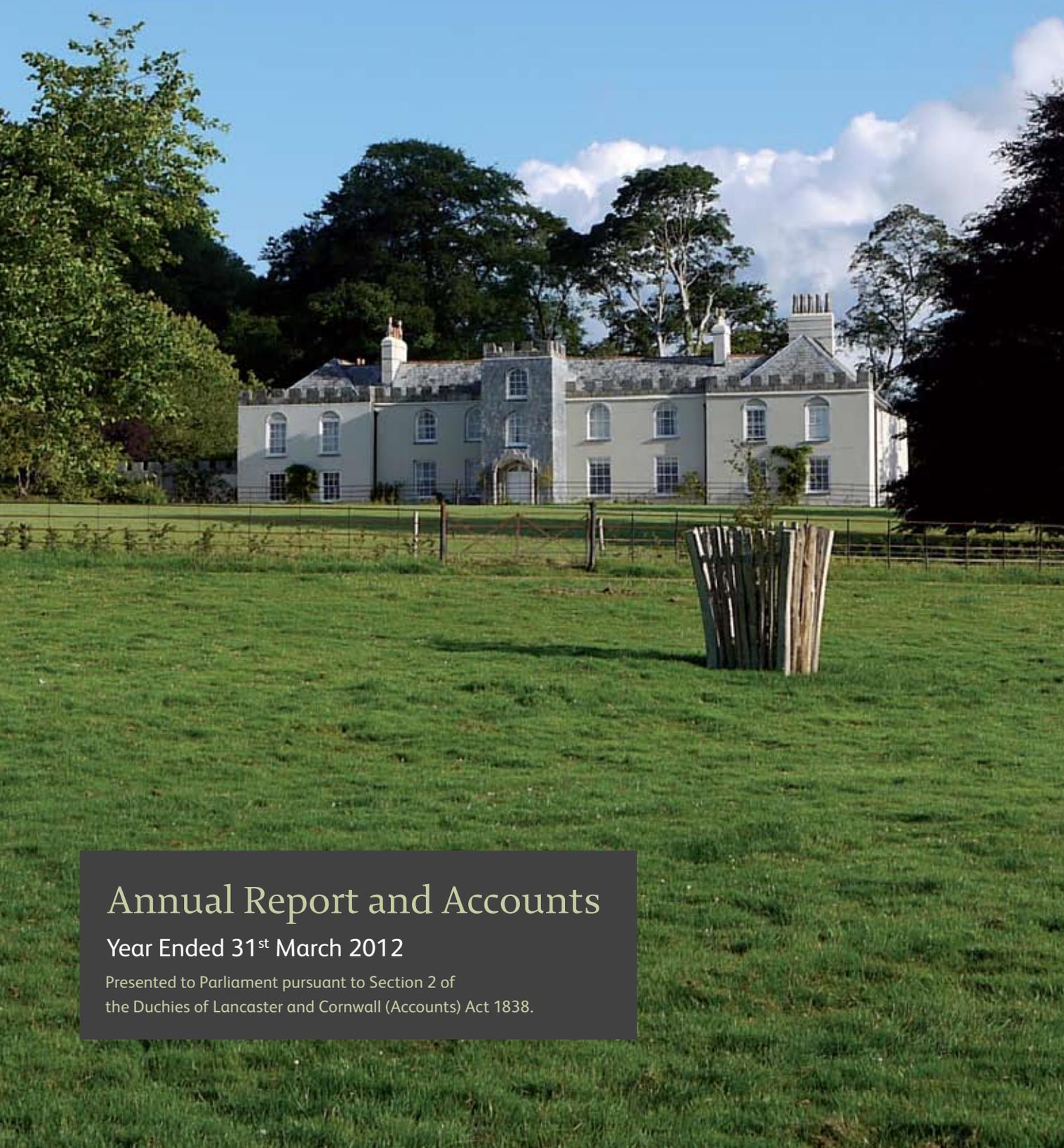




DUCHY *of* CORNWALL



Annual Report and Accounts

Year Ended 31st March 2012

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



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BUSINESS REPORT FOR THE YEAR ENDED 31ST MARCH 2012

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 53,408 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.



Brookhouse Farm

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 place the Duchy's assets in trust for the benefit of the present and future Dukes of Cornwall, and to govern the use of the assets.

His Royal Highness The Prince of Wales, as Duke of Cornwall, is entitled to the annual net income 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 Corporation Tax as it is not a separate legal entity for tax purposes (in the same way as, for example, a partnership is not a separate legal entity for tax purposes); however, His Royal Highness voluntarily pays Income Tax on 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 primarily 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 Duchy is subject to extensive review by 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 the Duchy's financial transactions, with particular emphasis on ensuring that the Duchy's 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 value of the Capital 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 2012

The results for the year to 31st March 2012 show both increases in the revenue surplus available to His Royal Highness the Prince of Wales and growth within the capital assets.

Revenue surplus grew by 2.8 % to £18.3million. On a like for like basis, rental income was broadly flat although there was a significant increase year on year following the acquisition of a commercial property. Finance income decreased by 10 % due to the receipt of capital sums outstanding previously earning interest and a rebalancing of the financial investment portfolio. Finance costs increased by £1million following the drawdown of a £40million loan facility during the financial year to purchase capital assets.

Net capital values within the Duchy rose by £32million to £728million, due to buoyant agricultural property values. Commercial property values fell by 5 % with secondary property in particular under pressure. The Duchy continued to sell non-core property holdings where opportunities arose including two farm disposals during the year.



01 Duchy Nursery - Cafe and Shop
02 The Thatch, Newton St Loe
03 Pigs



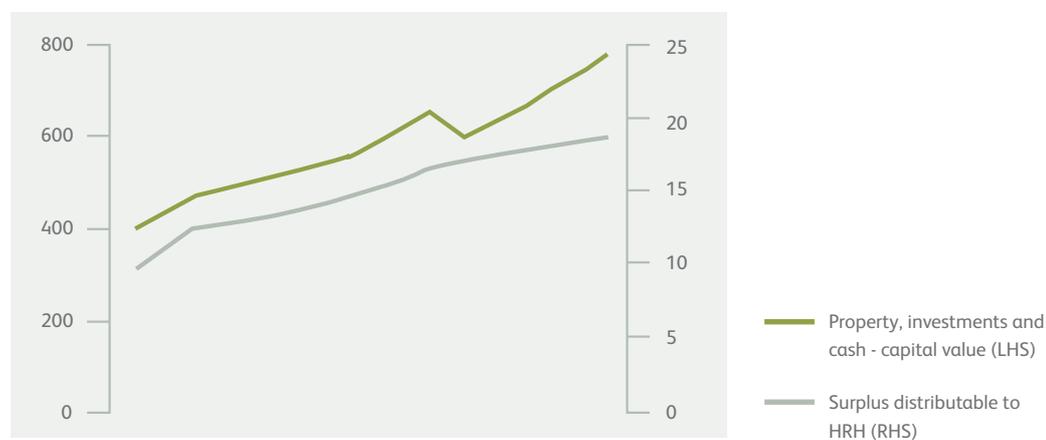
Key performance indicators

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...”*

		2007/08	2008/09	2009/10	2010/11	2011/12
		UK GAAP	IFRS	IFRS	IFRS	IFRS
Total income	£m	23.6	23.7	24.5	25.4	26.5
Total costs	£m	7.3	7.3	7.3	7.6	8.2
Surplus distributable to HRH	£m	16.3	16.5	17.2	17.8	18.3
Annual growth	%	7.2%	1.1%	4.3%	3.7%	2.8%
Bad debt cost/(release)	£'000	13.1	46.0	122.0	96.3	(86.0)
Property, investments and cash capital value	£m	662	610	677	713	764
Annual growth	%	7.2%	-7.8%	10.9%	5.3%	7.2%
Capital investment in the property estate	£m	13.1	13.8	8.8	11.6	11.9
Investment to reduce emissions	£'000	187	674	83	116	1,324
Sequestration	tCO2	10,143	10,143	10,577	10,268	10,587
Emissions	tCO2	404	372	359	309	271
Reduction on baseline (see page 22)	%	18.4%	24.9%	27.5%	37.5%	45.4%

Ten years of capital and revenue growth

2002/03 to 2011/12 - £m





St Mary's Harbour

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 the highest standards of corporate governance, ensure that the Duchy continues to be a leading private landed estate.

