in business across the Duchy Estates a 50% discount on the current WiRE annual subscription charge which gives members access to a network of business support and promotional opportunities.

Eastern District Land Steward, David Curtis, was instrumental in setting up Duchy Women in Rural Enterprise and Lady Arran has been the driving force in connecting with and championing the Duchy women in business. In time, it is hoped that the Business Enhancement Programme will be rolled out in at least five other regions across the Duchy of Cornwall.

The first programme is already underway in Bath/Blagdon where 15 Duchy women running or thinking about starting a business attended a workshop in November to learn about why the web works and what you need to do to engage customers, culminating in an action plan for using the best social media tools for their business.

WiRE business manager, Fiona Davies said: *"There are some fantastic and diverse businesses being run by women across the Duchy Estates and this initiative is a great opportunity for them to not only grow their businesses but to tap into the expertise that already exists and support each other as their businesses grow. The first event was energetic and noisy with the attendee's committing to make changes in their business as a result of the newly learnt skills"*

WiRE was set up in 1996 when research conducted by senior lecturer Izzy Warren-Smith at Harper Adams University College identified a significant number of farm diversifications were established by women. WiRE has supported many thousands of women in rural businesses across the UK. It will use the same tried and tested methods to support Duchy businesses and equip them with the knowledge and skills to develop and grow and develop network groups. Businesses are thus not left to implement these new skills and knowledge alone, but can go forward together, sharing their collective experiences and growing expertise as a group. **www.WiREUK.org**

Duchy Holiday Cottages, interior

Duchy Holiday Cottages support The Prince's Countryside Fund

"...we must secure the future of our rural communities – for this generation and those yet to come."

Duchy of Cornwall Holiday Cottages has begun supporting a pilot scheme launched by The Prince of Wales to encourage tourists to support the work of The Prince's Countryside Fund. Upon check-out, guests at the luxury holiday cottages will be asked if they would like to make a small donation to the charity, which helps hard pressed rural areas in Britain. There are 25 Duchy cottages available to rent in Cornwall, Wales and the Isles of Scilly.

The two-year pilot scheme also has the support of other major tourism businesses across the UK, including the British Beer and Pub Association and The Caravan Club. Money raised will be used to help fund projects including apprenticeships for budding hill farmers, training for young people to gain employment in the rural economy, community transport schemes in isolated rural areas and projects supporting community assets such as pubs, posts offices and village shops.

Speaking at the launch in Penrith, Cumbria, in April 2014, The Prince of Wales said: *"I have always wanted to engage with the tourism and hospitality sector to see whether it might be possible to encourage visitors to support and help maintain the countryside they value so much. That is why I am absolutely delighted to have the backing of the remarkable group of companies and organizations involved in this pilot project.*

They see the point of what I am trying to do and share my belief that we must secure the future of our rural communities – for this generation and those yet to come. This pilot, which I hope will be taken up by other like-minded companies in due course, will enable visitors, collectively, to make a real difference to the future of rural areas."

The Prince's Countryside Fund, founded by HRH The Prince of Wales, was set up by Business in the Community in July 2010. So far it has given over £3.8 million in grants distributed to over 90 projects across the country, directly benefitting 64,000 people. In addition to its normal application process, the Fund also operates an emergency fund for times of need. All the projects focus on supporting the people who care for our countryside and make it tick.

Duchy Holiday Cottages, Loskeyle, Cornwall

"...Supporting the next generation of farmers is one of the most important things we can do."

New starter farm becomes home to the Brailsford family

Andrew Brailsford from Chesterfield has taken over the new starter farm created by the Duchy in Plumtree, Nottingham. The 33-year old farmer moved into Sycamore Farm on March 25th 2014 with his wife, Mandy, and their two-year old son, Albert, after beating off competition from many applicants.

More than 50 people attended an open day on Thursday 5th December 2013, which gave prospective tenants the opportunity to look around the property and meet representatives from The Duchy of Cornwall, including local Land Steward, David Curtis.

Speaking shortly after the event, Mr Curtis described the starter farm as *"a rare opportunity for a new entrant to obtain a tenancy of a small modern farmstead as so few come on to the open market"*. He added: *"The agricultural industry needs to cater for the new entrants. Supporting the next generation of farmers is one of the most important things we can do."*

Sycamore Farm in the village of Plumtree consists of approximately 40 hectares of land, including a modern four-bedroomed farmhouse and range of outbuildings. This new starter unit was carved out of an existing plot which enabled the Duchy to give additional arable land to the neighbouring tenant too.

Mr Brailsford runs an agricultural contracting business and Mandy has a career in the medical profession. They are both passionate about farming and looking forward to becoming involved in Plumtree community life.

The Duchy of Cornwall's strategy of facilitating a number of starter farms embodies His Royal Highness's belief that it is essential to create suitable opportunities for new entrants to gain a foothold on the farming ladder thus bringing new life into farming communities.

Sycamore Farm outbuildings

Priory Farm Barns, Stanton Prior, Somerset

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

Isles of Scilly Farmers' and Growers' Initiative

The initiative encouraged information sharing and capacity building initiatives

The initiative was an idea developed by the islands' farmers and the Duchy to try and overcome some of the disadvantages of farming in a remote location.

One way is to mitigate some of the costs and problems associated with agricultural life on the islands. These include, for example, the farmers' geographical isolation and the difficulty in accessing opportunities for skills and training offered through mainland Rural Development Programme for England (RDPE) projects.

The initiative encouraged information sharing and capacity building initiatives – including knowledge transfer, vocational training, collaborative working and purchasing, access to professional advice and help in accessing the wider RDPE programme. This took place through farm walks, informal information sharing sessions and demonstration events, an email information hub, website and bulk purchasing of commodities.

The initiative was a fully funded project through the Department for Environment, Food & Rural Affairs and the European Agricultural Fund for Rural Development, and ran until December 2013.

Soil management workshops and grass waterways

The Duchy Hereford office has been working with Cranfield University in an attempt to manage the water and soil problems of recent years.

Due to the ever increasing extreme weather conditions being experienced, the Duchy Hereford office has been working with Cranfield University in an attempt to manage the water and soil problems of recent years. Two soil management workshops have been held at the Duchys office. The courses were originally aimed at Duchy tenants but once the courses were advertised, it became apparent that the content appealed to many industry advisors also.

The Agrifood Advanced Training Programme was able to provide bursary funding for those employed in the agri-food sector, for which all Duchy tenants qualified.

The first of the two sessions, Soil and Water Management, was held in October 2013. Held over the course of a day, the morning of lectures was followed by an afternoon spent out in the fields looking at the soils. Mike Price, a Duchy tenant from Dewsall Court Farm, assisted with the event by subsoiling a section of land and digging a trench to reveal the various compaction layers. There was also a rainwater station set up looking at the effect of vehicle trafficking on arable fields.

Due to the success of the first day, a second day was held on the 12th February 2014, Soil Degradation by Erosion: Risk Assessment and Mitigation Options. The morning consisted of a series of lectures from soil experts. The afternoon was spent at Cobrey Farm, a local arable farm, looking at erosion mitigation measures developed in asparagus fields. Cranfield have been working closely with Cobrey Farm in order to manage extreme soil erosion issues and as a result have designed and installed a series of geotextile grass waterways. As a result of this relationship, the Duchy is in the process of installing a similar grass waterway on land prone to flooding on the Harewood End estate in order to minimise surface run-off and soil erosion.

HRH with the Price family, Dewsall Court Farm, Herefordshire

Signed on behalf of the Proper Officers by Mr Alastair Martin, Secretary and Keeper of the Records 3rd June 2014

INDEPENDENT AUDITOR'S REPORT TO THE DUKE OF CORNWALL

Report on the Accounts

My opinion

In my opinion the Accounts, defined below:

- give a true and fair view of the state of the Group's and of the Duchy of Cornwall's affairs as at 31st March 2014 and of the Group's Revenue surplus, Group's Capital surplus and the Group's and the Duchy of Cornwall's cash flows for the year then ended;
- have been properly prepared in accordance with 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 H M Treasury dated 20th May 2014; and
- have been prepared in accordance with the Accounts Direction given by H M Treasury dated 20th May 2014.

