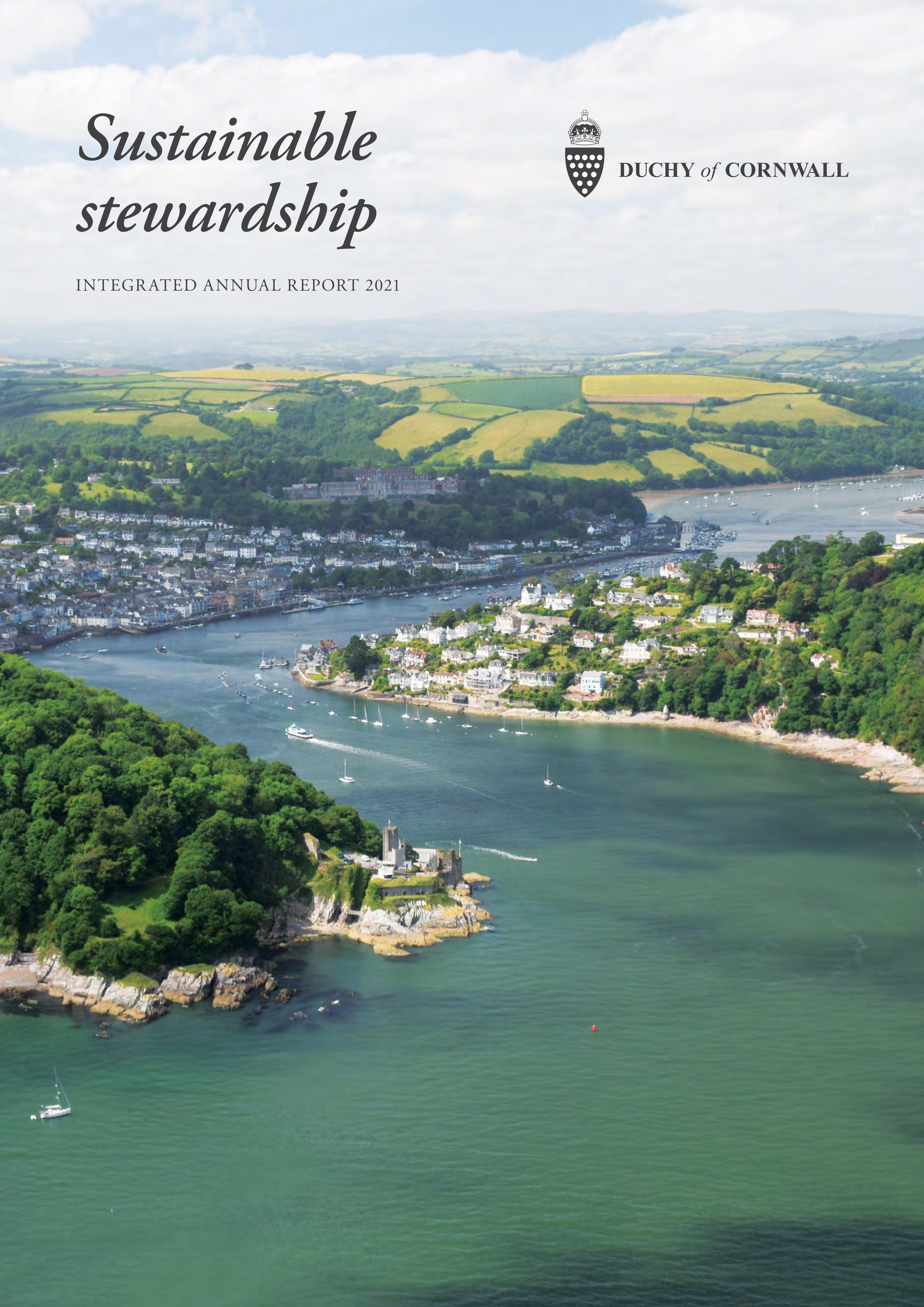
Sustainable stewardship

DUCHY *of* CORNWALL

INTEGRATED ANNUAL REPORT 2021



MONNINGTON COURT, HEREFORDSHIRE

DUCHY *of* CORNWALL

INTEGRATED ANNUAL REPORT 2021

For the year ended 31st March 2021

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

Welcome

This Integrated Annual Report summarises activity on the Duchy of Cornwall estate for the year ended 31st March 2021. It aims to describe how decisions made in the course of meeting our commercial responsibilities affect local communities, the economy and the natural environment.

Contents

Strategic report

Governance

Accounts

Other information

SUSTAINABLE STEWARDSHIP

The Duchy is a private estate that provides an income to The Duke of Cornwall. It is managed in harmony with The Prince's ethos so that it can be passed on with pride to the next generation.

HISTORY AND CONSTITUTION

The Duchy of Cornwall was created in 1337 by Edward III to provide an income for his son, Prince Edward.

The estate was established under the Great Charter of 1337 and is governed under the terms of the Duchy of Cornwall Management Acts.

The Duke of Cornwall has no access to the Duchy's capital value and pays income tax on the annual revenue surplus that he receives from the Duchy.

Introduction

Our purpose and values enable us to focus on generating positive financial, social and environmental impacts.

OUR PURPOSE

The Duchy is a private estate that provides an income to The Duke of Cornwall. It is managed in harmony with The Prince's ethos so that it can be passed on with pride to the next generation.

OUR VALUES

Our purpose is supported by our values and the loyalty, passion and commitment of our people.

OUR ACTIVITIES

Through our activities, we aim to generate positive impacts and value over the long term, balancing environmental, social and economic needs.

→ **Our business model p22**

OUR PERFORMANCE

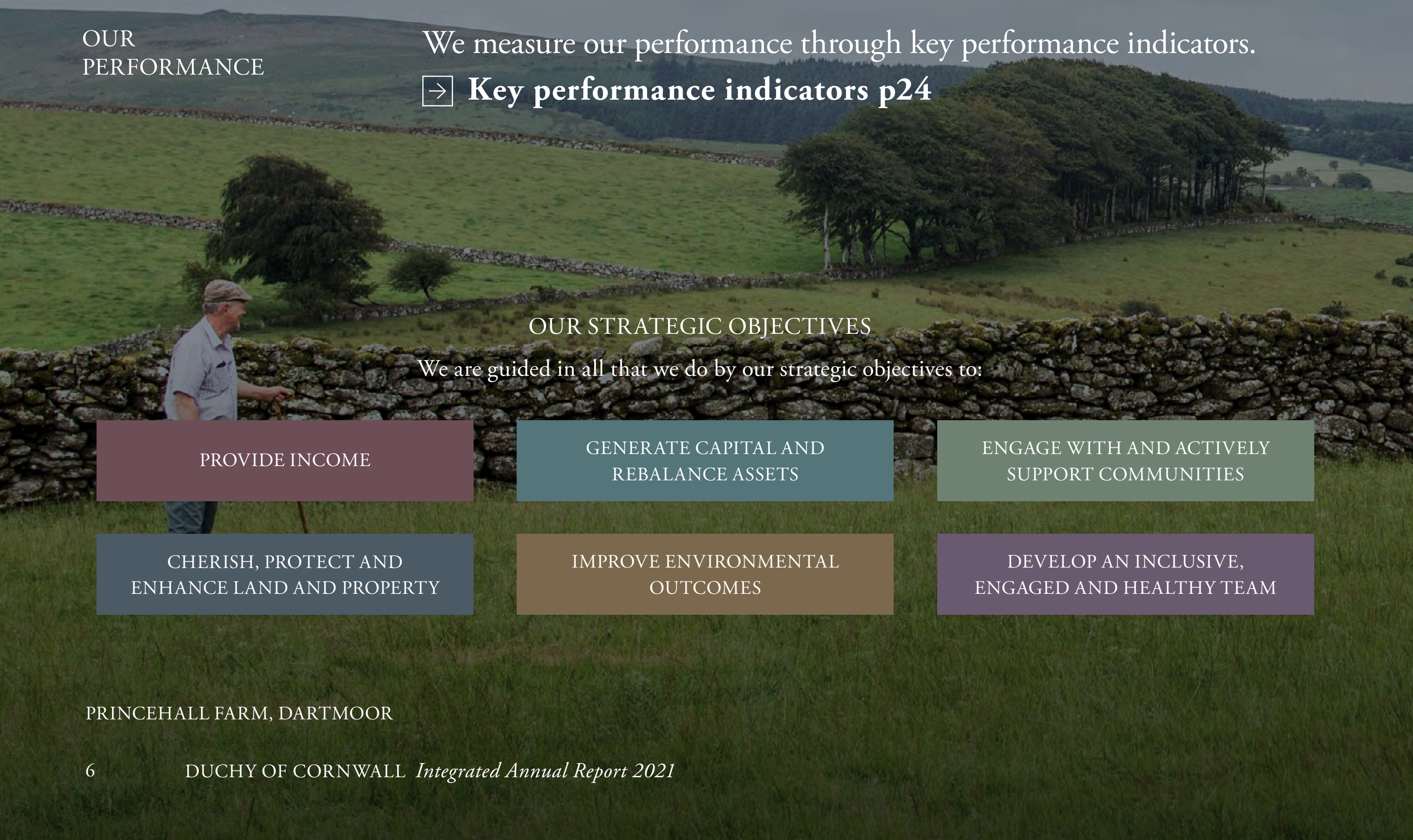
We measure our performance through key performance indicators.