The Prince's Council

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

The Prince's Council met twice during the year. The members of The Prince's Council during the year and up to 1st June 2012 were:

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

The Lord Warden of the Stannaries

– Sir Nicholas Bacon, Bt., OBE, DL

The Receiver General to His Royal Highness

– The Honourable James Leigh-Pemberton

The Attorney-General to His Royal Highness

– Jonathan Crow, Esq., QC

Nicholas Hood, Esq., CBE (retired 31st December 2011)

The Duke of Westminster, KG, CB, OBE, TD, CD, DL

(resigned 1st April 2011)

Sir Michael Peat, KCVO (retired 30th September 2011)

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

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

The Countess of Arran, MBE, DL

Mark Thomas, Esq

James Williams, Esq

William Nye, Esq (appointed 8th December 2011)

Alastair Martin, Esq (appointed 1st January 2012)

John Stephen, Esq. (appointed 10th June 2011)

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.



Restormel Farm, Cornwall

Committee	Chairman	Role	No. times met in year
Finance & Audit	The Receiver General	To advise on overall financial strategy and liaise with the auditor	6
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	2
Executive	Secretary and Keeper of the Records	To implement strategy and manage operational activities	4

Statement of the Proper Officers' Responsibilities

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

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

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

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

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

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

any relevant audit information and to establish that the Duchy's auditor is aware of that information.

Risk and Internal Control Statement

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

- **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 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 exposures are to the US Dollar and Euro.
- **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.



Upper Twyford Barn

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

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

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

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

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

Charitable donations

During the course of the year the Duchy made charitable donations amounting to £522,000 (2011: £127,000) including £450,000 (2011: £50,000) to The Duke of Cornwall's Benevolent Fund (note 20). In the Benevolent Fund's last financial year, it made grants and commitments of nearly £143,000 (2011: £116,000) 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 (£72,000 (2011: £77,000)) consisted of donations to agricultural (£12,000 (2011: £16,000)), environmental (£17,000 (2011: £30,000)) and community (£43,000 (2011: £31,000)) causes. Significant individual donations included £15,000 (2011: £18,000) to the Isles of Scilly Initiative, a body dedicated to the promotion of the destination of the Isles of Scilly and £10,000 (2011: £10,000) to the Dartmoor Hill Farm Project. There were no donations to political parties in the year (2011: £Nil).

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort would be made to ensure that their employment with the Duchy continues and appropriate training would be arranged. It is the policy of the Duchy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the performance of their part of the estate and of the Duchy as a whole.

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.

Sir Robert Ross, Secretary and Keeper of the Records
1st June 2012

ANNUAL REPORT FOR THE DUCHY OF CORNWALL FOR THE YEAR ENDED 31ST MARCH 2012

Annual Report

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

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

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



Dartmoor

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

- People
- Property
- Environment

People

Duchy staff

Duchy staff are members of and contributors to numerous community organisations and host many visits and events

The Duchy of Cornwall provides direct employment for 130 members of staff. There is a high level of involvement with communities and organisations outside the Duchy through staff membership of committees and the hosting of events and visits.

Examples of hosted events include the Herefordshire Walking Festival walk at Brockhall Quarry, Herefordshire, an h.Energy event at New Barn, Herefordshire to showcase renewables to the public, a visit to Park Farm, Newton Park, Somerset and talk to a group of women in rural professions, and a tour of Harewood End, Herefordshire for the Worshipful Company of Farmers. Over a longer period of 18 months, the Duchy is hosting the Isles of Scilly Farming Initiative, a project designed to ensure that training opportunities and information exchange is as available to Scillonian farmers as it is to their mainland counterparts.

There have been visits to the Duchy's Cornish woods from a group of Canadian foresters and the Royal Forestry Society. The new building at the Duchy Nursery, Lostwithiel has hosted events for the local Wildlife Trust, Garden Club, Horticultural Trades Association and Duchy College horticultural students.

Duchy staff are also members and contributors to numerous outside organisations. Examples include the CLA, Prince's Trust, Business in the Community, Cornwall Agri-food Council, Bathing Waters Liaison Group, Cornwall Red Squirrel Project, Royal Forestry Society, Stour & Vale Hydro Group, Herefordshire Food Partnership, Isles of Scilly Island Marketing, Isles of Scilly Tourism Partnership, and Isles of Scilly Joint Advisory Committee on Conservation.

Work experience

Work experience is offered to those looking to work in the rural sector

For those looking to work in the rural sector the Duchy is able to offer some work experience placements. Over the last year the Liskeard and Dartmoor offices have taken five students, the Hereford office four, the Bath office three and the Isles of Scilly office one.



County Court, Lambeth, Kennington estate



Poundbury rooftops

Farm tenants marketing initiative continues to offer support and advice

Supporting tenants

The Duchy supports farmers through a marketing initiative which includes a tenants' intranet site, seminars, access to the Farm Consultancy Group and a monthly e-newsletter.

Marketing support is also given to individual farm projects, for example to Wilmington Farm, Newton Park when they started manufacturing their own rape seed oil and to East Swainsford Farm, Mere when they started processing their own milk and delivering locally.

In recent years Duchy farmers have won a number of accolades, including John Hoskin, Farmer's Weekly Farmer of the Year, Stuart Rogers, Dairy Farmer of the year, and James Down, Young Farmer of the Year.

The Duchy is involved in delivering the targets of the 'Capacity for Change in Agriculture' report for the Isles of Scilly and is leading an industry group in the planning and funding of an abattoir for the Islands.

In July 2011 His Royal Highness chaired a meeting of farmers and representatives from government departments and non-governmental organisations to explore ways of improving uplands agri-environment schemes. This was followed by a day's further discussions hosted by the Duchy on Dartmoor and an exchange visit to Cumbria by Dartmoor farmers organised in association with the Dartmoor National Park Authority to exchange views on upland farming issues.

Infrastructure and signage for public rights of way crossing Duchy land and areas of open access continue to be improved

Public access

Permissive access is planned for Brockhall Quarry and Stoke Sub Hamdon Jubilee Wood, and a new circular permissive path at Park Farm, Newton Park has been created. The Duchy is involved with Bath and North East Somerset's Public Rights of Way liaison group and on the Isles of Scilly is working with the Area of Outstanding Natural Beauty (AONB) on a signage and way marking project. In Cornwall signage for open access areas and permissive access has been reviewed and updated.

Stiles have been replaced by gates and new bridleway gates have been installed at Harewood End. Contributions have been made to rights of way furniture improvements at Stoke Sub Hamdon, Fordington and Curry Mallet. There has been a footpath diversion at Park Farm, Curry Mallet for public safety and the Duchy is also in discussions over diverting footpaths at Brockton Manor Farm, Shropshire and Bigglestone Farm, Herefordshire again for public safety.

Duchy woods are used for more than just timber production

Forest Schools and Get Into Woodlands

The Duchy is keen to utilise its woodland assets for wider purposes other than just timber production. During 2011 an agreement was entered in to with a local primary school to use part of the estate's woodland as a Forest School. The school uses a small section of a wood three times a week to teach children about woodland management and skills. Duchy woodland craftsmen assist the school in this educational experience. It is hoped that this Forest Schools initiative can be replicated elsewhere across the Duchy estates.

Thirteen young people attended The Prince's Trust three-week Get Into Woodlands course held on the Duchy estates. Course partners include the Duchy, Herefordshire College of Technology and the Forestry Commission, with sponsorship from MVision. The course is designed to develop confidence, motivation and skills in forestry, and addresses local skills shortages and aims to tackle rising levels of youth unemployment.



HRH and David Colton, tenant of Tor Royal Farm, Datmoor

The Duchy spent
£2.1m on repairs to its
properties and invested
£5.4m in capital
improvements

Property

Property refurbishment

There is a programme of regular overhauls in place, and the majority of repair work is part of this planned, pro-active approach.

Where needed, ramps and handrails have been installed to facilitate access to properties, and improvements made within properties to support tenants with impaired movement, such as grab rails, accessible showers and easy turn taps.

Many Duchy of Cornwall residential properties are old and some are listed. Improving the thermal efficiency of such properties can be a challenge. There is an on-going aim to bring loft insulation in directly let residential property up to 300mm using sustainable materials such as recycled plastic, earthwool and sheep wool.

When a new heating system is required, unless a property has mains gas available, a renewable heating system is given priority where viable. Examples of this include a ground source heat pump at Woodlands Farmhouse, Harewood End and wood pellet systems at Park Farmhouse, Newton St Loe, the Duchy Nursery at Lostwithiel, and Torgate House on Dartmoor.

On the Isles of Scilly, five substantial residential refurbishment/rebuilding projects have been completed over the course of the year at a cost of more than £1.3m. These projects provided thermally efficient homes and much needed business premises for those living and working in the local community.

Investment to support rural jobs and communities

Investment in property
provides important
rural workplaces and
community facilities

Somerset Children's Nursery During the year the Duchy completed the conversion of a redundant listed mill building in Somerset to a children's nursery at a cost in excess of £400,000. The nursery is growing well with about 80 children on the books.

As well as education through Forest Schools principles, the nursery provides wholesome organic meals prepared and cooked on the premises with some of the ingredients having been grown in the extensive grounds. The school provides employment for about a dozen members of staff and the building has been converted in such a manner as to retain 25% of the structure untouched as a refuge for bats.