This opinion is to be read in the context of what we say in the remainder of this report.

What I have audited

The Group financial statements and Duchy of Cornwall financial statements (the "Accounts"), which are prepared by Duchy of Cornwall, comprise:

- the Group and Duchy of Cornwall Balance Sheets as at 31st March 2014;
- the Group Revenue Account and the Group Capital Account Statements of Comprehensive Income for the year then ended;
- the Group and Duchy of Cornwall Statements of Cash Flows for the year then ended;
- the Group and Duchy of Cornwall Statements of Changes in Capital and Reserves for the year then ended; and
- the notes to the Accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and as applied to the Group and the Duchy of Cornwall by the Accounts Direction given by H M Treasury dated 20th May 2014.

In applying the financial reporting framework, the Proper Officers have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts 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 the Duchy of Cornwall'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 Accounts.

In addition, I read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on matters required by the Duchy of Cornwall Management Act 1982

In my opinion:

- proper accounting records have been kept by the Proper Officers of the Duchy of Cornwall;
- the Proper Officers of the Duchy of Cornwall have maintained a satisfactory system of control over transactions affecting Duchy property, as defined in the Duchy of Cornwall Management Act 1982; and
- the Accounts are in agreement with the accounting records of the Duchy of Cornwall.

Opinion on other matter prescribed by the terms of my engagement

In my opinion, the information given in the Governance report, prepared by the Proper Officers, for the financial year for which the Accounts are prepared is consistent with the Accounts.

Other matters on which I am required to report by exception

Under the terms of my engagement I am required to report to you if, in my opinion:

- I have not received all the information and explanations we require for my audit; or
- certain disclosures of Proper Officers' remuneration specified by the Accounts Direction given by the Treasury dated 20th May 2014 are not made.

I have no exceptions to report arising from this responsibility.

Responsibilities for the Accounts and the audit

My responsibilities and those of the Proper Officers

As explained more fully in the Statement of the Proper Officers' Responsibilities, the Proper Officers are responsible for the preparation of the Accounts in accordance with the Accounts Direction given by H M Treasury dated 20th May 2014 and for being satisfied that they give a true and fair view.

My responsibility is to audit and express an opinion on the Accounts in accordance with applicable law and ISAs (UK & 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.

Other matters

In my opinion, any conditions or restrictions which are subject to:

- 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

have been satisfied or complied with.

Andrew Ratcliffe
Chartered Accountant and Statutory Auditor
London
4th June 2014

ACCOUNTS

Financial Statements

Group Revenue Account Statement of Comprehensive Income	Notes	Year ended 31st March 2013 £'000	Year ended 31st March 2014 £'000
Revenue	2	27,646	**30,158**
Operating costs	2	(9,744)	**(11,910)**
Operating surplus		17,902	**18,248**
Finance income	5	4,225	**5,307**
Finance costs	6	(3,182)	**(3,902)**
Net finance income		1,043	**1,405**
Share of loss from joint venture and associate		(63)	**(167)**
Net surplus for the year		18,882	**19,486**
Attributable to:			
Non-controlling interests		(169)	**(24)**
Net surplus for the year, distributable to HRH		19,051	**19,510**
Other comprehensive income:			
Actuarial (loss)/gain on retirement benefit obligations	7	(1,485)	**242**
Total comprehensive income on Revenue account		17,397	**19,728**

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). Other comprehensive income relating to retirement benefit obligations will not subsequently be reclassified to the income statement.

Group Capital Account Statement of Comprehensive Income	Notes	Year ended 31st March 2013 £'000	Year ended 31st March 2014 £'000
Net gain from fair value adjustment on investment property	8	25,315	**74,423**
Net gain on the disposal of investment property		4,568	**590**
Net gain on the disposal of investment property held for sale		77	**425**
Net gain on the disposal of financial assets	11	208	**156**
Charge from Revenue for salary costs	2	(721)	**(867)**
Other costs		(276)	**(550)**
Net surplus for the year on Capital account		29,171	**74,177**
Other comprehensive income:			
Net gain/(loss) on revaluation of owner occupied property	9	313	**(116)**
Net other comprehensive income of joint venture	10a	893	**259**
Net gain/(loss) on the revaluation of financial assets	11	8,252	**(3,863)**
(Loss)/gain on the revaluation of financial derivatives	15	(1,193)	**2,327**
Total comprehensive income on Capital account		37,436	**72,784**

The notes to the accounts on pages 35 to 59 are an integral part of these financial statements. Other comprehensive income relating to income of joint venture will not subsequently be reclassified to the income statement.

Group Balance Sheet	Notes	31st March 2013 (Restated) £'000	31st March 2014 £'000
Assets			
Non-current assets			
Investment property	8	721,770	**794,012**
Property, plant and equipment	9	14,780	**14,120**
Investments in associate & joint venture	10a	3,846	**4,651**
Financial assets	11	106,184	**93,344**
Trade and other receivables	12	105	**5,000**
Total non-current assets		846,685	**911,127**
Current assets			
Inventories		1,049	**1,429**
Trade and other receivables	12	7,494	**10,261**
Cash and cash equivalents		6,556	**16,349**
		15,099	**28,039**
Investment property assets held for sale	13	12,221	**9,911**
Total current assets		27,320	**37,950**
Total assets		874,005	**949,077**
Liabilities			
Current liabilities			
Trade and other payables	14	(16,325)	**(16,269)**
Borrowings	15	-	**(10,000)**
Total current liabilities		(16,325)	**(26,269)**
Non-current liabilities			
Trade and other payables	14	(3,828)	**(8,870)**
Borrowings	15	(80,000)	**(70,000)**
Derivative financial instruments	15	(5,063)	**(2,736)**
Provisions	16	(1,942)	**(2,000)**
Retirement benefit obligations	7	(3,865)	**(3,294)**
Total non-current liabilities		(94,698)	**(86,900)**
Net assets		762,982	**835,908**
Reserves			
Revenue reserve available for distribution to HRH		3,087	**3,011**
Retirement benefit reserve		(4,751)	**(4,509)**
Capital reserve		769,521	**839,978**
Hedging reserve		(5,063)	**(2,736)**
		762,794	**835,744**
Non-controlling interest		188	**164**
Total reserves		762,982	**835,908**

The notes to the accounts on pages 35 to 59 are an integral part of these financial statements.

The financial statements on pages 28 to 59 were approved by the Proper Officers and signed on their behalf by Mr Alastair Martin, Secretary and Keeper of the Records, 3rd June 2014.

Duchy of Cornwall Balance Sheet

	Notes	31st March 2013 (Restated) £'000	**31st March 2014 £'000**
Assets			
Non-current assets			
Investment property	8	721,770	**794,012**
Property, plant and equipment	9	8,527	**8,046**
Investments in associate & joint venture	10a	2,873	**3,358**
Investment in subsidiary	10b	650	**650**
Financial assets	11	106,184	**93,344**
Trade and other receivables	12	6,710	**12,650**
Total non-current assets		846,714	**912,060**
Current assets			
Inventories		719	**677**
Trade and other receivables	12	6,734	**9,347**
Cash and cash equivalents		6,381	**15,818**
		13,834	**25,842**
Investment property assets held for sale	13	12,221	**9,911**
Total current assets		26,055	**35,753**
Total assets		872,769	**947,813**
Liabilities			
Current liabilities			
Trade and other payables	14	(15,870)	**(16,049)**
Borrowings	15	-	**(10,000)**
Total current liabilities		(15,870)	**(26,049)**
Non-current liabilities			
Trade and other payables	14	(3,828)	**(8,870)**
Borrowings	15	(80,000)	**(70,000)**
Derivative financial instruments	15	(5,063)	**(2,736)**
Provisions	16	(1,942)	**(2,000)**
Retirement benefit obligations	7	(3,865)	**(3,294)**
Total non-current liabilities		(94,698)	**(86,900)**
Net assets		762,201	**834,864**
Reserves			
Revenue reserve available for distribution to HRH		3,634	**3,533**
Retirement benefit reserve		(4,751)	**(4,509)**
Capital reserve		768,381	**838,576**
Hedging reserve		(5,063)	**(2,736)**
Total reserves		762,201	**834,864**

The notes to the accounts on pages 35 to 59 are an integral part of these financial statements.