→ **Key performance indicators p24**

OUR STRATEGIC OBJECTIVES

We are guided in all that we do by our strategic objectives to:

- PROVIDE INCOME
- GENERATE CAPITAL AND REBALANCE ASSETS
- ENGAGE WITH AND ACTIVELY SUPPORT COMMUNITIES
- CHERISH, PROTECT AND ENHANCE LAND AND PROPERTY
- IMPROVE ENVIRONMENTAL OUTCOMES
- DEVELOP AN INCLUSIVE, ENGAGED AND HEALTHY TEAM



PRINCEHALL FARM, DARTMOOR

VALUE CREATION HIGHLIGHTS 2020/21

Distributable surplus
£20.4m
down 8.2% on 2019/20

Net assets
£959m
up £50m on 31st March 2020

Environmental impact
76%
reduction in direct greenhouse gas emissions compared to baseline

Renewable energy installed capacity
3.0MW
of installed capacity in solar PV, biomass boilers, heat pumps and a hydro-electric scheme, at a cost of £4.0million

Quality of customer service
80%
of tenants satisfied or very satisfied with customer service

New farm tenancies
21 years
Average length of Farm Business Tenancies

OUR PLANS FOR 2021/22

£63.8m

Funds generated, to be re-invested and distributed

SURPLUS
£20.3m
Providing income

REPAIRS/CAPITAL IMPROVEMENTS
£18.4m
Cherish, protect and enhance land and property

DEVELOPMENT EXPENDITURE
£12.0m
Generate capital

PURCHASES OF ESTATES
£0.3m
Rebalance capital assets

ZERO CARBON/ NATURAL CAPITALS
£1.2m
Improve environmental outcomes

ADMINISTRATION AND OVERHEAD COSTS
£2.8m

STAFF COSTS
£5.4m

FINANCE COSTS
£3.5m

Our year

The Duchy of Cornwall's commitment to running a successful and profitable business operates in tandem with a focus on the long-term viability of the communities who live on the estate. The 2020/21 financial year has been challenging, as the world grapples with the impact of the COVID-19 pandemic.

MARCH 2020

The UK Government imposes the first national lockdown as a result of the COVID-19 pandemic. The Duchy of Cornwall writes to all of its tenants, encouraging those in need of support to contact their local Land Stewards.

JULY 2020

The Duke of Cornwall sends a video message to Duchy tenants. "I have been much heartened to be told some of the many tales of altruistic behaviour and goodwill around the Duchy estate," says The Duke of Cornwall. "I am enormously proud to have been so closely involved with the Duchy of Cornwall for over fifty years now; I know we have some of the very best communities, businesses and farmers."

Following the easing of COVID-19 restrictions, The Duke and Duchess of Cornwall carry out their annual visit to the South West, including a socially distanced meeting with farming tenants at Tresemple Farm to discuss recovery from the effects of the pandemic.

AUGUST 2020

The Nansledan Community Association are honoured with the Mayor's Commendation Award for the work carried out by the COVID-19 volunteer group during lockdown. The initiative set up daily calls with those identified as being at risk and delivered food and medical prescriptions to them.

The Duke of Cornwall's Benevolent Fund makes a donation to the Cornwall Community Foundation's Build Back Better Fund to support vulnerable families affected by the pandemic. As Patron of the Cornwall Community Foundation, The Duchess of Cornwall hosts a socially distanced tea at Clarence House for representatives of both groups.

Duchy farming tenant Sam Stables is awarded the Farming Hero award at the British Farming Awards run by the Farmers Guardian. Sam took on a flock of ewes from Yorkshire and lambed them while their owner was in hospital suffering from COVID-19.

OCTOBER 2020

SEPTEMBER 2020

The Duchy's Isles of Scilly Office organises a visit by the High Sheriff of Cornwall to recognise key workers and their efforts during the COVID-19 crisis. The High Sheriff's Unsung Hero Award is presented to Mrs Claudia Schwartz, manager of Park House care home, and Aaron Haile and Mark Bothwick, Duchy leaseholders at Bryher Shop and Post Office.

NOVEMBER 2020

Two advisers are appointed to oversee the Duchy's partnership with the Farm Carbon Toolkit Project, supporting the ongoing Natural Capitals Project with a particular focus on soil health. Hannah Jones will lead in the Western District, while Abi Saunders takes on the same role for the Eastern District.

FEBRUARY 2021

Jon Avon joins the Duchy of Cornwall team on Dartmoor as Project Officer for the Curlew Head-Starting initiative, which aims to repopulate the region with these unique birds.

TOUR OF THE DUCHY ESTATE

Our diverse portfolio

The Duchy of Cornwall estate extends across 20 counties in England and Wales. The map highlights a number of examples from our varied portfolio.

52,660
hectares of land

2,353
hectares of woodland

260
fully equipped farms

2,980
tenancy agreements

£48m
development land

£314m
commercial property

DARTMOOR

ISLES OF SCILLY

The Isles of Scilly have been part of the Duchy of Cornwall since the 14th century.

NEWQUAY

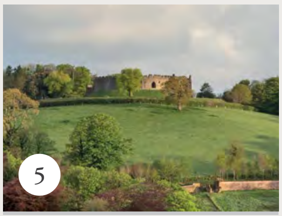
The Duchy's major development project in Cornwall, Nansledan.

DUCHY OF CORNWALL HOLIDAY COTTAGES

We have a small number of period properties available as holiday cottages.

DUCHY OF CORNWALL NURSERY

The nursery at Lostwithiel opened its doors to the public in 1975 and includes a renowned café.



ANCIENT MONUMENTS

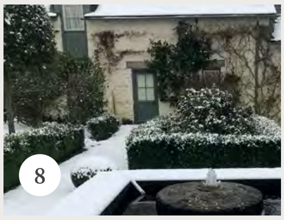
Trematon Castle is one of 17 major Duchy ancient monuments. Others include Restormel, Launceston and Tintagel Castles.

DARTMOOR AND PRINCETOWN

Most of the Duchy's 27,200 hectares on Dartmoor have been part of the estate since the 14th century.

COASTAL AND INLAND WATERS

Including the Dart, Salcombe and Kingsbridge, Avon, Tamar, Looe, Helford and Camel estuaries and coastal foreshore around Cornwall and the Isles of Scilly.



LLWYNYWERMOD

The Welsh home of Their Royal Highnesses The Prince of Wales and Duchess of Cornwall.

POUNDBURY

An urban extension to Dorchester, Poundbury is built on principles of architecture and urban planning advocated by The Prince of Wales.

EASTERN DISTRICT ESTATES

The Eastern District includes land in Gloucestershire, Somerset, Wiltshire and Dorset.

HIGHGROVE HOUSE AND HOME FARM

Highgrove House is the family home of Their Royal Highnesses. The nearby 425-hectare Home Farm is entirely organic.

HEREFORD ESTATES

Incorporating the Guy's Estate, purchased in 2000, and the Cradley Estate.

COMMERCIAL PORTFOLIO

Standard investment properties, the majority of which are located in Milton Keynes, London, Reading and Cornwall.

HEAD OFFICE

The Duchy's head office is at 10 Buckingham Gate, London. It includes the Duchy archive store.

LONDON

Mainly Kennington Estate assets, including 16 flats and 23 houses, various commercial buildings, The Oval cricket ground and a number of long leases.

KENT ESTATES

Purchased in 2000 and now includes 350 hectares of farmland and rural residential property.

ALASTAIR MARTIN, SECRETARY AND KEEPER OF THE RECORDS

From the Secretary and Keeper of the Records

Taking our lead from His Royal Highness The Prince of Wales, sustainability has always been central to how we operate.

Achieving a balance between financial results, protecting the natural environment on which we all depend and supporting our communities has been at the heart of the Duchy ethos for many years.

This was a challenging year. In my introduction to last year's Annual Report, I said that the COVID-19 pandemic restrictions would inevitably cause significant personal and financial disruption for many Duchy tenants, particularly in those areas, such as the Isles of Scilly and Cornwall, where the economy is reliant on tourism and hospitality. Such disruption continued much longer than perhaps anyone could have envisaged. We agreed rent deferrals and waivers with many tenants, and continue to do so. Our own portfolio of holiday cottages and the Duchy Nursery at Lostwithiel were closed during the lockdowns. At the start of the year we were unable to continue with our full programme of repairs, maintenance and improvements, although we were able to resume later in the year. The ground we lost will be made up in the year ahead.