Duchy Nursery - new plant retail greenhouse and courtyard

Isles of Scilly Fishing Industry The fishing industry on Scilly is diminutive in comparison with the Cornish fleet but small investments can make a significant difference to a fragile industry. At St Mary's harbour the Duchy has provided a new fish hoist specifically for the local fishermen to land their catch. New workshop facilities have been provided on the island of St Martin's, enabling local fisherman Ian Mitchell to dress crab and lobster and maintain his nets. With support from the Council of the Isles of Scilly, the Duchy is also proposing a new slipway at Porthloo, which will potentially revolutionise the ability of local commercial boatmen to recover their vessels for the winter period rather than having to seek safe harbour on the mainland.

Poundbury, Dorchester The Duchy has made a significant investment in a property joint venture which has enabled a Little Waitrose to open at Poundbury providing a community facility for the latest phases of the development and creating 45 jobs. Across Poundbury there are now 133 businesses employing 1,496 people, excluding the construction jobs.

Duchy Nursery, Lostwithiel, Cornwall The £1.3m investment in a new shop, café and glasshouse at the nursery has led to the creation of 18 new jobs (11 full time equivalent).

Ark Stained Glass and Leaded Lights Ltd, Herefordshire When the Duchy bought the Hereford Estate in 2000 a property called The Oaks was virtually uninhabitable. £180,000 was invested by the Duchy in the refurbishment of the house and traditional barn. Tony and Shirley O'Donnell are now the tenants and have established a thriving team of experts dealing with the restoration, conservation and manufacture of stained glass. Six people work here. The company has been involved in significant high profile restoration projects and new commissions both in the United Kingdom and abroad, including the Queen Victoria cruise liner for Cunard and The Oxford Centre for Islamic Studies.

Tor Royal Farmhouse, Dartmoor The Duchy completed the major project of refurbishing and conserving Tor Royal Farmhouse, in February 2012 at a cost of £640,000. The house was originally built in 1795 as a residence for Sir Thomas Tyrwhitt, former Secretary of the Duchy of Cornwall. In 1912 the house was remodelled for Prince Edward's occupancy. Tor Royal now provides accommodation to new tenants David and Justine Colton, who farm 764 hectares from which they operate a sheep and beef enterprise. The farmhouse has provided a diversification opportunity for the Coltons who operate a high quality bed and breakfast enterprise linked to an equestrian business alongside the farm.

Samson Hill eco guest house, Bryher, Isles of Scilly Samson Hill occupies an extraordinary position overlooking the Tresco Channel. The Duchy has invested over £300,000 in the complete rebuild of the derelict house last inhabited thirteen years ago. This has provided an opportunity for island born Issy Tibbs and her husband to return to Bryher to open a boutique eco guest house.

Wildlife habitats are integrated within refurbishment and conservation projects

Wildlife habitats in buildings

At Upton Cross affordable housing scheme dormice habitat mitigation has been included, and at Restormel Manor, Lostwithiel and Tor Royal, Dartmoor bat habitats have been integrated into the roof voids. Owl and bat boxes have been installed at Trewollack Farm, Newquay and bat boxes installed at Barley Court, Tetbury.

In the courtyard conversion at Restormel Manor bird roosts have also been created and owl boxes, bat boxes and insect boxes included along with a planting scheme aimed at encouraging wildlife.

Working with local communities the Duchy has continued to provide a number of sites for affordable housing

Affordable housing

The Duchy aims to work with local authorities to identify those communities within Duchy estates where there is a local need for affordable housing and then progress projects where they are viable.

On the Isles of Scilly seven homes completed in 2010 by the Cornwall Rural Housing Association on a Duchy site are now occupied. Twelve homes have been completed and are now occupied at Upton Cross, Liskeard. At Weston on the Green a planning application has been made for nine homes and near Looe a scheme is at the design stage for twelve homes.

At Poundbury 45 additional affordable homes were completed, more than half the residential units for the year. This brings the total number of affordable homes to 277. Poundbury now provides homes for 2,150 residents.



Restormel Manor, Courtyard

Environment

Amenity and conservation projects

The Duchy aims to spend more than a typical estate would do on amenity and conservation projects, including work on ponds, trees, landscape and building conservation projects

Each year the Duchy sets aside a proportion of its income for amenity and conservation work above and beyond the normal repairs and improvements programmes of typical estates.

Projects funded under this initiative include the creation and restoration of ponds, including the creation of three new ponds at Brockhall Quarry, and a pond restoration at Woodlands Farm, Herefordshire. At Newton Park, eight ponds are being restored as part of the Higher Level Scheme. In Cornwall the progressive restoration of ponds at Arrallas continues.

Further examples include contributions to upgrading stiles to pedestrian gates at Stoke Sub Hamdon and Curry Mallet, providing apple trees to improve orchards at Stud Farm, Curry Mallet, the restoration of the historic parkland at Newton Park, pollarding of willows at Stretton Court North, Herefordshire, orchard restoration and hedge planting at Woodfield Farm, Herefordshire, coppicing pond side trees at Dewsall Court Farm, Herefordshire, and extensive hedge planting at Harewood End.

A Historic Paint Survey and conservation scheme has been undertaken at Tor Royal, Dartmoor, and a Historic Building Analysis at Restormel Manor for the long term conservation of the walled garden and folly. Financial support has been given to joint initiatives for the condition assessment of historic boundaries in an AONB, for a historic buildings research framework with English Heritage, and for Maritime Special Area of Conservation condition assessment and monitoring.



Duchy Timber



Round Island, Isles of Scilly



Dewsall Court SPV installation

Investment has been made in a range of technologies including anaerobic digestion, solar photovoltaic, biomass boilers, insulation, wood-burning stoves and high efficiency gas boilers

Renewable energy

During the year the Duchy invested £6.6million in renewable energy projects and works to reduce emissions.

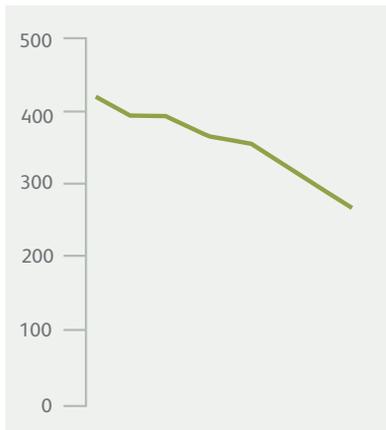
At Poundbury, there has been major involvement and investment in a joint venture with local farmers to build and run an anaerobic digestion plant. Renewable electricity is now being generated and exported to the grid, and later in the year renewable gas will be injected in to the gas main, to be used in residential and commercial properties at Poundbury and across Dorset.

Three substantial wood chip or wood pellet boilers have been installed, including, in conjunction with the tenants, a 60 kilowatt wood chip boiler to sustainably heat Tor Royal Farmhouse. Wood chip is supplied by the Dartmoor Woodfuel Cooperative, a group with which the Duchy is involved at tenanted Brimpts Farm, Dartmeet. The new building at the Duchy Nursery is supplied with heat and hot water from a new wood pellet boiler, replacing an old oil fired system. This will reduce the Duchy's carbon footprint by around 30 tonnes (10%).

Five major solar photovoltaic arrays were commissioned during the year on the roofs of agricultural buildings, at a cost of over £1m. These will generate around 325,000 kilowatt hours of electricity per annum, the equivalent of around 80 houses needs, although most of the power will be used on site by the farms.

Smaller projects include a number of wood burning stoves, insulation and high efficiency gas boilers. Further opportunities continue to be investigated, including two possible micro hydro schemes, alternative heating schemes in commercial property, and community and small scale photovoltaics on the Isles of Scilly.

The six year target to reduce CO2 emissions by 40 % by 2012 has been exceeded



Carbon Footprint 05/06 to 11/12 - tCO2e

Carbon footprint

The Duchy is fully committed to understanding and reducing its carbon footprint. It first calculated and published carbon footprint data six years ago, for the year ended 31st March 2006. The original target of a 25 % reduction on baseline by 2012 was met by 2008/09 and a new target to reduce emissions by 40 % on baseline by 2012 was set. This year this target has been exceeded, with emissions down to 271 tonnes carbon dioxide equivalent, a 45 % reduction on baseline. Further details are available in the Carbon Report from www.duchyofcornwall.org/sustainability

Assets and activities which are under the ownership and direct management of the Duchy comprise offices, trading activities, business travel and the upkeep of property which is temporarily in hand awaiting re-letting or sale. For these the carbon emissions are measured, physical steps are taken to reduce them, and performance targets are in place. Although it is not directly controllable by the Duchy, commuting undertaken by Duchy staff is also included.