The financial statements on pages 28 to 59 were approved by the Proper Officers and signed on their behalf by Mr Alastair Martin, Secretary and Keeper of the Records, 3rd June 2014.

Group Statement of Changes in Capital and Reserves

	Revenue account		Capital account		Total	Non-controlling interest	**Total reserves**
	Revenue reserve £'000	Retirement benefit reserve £'000	Capital reserve £'000	Hedging reserve £'000	£'000	£'000	**£'000**
Balance as at 1st April 2012	3,192	(3,467)	730,892	(3,870)	726,747	357	727,104
Prior year adjustment (note 1)	(201)	201	-	-	-	-	-
Restated balance as at 1st April 2012	**2,991**	**(3,266)**	**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 (note 10a)	-	-	893	-	893	-	**893**
Net gain on the disposal or revaluation of financial assets (note 11)	-	-	8,252	-	8,252	-	**8,252**
Loss on financial derivatives (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**
	22,042	(4,751)	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 1st April 2013	**3,087**	**(4,751)**	**769,521**	**(5,063)**	**762,794**	**188**	**762,982**
Net surplus for the year	19,510	-	74,177	-	93,687	(24)	**93,663**
Other comprehensive income:							
Net gain on revaluation of owner occupied property (note 9)	-	-	(116)	-	(116)	-	**(116)**
Net other comprehensive income of joint venture (note 10a)	-	-	259	-	259	-	**259**
Net gain on the disposal or revaluation of financial assets (note 11)	-	-	(3,863)	-	(3,863)	-	**(3,863)**
Loss on financial derivatives (note 15)	-	-	-	2,327	2,327	-	**2,327**
Actuarial loss on retirement benefit obligations (note 7)	-	242	-	-	242	-	**242**
Total comprehensive income	19,510	242	70,457	2,327	92,536	(24)	**92,512**
	22,597	(4,509)	839,978	(2,736)	855,330	164	**855,494**
Less payments made to HRH							
In respect of current year	(15,751)	-	-	-	(15,751)	-	**(15,751)**
In respect of prior year	(3,835)	-	-	-	(3,835)	-	**(3,835)**
Balance as at 31st March 2014	**3,011**	**(4,509)**	**839,978**	**(2,736)**	**835,744**	**164**	**835,908**

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 reserves
	Revenue reserve	Retirement benefit reserve	Capital reserve	Hedging reserve	
	£'000	£'000	£'000	£'000	**£'000**
Balance as at 1st April 2012	3,433	(3,467)	731,212	(3,870)	**727,308**
Prior year adjustment (note 1)	(201)	201	-	-	-
Restated balance as at 1st April 2012	**3,232**	**(3,266)**	**731,212**	**(3,870)**	**727,308**
Net surplus for the year	19,357	-	28,604	-	**47,961**
Other comprehensive income:					
Net loss 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 gain on retirement benefit obligations (note 7)	-	(1,485)	-	-	**(1,485)**
Total comprehensive income	19,357	(1,485)	37,169	(1,193)	**53,848**
	22,589	(4,751)	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 1st April 2013	**3,634**	**(4,751)**	**768,381**	**(5,063)**	**762,201**
Net surplus for the year	19,485	-	74,174	-	**93,659**
Other comprehensive income:					
Net loss on revaluation of owner occupied property (note 9)	-	-	(116)	-	**(116)**
Net gain on the disposal or revaluation of financial assets	-	-	(3,863)	-	**(3,863)**
Profit on financial derivatives (note 15)	-	-	-	2,327	**2,327**
Actuarial loss on retirement benefit obligations (note 7)	-	242	-	-	**242**
Total comprehensive income	19,485	242	70,195	2,327	**92,249**
	23,119	(4,509)	838,576	(2,736)	**854,450**
Less payments made to HRH					
In respect of current year	(15,751)	-	-	-	**(15,751)**
In respect of prior year	(3,835)	-	-	-	**(3,835)**
Balance as at 31st March 2014	**3,533**	**(4,509)**	**838,576**	**(2,736)**	**834,864**

Group Statement of Cash Flows

	Notes	Year ended 31st March 2013	**Year ended 31st March 2014**
		£'000	**£'000**
Cash generated from operating activities	17	15,737	**19,347**
Interest paid		(3,182)	**(3,934)**
Net cash from operating activities		12,555	**15,413**
Cash flows from investing activities			
Purchase of financial investments		(37,524)	**(13,236)**
Investment in associate		(97)	**-**
Proceeds from disposal of financial investments		9,124	**22,369**
Additional investment in QMS		(97)	**(803)**
Purchase of investment property		(1,152)	**(600)**
Property improvements and development expenditure		(15,459)	**(10,125)**
Proceeds from disposal of investment properties		10,351	**11,421**
Purchase of property, plant and equipment		(1,694)	**(892)**
Proceeds from disposal of property, plant and equipment		2	**12**
Proceeds from disposal of assets held for sale		13,604	**5,476**
Financial investment income received		4,279	**4,858**
Interest received		108	**486**
Net cash (outflow)/inflow from investing activities		(18,555)	**18,966**
Cash flows from financing activities			
Proceeds from borrowings		27,500	**-**
Third party loans		-	**(5,000)**
Payments made to His Royal Highness		(18,955)	**(19,586)**
Net cash inflow/(outflow) from financing activities		8,545	**(24,586)**
Increase in cash in the year		2,545	**9,793**
Cash and cash equivalents at start of year		4,011	**6,556**
Cash and cash equivalents at end of year		6,556	**16,349**

Duchy of Cornwall Statement of Cash Flows

	Notes	Year ended 31st March 2013	**Year ended 31st March 2014**
		£'000	**£'000**
Cash generated from operating activities	17	15,822	**19,587**
Interest paid		(3,182)	**(3,934)**
Net cash from operating activities		12,640	**15,653**
Cash flows from investing activities			
Purchase of financial investments		(37,524)	**(13,236)**
Investment in associate		(97)	**-**
Loans granted to subsidiary undertakings		(1,800)	**(940)**
Additional investment in QMS		(97)	**(803)**
Proceeds from disposal of financial investments		9,124	**22,369**
Purchase of investment property		(1,152)	**(600)**
Property improvements and development expenditure		(15,459)	**(10,125)**
Proceeds from disposal of investment properties		10,351	**11,421**
Purchase of property, plant and equipment		(626)	**(776)**
Proceeds from disposal of property, plant and equipment		2	**21**
Proceeds from disposal of assets held for sale		13,604	**5,476**
Financial investment income received		4,279	**4,858**
Interest received		628	**705**
Net cash (outflow)/inflow from investing activities		(18,767)	**18,370**
Cash flows from financing activities			
Proceeds from borrowings		27,500	**-**
Third party loans		-	**(5,000)**
Payments made to His Royal Highness		(18,955)	**(19,586)**
Net cash inflow/(outflow) from financing activities		8,545	**(24,586)**
Increase in cash in the year		2,418	**9,437**
Cash and cash equivalents at start of year		3,963	**6,381**
Cash and cash equivalents at end of year		6,381	**15,818**

Notes to the 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 2014.