We did not avail ourselves of the various government pandemic employee support schemes and have continued to pay all staff. Property voids (periods when assets are empty with no rental income) were less pronounced than we feared. The strength of our newer communities at Poundbury and Nansledan, along with established communities such as the Isles of Scilly, was particularly evident in these difficult times.

We are now in the fifth year of undertaking surveys of residential, commercial and agricultural tenants. This year saw the second survey of commercial tenants. We were particularly keen to understand how our support for tenants during the pandemic had been received. The vast majority of our tenants continue to offer positive ratings: an impressive 91% find the Duchy have 'friendly and approachable staff', and 81% feel the Duchy 'provides the service expected'. Maintenance issues remain a top priority for our tenants, and we hope the increased spend on repairs and property improvements in 2021/22 will help address this.

Despite the restrictions of the first lockdown, construction at both the main development sites recommenced quickly and has not slowed since. COVID-19 protocols were immediately established by the builders and sales have remained strong. The detailed design of the final phase of Poundbury has been submitted for planning approval and the development is expected to be completed in 2026. The Great Field at Poundbury, 12 hectares of public space with wildflower meadows and thousands of trees and shrubs, is reaching completion and proving to be a significant attraction.

Nansledan has seen strong interest from a wide range of local businesses keen to establish themselves in the community. Both of the new communities rallied tremendously to the challenges of COVID-19, demonstrating the human value of placemaking with the promotion of social capital. Significant work is being undertaken to develop proposals for an urban extension to Faversham in Kent, reflecting the specific needs of the town, incorporating the principles of sustainable development already established at Poundbury and Nansledan with an endeavour to improve them further.

Despite working remotely for much of the year, the Duchy Executive team has continued to develop its integrated thinking. In 2019 we undertook a major materiality review. We built on this during the year with a strategic review, working with external change management consultants. Later this year we will have completed this work, and will have revised our vision, values and strategic objectives. Our new goals, which we will report on next year, will be grouped under five themes: viability, sustainability, reputation, people and governance.

The Duchy of Cornwall exists to provide an income to The Duke of Cornwall. This year that income has fallen significantly, the first fall in recent times. The net surplus fell by £1.83million (8.2%), very much in line with the economic contraction seen in the country at large. I expect little increase in the surplus during the year ahead: some tenants will remain under considerable financial pressure as a result of the ongoing pandemic, and we have committed not only to restoring the level of repairs and maintenance expenditure but also to making good on this year's shortfall and investing in very important long-term projects around natural capital and net-zero carbon.

The Prince's Council has continued to support HRH The Prince of Wales and the Executive team. All the Committees continued to meet during the year, albeit virtually. There were three retirements from Council: Jonathan Crow QC, in post since December 2006, stepped down as Attorney General to HRH The Prince of Wales; The Countess of Arran retired after 14 years on the Council; as did Mark Thomas. We are immensely grateful for their contributions.

The new Attorney General to HRH The Prince of Wales is Sharif Shivji QC, a barrister in private practice in London. Three new advisers to the Council were appointed during the year. We welcome Alistair Elliot, senior partner at Knight Frank; James Willcocks, dairy farmer from Cornwall and regenerative agriculture enthusiast; and Christina Williams, landowner and Deputy Lieutenant of Devon.

We were saddened to learn of the death of former Secretary Sir Jimmy James in February this year. Jimmy was Secretary and Keeper of the Records from 1993 to 1997. There is an obituary on page 43.

I am very grateful to all Duchy staff for their work under such difficult circumstances. They showed great versatility in adapting remarkably quickly to new working arrangements, from home, at the office or at one of our trading enterprises. We have delivered against our strategic objectives, supported our tenants, protected our income and developed our Zero Carbon Strategy. Looking forward, with the pandemic restrictions lifting, we have a positive outlook and are optimistic about the year ahead.

Alastair Martin

Secretary and Keeper of the Records

The contents of the Strategic Report are signed on behalf of the Proper Officers by Alastair Martin, Secretary and Keeper of the Records, 10th June 2021

Understanding what matters most

In 2019 we undertook a materiality review to understand the issues that have the most significant impact on our ability to create value. We considered how important each issue is in terms of its relevance to stakeholders and how significant they were in terms of the Duchy's economic, environmental and social impacts. The results informed our strategy and governance.

In late 2020 the Duchy Executive Committee started a strategic review process based on our material issues. Working with external change management consultants we reviewed and developed our vision and critical success factors, revised our strategic objectives and commenced work on the operational plan and key performance indicators to achieve them. The final stage will be to engage staff in reviewing the existing core values of the organisation and capturing new ones.

Outcomes from this review process will be captured in a new plan that summarises our vision, values and goals. Our new goals will be grouped under five themes – viability, sustainability, reputation, people and governance – that will form the basis of next year's Integrated Annual Report.

Our process

1. Desk-based research involving peer review and media research to benchmark material issues reported by stakeholders.

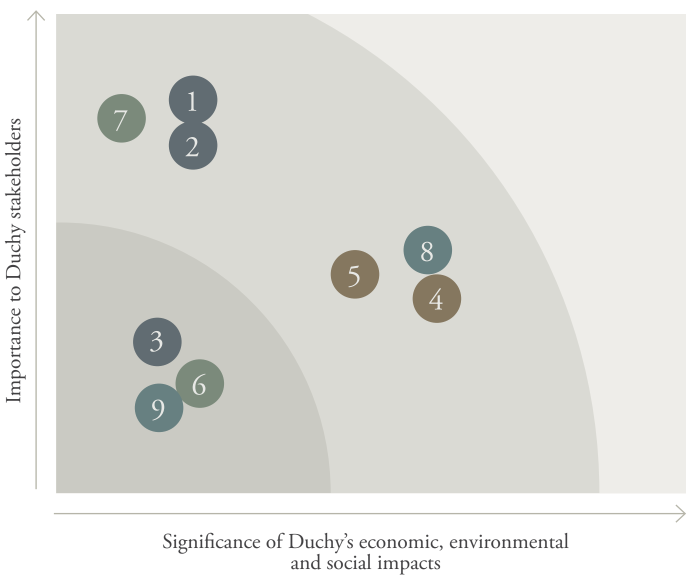
2. An employee survey to rate and rank 39 shortlisted issues.

3. Materiality workshops with internal and external stakeholders to discuss and refine findings. Some issues were removed or consolidated and others changed in importance for stakeholders.

4. Results reviewed by the Duchy Executive Committee and members of the Finance & Audit Committee. Further refinements were made.

5. Reporting of our materiality results to stakeholders and in our 2019 and 2020 Integrated Annual Reports.

6. The Duchy Executive Committee met in September 2019 to debate the findings of the materiality review. It discussed key issues for stakeholders and how they should be addressed.



PEOPLE AND CULTURE	READ MORE
1 Diversity and inclusion	15, 36, 44
2 Employee engagement	15
3 Employee health and safety	16–17, 19, 31, 36
ENVIRONMENT	
4 Climate crisis	15, 41–42
5 Managing and improving natural capitals	15, 26, 29, 34
SOCIETY	
6 Affordable housing	15, 29, 31
7 Relationships with tenants	15, 36
GOVERNANCE	
8 Reputation, communications and awareness	15
9 Responsible investment	15

Our top material issues and how we are responding to them:

PEOPLE AND CULTURE ISSUES: Diversity and inclusion, and employee engagement 1 2

As reported last year, we set a new strategic objective to develop an inclusive, engaged and healthy team. Two key performance indicators (KPIs) support this: a target to have more than half of staff engaged in non-mandatory training, and to keep staff turnover below the national level of 15%. Staff will shortly be involved in an exercise to revise our vision, values and strategic objectives. Our new goals will be grouped under five themes: viability, sustainability, reputation, people and governance.

All staff have undertaken training on equality, diversity and inclusion during the year. We worked hard to ensure staff could work from home effectively, and we invested heavily in IT equipment to maintain contact and communication. We trained staff on how to get the most out of working remotely, and the staff group organised social events to keep everyone in touch.

ENVIRONMENT: The climate crisis and natural capitals 4 5

The first stage of our Zero Carbon Strategy was completed during the year, with The Prince's Council endorsing the strategy. We estimate the extent of emissions from the various activities on our land at around 220,000 tonnes. This has confirmed that the most material elements to be addressed are emissions from: land use and farming; the degraded peat on Dartmoor; the energy embedded in construction activities; and emissions from the ongoing use of constructed property. In none of these areas does the Duchy have direct control over the emissions (also known as Scope 3 emissions). To support our farm tenants we are extending our natural capital assessments to include a much greater emphasis on soil and a full farm carbon footprint. We are establishing eight focus farms where others can learn how this information can be used to reduce emissions and enhance biodiversity.

A budget of over £1.3million across the Revenue and Capital accounts has been approved for the coming financial year. We formed a Zero Carbon Task Force and detailed implementation plans will be drawn up. In our usual Carbon report on page 95 we discuss our direct emissions and emissions from purchased power (known as Scope 1 and 2) and next year we will report in full on our Scope 3 emissions. In due course our targets will be subjected to scrutiny through the Science Based Targets initiative. We currently think that some aspects of the estate could be net-zero carbon by the late 2020s, though farming could take longer. Much depends on the regulation and markets in which our farm tenants operate.