Duchy woods sequester nearly 40 times the annual footprint

Carbon sequestration and tree planting

The Duchy directly manages 1,763 hectares of woodlands which sequester annually an estimated 10,587 tonnes of carbon dioxide, nearly 40 times the annual emissions from the assets and activities under the ownership and direct management of the Duchy.

There is a continuous aim to plant new woodland to offset the Duchy's annual carbon footprint. In the last financial year 7.60 hectares have been planted at Woodfield Farm and 2.17 hectares at Hollingshill. Together these will sequester an estimated 3,800 tonnes of carbon.

All new woodlands link to existing woodland habitats. Consideration is always given to improving the contribution new woods make to the landscape and biodiversity of the area. All new tree planting, including amenity and carbon offset planting, has been brought in-hand and under the Forestry Stewardship Council scheme.



Independent auditor's report to the Duke of Cornwall

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

Respective responsibilities of Proper Officers and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion:

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

Opinion on other matter prescribed by the terms of my engagement

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

Matters on which I am required to report by exception

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

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

Other matters

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

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

is subject.

Andrew Ratcliffe
Chartered Accountant and Statutory Auditor
London
1st June 2012

Group Revenue Account Statement of Comprehensive Income	Notes	Year ended	Year ended
		31 st March 2011	31 st March 2012
		£'000	£'000
Revenue	2	22,018	24,466
Operating costs	2	(7,647)	(8,165)
Operating surplus		14,371	16,301
Expenditure from joint venture and associate		-	(47)
Finance income	5	4,655	4,188
Finance costs	6	(1,230)	(2,289)
Net surplus for the year		17,796	18,153
Attributable to:			
Non-controlling interests		-	(135)
Net surplus for the year, distributable to HRH		17,796	18,288
Other comprehensive income:			
Actuarial gain/(loss) on retirement benefit obligations	7	226	(1,625)
Total comprehensive income on Revenue account		18,022	16,528

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.

Group Capital Account Statement of Comprehensive Income	Notes	Year ended	Year ended
		31 st March 2011	31 st March 2012
		£'000	£'000
Net gain from fair value adjustment on investment property	8	31,363	33,642
Net gain on the disposal of investment property		3,754	2,131
Net (loss)/gain on the disposal of investment property held for sale		(374)	811
Net loss on the disposal of financial assets	11	(5)	(1,652)
Charge from Revenue for salary costs	2	(642)	(637)
Other costs		(836)	(591)
Operating surplus		33,260	33,704
Share of loss of associate	10a	(69)	-
Net surplus for the year on Capital account		33,191	33,704
Other comprehensive income:			
Net (loss)/gain on revaluation of owner occupied property	9	(725)	87
Net other comprehensive income of joint venture		-	(447)
Net gain on the revaluation of financial assets	11	1,004	942
Loss on the revaluation of financial derivatives	15	(798)	(3,072)
Total comprehensive income on Capital account		32,672	31,214

The notes to the accounts on pages 33 to 51 are an integral part of these financial statements.

Group Balance Sheet	Notes	31 st March 2011	31 st March 2012
		£'000	£'000
Assets			
Non-current assets			
Investment property	8	631,978	693,824
Property, plant and equipment	9	6,706	13,833
Investment in associate & joint venture	10a	228	2,872
Financial assets	11	73,450	69,324
Total non-current assets		712,362	779,853
Current assets			
Inventories		550	914
Trade and other receivables	12	6,033	7,215
Cash and cash equivalents		7,034	4,011
		13,617	12,140
Investment property assets held for sale	13	3,062	13,527
Total current assets		16,679	25,667
Total assets		729,041	805,520
Liabilities			
Current liabilities			
Trade and other payables	14	(12,746)	(15,976)
Derivative financial instruments	15	(954)	(449)
Total current liabilities		(13,700)	(16,425)
Non-current liabilities			
Trade and other payables	14	(5,207)	(1,500)
Borrowings	16	(10,000)	(52,500)
Derivative financial instruments	15	-	(3,421)
Provisions	17	(1,804)	(1,885)
Retirement benefit obligations	7	(1,408)	(2,685)
Total non-current liabilities		(18,419)	(61,991)
Net assets		696,922	727,104
Reserves			
Revenue reserve available for distribution to HRH		2,956	3,192
Retirement benefit reserve		(1,842)	(3,467)
Capital reserve		696,606	730,892
Hedging reserve		(798)	(3,870)
Non-controlling interest		696,922	726,747
		-	357
Total reserves		696,922	727,104

The notes to the accounts on pages 33 to 51 are an integral part of these financial statements.

Sir Robert Ross, Secretary and Keeper of the Records, 1st June 2012

Duchy of Cornwall Balance Sheet	Notes	31 st March 2011	31 st March 2012
		£'000	£'000
Assets			
Non-current assets			
Investment property	8	631,978	693,824
Property, plant and equipment	9	6,706	8,337
Investment in associate & joint venture	10a	228	3,297
Investment in subsidiary	10b	-	650
Financial assets	11	73,450	69,324
Trade and other receivables	12	-	4,800
Total non-current assets		712,362	780,232
Current assets			
Inventories		550	576
Trade and other receivables	12	6,033	6,544
Cash and cash equivalents		7,034	3,963
		13,617	11,083
Investment property assets held for sale	13	3,062	13,527
Total current assets		16,679	24,610
Total assets		729,041	804,842
Liabilities			
Current liabilities			
Trade and other payables	14	(12,746)	(15,094)
Derivative financial instruments	15	(954)	(449)
Total current liabilities		(13,700)	(15,543)
Non-current liabilities			
Trade and other payables	14	(5,207)	(1,500)
Borrowings	16	(10,000)	(52,500)
Derivative financial instruments	15	-	(3,421)
Provisions	17	(1,804)	(1,885)
Retirement benefit obligations	7	(1,408)	(2,685)
Total non-current liabilities		(18,419)	(61,991)
Net assets		696,922	727,308
Reserves			
Revenue reserve available for distribution to HRH		2,956	3,433
Retirement benefit reserve		(1,842)	(3,467)
Capital reserve		696,606	731,212
Hedging reserve		(798)	(3,870)
Total reserves		696,922	727,308

The notes to the accounts on pages 33 to 51 are an integral part of these financial statements.

Sir Robert Ross, Secretary and Keeper of the Records, 1st June 2012

Group Statement of Changes in Capital and Reserves	Revenue account		Capital account		Total	Non- controlling interest	Total Reserves
	Revenue reserve	Retirement benefit reserve	Capital reserve	Hedging reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1st April 2010	2,606	(2,068)	663,136	-	663,674	-	663,674
Net surplus for the year	17,796	-	33,191	-	50,987	-	50,987
Other comprehensive income:							
Net loss on revaluation of owner occupied property (note 9)	-	-	(725)	-	(725)	-	(725)
Net gain on the disposal or revaluation of financial assets	-	-	1,004	-	1,004	-	1,004
Loss on financial derivative (note 15)	-	-	-	(798)	(798)	-	(798)
Actuarial gain on retirement benefit obligations (note 7)	-	226	-	-	226	-	226
Less payments made to His Royal Highness							
In respect of current year	(14,840)	-	-	-	(14,840)	-	(14,840)
In respect of prior year	(2,606)	-	-	-	(2,606)	-	(2,606)
Balance as at 1st April 2011	2,956	(1,842)	696,606	(798)	696,922	-	696,922
Net surplus for the year	18,288	-	33,704	-	51,992	(135)	51,857
Other comprehensive income:							
Net gain on revaluation of owner occupied property (note 9)	-	-	87	-	87	-	87
Net other comprehensive income of joint venture	-	-	(447)	-	(447)	-	(447)
Net gain on the disposal or revaluation of financial assets	-	-	942	-	942	-	942
Loss on financial derivative (note 15)	-	-	-	(3,072)	(3,072)	-	(3,072)
Actuarial loss on retirement benefit obligations (note 7)	-	(1,625)	-	-	(1,625)	-	(1,625)
Non-controlling interest on initial investment	-	-	-	-	-	492	492
	21,244	(3,467)	730,892	(3,870)	744,799	357	745,156
Less payments made to His Royal Highness							
In respect of current year	(15,096)	-	-	-	(15,096)	-	(15,096)
In respect of prior year	(2,956)	-	-	-	(2,956)	-	(2,956)
Balance as at 31st March 2012	3,192	(3,467)	730,892	(3,870)	726,747	357	727,104