These financial statements have been prepared on a going concern basis and in accordance with the Accounts Direction issued by H M Treasury dated 20th May 2014 (set out on pages 61 and 62) 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:

- IFRS 13, 'Fair value measurement'. Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.
- IAS 19, 'Employee benefits'. 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; these are not expected to have a material impact on the Group:

- IFRS 10, 'Consolidated financial statements'. This standard 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'. This standard 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, 'Disclosures of interests in other entities'. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles.
- IAS 28 (revised 2011) 'Associates and joint ventures'. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Changes effective for annual periods beginning on or after 1st January 2014.
- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make. Changes effective for annual periods beginning on or after 1st January 2014.
- Amendments to IAS 36, 'Impairment of assets'. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Changes effective for annual periods beginning on or after 1st January 2014.
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. Changes effective for annual periods beginning on or after 1st January 2014.
- Amendment to IAS 19 regarding defined benefit plans. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Changes effective for annual periods beginning on or after 1st July 2014.
- IFRS 9 'Financial instruments' – classification and measurement. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. Changes effective for annual periods beginning on or after 1st January 2018.
- Amendments to IFRS 9, Financial instruments', regarding general hedge accounting. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. Changes effective for annual periods beginning on or after 1st January 2018.

Notes to the financial statements (continued)

Significant judgements, key assumptions and estimates:

Operating leases

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.

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 liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows against interest rates. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the operating surplus. The Duchy pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Duchy has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Change in accounting policy: During the year, the Duchy implemented the provisions of IAS 19. The comparative figures have been restated accordingly with the result that the balance due to His Royal Highness and the retirement benefit reserve have been reduced by £201,000.

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 fair value. 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.

Capitalisation of staff costs: Staff costs are recharged to the Capital account on a relevant time basis for dealing with appropriate works or transactions.

Notes to the financial statements (continued)

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 or ineffective 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).

2. Analysis of Revenue account operating surplus

	Notes	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Property income:			
Agricultural income		7,300	**7,561**
Commercial income		12,498	**12,854**
Residential income		4,972	**5,125**
Total property income		24,770	**25,540**
Sale of goods		2,876	**4,618**
Total operating income		27,646	**30,158**
Staff costs	4	3,995	**4,631**
Charge to Capital account		(721)	**(867)**
		3,274	**3,764**
Direct cost of sales		1,282	**2,304**
Depreciation	9	743	**762**
Repairs and maintenance		2,027	**2,189**
Administration		1,857	**2,266**
Other operating costs		561	**625**
Total operating costs		9,744	**11,910**
Operating surplus		17,902	**18,248**

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

	Year ended 31st March 2013 £	**Year ended 31st March 2014 £**
Fees payable to Duchy of Cornwall auditor for the audit of the Duchy and consolidated financial statements	67,500	**76,500**
Fees payable to the Duchy of Cornwall auditor and his associates for other services:		
• The audit of QMS (Poundbury) LLP	3,350	**5,000**
• Tax advisory services	-	**31,000**
	70,850	**112,500**

An analysis of the Capital account operating surplus is not deemed necessary given the nature of the transactions and disclosure within the primary statements.

3. Leasing: Operating leases with tenants

The Duchy of Cornwall leases out all of its investment properties under operating leases with, on average, 82 years remaining to expiry. The aggregate minimum rentals, excluding contingent rents, receivable under non-cancellable leases are as follows:

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Less than one year	14,209	**15,134**
Between two to five years	47,992	**49,658**
After five years	304,263	**299,539**
	366,464	**364,331**

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

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Contingent rents receivable	1,375	**1,585**

Notes to the financial statements (continued)

4. Staff Costs

The average number of full time equivalent staff employed by the Duchy during the year was 99 (2013: 103). The split of staff was: Administrative 58, Estate workers 13, Nursery 28 (2013: Administrative 63, Estate workers 11, Nursery 29). The total remuneration was £4,631,000 (2013: £3,995,000) comprising:

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Wages and salaries	3,005	**3,350**
Social security costs	308	**355**
Pension costs	529	**763**
Other staff costs	153	**163**
	3,995	**4,631**

Staff costs of £867,000 (2013: £721,000) 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.

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

	Year ended 31st March 2013 £	**Year ended 31st March 2014 £**
Alastair Martin	-	**192,318**
Sir Robert Ross	213,552	**257,974**
Jonathan Crow	3,000	**3,000**
Mark Thomas	8,000	**8,000**
	224,552	**461,292**

In addition, pension contributions of £27,053 (2013: £Nil) were paid into a money purchase scheme for Alastair Martin and £9,440 (2013: £37,700) for Sir Robert Ross.

5. Finance income - Group

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Income from investments	4,117	**4,821**
Bank interest	12	**9**
Loan interest	96	**477**
	4,225	**5,307**

6. Finance costs – Group

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Loan interest	3,182	**3,902**

7. Retirement benefit obligations – Group and Duchy

The Duchy operates a defined benefit scheme in the UK which is a final salary plan and provides benefits linked to salary at retirement or earlier date of leaving service. The Scheme is open to future accrual but closed to new entrants.

The last completed actuarial valuation as at 1st January 2013 showed a funding deficit at that date of £6.7 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 twelve year period backdated to the valuation date. The results of valuation as at 1st January 2013 have been used as a basis and then rolled forward to 31st March 2014.

The Duchy also contributes to defined contribution scheme arrangements, the charge for which was £209,273 (2013: £200,700).

The Scheme operates under the Pensions Act 2004.

Trustees have the primary responsibility for governance of the Scheme. Benefit payments are from trustee-administered funds and Scheme assets are held in trusts which are governed by UK regulation. Responsibility for governance of the Scheme - including investment decisions and contribution rates - lies jointly with the Duchy and the Scheme's trustees (comprised of representatives of the Duchy and members in accordance with the Trust Deed and Rules).

Risks to which the Scheme exposes the Duchy:

- Asset volatility - If Scheme assets underperform the discount rate a deficit results and so to mitigate this, the trustees have agreed that the Scheme's investment strategy will be de-risked over time. This is done by funding triggers which allow the Scheme to take advantage of favorable market conditions and developments in the funding level. If the funding level improves by a predetermined amount, then a switch to increase the target allocation for liability matching assets will be made.
- Inflation risk - The majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although for most increases there are caps in place which protect against extreme inflation).
- Longevity - Increases in life expectancy will increase plan liabilities, the inflation-linkage of the benefits also means that inflationary increases result in a higher sensitivity to increases in life expectancy.

There have been no Scheme amendments, curtailments or settlements over the year.

Notes to the financial statements (continued)

Recognition of funded status

The amounts to be recognised in the balance sheet are determined as follows:

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Fair value of assets at end of year	16,160	**17,244**
Present value of obligations at end of year	(20,024)	**(20,537)**
Net defined benefit obligation	(3,864)	**(3,293)**

Expense recognised in income statement

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Current service cost	449	**428**
Administration expenses	82	**92**
Operating expense	531	**520**
Net interest on the net defined benefit obligation	113	**152**
Total expense recognised in income statement	644	**672**

Reconciliation of value of defined benefit obligations over the year

The movement in defined benefit obligations over the year was as follows:

	31st March 2013 £'000	**31st March 2014 £'000**
Present value of obligations at start of year	16,922	**20,024**
Current service cost	449	**428**
Interest cost	808	**873**
Distributions	(581)	**(845)**
Experience losses	827	**0**
Actuarial losses/(gains) arising from change in financial assumptions	1,561	**(426)**
Actuarial losses arising from change in demographic assumptions	38	**483**
Present value of obligations at end of year	20,024	**20,537**

Reconciliation of fair value of assets

The movement in the fair value of the assets over the year was as follows:

	31st March 2013 £'000	**31st March 2014 £'000**
Fair value of assets at start of year	14,237	**16,160**
Employer contributions	749	**1,001**
Interest income	695	**721**
Return on Scheme assets excluding interest income	1,142	**299**
Distributions	(581)	**(845)**
Administration expenses	(82)	**(92)**
Fair value of assets at end of year	16,160	**17,244**