During the current year we will start reviewing our mineral and marine estates and their potential impacts.

SOCIETY: Affordable housing and relationships with tenants 6 7

We report on 31 about progress on our affordable housing targets. Although the provision in any single year can be ahead of or behind the overall project target depending on what has been built, all of our development sites will meet these targets by completion – this is integral to their master plans.

Elsewhere in this report there is considerable coverage of the support offered to tenants by the estate during the pandemic. We have continued to undertake tenant surveys, speaking to rural commercial tenants in January 2021. Our second triennial survey of agricultural tenants will take place in 2022.

GOVERNANCE: Reputation and responsible investment 8 9

The Governance section (p38) has been further expanded this year to cover the areas that a large corporate entity is required to report on through its s172 statement. We discuss the key governance decisions of the year and illustrate how these were taken in the context of engagement with a wide range of stakeholders: tenants, staff, other estates, our communities and suppliers. New members, all recognised experts in their fields, have joined The Prince's Council.

In line with our ethical investment policy all liquid financial investments are held in ethically invested assets. During the year we began exploring with our fund managers the emissions associated with these funds, and are looking at ways to have impact here.

Factors influencing value creation and principal risks

In a changing and uncertain world we will always face risks and uncertainties. Even with our comprehensive approach to risk management, we cannot eliminate all risks – we can only anticipate how they might impact the Duchy and its operations and develop a robust response.

The Duchy has a comprehensive risk management process that covers all assets and activities and its strategic, project, operational, hazard and financial risks. The Prince's Council and its Committees take account of strategic risk as part of their deliberations. Project, operational, hazard and financial risk is controlled by members of the Executive Committee, and issues arising are raised at regular meetings or escalated earlier where necessary.

A risk register and risk management structure supports the Council and its Committees. Risks are grouped by asset or activity with a named individual responsible for assessing each risk and the corresponding mitigations. Our overarching risk management structure categorises risks for review and comparison, and our risk management process seeks to minimise potential adverse impacts.

Risks and external factors that could have a material impact on our work and value creation, set out below, are categorised as follows:

1. external factors that affect the Duchy's ability to create long-term value;
2. strategic and operational risks; and
3. financial risks.

External factors affecting value creation

Regulatory changes: the Agriculture Act and trade deals

THE RISK

The Agriculture Act has now been passed following the UK's withdrawal from the EU and a trade deal agreed. There appears to have been minimal early disruption; however, the reform of financial support for farming continues to promote considerable uncertainty about the future viability of many farming systems. The period of adjustment ('the transition period') between 2021 and 2027 is also predicted to expose some farm businesses to cash flow risks.

The complementary Environment Bill's provisions could have a profound impact on the agricultural sector, as society responds to the declared climate and biodiversity emergencies.

POTENTIAL IMPACTS

The new financial support model for farmers is likely to be radically different in approach and centred around 'a pathway to sustainable farming'. It is likely some farm businesses will choose to exit the industry, while others may not succeed in making the necessary adjustments and may fail.

Many businesses will need to ensure they have the knowledge and skills to engage with new opportunities. Many enterprises may also be challenged by the removal of direct support payments and the need to consider new investment to improve productivity and financial margins.

These changes are considered to be the most profound to affect the sector in 50 years and are bound to affect the Duchy's approach to the structure of its agricultural estates and how rural land is used.

OUR RESPONSE AND MANAGEMENT

We are undertaking a comprehensive review of our rural property portfolio, examining the resilience of our let farming estate, reviewing how effectively assets are used and the potential to improve productivity.

Where tenants wish to retire from the industry, we will seek to agree an exit. As we reconsider the structure of farms and estates, we will be mindful of the need to protect the social structure and look to secure future land uses that respect the sustainable use of resources. Our audit of natural capitals will be of fundamental importance as we work with tenants to prescribe an approach to farming that adds to the value of nature.

We are also creating focus groups of farmers to share and test emerging ideas for embracing these changes. Groups of young farmers have been formed to coordinate the needs of the next generation.

Social and economic conditions following the COVID-19 pandemic

THE RISK

The global COVID-19 pandemic and the resultant lockdowns in many countries, particularly the UK, had immediate impacts on our tenants and their livelihoods, and on the communities we are a part of. It is likely to have far-reaching and long-term social and economic impacts, many of which are still unclear.

POTENTIAL IMPACTS

The Duchy's success is built on the success of its tenants and its trading enterprises, and the health of the communities where we operate. Many of our tenants have been impacted including those in tourism, hospitality and retail; residential tenants; and dairy farmers. Those based on the Isles of Scilly and in Cornwall were especially vulnerable.

During 2020/21 we suffered a material reduction in revenue surplus as a result of offering rental waivers and rental deferrals, and an increase in bad debts and voids. In common with our tenants' businesses, our direct trading activities – St Mary's Harbour, the Duchy Nursery and our holiday cottage portfolio – were all severely affected. We expect similar impacts during 2021/22, although to a lesser degree.

OUR RESPONSE AND MANAGEMENT

At the very start of the outbreak in the UK, all tenants were contacted. We acknowledged the significant social and financial disruption that they may have been facing, and we detailed the health and safety precautions being taken by Duchy staff and contractors. There was a personal message of support from HRH The Duke of Cornwall, encouraging tenants with concerns to contact their Land Steward.

As the situation with the global pandemic developed, we continued to update our response in line with all relevant Government advice to protect and support the Duchy family. A programme of rental deferrals, waivers and deferred rent reviews was put in place where appropriate.

The climate crisis and severe weather

THE RISK

The world needs to limit global warming to 1.5 degrees. This requires "rapid, far-reaching and unprecedented changes in all aspects of society" (IPCC). Farming, land use, development and housing all affect, and are affected by, global warming, and must contribute to solutions.

It is predicted that "within the next decades, the climate crisis is likely to have severe effects on UK agriculture. Increased numbers of 'extreme weather events' – such as floods – may be the most serious immediate problem."[1]

POTENTIAL IMPACTS

More severe weather patterns, such as heavy rainfall and flooding, create difficult conditions for farming and damage the land. As the recent report from the Committee on Climate Change notes, the UK's net-zero carbon target will not be met without changes in how land is used. This presents challenges for our tenants and their farming operations, and for how our areas of common land (particularly peat) are managed.

OUR RESPONSE AND MANAGEMENT

We are seeking to respond across the estate, particularly through our Zero Carbon Strategy and Natural Capitals Project (see pages 32 and 42). We need to understand the impacts of the climate crisis and severe weather on our tenants, what they can do to reduce their impacts and adapt, and how the estate can be part of the solution. We have established a Zero Carbon Task Force, have appointed a programme implementation designer and are producing detailed carbon reduction projects for various parts of our portfolio.

1 researchbriefings.files.parliament.uk/documents/SN03763/SN03763.pdf

Strategic and operational risks

A Capital cash generation

THE RISK

The ability of the Duchy to generate capital cash flow is primarily related to the health of the property market. Our forward financial planning suggests a strong requirement for capital investment over the coming year, with much reduced receipts.

POTENTIAL IMPACTS

Without sufficient capital funds we are likely to be limited in delivering our objective to cherish, protect and enhance our land and property or to provide sufficient income by rebalancing the portfolio in income-earning assets.

Strategic objectives affected:

- Provide income
- Generate capital and rebalance capital assets
- Cherish, protect and enhance land and property

Resources and relationships affected:

- Financial
- Manufactured

OUR RESPONSE AND MANAGEMENT

We combine good budgetary control and forward planning with ongoing strategic reviews of asset holdings. During 2018/19 we took a significant step to mitigate this risk by re-issuing debt via fixed-rate loan notes of between 40 and 50 years.

During 2020/21 a non-core commercial property was sold, raising capital funds, part of our ongoing review of investment opportunities.

B Tenant livelihoods

THE RISK

The complex and uncertain outlook faced by the agricultural sector and other rural businesses brings financial, social and environmental risks.

POTENTIAL IMPACTS

Commodities and farming enterprises continue to come under financial pressure, which significantly affects many of our tenants. The medium-term impact of the pandemic is not yet clear.

Strategic objectives affected:

- Provide income
- Engage with and actively support communities

Resources and relationships affected:

- Natural
- Financial
- Community

OUR RESPONSE AND MANAGEMENT

Our increasingly diversified asset portfolio mitigates the scale of this risk to the Duchy. However, for our agricultural tenants, life continues to be challenging on several fronts.

C *Safe buildings and places*

THE RISK

Being the owner of a large portfolio of buildings and associated structures brings inherent safety risks.

Site health and safety is vitally important, especially where we undertake maintenance and improvement projects. Similar risks are presented by our historic minerals assets (mines, quarries, workings), the Marine Estate and St Mary's Harbour, and our trading enterprises and subsidiaries.