Revenue reserve

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

Capital reserve

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

Duchy of Cornwall Statement of Changes in Capital and Reserves

	Revenue account		Capital account		Total £'000
	Revenue reserve	Retirement benefit reserve	Capital reserve	Hedging reserve	
	£'000	£'000	£'000	£'000	
Balance as at 1st April 2010	2,606	(2,068)	663,136	-	663,674
Net surplus for the year	17,796	-	33,191	-	50,987
Other comprehensive income:					
Net loss on revaluation of owner occupied property (note 9)	-	-	(725)	-	(725)
Net gain on the disposal or revaluation of financial assets	-	-	1,004	-	1,004
Loss on financial derivative (note 15)	-	-	-	(798)	(798)
Actuarial gain on retirement benefit obligations (note 7)	-	226	-	-	226
Less payments made to His Royal Highness					
In respect of current year	(14,840)	-	-	-	(14,840)
In respect of prior year	(2,606)	-	-	-	(2,606)
Balance as at 1st April 2011	2,956	(1,842)	696,606	(798)	696,922
Net surplus for the year	18,529	-	33,577	-	52,106
Other comprehensive income:					
Net gain on revaluation of owner occupied property (note 9)	-	-	87	-	87
Net gain on the disposal or revaluation of financial assets	-	-	942	-	942
Loss on financial derivative (note 15)	-	-	-	(3,072)	(3,072)
Actuarial loss on retirement benefit obligations (note 7)	-	(1,625)	-	-	(1,625)
Less payments made to His Royal Highness					
In respect of current year	(15,096)	-	-	-	(15,096)
In respect of prior year	(2,956)	-	-	-	(2,956)
Balance as at 31st March 2012	3,433	(3,467)	731,212	(3,870)	727,308

Group Statement of Cash Flows

	Notes	Year ended 31 st March 2011	Year ended 31 st March 2012
		£'000	£'000
Cash generated from operating activities	18	13,709	14,501
Interest paid		(1,509)	(2,169)
Net cash from operating activities		12,200	12,332
Cash flows from investing activities			
Purchase of financial investments		(19,342)	(67,143)
Investment in associate		-	(92)
Proceeds from disposal of financial investments		13,568	70,559
Purchase of investment property		(1,089)	(40,632)
Property improvements and development expenditure		(10,792)	(12,761)
Proceeds from disposal of investment properties		16,714	9,369
Purchase of property, plant and equipment		(1,059)	(7,773)
Proceeds from disposal of property, plant and equipment		-	10
Proceeds from disposal of assets held for sale		1,696	3,818
Loss on expired forward contracts		(328)	(156)
Financial investment income received		4,241	4,433
Interest received		244	15
Net cash inflow/(outflow) from investing activities		3,853	(40,353)
Cash flows from financing activities			
Proceeds from borrowings		-	42,500
Proceeds from issue of shares in subsidiary		-	550
Payments made to His Royal Highness		(17,446)	(18,052)
Net cash (outflow)/inflow from financing activities		(17,446)	24,998
Decrease in cash in the year		(1,393)	(3,023)
Cash and cash equivalents at start of year		8,427	7,034
Cash and cash equivalents at end of year		7,034	4,011

Duchy of Cornwall Statement of Cash Flows

	Notes	Year ended 31 st March 2011	Year ended 31 st March 2012
		£'000	£'000
Cash generated from operating activities	18	13,709	14,784
Interest paid		(1,509)	(2,169)
Net cash from operating activities		12,200	12,615
Cash flows from investing activities			
Purchase of financial investments		(19,342)	(67,143)
Investment in associate and subsidiary		-	(742)
Loans granted to subsidiary undertakings		-	(4,800)
Proceeds from disposal of financial investments		13,568	70,559
Purchase of investment property		(1,089)	(40,632)
Property improvements and development expenditure		(10,792)	(12,761)
Proceeds from disposal of investment properties		16,714	9,369
Purchase of property, plant and equipment		(1,059)	(2,275)
Proceeds from disposal of property, plant and equipment		-	10
Proceeds from disposal of assets held for sale		1,696	3,818
Loss on expired forward contracts		(328)	(156)
Financial investment income received		4,241	4,433
Interest received		244	186
Net cash inflow/(outflow) from investing activities		3,853	(40,134)
Cash flows from financing activities			
Proceeds from borrowings		-	42,500
Payments made to His Royal Highness		(17,446)	(18,052)
Net cash (outflow)/inflow from financing activities		(17,446)	24,448
Decrease in cash in the year		(1,393)	(3,071)
Cash and cash equivalents at start of year		8,427	7,034
Cash and cash equivalents at end of year		7,034	3,963

Notes to the consolidated financial statements

1. Accounting policies

Basis of preparation:

The consolidated accounts incorporate the accounts of the Duchy of Cornwall and its subsidiary undertakings all prepared up to 31st March 2012. The Duchy is preparing consolidated accounts for the first time and there is no impact on comparative financial information.

These financial statements have been prepared on a going concern basis and in accordance with the Accounts Direction issued by H M Treasury dated 26th March 2012 (set out on pages 53 to 54) and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and IFRIC Interpretations. 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 in below. The preparation of financial statements in conformity with generally accepted accounting principles 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:

- Annual improvements to IFRSs 2010 (effective 1st January 2011).
- IAS 24 (revised) "Related party transactions" (effective 1st January 2011). In which the definition of a related party is clarified and simplified.

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

- IAS 19 (amended) "Employee benefits" (effective 1st January 2013). As a result of the amendment, there will no longer be a separate calculation of expected return on assets and interest expense in the income statement. Instead, a single amount will be calculated based on the discount rate multiplied by the net defined benefit liability (asset).
- IFRS 9 "Financial instruments - classification and measurement" (effective 1st January 2015). This standard will replace IAS 39.
- IAS 27 (revised) and IFRS 10 "Consolidated financial statements" (effective 1st January 2013). These standards will provide additional guidance to assist where determining control is difficult to assess.
- IAS 28 (revised) and IFRS 11 "Joint arrangements" (effective 1st January 2013). These standards will provide further clarification on the classification of joint ventures.
- IFRS 12 "Disclosure of interests in other entities" (effective 1st January 2013). This standard will provide further clarification on the disclosure requirement of all forms of interest in other entities.
- IFRS 13 "Fair value measurement" (effective 1st January 2013). This standard will provide further clarification on the definition of fair value.

Significant judgements, key assumptions and estimates:

Operating leases: The Proper Officers have exercised judgement in determining that in all material respects, where the Duchy of Cornwall is the lessor, all such leases are accounted for as operating leases. In exercising this judgement consideration has been given to the nature

and economic life of the buildings (which are all accounted for within investment properties), and whether substantially all the risks and rewards of ownership remain with the Duchy.

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

Financial investments valuations: The Duchy discloses the fair value of its investments 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 investments 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 from property is recorded on an accruals basis net of VAT and represents the total value of i) rents and similar income, ii) sales of produce at the Duchy nurseries, and iii) miscellaneous fees and sundry income.

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

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

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

Actuarial gains and losses are recognised in the Revenue Account Statement of Comprehensive Income. The surplus/deficit in the scheme is recognised on the Balance Sheet and is determined by taking assets at their year end market values and liabilities at their actuarially calculated

Notes to the consolidated financial statements

values discounted using a rate of return based on high quality corporate bonds with a duration similar to that of the liabilities.

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

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

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

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

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

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

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

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

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

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

Plant and equipment: Plant and equipment is 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 assumed. 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.

Inventory: 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.

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

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

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

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

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

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

Notes to the consolidated financial statements

2. Analysis of Revenue account operating surplus	Notes	Year ended 31 st March 2011 £'000	Year ended 31 st March 2012 £'000
Property income:			
Agricultural income		6,692	7,049
Commercial income		9,640	11,334
Residential income		4,857	4,905
Total property income		21,189	23,288
Sale of goods		829	1,178
Total operating income		22,018	24,466
Staff costs	4	3,424	3,639
Charge to Capital account		(642)	(637)
		2,782	3,002
Direct cost of sales		493	645
Depreciation	9	372	427
Repairs and maintenance		2,019	2,061
Administration		1,398	1,568
Other operating costs		583	462
Total operating costs		7,647	8,165
Operating surplus		14,371	16,301

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

	Year ended 31 st March 2011 £	Year ended 31 st March 2012 £
Fees payable to Duchy of Cornwall auditor for the audit of the Duchy and consolidated financial statements	60,000	67,000
Fees payable to the Duchy of Cornwall auditor and his associates for other services:		
• The audit of QMS (Poundbury) LLP	-	6,000
• Other services	7,300	-
	67,300	73,000

An analysis of the Capital account operating surplus is not deemed necessary given the nature of the transactions and disclosure within the primary statements. The Capital Account Statement of Comprehensive Income includes realised foreign exchange losses of £69,000 (2011: £328,000).