Movement in net defined benefit obligation over the year

	31st March 2013 £'000	**31st March 2014 £'000**
Net defined benefit obligation at beginning of the year	(2,685)	**(3,864)**
Employer contributions	749	**1,001**
Expense recognised in income statement	(644)	**(672)**
Re-measurement (loss)/gain recognised in OCI	(1,284)	**242**
Net defined benefit obligation at end of the year	(3,864)	**(3,293)**

Notes to the financial statements (continued)

Re-measurement effects recognised in other comprehensive income (OCI)

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Return on Scheme assets excluding interest income	1,142	**299**
Experience losses on obligations	(827)	**-**
Actuarial (losses)/gains arising from change in financial assumptions	(1,561)	**426**
Actuarial losses arising from change in demographic assumptions	(38)	**(483)**
Total (losses)/gains recognised in OCI	(1,284)	**242**

Actuarial assumptions at end of year

	31st March 2013	**31st March 2014**
Discount rate (p.a.)	4.45 %	**4.40%**
Salary increases (p.a.)	4.65 %	**4.45%**
RPI inflation (p.a.)	3.40 %	**3.20%**
CPI inflation (p.a.)	2.20 %	**2.00%**
Pension increases - RPI max 5 % (p.a.)	3.25 %	**3.10%**
Post-retirement longevity - base table	90 % PCXA00	**80% S1PXA**
Post-retirement longevity - future improvements	Year of birth, medium cohort improvement factors rebased to 2004 with a 0.5 % p.a. underpin	**Year of birth, CMI 2011 projections from 2008 with a 1.0% p.a. long term trend rate**

Sensitivity analysis

Based on the assumptions set out above, the impact on the present value of the defined benefit obligations of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below.

Value of obligations at the end of the year if:	**31st March 2014 £'000**
As disclosed	**20,537**
Discount rate reduced by 0.25 % p.a.	**21,427**
Discount rate increased by 0.25 % p.a.	**19,704**
Inflation reduced by 0.25 %* p.a.	**19,792**
Inflation increased by 0.25 %* p.a.	**21,323**
Life expectancy decreased by approximately one year	**19,825**

*This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases (subject to the relevant caps and floors)).

The above analyses assume that assumption changes occur in isolation except in the case of inflation where any change is assumed to have a corresponding impact on inflation-linked pension increases. In practice this is unlikely to occur and some assumptions may be correlated. The same method (projected unit method) has been applied when calculating these sensitivities.

Description of any asset-liability matching strategies

The trustees have agreed that the Scheme's investment strategy will be de-risked over time. This is done by funding triggers which allow the Scheme to take advantage of favourable market conditions and developments in the funding level. If the funding level improves by a predetermined amount, then a switch to increase the target allocation for liability matching assets will be made. The actuarial valuation as at 1st January 2010 reported a 75% funding level and the trustees agreed to a 61% Growth/ 39% Matching split.

Breakdown of value of assets at 31st March 2014

The following tables provide information on the composition and fair value of assets of the Scheme.

31st March 2014	Quoted £'000	Unquoted £'000	**Total £'000**
UK equities	3,998	-	**3,998**
Overseas equities	6,465	-	**6,465**
Index linked gilts	3,058	-	**3,058**
UK corporate bonds: investment grade	2,537	-	**2,537**
Overseas corporate bonds: investment grade	152	-	**152**
Overseas corporate bonds: sub-investment grade	18	-	**18**
Fixed interest gilts	360	-	**360**
Cash and net current assets	-	656	**656**
Total	**16,588**	**656**	**17,244**

Notes to the financial statements (continued)

Breakdown of value of assets at 31st March 2013

31st March 2013	Quoted £'000	Unquoted £'000	Total £'000
UK equities	3,350	-	3,350
Overseas equities	5,415	-	5,415
Property	-	1,185	1,185
Index linked bonds	2,831	-	2,831
Corporate bonds	2,486	-	2,486
Fixed interest gilts	382	-	382
Cash and net current assets	-	511	511
Total	**14,464**	**1,696**	**16,160**

Effect of the Scheme on the Duchy's future cash flows

Description of any pension arrangements and funding policy that would affect future contributions:
The Scheme is currently in deficit on a funding basis. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed with an effective date of 1st January 2016.

Duchy's best estimate of contributions to be paid over following year (£'000s)	884
Duration of the liabilities (years)	17
Expected future pension payments (£'000s):	
Year ending 31st March 2015	727
Year ending 31st March 2016	782
Year ending 31st March 2017	805
Year ending 31st March 2018	826
Year ending 31st March 2019	843
Year ending 31st March 2020	876

8. Investment property - Group and Duchy

	Commercial £'000	Agricultural and Forestry £'000	Residential £'000	Development Land £'000	Total £'000
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**
Additions	11	589	-	-	600
Capital improvements	895	3,195	1,743	-	5,833
Capitalised development expenditure	-	-	-	4,292	4,292
Transfer from property, plant and equipment – at fair value	-	-	282	-	282
Transfer from investment property assets held for sale	-	76	-	-	76
Transfer to investment property assets held for sale	(136)	(1,735)	(324)	(238)	(2,433)
Disposals	(6,850)	(137)	(1,068)	(2,776)	(10,831)
Net gain from fair value adjustments on investment property	9,284	54,452	6,251	4,436	74,423
At 31st March 2014	**176,444**	**404,737**	**170,747**	**42,084**	**794,012**

Fair values of land and buildings

The Duchy holds four main classes of investment property: Commercial property (Urban and Rural), Agricultural property (Agricultural, Forestry and Other Rural Assets), Residential property and Development Land. The Duchy's investment property is measured at fair value. For all properties the current use equates to the highest and best use.

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. The internal valuation team is led by one of the Duchy's senior employees, a Chartered Surveyor and Registered Valuer, supported by the Duchy's Finance Director. All of the London residential properties are valued externally by Cluttons each year, and all of the urban commercial properties are valued externally by Savills each year. Development land is valued externally each year by SmithsGore. All valuations are in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Valuation fees for external valuers are a fixed amount agreed prior to the valuation and independent of the portfolio value. Internal valuers are not incentivised in any way in relation to property value.

Notes to the financial statements (continued)

Fair value measurements using significant unobservable inputs (Level 3)

The fair value of the Duchy's property portfolio is determined using a variety of techniques depending on the property type and the terms of the lease. These techniques include the yield methodology, adjusted sales comparison approach, and discounted cash flow, and are consistent with IFRS 13 Fair Value Measurement. They involve a degree of judgement and use data which is not widely publicly available. Inputs to the valuations, some of which are "unobservable" as defined by IFRS 13, include capitalisation rates, discount rates and comparable market values for both rents and vacant possession values. For these reasons, and consistent with EPRA's guidance and practice adopted within the property sector, all valuations of the Duchy's property portfolio are classified as Level 3 as defined by IFRS 13.

Valuation processes

Property is valued according to one or more of the following three approaches:

i) Yield methodology: the value of the income stream for the term of the lease, by reference to the current rent for the property, rent review provisions, market rent for similar properties, and capitalisation rates from similar properties traded in the same geographic region;

ii) Adjusted sales comparison approach: the vacant possession value of similar properties, the time until vacant possession will be achieved, and discount rates for similar properties traded in the same geographic region;

iii) Discounted cash flow: net future cash flows for the duration of a project are discounted at an appropriate rate, and a risk factor may be applied.

The external valuers provide capitalisation and discount rates. They review all valuations performed by the internal valuers and consider all major inputs to the valuation process, including market rents, comparable vacant possession values for similar properties and the unexpired term of leases. Together with the Duchy's internal lead valuer and finance team they review the output from the valuation including the valuation techniques used for each property, adjustments made to default values for unobservable inputs, and the correlation of valuation inputs to data from the Duchy's property and financial systems. They assess valuation movements compared to the prior year valuation (at a property, valuer, regional and property-type level), and review ratios of let value to vacant possession value, values per square foot or per acre, effective yields and comparisons to property market indices.