POTENTIAL IMPACTS

Without a comprehensive approach to health and safety and a thorough risk management process, we expose tenants, the public and staff who use these buildings to the risk of harm and our buildings to damage.

Strategic objectives affected:

- Cherish, protect and enhance land and property

Resources and relationships affected:

- People
- Manufactured

OUR RESPONSE AND MANAGEMENT

Safety is a key focus for the team of building surveyors and land agents who manage our properties. This year we appointed an internal qualified health and safety manager and various policies have been overhauled and improved.

We maintain a comprehensive risk register and risk oversight process covering all assets and activities. Our comprehensive internal health and safety oversight structure is supported by external health and safety consultants. A safety training programme is also provided for all employees.

D *Public understanding and perception*

THE RISK

The Duchy estate is a unique organisation. Public understanding and perception of its work, and the outcomes it achieves, are important to its ability to create value.

POTENTIAL IMPACTS

There is a risk of confusion among stakeholders over the scope and role of the Duchy of Cornwall estate; for example, it must be differentiated from Duchy Originals (now known as Waitrose Duchy Organic), an organic food brand set up by The Prince of Wales in 1990 and a separate entity.

The Duchy is also quite distinct from the County of Cornwall and there is room for confusion in this respect.

Strategic objectives affected:

- Engage with and actively support communities

Resources and relationships affected:

- People
- Community
- Intellectual

OUR RESPONSE AND MANAGEMENT

Communication continues through the Duchy website, press releases and this Integrated Annual Report.

A BBC Studios documentary was broadcast on ITV in autumn 2019. This explained to a new audience how the estate is run to reflect The Prince's belief that economic development works best when in harmony with the natural world and local communities.

Duchy employees are engaged in a broad programme of outreach with communities where Duchy assets exist. Examples include working with the Council of the Isles of Scilly, Devon farming clubs and local Rotary clubs.

Financial risks[2]

E *Property*

THE RISK

The capital and rental values of property can fall as well as rise over time, and property can be an illiquid asset. Oversupply of a particular type of property, or in a given location, can result in void periods.

The immediate impact of the pandemic has been to create volatility in the property market. There is uncertainty about the medium-term effects, particularly on the London residential and office markets.

POTENTIAL IMPACTS

If property values fall, the Duchy's asset values will also fall. However, while a 10% fall in property values would represent a capital loss of around £90million, the Duchy rarely trades its portfolio, so losses would not be crystallised. Our property is held for the medium and long term, often hundreds of years. Short-term market fluctuations, therefore, represent only accounting movements.

OUR RESPONSE AND MANAGEMENT

The Duchy holds a diversified property portfolio that is actively monitored by management to reduce the overall risk profile. It is not materially dependent on any one property type or location There is more information about the portfolio in note 8 of the financial statements.

F *Credit*

THE RISK

The Duchy is exposed to credit risk in relation to our tenants, who might default on their rent or, where applicable, their share of maintenance costs.

POTENTIAL IMPACTS

The creditworthiness of our tenants can impact both whether and when rents are received. The major impact is from slow payment, which affects our cash flow.

As noted above, both aspects of this risk will be much higher as a result of the social and economic impacts of the lockdown.

OUR RESPONSE AND MANAGEMENT

Credit risk in respect of the Duchy's tenants is regularly reviewed and appropriate action is taken where necessary. For new lettings the Duchy undertakes credit checks and holds tenant deposits where appropriate.

Since the start of the pandemic we have been supporting affected tenants with rental deferrals, rental waivers and deferred rent reviews. Our aim is that they can continue as viable businesses in the future with good credit credentials.

G *Investment*

THE RISK

The Duchy holds financial investments valued at £92.4million, around 8% of its total assets.

The value of investments rise and fall, and the income distributions can also rise and fall.

POTENTIAL IMPACTS

These assets are exposed to adverse movements within financial markets, such as those experienced in late February and throughout March 2020. This caused short-term volatility in capital values. There was a significant impact on our income because of reduced dividend income yields. We expect a similar impact during 2021/22, although to a lesser degree.

OUR RESPONSE AND MANAGEMENT

The Duchy employs fund managers for its investment portfolios and the risks associated therein. Portfolios are regularly reviewed to ensure they reflect the overall objectives of the Duchy and are primarily held for the income generated and their medium-term capital growth.

2 Information on interest rate and exchange rate risk, as well as detail on key internal financial controls, can be found in Note 21 in the financial statements.

How our risk profile is evolving

THE DUCHY 'S PRINCIPAL RISKS

- A *Capital cash generation*
- B *Tenant livelihoods*
- C *Safe buildings and places*
- D *Public understanding and perception*
- E *Property*
- F *Credit*
- G *Investment*

How we create and share value: our business model

Through our business model and under the leadership of The Duke of Cornwall, we approach our activities with commercial realism and social and environmental responsibility.

1

We rely on resources and relationships to create value

Understanding how we depend on and impact our inputs enables us to be efficient and responsible in the way we use and enhance them in the long term.

FINANCIAL

The estate's property assets, financial investments, loans and cash

MANUFACTURED

Mainly buildings – some very old, some newly constructed – and renewable energy installations

NATURAL

As a historic estate of 53,000 hectares, natural capital is a major resource

PEOPLE

Our people's skills, capabilities, values and commitment, including our employees and Council and Committee members

COMMUNITY

Our community relationships that support the effective management of the estate

INTELLECTUAL

The intellect, diversity and long-term service of our people, tenants and HRH as The Duke of Cornwall

2

We always consider the most important issues for our stakeholders

Understanding what matters most to our stakeholders and which issues have the most material impact on our ability to create value helps us manage risks and maximise opportunities.

Being mindful of our reputation and how we communicate

Understanding our long-term impact on the climate

Knowing our impact on natural capitals such as soil, air and water

Being aware of the potential impacts of political change and uncertainty

Recognising the need to build a diverse and inclusive workforce

3

We are guided by our strategic objectives

Understanding what matters most to our stakeholders and which issues have the most material impact on our ability to create value helps us manage risks and maximise opportunities.

PROVIDE INCOME

to support the public, charitable and personal activities of The Duke of Cornwall and his immediate family p26

GENERATE CAPITAL AND REBALANCE CAPITAL ASSETS

while maintaining the quality and integrity of the estate p28

ENGAGE WITH AND ACTIVELY SUPPORT COMMUNITIES

by listening and responding to local needs and priorities, and by promoting economic and social well-being p30

CHERISH, PROTECT AND ENHANCE LAND AND PROPERTY

to maintain the estate for future generations p32

IMPROVE ENVIRONMENTAL OUTCOMES

by working with farmers and other partners, and reducing the impact of the Duchy's in-house operations p34

DEVELOP AN INCLUSIVE, ENGAGED AND HEALTHY TEAM

to attract and retain the very best staff, and provide the estate with the human and intellectual capital it needs to succeed p36

4

To ensure we create long-term value for them

Through our approach and activities, we generate positive impacts for all stakeholders, balancing environmental, social and economic needs.

Greater financial value – by delivering a growing revenue surplus and increased capital values

Our financial statements p52

Enhanced natural capital – by supporting sustainable farming and rural communities

How we are reducing our environmental impact p34

Stronger communities – by stimulating local prosperity and supporting rural infrastructure