3. Leasing: Operating leases with tenants

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

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Less than one year	11,745	14,264
Between two to five years	37,166	47,633
After five years	271,552	313,505
	320,463	375,402

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

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Contingent rents receivable	989	1,279

4. Staff Costs

The average number of full time equivalent staff employed by the Duchy during the year was 99 (2011: 91). The split of staff was: Administrative 59, Estate workers 10, Nursery 30 (2011: Administrative 59, Estate workers 13, Nursery 19). The total remuneration was **£3,639,000** (2011: £3,424,000) comprising:

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Wages and salaries	2,607	2,784
Social security costs	271	297
Pension costs	401	444
Other staff costs	145	114
	3,424	3,639

Staff costs of **£637,000** (2011: £642,000) are charged to the Capital account reflecting the extent that they are deemed to be enhancing its value.

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

Notes to the consolidated financial statements

4. Staff Costs (continued)

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

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£	£
Sir Robert Ross	204,369	207,512
J. Crow	3,000	20,875
M. Thomas	8,000	8,000
	215,369	236,387

In addition, pension contributions of **£36,700** (2011: £36,009) were paid into a money purchase scheme for Sir Robert Ross. The amount paid to J. Crow included £17,875 in respect of services provided to the Duchy.

5. Finance income - Group	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Income from investments	4,417	4,173
Bank interest	12	12
Interest on deferred development proceeds	199	-
Other interest	27	3
	4,655	4,188

6. Finance costs – Group	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Loan interest	1,048	2,249
Retirement benefits finance charge (note 7)	182	39
Interest payable to the Capital account for utilisation of a loan to fund Revenue account working capital	-	1
	1,230	2,289

7. Retirement benefit obligations – Group and Duchy

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

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

The pension costs have been calculated in accordance with International Accounting Standard 19 Employee Benefits (IAS 19). The results of valuation as at 1st January 2010 have been used as a basis and then rolled forward to 31st March 2012, with the results being recalculated using the valuation assumptions used for the IAS 19 valuation.

The Duchy also contributes to defined contribution scheme arrangements, the charge for which was £186,300 (2011: £171,600).

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

	31 st March 2011	31 st March 2012
Discount rate	5.50 %	4.85%
Rate of increase in salaries	4.50 %	4.55%
Rate of increase in pensions in payment	3.10 %	3.15%
Inflation assumption	3.25 %	3.30%

The mortality assumptions used are as follows:

		31 st March 2011	31 st March 2012
Life expectancy at aged 60			
Current pensioners	Men	26.4	26.5
	Women	29.0	29.1
Future pensioners now aged 45	Men	27.6	27.6
	Women	30.0	30.1

Post-retirement mortality is assumed to follow the standard table PCXA00 with a multiplier of 90% applied. Pre-retirement, the standard table AX92 is assumed to apply.

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

	Long-term rate of return expected at 31 st March 2011	Value at 31 st March 2011	Long-term rate of return expected at 31 st March 2012	Value at 31 st March 2012
		£'000		£'000
Equities	7.4 %	7,175	8.0%	7,633
Property	7.4 %	1,162	7.0%	1,216
Government Stock	4.0 %	2,320	3.2%	2,525
Corporate Bonds	5.0 %	2,307	4.3%	2,529
Cash	1.2 %	253	0.9%	334
		13,217		14,237

Notes to the consolidated financial statements

7. Retirement benefit obligations (continued)

Balance sheet:

	31 st March 2010	31 st March 2011	31 st March 2012
	£'000	£'000	£'000
Fair value of scheme assets	12,324	13,217	14,237
Present value of funded obligation	(14,228)	(14,625)	(16,922)
Obligation in excess of asset	(1,904)	(1,408)	(2,685)

Reconciliation of present value of scheme liabilities:

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
1 st April	(14,228)	(14,625)
Current service cost	(328)	(360)
Interest cost	(810)	(808)
Benefits paid	663	567
Actuarial gain/(loss)	78	(1,696)
31 st March	(14,625)	(16,922)

Reconciliation of fair value of scheme assets:

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
1 st April	12,324	13,217
Expected return on scheme assets	628	769
Actuarial gains	148	71
Benefits paid	(663)	(567)
Contributions paid by employer	780	747
31 st March	13,217	14,237

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

The actual return on scheme assets in the year was **£840,000** (2011: £776,000).

The Duchy expects to contribute £750,000 to the defined benefit scheme in the year to 31st March 2013

7. Retirement benefit obligations (continued)

Analysis of the amount charged to operating profit:

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Current service cost	(328)	(360)
Total operating charge	(328)	(360)

Analysis of the amount included in retirement benefits finance charge:

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Expected return on scheme assets	628	769
Interest on scheme liabilities	(810)	(808)
Net return	(182)	(39)

History of experience gains and losses:

	Year ended 31 st March 2008	Year ended 31 st March 2009	Year ended 31 st March 2010	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000	£'000	£'000	£'000
	(UK GAAP)				
Defined benefit obligation	(13,060)	(10,611)	(14,228)	(14,625)	(16,922)
Plan assets	11,143	9,501	12,324	13,217	14,237
Deficit	(1,917)	(1,110)	(1,904)	(1,408)	(2,685)
Experience adjustments on plan assets					
Amount	(1,036)	(2,265)	2,437	148	71
As a percentage of plan assets	(9.3) %	(23.8) %	19.8 %	1.1 %	0.5 %
Experience adjustments on plan liabilities					
Amount	(3)	(39)	(295)	206	11
As a percentage of plan liabilities	0.0 %	(0.4) %	(2.1) %	1.4 %	0.1 %
Total amount recognised in the Statement of Changes in Capital and Reserves	(439)	704	(836)	226	(1,625)
Cumulative actuarial (loss)/ gain shown in STRGL	-	704	(132)	94	(1,531)

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

Notes to the consolidated financial statements

8. Investment property - Group and Duchy	Commercial	Agricultural and Forestry	Residential	Development Land	Total
	£'000	£'000	£'000	£'000	£'000
At 31st March 2010	141,054	265,351	154,824	40,739	601,968
Additions	18	781	281	6	1,086
Capital improvements	782	2,742	1,556	-	5,080
Capitalised development expenditure	-	-	-	6,538	6,538
Transfers from property, plant and equipment - at fair value	30	-	-	-	30
Transfers from investment property assets held for sale	-	113	-	-	113
Transfers to investment property assets held for sale	-	(1,054)	(1,803)	-	(2,857)
Disposals	-	(5,006)	(1,357)	(4,980)	(11,343)
Net gain/(loss) from fair value adjustments on investment property	2,452	28,502	4,226	(3,817)	31,363
At 31st March 2011	144,336	291,429	157,727	38,486	631,978
Additions	40,295	337	-	-	40,632
Capital improvements	388	2,431	2,057	-	4,876
Capitalised development expenditure	-	-	-	7,062	7,062
Transfer to QMS (Poundbury) LLP	-	-	-	(3,046)	(3,046)
Transfers from property, plant and equipment - at fair value	300	-	-	-	300
Transfers from investment property assets held for sale	-	18	37	-	55
Transfer to investment property assets held for sale	-	(8)	(1,750)	(11,767)	(13,525)
Disposals	-	(4,117)	(390)	(3,643)	(8,150)
Net gain/(loss) from fair value adjustments on investment property	(6,848)	32,311	1,743	6,436	33,642
At 31st March 2012	178,471	322,401	159,424	33,528	693,824

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

The valuation carried out by the internal and external Chartered Surveyors who have experience of the estate as at 31st March 2012 was in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

9. Property, plant and equipment - Group	Motor Vehicles	Plant and Equipment	Owner Occupied Property	Total
	£'000	£'000	£'000	£'000
At 31st March 2010				
Cost/valuation	299	2,684	5,056	8,039
Accumulated depreciation	(205)	(1,060)	-	(1,265)
Net book value	94	1,624	5,056	6,774
Year ended 31st March 2011				
Additions/Improvements	40	150	869	1,059
Transfer to Investment Property	-	-	(30)	(30)
Depreciation charge	(64)	(308)	-	(372)
Revaluation	-	-	(725)	(725)
At 31st March 2011	70	1,466	5,170	6,706
At 31st March 2011				
Cost/valuation	277	2,766	5,170	8,213
Accumulated depreciation	(207)	(1,300)	-	(1,507)
Net book value	70	1,466	5,170	6,706
Year ended 31st March 2012				
Additions/Improvements	104	7,102	571	7,777
Transfer to Investment Property	-	-	(300)	(300)
Disposals	(5)	(5)	-	(10)
Depreciation charge	(58)	(369)	-	(427)
Revaluation	-	-	87	87
At 31st March 2012	111	8,194	5,528	13,833
At 31st March 2012				
Cost/valuation	230	9,646	5,528	15,404
Accumulated depreciation	(119)	(1,452)	-	(1,571)
Net book value	111	8,194	5,528	13,833