All development land is valued externally, the majority on the basis of discounted cash flows. Inputs are applied to each section of each development site, taking in to consideration the specific situation for each site – the stage of development, the extent of planning permissions, and the contractual arrangements in place. Detailed discussions are held between the external valuers and the Duchy's Estates Surveyor, Poundbury Estates Director and Finance Director. The two main uncertainties in valuing development land are the eventual market prices for the buildings and land at each site and the rate of future sales.

The valuation results are reviewed by the Duchy's Finance and Audit Committee.

Relationship of significant unobservable inputs to fair value and the impact of significant changes to those inputs

Unobservable input	Impact on fair value of changes to input	
	Increase in input	Decrease in input
Adjusted comparable vacant possession values	Increase in fair value	Decrease in fair value
Rental values	Increase in fair value	Decrease in fair value
Capitalisation rates	Decrease in fair value	Increase in fair value
Discount rates	Decrease in fair value	Increase in fair value

Impact on fair value of changes to capitalisation and discount rates (ceteris paribus)

All in £'000	Increase of 50 basis points	As disclosed	Decrease of 50 basis points
Urban commercial	114,780	126,010	140,425
Rural commercial	47,804	50,434	53,472
Agricultural	304,284	361,671	481,909
Other rural assets	26,085	27,186	28,418
Residential property	167,528	170,747	174,478

Impact on fair value of changes to market rental values (ceteris paribus)

All in £'000	Increase of 10 %	As disclosed	Decrease of 10 %
Urban commercial	132,785	126,010	119,600

The fair values at the balance sheet date, valuation techniques, nature and, where meaningful, range of unobservable inputs are shown in the table below for each class of investment property. Certain ranges have not been included due to being so varied that their disclosure would have no meaningful purpose.

Notes to the financial statements (continued)

Quantitative data about fair value measurement using unobservable inputs (Level 3)

	Property Type	Fair Value at 31st March 2014 £'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (where meaningful)
Commercial	Urban commercial	£126,010	Yield methodology	Rental values	Industrial: £57 to £75 psm Office: £97 to £457 psm Retail: £861 to £1,830 psm
				Capitalisation rate	Industrial: 5.7 % to 7.4 % Office: 3.5 % to 12.1 % Retail: 6.0 % Other: 3.0 % to 7.8 %
	Rural commercial	£50,434	Yield methodology	Rental values	-
				Capitalisation rate	8 % to 11 %
	Total	**£176,444**			
Agricultural & Forestry	Agricultural	£361,671	Yield methodology	Rental values	-
				Capitalisation rate	Farms: 1.75 % to 5 % Bare land: 7 % to 9 %
			Adjusted sales comparison approach	Adjusted comparable vacant possession values	-
				Discount rate for terminal value	4 % to 6 %
				Estimate of period until vacant possession achieved	0 to 85 years (average 5 years)
	Forestry	£15,880	Adjusted sales comparison approach	Price per hectare	£3,580 to £41,180 (average £9,050) per hectare
	Other rural assets	£27,186	Yield methodology	Rental values	-
				Capitalisation rate	8 % to 10 %
				Discount rate for terminal value	8.5 % to 12 %
	Total	**£404,737**			
Residential		**£170,747**	Yield methodology	Rental values	-
				Capitalisation rate	4 % to 6 %
			Adjusted sales comparison approach	Adjusted comparable vacant possession values	-
				Discount rate for terminal value	5 % to 7 %
				Estimate of period until vacant possession achieved, for short term lets	0 to 19 years (average 1.2 years) Fair value £98m
				Estimate of period until vacant possession achieved, for long term lets	0 to 158 years (average 33 years) Fair value £72m

Quantitative data about fair value measurement using unobservable inputs (Level 3) (continued)

Property Type	Fair Value at 31st March 2014 £'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (where meaningful)
Development Land	**£42,084**	Discounted cash flow	Discount rate	6 % to 8 % (average 6.3 %)
			Risk factor	0 % to 40 % (average 11.2 %)
			Time to completion	< 1 year, to 16 years (average 5.7 years)

9. Property, plant and equipment - Group

	Motor Vehicles £'000	Plant and Equipment £'000	Owner Occupied Property £'000	**Total £'000**
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**
Year ended 31st March 2014				
Additions/Improvements	31	497	364	**892**
Transfer to investment property	-	-	(282)	**(282)**
Transfer to investment property assets held for sale	-	-	(380)	**(380)**
Disposals	(12)	-	-	**(12)**
Depreciation charge	(54)	(708)	-	**(762)**
Revaluation	-	-	(116)	**(116)**
At 31st March 2014	**61**	**8,632**	**5,427**	**14,120**
At 31st March 2014				
Cost/valuation	193	11,346	5,427	**16,966**
Accumulated depreciation	(132)	(2,714)	-	**(2,846)**
Net book value	**61**	**8,632**	**5,427**	**14,120**

Notes to the financial statements (continued)

9. Property, plant and equipment - Duchy

	Motor Vehicles £'000	Plant and Equipment £'000	Owner Occupied Property £'000	Total £'000
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**
Year ended 31st March 2014				
Additions/Improvements	31	381	364	**776**
Transfer to investment property	-	-	(282)	**(282)**
Transfer to investment property assets held for sale	-	-	(380)	**(380)**
Disposals	(12)	(9)	-	**(21)**
Depreciation charge	(54)	(404)	-	**(458)**
Revaluation	-	-	(116)	**(116)**
At 31st March 2014	**61**	**2,558**	**5,427**	**8,046**
At 31st March 2014				
Cost/valuation	193	4,626	5,427	**10,246**
Accumulated depreciation	(132)	(2,068)	-	**(2,200)**
Net book value	**61**	**2,558**	**5,427**	**8,046**

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 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Balance at start of year	251	**228**
Invested in year	97	**-**
Share of loss	(120)	**-**
Impairment in year	-	**(228)**
Balance at end of year	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.

Coressence continues to make losses and is currently in discussions with a third party for a significant inward investment. The ultimate outcome of the investment is not certain so it has been considered prudent to write down the value of the investment to £Nil as at 31st March 2014. A loan of £105,000 has also been written off. The Duchy therefore has £Nil exposure to Coressence as at 31st March 2014.

Joint Venture	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Balance at start of year	2,621	**3,618**
Invested in year	97	**803**
Share of profit	57	**61**
Share of revaluation surplus	893	**259**
Profit transferred out	(50)	**(90)**
Balance at end of year	3,618	**4,651**

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. During the year, work commenced on converting part of the building into residential accommodation.

The latest audited accounts were produced for the year ended 31st March 2014. The aggregate assets, liabilities, revenue and results for the LLP were as follows:

	Year ended 31st March 2013 £'000	**Year ended 31st March 2014 £'000**
Assets	7,255	**9,292**
Liabilities	(30)	**(17)**
Revenue	145	**145**
Profit	115	**122**

Notes to the financial statements (continued)

10b. Investment in subsidiary

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 Duchy has also provided loans to the partnership as described in note 12.

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	
	Equity Securities	*Fixed Interest Securities*	*Private Equity Funds*	*Private Equity Funds*	*Equity Securities*		**Total**
	(Level 1)	*(Level 1)*	*(Level 2)*	*(Level 3)*	*(Level 3)*		
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 31st March 2012	**16,926**	**25,961**	**14,607**	**9,813**	**767**	**1,250**	**69,324**
Purchases	34,507	236	-	2,360	121	300	**37,524**
Sale proceeds	-	(7,268)	-	(1,826)	(30)	-	**(9,124)**
Profit on sale/revaluation	4,148	2,040	1,322	906	44	-	**8,460**
At 31st March 2013	**55,581**	**20,969**	**15,929**	**11,253**	**902**	**1,550**	**106,184**
Purchases	-	10,000	-	835	30	2,371	**13,236**
Sale proceeds	(17,000)	(4,924)	-	(16)	(429)	-	**(22,369)**
Profit on sale/revaluation	(471)	(1,073)	(1,496)	(742)	75	-	**(3,707)**
At 31st March 2014	**38,110**	**24,972**	**14,433**	**11,330**	**578**	**3,921**	**93,344**

The fair values of financial investments classified as level 1 are based on quoted market prices on the 31st March 2014. Level 2 financial instruments are valued based significantly on observable market data at 31st March 2014. 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 2014.