How we are supporting communities p30

How we create and share value: our strategic objectives

	PROVIDE INCOME to support the public, charitable and personal activities of The Duke of Cornwall and his immediate family	**GENERATE CAPITAL AND REBALANCE CAPITAL ASSETS** while maintaining the quality and integrity of the estate	**ENGAGE WITH AND ACTIVELY SUPPORT COMMUNITIES** by listening and responding to local needs and priorities, and by promoting economic and social well-being	**CHERISH, PROTECT AND ENHANCE LAND AND PROPERTY** to maintain the estate for future generations
HOW IT IS MEASURED (KPIs)	- Annualised growth in distributable revenue surplus - An ethical investment policy	- Capital cash flow - Maintain a cohesive, quality, core property portfolio	- Jobs created at urban extension projects - Tenant perception - Length of Farm Business Tenancies for equipped holdings - Community engagement on major development projects - Affordable housing	- Homes condition assessments - Safe buildings and places - Tenant satisfaction - The proportion of land that is covered by a new Natural Resource Management Plan
OUR PROGRESS	We achieved a 2.3% average annualised growth in revenue surplus over the period 2015–20, slightly below target. In 2020/21 the revenue surplus fell by 8.2%, in line with the economic contraction across the UK.	Capital cash flows were strong, although marginally behind target because of a delayed farm sale. There were no material sales from the core estate during the year.	The long-term nature of the estate means we prize the long relationships we develop with our tenants and communities. We continue to let farms on longer tenancies, put effort into job creation at our development sites and respond to our tenants' feedback.	Key performance indicators (KPIs) capture the outcome of the investment we make to protect and enhance the estate. We have now completed natural capital management assessments for half of our farms. A building condition audit continues. There were no HSE reportable incidents during the year.
FUTURE FOCUS	We anticipate providing a very similar level of income in 2021/22. Many tenants will remain under considerable pressure for many months. We will reinstate spending on repairs that we were unable to achieve during lockdowns. Medium-term planning suggests a return to pre-pandemic levels of revenue surplus should be possible by 2022/23. We will continue to review the income returns available from various asset classes, and the weighting of these within our overall portfolio.	Our medium-term plan remains to generate capital to invest in higher-yielding assets. Following significant investment in recent years, capital flows from the major development sites should improve. The rural estate will continue to require injections of capital to support changes in the sector and tenant businesses. There will be increasing capital investment in projects to enhance natural capitals and biodiversity, and to reduce emissions across the estate.	As the country moves towards a period of recovery, the Duchy will continue the support offered during 2020/21. Engagement with the developing community at Nansledan and the established community at Poundbury will continue. Our staff hope to be visiting tenants in their homes and on their farms as they used to. Our switch to remote working in March 2020 went very smoothly so we are prepared for whatever may come.	Ambitious budgets have been set for investment in the coming year, an 80% increase in repairs spend year on year (50% up on a typical year), and more than double the investment in capital improvement projects. Investment at our development sites is also set to more than double, including investment in retained property at Nansledan and ongoing infrastructure works at Poundbury.
RELATED UN SUSTAINABLE DEVELOPMENT GOALS	8 Decent Work and Economic Growth	11 Sustainable Cities and Communities	8 Decent Work and Economic Growth 11 Sustainable Cities and Communities	11 Sustainable Cities and Communities 13 Climate Action 15 Life on Land

	IMPROVE ENVIRONMENTAL OUTCOMES	DEVELOP AN INCLUSIVE, ENGAGED AND HEALTHY TEAM
	by working with farmers and other partners, and reducing the impact of the Duchy's in-house operations	to attract and retain the very best staff, and provide the estate with the human and intellectual capital it needs to succeed
HOW IT IS MEASURED (KPIs)	- Renewable energy installed capacity and projects facilitated - Natural capital assets - Direct greenhouse gas emissions - Zero 2028 project - Ethical investment policy	- Non-mandatory training - Staff turnover
OUR PROGRESS	With business travel and staff commuting being much reduced, emissions fell significantly in the year. We started work on a net-zero carbon strategy for the estate. New farm lettings continue to specifically address environmental issues.	We moved quickly to ensure that staff could work effectively from home, and adapted offices to be COVID-19-safe. Despite remote working, more than half of staff managed to engage in some form of non-mandatory training. We value the experience of long-term staff: staff turnover, at 7%, was in line with our target to be below the national average.
FUTURE FOCUS	This will be one of the most significant years for our work on improving environmental outcomes. The audit and assessment phase of the Natural Capitals Project will near completion. Projects to effect change will start. Our Zero Carbon Strategy will be fleshed out and we hope to start work on the change programme that will last into the next decade. A budget of £1.3million has been allocated.	Essential recruitment will resume. A programme to refresh our goals and values will engage with staff. An increased training budget has been approved. A major review of remote working is underway, with significant investment planned for this year in software and collaborative working tools. A new staff intranet is planned.
RELATED UN SUSTAINABLE DEVELOPMENT GOALS	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION 15 LIFE ON LAND	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

PERFORMANCE AGAINST STRATEGIC OBJECTIVE

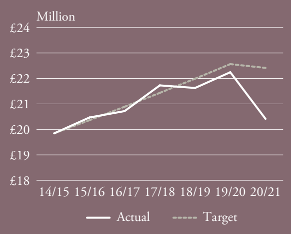
Provide income

The Duchy of Cornwall was established in 1337 to generate an income for The Duke of Cornwall. Under this charter, The Duke of Cornwall is entitled to the annual revenue surplus generated by the Duchy estate.

The income sustains the charitable, public and private activities of The Prince of Wales and his immediate family. As the longest-serving Duke of Cornwall, His Royal Highness is actively involved in running the estate, ensuring it operates in accordance with his social and environmental values, supporting the communities who live and work there, and protecting the land itself for future generations. The Prince of Wales voluntarily pays income tax at the prevailing rate and has no access to funds from the sale of capital assets. Funding for official travel and for the running costs of official residences comes from the Sovereign Grant.

KEY PERFORMANCE INDICATORS

	Growth in the revenue surplus	An ethical investment policy
TARGET	2.6% p.a. average annualised growth in revenue surplus 2015/20	Maintain all liquid financial investments in ethically invested assets
PERFORMANCE	2.3% average annualised growth in revenue surplus was achieved between 2015 and 2020	All liquid financial investments remain invested according to the policy
COMMENTARY	Revenue surplus was down 8.2% this year. Given current uncertainties we are in the process of establishing new targets.	There were no additions to the portfolio during the year and all liquid financial investments remain invested according to the policy.
	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD



FUTURE PLANNING: THE NEXT FINANCIAL YEAR

With 2020/21 having seen an unprecedented decrease in revenue surplus, it might be tempting to try and rebuild as quickly as possible. However, we anticipate providing a very similar level of income in 2021/22. Many tenants will remain under considerable pressure for many months. We are also determined to reinstate spending on repairs that we were unable to achieve during lockdowns, and to make good the shortfall. Important long-term projects on natural capital and net-zero carbon are at crucial stages and require early investment.

Our medium-term planning suggests a return to pre-pandemic levels of revenue surplus should be possible by 2022/23. We will continue to review the income returns available from various asset classes, and the weighting of these within our overall portfolio.

As part of its development strategy for Nansledan, Newquay, the Duchy is directly procuring the design and development of a £4million complex of commercial buildings, a long-term investment for rental income. This hub area comprises three commercial buildings within a central courtyard along the high street, designed to accommodate local demand. It will contain flexible office space, a children's nursery and retail units.

SUPPORT FOR THE ISLES OF SCILLY

Throughout the COVID-19 pandemic the Duchy team has kept in contact with all tenants. Needs-based help and support have been offered to those suffering financial hardship, particularly for those in the tourism and hospitality sectors, such as pubs, restaurants and businesses linked to weddings and leisure.

On the Isles of Scilly in particular, significant losses were experienced due to the local economy's reliance on tourism. Many Duchy tenants on the islands were offered an interest-free rent deferral for all payments due between 25th March and 24th June with an annual rent of £3,000 or more.

UNDERPINNING FARM PROFITABILITY

During the course of the year the Duchy continued its usual practice of supporting farming tenants by investing in farm buildings. In line with enabling high levels of productivity for our tenants' businesses and offering the highest standards of animal welfare, a new cubicle building has been built at St Kew Barton Farm in Cornwall. This provides the Mitchel family with bio-secure accommodation for their herd of 100 high-yielding pedigree Holstein cows. The building is due to have a retrofitted solar PV array and battery storage to maximise on-farm renewable energy use.

RURAL WORKSHOPS AT BRISTON ORCHARD, CORNWALL

PERFORMANCE AGAINST STRATEGIC OBJECTIVE

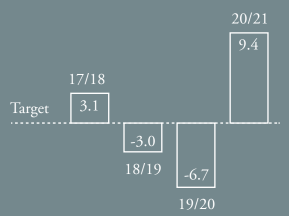
Generate capital and rebalance capital assets

The Duchy of Cornwall estate includes over 600 residential lettings and more than 700 agricultural tenancies across 23 counties in England and Wales.

Maintenance of these existing assets through continued investment not only benefits current and future tenants but also guarantees a sustainable income stream for the future. By taking this long-term approach the Duchy aims to generate capital and rebalance capital assets while maintaining the quality and integrity of the estate through a cohesive, quality, core property portfolio.

KEY PERFORMANCE INDICATORS

	Capital cash flow	A cohesive, quality, core property portfolio
TARGET	Generate positive capital cash flows from the property portfolio	No net diminution in the core property portfolio (42,500 ha)
PERFORMANCE	+£9.4m capital cash flow	6.9 ha sold (0.016%)
COMMENTARY	Capital cash flows were ahead of budget and strongly positive, thanks to good receipts from the development portfolio, a small capital cash surplus on the rural estate and the sale of a small commercial property. With significant investment required in development sites in 21/22, we expect a capital cash flow deficit.	During the year 7 hectares of land, including one farmhouse, were sold from within core manors. The land was on the periphery of the estate, with the main block sold across a main road.
	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD



FUTURE PLANNING: THE NEXT FINANCIAL YEAR

There is little prospect of organic rental growth in many sectors. Through astute management the portfolio is by and large fully rented. Our medium-term plan therefore remains to generate capital to invest in higher-yielding assets. Following significant investment in recent years, capital flows from the major development sites should improve. The rural estate will continue to require capital injections to support changes in the sector and tenant businesses. Over the coming decade there will be growing capital investment in projects to enhance natural capitals and biodiversity, and to reduce emissions across the estate.