Notes to the consolidated financial statements

9. Property, plant and equipment - Duchy	Motor Vehicles	Plant and Equipment	Owner Occupied Property	Total
	£'000	£'000	£'000	£'000
At 31st March 2010				
Cost/valuation	299	2,684	5,056	8,039
Accumulated depreciation	(205)	(1,060)	-	(1,265)
Net book value	94	1,624	5,056	6,774
Year ended 31st March 2011				
Additions/Improvements	40	150	869	1,059
Transfer to Investment Property	-	-	(30)	(30)
Depreciation charge	(64)	(308)	-	(372)
Revaluation	-	-	(725)	(725)
At 31st March 2011	70	1,466	5,170	6,706
At 31st March 2011				
Cost/valuation	277	2,766	5,170	8,213
Accumulated depreciation	(207)	(1,300)	-	(1,507)
Net book value	70	1,466	5,170	6,706
Year ended 31st March 2012				
Additions/Improvements	104	1,604	571	2,279
Transfer to Investment Property	-	-	(300)	(300)
Disposals	(5)	(5)	-	(10)
Depreciation charge	(58)	(367)	-	(425)
Revaluation	-	-	87	87
At 31st March 2012	111	2,698	5,528	8,337
At 31st March 2012				
Cost/valuation	230	4,148	5,528	9,906
Accumulated depreciation	(119)	(1,450)	-	(1,569)
Net book value	111	2,698	5,528	8,337

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

10a. Investments in associate & joint venture

Associate	Year ended	Year ended
	31 st March 2011	31 st March 2012
	£'000	£'000
Balance at start of year	247	228
Invested in year	50	92
Share of loss	(69)	(69)
Balance at end of year	228	251

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

The latest audited accounts were produced for the year ended 31st March 2011 with the latest management accounts being utilised for the year to 31st March 2012. The aggregate assets, liabilities, revenue and results for Coressence were as follows:

	Year ended	Year ended
	31 st March 2011	31 st March 2012
	£'000	£'000
Assets	90	223
Liabilities	(41)	(69)
Loss	(141)	(178)
Revenue	60	0

Joint venture

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 construction and retention of a retail and office building.

	Year ended	Year ended
	31 st March 2011	31 st March 2012
	£'000	£'000
Balance at start of year	-	-
Invested in year, by transfer of property	-	3,046
Share of profit	-	22
Share of revaluation loss	-	(447)
Balance at end of year	-	2,621

Notes to the consolidated financial statements

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

The latest audited accounts were produced for the year ended 31st March 2012. The aggregate assets, liabilities, revenue and results for LLP were as follows:.

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Assets	350	5,248
Liabilities	(2)	(7)
(Loss)/profit	(2)	45
Revenue	0	54

10b. Investment in subsidiary

	Year ended 31 st March 2011	Year ended 31 st March 2012
	£'000	£'000
Balance at start of year	-	-
Invested in year	-	650
Balance at end of year	-	650

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

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

11. Financial assets - Group and Duchy

	Available for sale				Loan & receivable		Total
	Equity Securities	Fixed Interest Securities	Equity Securities	Private Equity Funds	Private Equity Funds		
	(Level 1)	(Level 1)	(Level 3)	(Level 2)	(Level 3)		
	£'000	£'000	£'000	£'000	£'000	£'000	
At 31st March 2010	15,732	43,395	479	-	7,121	-	66,727
Purchases	75	15,729	171	-	3,317	-	19,292
Sale proceeds	(75)	(10,972)	(128)	-	(2,393)	-	(13,568)
Profit/(loss) on sale/revaluation	828	228	81	-	(138)	-	999
At 31st March 2011	16,560	48,380	603	-	7,907	-	73,450
Purchases	-	49,059	137	13,807	2,890	1,250	67,143
Sale proceeds	-	(69,852)	-	-	(707)	-	(70,559)
Profit/(loss) on sale/revaluation	366	(1,626)	27	800	(277)	-	(710)
At 31st March 2012	16,926	25,961	767	14,607	9,813	1,250	69,324

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 2012 there is no difference between the fair value of the hybrid instrument and the host contract.

The fair values of financial investments classified as level 1 are based on quoted market prices on the 31st March 2012. Level 2 financial instruments are valued based significantly on observable market data at 31st March 2012. 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 2012.

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

	31 st March 2011	31 st March 2012
	£'000	£'000
US Dollar exchange rate +/- 10 %	1,679	4,332
Euro exchange rate +/- 10 %	1,143	-

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 Duchy divested itself of all Euro denominated holdings in the year to 31st March 2012.

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

Notes to the consolidated financial statements

12. Trade and other receivables	Duchy 31 st March 2011 £'000	Group 31 st March 2012 £'000	Duchy 31 st March 2012 £'000
Amounts falling due within one year:			
Trade receivables	3,513	3,741	3,741
Less provision for impairment of trade receivables	(284)	(188)	(188)
Prepayments and accrued income	2,347	2,496	2,496
Other receivables	457	1,166	495
	6,033	7,215	6,544
Amounts falling due after more than one year:			
Amounts due from group company	-	-	4,800

Amounts due from the group company comprise of two loans to JV Energen LLP, classified as loans and receivables. £4.6million repayable in 2026 and £0.2million repayable in 2015, both at an interest rate of 8%. These loans are secured against the land and buildings of the company.

All receivables are denominated in sterling.

As of 31st March 2012 trade receivables of **£3,553,000** (2011: £3,229,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Duchy 31 st March 2011 £'000	Group 31 st March 2012 £'000	Duchy 31 st March 2012 £'000
Under 3 months	2,432	2,599	2,599
3 to 12 months	564	876	876
Over 12 months	233	78	78

As of 31st March 2012 trade receivables of **£188,000** (2011: £284,000) 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:

	Duchy 31 st March 2011 £'000	Group 31 st March 2012 £'000	Duchy 31 st March 2012 £'000
At 1 st April	188	284	284
Provision for receivables impairment	97	(86)	(86)
Net receivables written off	(1)	(10)	(10)
At 31 st March	284	188	188

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

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

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

13. Investment property assets held for sale - Group and Duchy	31 st March 2011	31 st March 2012
	£'000	£'000
Investment property assets held for sale	3,062	13,527

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

14. Trade and other payables	Duchy 31 st March 2011	Group 31 st March 2012	Duchy 31 st March 2012
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade payables	2,655	2,584	1,830
Accruals	1,756	1,796	1,668
Social security and other taxes	1,071	979	979
Payments received on account	4,567	7,331	7,331
Rents paid in advance	2,697	3,286	3,286
	12,746	15,976	15,094
Amounts falling due after more than one year:			
Payments received on account	5,207	1,500	1,500

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

15. Derivative financial instruments - Group and Duchy	31 st March 2011	31 st March 2012
	£'000	£'000
Interest rate swaps – cash flow hedge (level 2)	798	3,870
Forward currency contract	156	-

The Duchy has an interest derivative designated as a hedge of a highly probable bank loan of £27.5m. The Duchy also has two interest rate derivatives designated into cash flow hedge relationships on existing loan facilities totalling £42.5m. Further details on the loan facilities are included in note 16. The notional amount of the interest rate derivatives is £70million. As at 31st March 2012, a loss of £3,072,000 was recognised in Other Comprehensive Income in the Capital Account Statement of Comprehensive Income, in respect of the effective cash flow hedge relationships. These are classified as level 2 financial instruments measured at fair value on directly or indirectly observable inputs, other than quoted prices included within level 1.

16. Borrowings – Group and Duchy	31 st March 2011	31 st March 2012
	£'000	£'000
Unsecured 10.48 % loan stock repayable 2014	10,000	10,000
Unsecured floating rate loan repayable 2016	-	40,000
Unsecured floating rate loan repayable 2019	-	2,500
	10,000	52,500

At 31st March 2012, the Duchy had a floating rate £27.5million undrawn borrowing facility expiring within one year. The bank loan of £40million is repayable in 2016, interest in the year is at a floating rate which has been fully swapped to a fixed rate of 4.58%. The bank loan of £2.5million is repayable in 2019, interest in the year is at a floating rate which has been fully swapped to a fixed rate of 3.355%. The fair values of borrowings are not considered to be significantly different from their carrying value.

Notes to the consolidated financial statements

17. Provisions - Group and Duchy	£'000
At 1 st April 2011	1,804
Amortisation of discount	81
At 31 st March 2012	1,885

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

18. Reconciliation of operating surplus to net cash inflow from operating activities	Year ended	Group	Duchy
	31 st March 2011	Year ended 31 st March 2012	Year ended 31 st March 2012
	£'000	£'000	£'000
Net surplus on the Revenue account	17,796	18,153	18,529
Net surplus on the Capital account	33,191	33,704	33,577
Adjusted for:			
Depreciation	372	427	425
Dividend income on available for sale assets	(4,417)	(4,173)	(4,173)
Net finance costs	992	2,274	2,100
Share of loss from associate & joint venture	69	47	-
Loss on forward contracts	484	156	156
Shortfall of pension charge over contributions	(452)	(387)	(387)
Net gain from fair value of investment property	(31,363)	(33,642)	(33,642)
Net gain on property held for sale	-	(811)	(811)
Profit on disposal of investment property	(3,754)	(2,131)	(2,131)
Loss on disposal of financial investments	5	1,652	1,652
Decrease/(increase) in inventory	91	(364)	(26)
Decrease/(increase) in debtors	960	(1,433)	(786)
(Decrease)/increase in creditors	(326)	948	220
Other non-cash movements	61	81	81
Net cash inflow from operating activities	13,709	14,501	14,784

19. Related party transactions

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

Certain Duchy properties, including Highgrove House, are occupied by His Royal Highness The Prince of Wales and his office staff for living accommodation. These are let at open market values, the total value of annual rent charged amounting to £385,973 (2011: £381,248).