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 2014 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:

	31st March 2013	**31st March 2014**
	£'000	**£'000**
US Dollar exchange rate +/- 10%	4,815	**4,073**

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 available for sale and cash deposits best represents the maximum exposure to counterparty risk at the reporting date.

12. Trade and other receivables

	Group 31st March 2013	Duchy 31st March 2013	**Group 31st March 2014**	**Duchy 31st March 2014**
	£'000	£'000	**£'000**	**£'000**
Amounts falling due within one year:				
Trade receivables	4,695	3,935	**5,107**	**4,193**
Less provision for impairment of trade receivables	(148)	(148)	**(179)**	**(179)**
Prepayments and accrued income	2,861	2,861	**2,890**	**2,890**
Other receivables	86	86	**2,443**	**2,443**
	7,494	6,734	**10,261**	**9,347**
Amounts falling due after more than one year:				
Other receivables	-	-	**5,000**	**5,000**
Amounts due from Group company	-	6,605	**-**	**7,650**
Amount due from associate	105	105	**-**	**-**
	105	6,710	**5,000**	**12,650**

Other receivables due within one year includes amounts of £914,000, £803,000, £502,000 and £30,000 at 6% and £109,000 at 0%.

Other receivables falling due after more than one year includes £5million at 6% repayable 2025.

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 £3.05million repayable in 2015, both at an interest rate of 8%. These loans are secured against the land and buildings of the company. Discussions are currently being undertaken with a view to extending the repayment date beyond 2015.

The amount due from associate , a loan with Coressence for £105,000 (2013: £105,000) with an interest rate of 7%, was written off in the year.

All receivables are denominated in Sterling.

As of 31st March 2014 trade receivables of £3,855,000 (2013: £3,752,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 31st March 2013	Duchy 31st March 2013	**Group 31st March 2014**	**Duchy 31st March 2014**
	£'000	£'000	**£'000**	**£'000**
Under 3 months	2,825	2,825	**2,817**	**2,817**
3 to 12 months	660	660	**774**	**774**
Over 12 months	267	267	**264**	**264**

Notes to the financial statements (continued)

As of 31st March 2014 trade receivables of £179,000 (2013: £148,000) 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 31st March 2013	Duchy 31st March 2013	**Group 31st March 2014**	**Duchy 31st March 2014**
	£'000	£'000	**£'000**	**£'000**
At 1st April	188	188	**148**	**148**
Provision for receivables impairment	(15)	(15)	**35**	**35**
Net receivables written off	(25)	(25)	**(4)**	**(4)**
At 31st March	148	148	**179**	**179**

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

	31st March 2013	**31st March 2014**
	£'000	**£'000**
Investment property assets held for sale	12,221	**9,603**

At the year end the Duchy was actively marketing properties for sale at the fair values 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 31st March 2013	Duchy 31st March 2013	**Group 31st March 2014**	**Duchy 31st March 2014**
	£'000	£'000	**£'000**	**£'000**
Amounts falling due within one year:				
Trade payables	2,468	2,013	**2,546**	**2,326**
Accruals	1,485	1,485	**1,613**	**1,613**
Social security and other taxes	1,171	1,171	**2,828**	**2,828**
Payments received on account	7,885	7,885	**6,038**	**6,038**
Rents paid in advance	3,316	3,316	**3,244**	**3,244**
	16,325	15,870	**16,269**	**16,049**
Amounts falling due after more than one year:				
Payments received on account	3,828	3,828	**8,870**	**8,870**

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

15. Borrowings and derivative financial instruments – Group and Duchy

	Less than 1 year	Between 1-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
At 31st March 2014				
Borrowings	**10,000**	**30,000**	**40,000**	**80,000**
Interest rate swaps - cash flow hedges (level 2)	**-**	**1,767**	**969**	**2,736**
At 31st March 2013				
Borrowings	-	50,000	30,000	80,000
Interest rate swaps - cash flow hedges (level 2)	-	3,122	1,941	5,063

The Duchy has three interest rate derivatives designated into cash flow hedge relationships on loan facilities totalling £70million. The notional amount of the interest rate derivatives is £70million. As at 31st March 2014, a profit of £2,327,000 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.

The loan of £10million is repayable on 30th April 2014. The bank loan of £40million is repayable in 2022; interest in the year is at a floating rate which has been fully swapped to a fixed rate of 4.31%. 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.

16. Provisions - Group and Duchy

	£'000
At 1st April 2013	**1,942**
Amortisation of discount	**58**
At 31st March 2014	**2,000**

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

Notes to the financial statements (continued)

17. Reconciliation of operating surplus to net cash inflow from operating activities	Group Year ended 31st March 2013 £'000	Duchy Year ended 31st March 2013 £'000	**Group Year ended 31st March 2014 £'000**	**Duchy Year ended 31st March 2014 £'000**
Net surplus on the Revenue account	18,882	19,357	**19,486**	**19,485**
Net surplus on the Capital account	29,171	28,604	**74,177**	**74,174**
Adjusted for:				
Depreciation	743	432	**762**	**458**
Dividend income on available for sale assets	(4,117)	(4,117)	**(4,821)**	**(4,821)**
Net finance costs	3,074	2,560	**2,801**	**3,416**
Share of loss from associate & joint venture	63	-	**(167)**	**-**
Shortfall of pension charge over contributions	(322)	(322)	**(428)**	**(428)**
Net gain from fair value of investment property	(25,315)	(25,315)	**(74,423)**	**(74,423)**
Net gain on property held for sale	(77)	(77)	**(425)**	**(425)**
Profit on disposal of investment property	(4,568)	(4,568)	**(590)**	**(590)**
Profit on disposal of financial investments	(208)	(208)	**(156)**	**(156)**
(Increase)/decrease in inventories	(135)	(143)	**(380)**	**42**
Increase in trade receivables	(446)	(29)	**(1,859)**	**(2,750)**
(Decrease)/increase in trade payables	(344)	312	**4,986**	**5,221**
Other non-cash movements	(664)	(664)	**384**	**384**
Net cash inflow from operating activities	15,737	15,822	**19,347**	**19,587**

18. Related party transactions

Two members of The Prince's Council are also 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 19. There were no transactions with the trustees during the financial year and as at 31st March 2014 there was £Nil (2013: £Nil) remaining payable to the trustees.

Certain Duchy properties, including Highgrove House, are occupied by His Royal Highness The Prince of Wales and his office staff for living accommodation or commercial activities. These are let at open market values, the total value of annual rent charged amounting to £630,062 (2013: £550,043). As at 31st March 2014 there was £124,525 (2013: £48,858) remaining payable to the Duchy.

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 £53,570 (2013: £33,034) for fees and commission and £81,631 (2013: £7,160) for the purchase of furniture, furnishings, and retail stock for the Duchy of Cornwall holiday accommodation, Duchy office at Restormel and Penlyne Nursery. At 31st March 2014 there was £Nil (2013: £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 2014, the Duchy of Cornwall made the following payments to key management personnel: Short-term benefits (salary) £1,410,000 (2013: £1,051,000); Post-employment benefits (retirement benefit plan contribution) £358,000 (2013: £225,000); Benefits £108,000 (2013: £85,000); Total £1,876,000 (2013: £1,361,000).

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

During the year the Duchy provided a further loan of £1.045million to J V Energen LLP (making the total £7.650million) and received £615,000 of interest (2013: £514,000). In addition the Duchy leased an area of land to the Partnership for which a rent of £58,000 (2013: £58,000) was received.