At Nansledan, Newquay, the construction of Market Street (Stret an Varghas), the development's high street, and the western arm of the Newquay strategic route, a transport link that will improve traffic flow and provide accommodation for cyclists and pedestrians, will commence in 2021/22. Building these strategic roads will deliver a large increase in passing trade and footfall, underpinning commercial property values and supporting local businesses. The delivery of Market Street will enable construction to commence on what will become the commercial hub and heart of Nansledan, adding value to the wider development over time.

POUNDBURY

NANSLEDAN, NEWQUAY

Despite the pandemic, the construction of Nansledan, the Duchy's urban extension of Newquay, Cornwall, has continued safely and at a quite remarkable pace. Approximately 100 new homes were completed in 2020/21, 40% of which are designated affordable housing. Five new businesses opened during the various lockdowns, all of which are reporting good trade, benefiting from a strong community spirit. House values have also continued to rise, as COVID-19 restrictions have caused people to place a greater value on the quality of place and environment in which they live.

At Nansledan, as with all of its sustainable communities, the Duchy has invested substantial capital in infrastructure. These include a new primary school and 30 hectares of wildflower meadows with extensive tree and shrub planting. After this placemaking, surplus receipts allow the Duchy to reinvest in other areas of the estate, to support farming tenants with new buildings and to grow income.

RESTRUCTURINGS IN THE RURAL ESTATE

In 2017 the farming tenant of Resurrance Farmhouse on the Arrallas Estate retired, vacating the following year. The Duchy management took this opportunity to completely remodel the home. The result is a more contemporary living space with increased sustainability credentials, thanks to thermal upgrades using wood fibre and lime plaster. In August 2020 Mr and Mrs Moore moved into the Farmhouse (pictured), leaving Lower Trelassick House, another Duchy property nearby, free to be put up for sale. In addition to being a strong investment in the existing Duchy portfolio the move will enable the Moores to expand their own small business of hiring out tipis for commercial events.

In April 2020 Tregooden Farm at St Tudy, Cornwall, returned to the Duchy after the retirement of a long-term tenant. Following an application process, the tenancy was granted to Malcolm Barratt, son of another Duchy tenant, who was keen to take on a farm of his own. Mr Barratt also expressed enthusiasm for the estate's Natural Capitals Project and, ultimately, Tregooden was selected as the Western District's first Focus Farm.

Prior to Mr Barratt and his family taking up residence in January 2021, extensive renovation work was carried out. This work included repairs to the traditional infrastructure and replacing the old oil heating system with renewable biopropane gas. The estate management team look forward to seeing this regenerated farm grow and prosper while demonstrating the immense value of a comprehensive natural capital management system. The move also enabled the sale of Puffiland Cottage, Mr Barratt's former residence, to generate further capital for reinvestment.

PERFORMANCE AGAINST STRATEGIC OBJECTIVE

Engage with and actively support communities

In line with the views of The Prince of Wales, the Duchy of Cornwall estate is managed in a way that puts the greatest emphasis on creating meaningful value for the local communities it supports.

Duchy management, led by a team of regional Land Stewards, maintains active communication with tenants to proactively support the Duchy family. Local residents are regularly consulted to ensure that the investment of time, money and expertise is beneficial for the broadest group possible. Effective relationships are also formed with local stakeholder groups, such as community associations, to ensure open and accessible lines of communication.

KEY PERFORMANCE INDICATORS

	Relationship with tenants	Length of Farm Business Tenancies (FBTs)	Jobs created by urban extension projects	Community engagement on major development projects
TARGET	Improved relationship with tenants as evidenced by customer service questions and net promoter score from tenant surveys	Let all equipped FBTs for periods of no less than 10 years	At least one job created per house sold	Engagement process for all projects
PERFORMANCE	**27** Average net promoter score **80%** customer service amalgam	**21 years** Average length of FBT on equipped holdings	**1.1** people employed per dwelling built (Poundbury) **0.3** people employed per dwelling built (Nansledan)	Achieved
COMMENTARY	The average net promoter score has declined from 29 to 27. This year's survey of rural commercial tenants found the same low level of detractors as three years ago, but some promoters have slipped into the passive category. The rolling average of the quality of customer service is static at 80%.	Since this KPI was launched in 2016, all agreements have been for at least 10 years, with the average length being 19 years. Four farm lettings occurred this year: one for 10 years, one for 15 years and two for 20 years.	The ratio for Poundbury has fallen back because i) a large factory unit is currently vacant; and ii) during the pandemic, construction has focused on residential rather than commercial property. The ratio for Nansledan reflects the early stages of the development: commercial property is due in later phases. The project is on course to deliver at least one job per dwelling built. Employment numbers exclude construction jobs. In addition, each site currently has around 200 construction workers.	The only new development proposal was on the Isles of Scilly, led by the Council. Public consultation is taking place. Duchy land south-east of Faversham in Kent has been allocated in the draft local plan. Stakeholder engagement continues, to help evolve a truly landscape-led masterplan designed around soil, water and the human relationship with land. This new mixed-use sustainable community aims to deliver around 2,500 homes and an equivalent number of jobs, along with facilities.
	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD

FUTURE PLANNING: THE NEXT FINANCIAL YEAR

As the country moves towards a period of recovery, the Duchy will continue the support offered during 2020/21, maintaining and growing communication and links with tenants and communities. We have some useful feedback from the latest round of tenant surveys and are working on how to address areas for improvement. We will undertake our second survey of agricultural tenants at a crucial time of change in the sector.

Engagement with the developing community at Nansledan and the established community at Poundbury will continue. Our staff hope to be visiting tenants in their homes and on their farms as they used to. Our switch to remote working in March 2020 went very smoothly so we are prepared for whatever may come. We are sure The Duke of Cornwall will be back to his usual busy schedule of Duchy site visits and meetings as soon as possible.

POUNDBURY

Affordable housing

To deliver affordable housing on development projects to the local policy percentage.

SITE	TARGET	ACHIEVED SO FAR
Poundbury:		
All to date	28%	28%
Current phase	37%	35%
Nansledan	28%	30%
Bletchingdon	35%	30%

As part of the planning process, a target for affordable housing is agreed with the Local Authority. During construction the level of affordable housing will fluctuate, but the target percentage will be delivered by completion.

BEHIND ON TARGET AHEAD

COVID-19 SUPPORT FOR DUCHY TENANTS

In March 2020 the Duchy of Cornwall wrote to all tenants, addressing the social, financial and logistical disruption caused by the COVID-19 pandemic. As well as outlining health and safety precautions being undertaken by Duchy staff, including working from home, limiting access to office buildings and virtually assessing property repairs, the message encouraged tenants with financial concerns to get in touch with their Land Steward.

This correspondence was accompanied by a letter from His Royal Highness The Prince of Wales encouraging tenants across the Duchy to access professional help from the estate office and sending his personal best wishes. Duchy tenants were also given access to special digital briefings on the COVID-19 pandemic.

DUCHY OF CORNWALL LAND STEWARDS WORK WITH THE FARMING HELP CHARITIES

In response to the COVID-19 crisis a group of rural surveyors within the Duchy Land Stewards team volunteered to assist Farming Help, a collaboration between charities in the sector. The Farming Help partnership includes the Addington Fund, the Farming Community Network, the Royal Agricultural Benevolent Institution and Forage Aid, with support from The Prince's Countryside Fund.

The team also reached out to a number of smaller charities, including the Farm Safety Foundation, which provides mental health awareness help for farmers through its Yellow Welly initiative. The Group offered a sounding board to frontline advisers volunteering for these charities, providing specialist technical support in areas related to property, tenancy (for landlord and tenant) and wider farming and countryside issues.

PERFORMANCE AGAINST STRATEGIC OBJECTIVE

Cherish, protect and enhance land and property

The Duchy of Cornwall's approach to land management focuses on a long-term approach prioritising sustainable solutions and resource preservation over short-term financial gain.

With the aim of passing on a stronger and more resilient estate to the next generation, the Duchy management team endeavours to cherish, protect and enhance the physical fabric of the land and the historic sites that fall within its remit.

FUTURE PLANNING: THE NEXT FINANCIAL YEAR

Following the reduction in the level of repairs and capital improvements we were able to make during 2020/21, ambitious budgets have been set for investment in the coming year. We have planned for an 80% increase in repairs spend year on year (50% up on a typical year), and more than doubling investment in capital improvement projects. Much will depend on planning and the availability of contractors. Investment at our development sites is also set to be more than double that of the year passed, including in retained property at Nansledan and ongoing infrastructure works at Poundbury.