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 £82,272 (2011: £62,685) for fees and commission and £90,285 (2011: £35,920) for the purchase of furniture and furnishings for the Duchy of Cornwall holiday accommodation, the Welsh estate and Penlyne Nursery. At 31st March 2012 there was £Nil (2011: £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 2012, the Duchy of Cornwall made the following payments to key management personnel: Short-term benefits (salary) £1,029,000 (2011: £986,000); Post employment benefits (retirement benefit plan contribution) £213,000 (2011: £243,000); Benefits £83,000 (2011: £80,000); Total £1,325,000 (2011: £1,309,000).

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

During the year the Duchy provided a loan of £4.8million to JV Energen LLP and received £174,000 of interest (2011: £Nil). In addition the Duchy leased an area of land to the Partnership for which a rent of £43,000 was received.

20. Bona vacantia

During the period, 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 £552,000 (2011: £75,000) before allowing for ex gratia payments and other associated costs of £86,000 (2011: £37,000). Surplus receipts of bona vacantia by His Royal Highness are paid over to The Duke of Cornwall's Benevolent Fund; £450,000 (2011: £50,000) was paid during the year. At 31st March 2012, the Duchy retained £154,000 (2011: £139,000) within creditors to meet potential future claims from individuals statutorily entitled to estates which had previously passed as bona vacantia to His Royal Highness.

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

21. Capital commitments

At 31st March 2012 the Duchy had Capital commitments of £495,000 (2011: £2,270,000) in respect of property improvement works and £5,940,000 (2011: £5,151,000) for the acquisition of financial investments.

As at 31st March 2012, JV Energen had commitments of £668,000.

22. Contingent liability

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

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

23. Duchy of Cornwall total comprehensive income on Revenue Account

The Duchy has elected under Section 408 of the Companies Act 2006 not to include its own profit and loss account in these accounts. The result for the year for the Duchy was £18,529,000 (2011: £17,796,000).

24. Financial risk management

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

Market risk

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

Liquidity risk

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

	At 31 st March 2011 £'000	At 31 st March 2012 £'000
Less than 1 year	6,530	8,323
2-5 years	12,096	56,880
More than 5 years	-	2,668
Total	18,626	67,871

Credit risk

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

Capital management

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

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

Treasury consents

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

Authority to fund any deficit on the Revenue account with a loan from the Capital account up to £750,000. To be reviewed on 29th September 2012.

Authority to repay up to £30million of principal under a facility agreement with Coutts Bank plc.

Sir Robert Ross, Secretary and Keeper of the Records 1st June 2012

Accounts Direction given by H M Treasury

1. The Duchy of Cornwall shall prepare accounts for the financial year ended 31st March 2012 and subsequent financial years comprising:
 - a report for the year, including an Operating Review; a Statement of the Proper Officers' Responsibilities, and a Governance Statement;
 - a Revenue Account Statement of Comprehensive Income and a Capital Account Statement of Comprehensive Income;
 - a Balance Sheet;
 - a Statement of Changes in Capital and Reserves;
 - a Cash Flow Statement;including such notes as may be necessary for the purposes described in the following paragraphs.
2. The accounts shall give a true and fair view of the Revenue Account Statement of Comprehensive Income, Capital Account Statement of Comprehensive Income, Statement of Changes in Capital and Reserves, Cash Flow Statement for the financial year and the balance sheet as at the end of the financial year. Subject to these requirements and the exemptions set out in Schedule 1, the accounts shall be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
3. The application of the accounting and disclosure requirements of the Companies Act 2006 (CA), accounting standards, and other disclosure requirements is given in Schedule 1 attached.
4. This direction supersedes that of 15th March 2011. It shall be reproduced as an appendix to the accounts.

Paula Diggle
Treasury Officer of Accounts
26th March 2012

SCHEDULE 1

Accounting and Disclosure Requirements

Companies Act 2006

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

Accounting standards

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

Other disclosure requirements

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

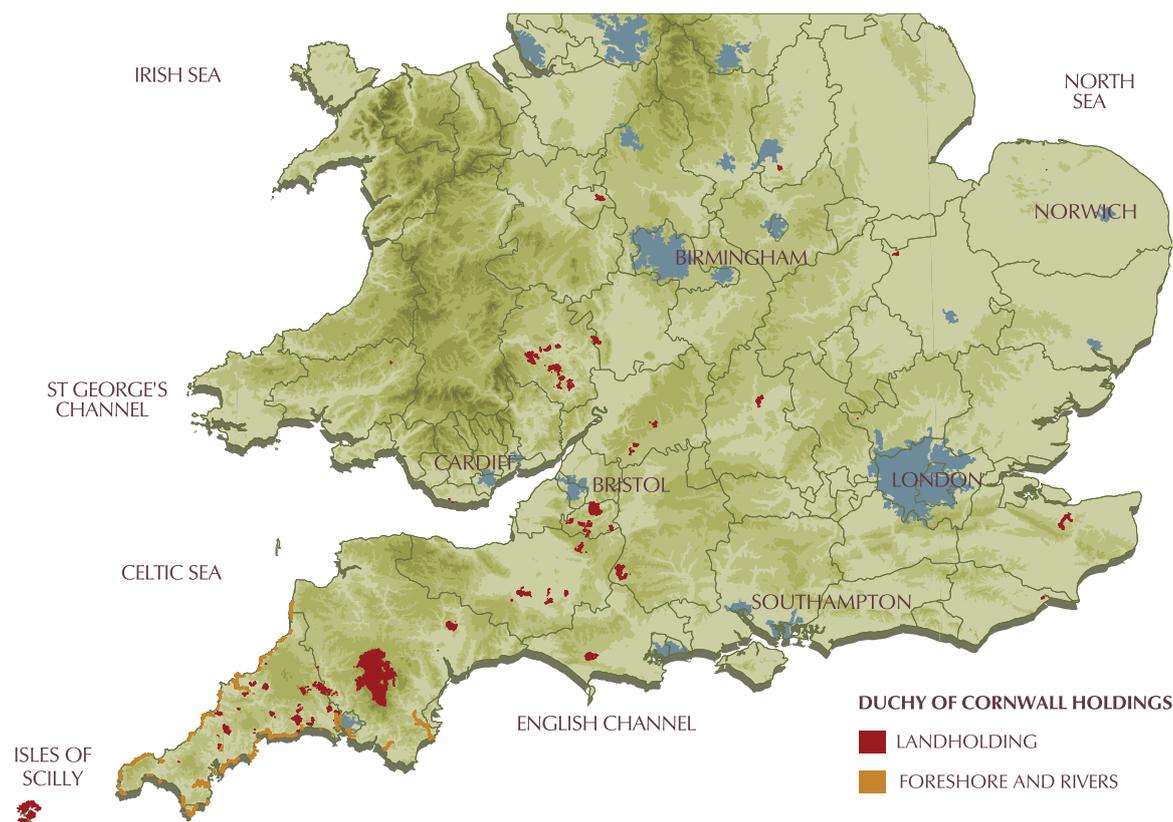
Duchy of Cornwall estates

Surface Area Report 31st March 2012

The Duchy of Cornwall is a landed estate of 53,408 hectares.

The extent and distribution of the major land holdings at 31st March 2012 were as follows:

County	Hectares	County	Hectares
Devon	28,506.6	Carmarthenshire	77.6
Cornwall	7,119.5	Cambridgeshire	43.3
Herefordshire	5,351.5	Vale of Glamorgan	20.4
Somerset	5,316.3	Greater London	15.7
Isles of Scilly	1,583.4	Buckinghamshire	10.9
Dorset	1,335.9	Hertfordshire	6.0
Wiltshire	1,253.5	Norfolk	2.2
Kent	1,086.6	Berkshire	1.5
Gloucestershire	658.3	Cheshire	0.7
Shropshire	581.5	Hampshire	0.4
Nottinghamshire	287.6	Leicestershire	0.2
Oxfordshire	148.4	Middlesex	0.1
TOTAL			53,408.1



Annual Report and Accounts

Year Ended 31st March 2012

www.duchyofcornwall.org

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