19. 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 £39,000 (2013: £335,000) before allowing for ex gratia payments and other associated costs of £42,000 (2013: £30,000). Surplus receipts of bona vacantia by His Royal Highness are paid over to The Duke of Cornwall's Benevolent Fund; £Nil (2013: £307,000) was paid during the year. At 31st March 2014, the Duchy retained £149,000 (2013: £152,000) 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.

20. Capital commitments

At 31st March 2014 the Duchy had Capital commitments of £1,808,000 (2013: £3,332,000) in respect of property improvement works and £6,098,000 (2013: £9,685,000) for the acquisition of financial investments.

21. 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.

22. 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 £19,485,000 (2013: £19,357,000).

23. Financial risk management

A review of the Group's financial risks is set out in the Strategic Report on pages 4 to 9.

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 31st March 2013 £'000	**At 31st March 2014 £'000**
Less than 1 year	19,011	**19,646**
2-5 years	50,570	**40,922**
More than 5 years	31,007	**41,724**
Total	100,588	**102,292**

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 8. This ensures that the covenants in relation to the bank loan facilities are adhered to.

TREASURY CONSENTS

Particulars of authorisation as required under section 9(9) of The Duchy of Cornwall Management Act 1982

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

- Authority to fund improvement works on St Mary's Harbour up to £800,000.

Treasury consents under Section 11 of the Duchy of Cornwall Management Act 1863:

- Authority for the sale of land £2.10million;
- Authority for the sale of land £2.36million;
- Authority for the sale of land £0.95million;
- Authority for the sale of land £0.78million plus 20% of house sale proceeds;
- Authority for the sale of land £1.32million plus 20% of house sale proceeds;
- Authority for the sale of property £0.64million;
- Authority for the sale of property £0.58million;
- Authority for the sale of property £6.00million;
- Authority for the construction of new properties £0.60million;
- Authority to incur professional fees on development £0.72million;
- Authority to incur infrastructure fees on development £4.00million;
- Authority to incur infrastructure fees on development £2.15million;
- Authority to purchase a property lease £0.55million;
- Authority to purchase an area of woodland £0.93million;
- Authority to construct a commercial building £0.80million;
- Authority to construct a school building £3.60million.

Mr Alastair Martin, Secretary and Keeper of the Records 3rd June 2014

APPENDIX

Accounts Direction given by H M Treasury

1. The Duchy of Cornwall shall prepare accounts for the financial year ended 31st March 2014 and subsequent financial years comprising:
   - a report for the year, including a Strategic Report; 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 26th March 2012. It shall be reproduced as an appendix to the accounts.

Richard Brown
Treasury Officer of Accounts
20th May 2014

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 Proper Officers' 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.

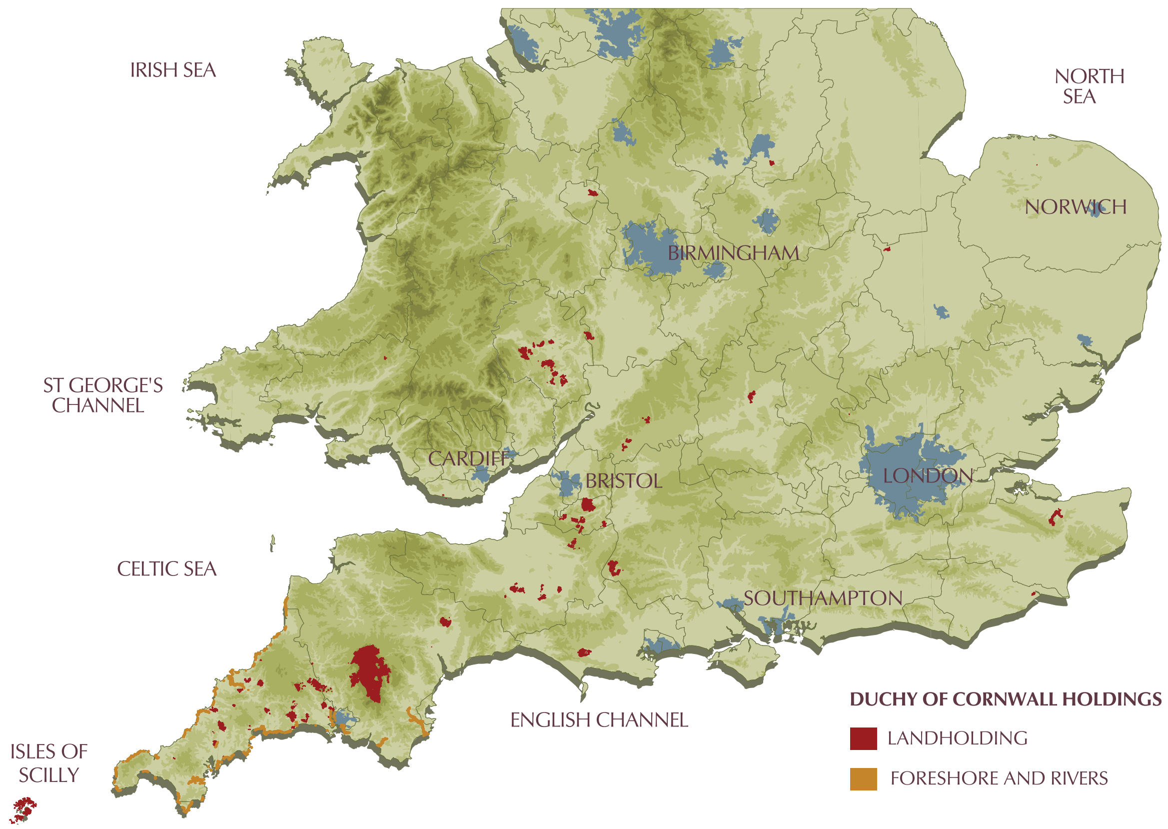
11. A formal valuation of the pension scheme was undertaken in 2013 and the contribution rate subsequently adjusted to ensure that the deficit is forecast to be made good within the term recommended by the actuary and agreed by the trustees. The pension reserve required by IAS 19 shall be a separate non-distributable reserve within the balance sheet. The next formal valuation of the pension scheme will be concluded during 2016.

DUCHY OF CORNWALL ESTATES

Surface Area Report 31st March 2014

The Duchy of Cornwall is a landed estate of 53,134.1 hectares.
The extent and distribution of the major land holdings at 31st March 2014 were as follows:

County	Hectares	County	Hectares
Devon	28,506.2	Carmarthenshire	84.0
Cornwall	7,101.9	Cambridgeshire	43.3
Hereford	5,348.2	Vale of Glamorgan	20.4
Somerset	5,306.2	Greater London	15.7
Isles of Scilly	1,583.0	Buckinghamshire	10.9
Dorset	1,333.4	Hertfordshire	6.0
Wiltshire	1,253.5	Norfolk	2.2
Kent	840.6	Berkshire	1.5
Gloucestershire	658.2	Cheshire	0.7
Shropshire	581.5	Hampshire	0.4
Nottinghamshire	287.6	Leicestershire	0.2
Oxfordshire	148.3	Middlesex	0.1
TOTAL			**53,134.1**



Financial Statements

Year Ended 31st March 2014

www.duchyofcornwall.org

Designed by Creative Steam Ltd - www.creativesteam.co.uk

Printed by Nationwide Print using traditional skills and modern technology.
Our presses are 50 % powered by our 150 solar energy panels, we have sensor lighting, and have a newly installed insulated roof and windows.

The printing inks are made using vegetable-based oils. As many waste elements as possible associated with this product will be recycled.

Nationwide Print understands that common business practices can adversely affect the environment and therefore we continually strive to reduce our impact on the environment, not only in the methods we work but also by the way we procure any products and services required to fulfil the work we carry out.

The paper used for this publication is made from 100 % recovered fibre. It is called Cocoon offset and is made form 100 % recycled fibre, FSC® certified, very high whiteness (CIE 150) minimising negative impacts on the environment

CARBON BALANCED PAPER
WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP0006360606115219

DUCHY of CORNWALL