KEY PERFORMANCE INDICATORS

	Homes condition assessments	Tenant satisfaction	Safe buildings and places	The number of natural capital management plans
TARGET	Ensure all homes meet our minimum condition standards and are improving	To improve on the baseline of 73% set in 2019	Zero HSE reportable incidents or accidents	Complete natural capital management plans for 40% of farms by 2019 and 100% by 2020
PERFORMANCE	Baseline data is almost complete. When lockdown permits, a programme of work will be put in place to address areas of weakness.	72% tenant satisfaction with property	Zero HSE reportable incidents or accidents, to the end of March 2021	LATEST VIEW 18/19: 12% 19/20: 29% 20/21: 50% 21/22: 85% 22/23: 100%
COMMENTARY	Duchy building surveyors have been undertaking assessments of key elements of all directly let residential property: kitchen, bathroom, heating system, electrics, insulation and ventilation.	Through our tenant surveys we asked tenants how satisfied they are with the overall quality of their home, workshops, farmhouses or farm buildings. The rolling average score has fallen from 72.5% to 72.4% this year.	Another year with no reportable Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) incidents or accidents.	Designing this project took more time than anticipated. This is now complete and assessments were underway until lockdown. The Duchy has recruited its own in-house ecologist and now has a team of six working on the project, including two specialist soil advisers.
	BEHIND ON TARGET AHEAD Work in progress	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD

BUILDING A LASTING LEGACY

Andrew Davis joined the Duchy of Cornwall as an apprentice stonemason 43 years ago and remains a key member of the Duchy family to this day. Much of his working life has been spent repairing and restoring the stone-built properties forming part of the Newton Park Estate in Somerset. His work is so prolific that Andrew counts his wall-building in miles rather than yards!

Recently, Andrew has been constructing a new boundary wall at the Newton Farm Shop. Dubbed the 'Lockdown Wall', Andrew was able to work throughout the restrictions in 2020. In true stonemason tradition he always leaves his mark – be it a fossil, an old coin or even a piece of the Berlin Wall – within his creations. He also builds into every wall a small box containing items from that particular year: in the Lockdown Wall, this included the Government's letter to all citizens about COVID-19.

HEDGEROW TREE PLANTING

As part of its wide-reaching programme to invest in nature recovery, the Duchy launched a major campaign to ensure that hedgerow trees thrive for generations to come. There has been a significant loss of hedgerow trees over many decades due to the historic removal of farm hedges and farming practices, pests and diseases such as Dutch elm disease and ash dieback and, of course, natural mortality. There is an urgent need to secure the future of these important icons of our landscape.

The Duke of Cornwall kicked off the campaign by personally planting hedgerow trees on the Highgrove Estate. To date, more than 2,000 trees have been planted on Duchy farms. The initiative will continue for years to come and will be reinforced by the creation of many new farm woodlands, as part of the Duchy's Natural Capitals Project.

DARTMOOR

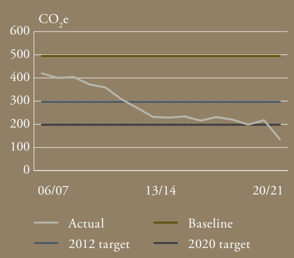
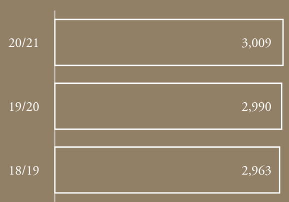
PERFORMANCE AGAINST STRATEGIC OBJECTIVE

Improve environmental outcomes

Reducing the environmental impact of the estate's in-house operations and improving environmental outcomes across the Duchy of Cornwall is a key focus of our management approach.

The Prince of Wales and current Duke of Cornwall has been an influential spokesperson on the topic of climate change for decades, and his ethos of sustainability is reflected throughout the estate's practices.

KEY PERFORMANCE INDICATORS

	Direct greenhouse gas emissions	Renewable energy installed capacity and projects facilitated	Zero Carbon Strategy	Enhanced natural capital
TARGET	60% reduction against baseline by 2020	Grow installed renewable energy capacity annually and facilitate other projects	By the end of 2020, develop a comprehensive strategy setting out how we could deliver net-zero by 2028	Enhancement of natural capitals on every farm
PERFORMANCE	76% reduction on baseline 		Strategy developed – see page 95 for details	KPI requires farm assessments to have been completed, which are a few years off
COMMENTARY	Overall emissions are down 76% on baseline. Emissions from business travel were down over 55% year on year, and from staff commuting down over 50%. With offsetting, we remain net zero for in-house operations.	This year there were a few domestic installations (heat pump, solar thermal, solar PV), taking our installed capacity just over 3MW.	The strategy has been completed and endorsed by The Prince's Council. Our challenging ambition sees different parts of the estate achieve net-zero carbon between 2027 and the early 2030s. See page 95	Full details can be found under Cherish, protect and enhance on page 32
	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD	

FUTURE PLANNING: THE NEXT FINANCIAL YEAR

As is appropriate for the year in which a major global climate conference is held in the UK, the coming year will be one of the most significant for our work on improving environmental outcomes. The audit and assessment phase of the Natural Capitals Project, which began in 2019, will near completion and projects to effect change will start. We will be working with our farm tenants on producing detailed farm carbon footprint assessments. Our Zero Carbon Strategy will be fleshed out and we hope to start work on the change programme that will last into the next decade. A budget of £1.3million has been allocated, and we will have more than six members of staff dedicated to these projects, along with substantial input from across the regular teams.


DUCHY NURSERY

An ethical investment policy

Maintain all liquid financial investments in ethically invested assets

See Provide income on page 26

BEHIND ON TARGET AHEAD

ARCHERTON COTTAGE RETROFIT

Archerton Cottage, located near Postbridge on Dartmoor, became vacant in 2018. Despite an EPC E rating, the property was not fit for human habitation. Following a successful planning application, work began in 2019 to convert the adjoining barn and achieve Passivhaus EnerPHit certification. The core focus of Passivhaus is to dramatically reduce the requirement for space heating and cooling, an essential step in achieving zero carbon, while also creating excellent indoor comfort levels. Archerton Cottage has been modelled by the Passivhaus designers to achieve a heating demand of 55kWh/m^2 per year. For comparison, a new dwelling designed to meet standard building regulations achieves around 100kWh/m^2 per year and the national average for existing dwellings is 450kWh/m^2 per year. The project was completed in September 2020 and subsequently awarded a 2021 Building Excellence Certificate of Recognition by the Devon Building Control Partnership.

ELECTRIC VEHICLES

As the Duchy of Cornwall works towards net-zero carbon across the estate, steps are being taken to minimise the carbon output of the land itself, as well as the daily work of Duchy staff. On the Isles of Scilly and in mainland Cornwall, office pool cars have been replaced with electric vehicles and charging stations are being installed across the estate for staff use. Many staff also successfully used video conferencing when face-to-face meetings and site visits were no longer feasible due to the pandemic. This practice will continue to be used wherever possible, reducing emissions from travel.

Electric vehicle charging points are being installed at all Duchy offices for staff and visitor use.

Develop an inclusive, engaged and healthy team

The Duchy is an inclusive workplace. We strive to make it a place where people feel valued for their individual abilities, appreciated and respected, and capable of working collaboratively and confidently to deliver the Duchy's strategic objectives.

Employees are proud to work for the Duchy and are committed and loyal to our organisation: employees stay with us for 10 years on average. We draw on this extensive organisational and individual knowledge to improve our productivity and meet the Duchy's objectives. Our employees understand their role within the organisation, have regular appraisals and are supported in developing new skills through our optional Personal Development Programme. The first Human Resources Information System, which gives staff access to their own profiles and documents, was implemented during the year and has been well received across the Duchy.

Employee health encompasses the physical and mental well-being of our employees. Along with the Staff Group, the Duchy has focused on health and well-being initiatives and has promoted the services offered by its employee assistance provider. On pertinent awareness dates throughout the year, the Human Resources function and Staff Group strive to make employees aware of the importance of well-being through social events and articles. Informal monthly office gatherings are also encouraged.

When the first lockdown was imposed, staff were quickly enabled to work from home. Laptop computers and peripherals were provided, and grants made for other necessary equipment. Offices were made COVID-19-safe in accordance with Government advice.

KEY PERFORMANCE INDICATORS

	Non-mandatory training	Staff turnover
TARGET	At least half of staff undertake some element of non-mandatory training each year	Less than 15%
PERFORMANCE	52%	7%
COMMENTARY	Training on health and safety and equality, diversity and inclusion is mandatory for all staff. Additionally, many staff have opted for training in subjects as diverse as getting the most out of working remotely, the Greenhouse Gas Protocol, legionella awareness, handling difficult conversations and interview skills. This training is supplementary to the continuing professional development requirements set by the various professional bodies to which many staff belong.	The national average for staff turnover is 15%. The Duchy attaches great importance to long-term relationships with tenants, suppliers and communities. A low turnover rate helps maintain these relationships while allowing for the right amount of new talent to join the Duchy.
	BEHIND ON TARGET AHEAD	BEHIND ON TARGET AHEAD

FUTURE PLANNING: THE NEXT FINANCIAL YEAR

A pay and recruitment freeze was introduced at the start of the first lockdown. The recruitment freeze has now been lifted, with key roles to fill. A programme to refresh our goals and values will engage staff during the year, and an increased training budget has been approved. A major digital review is underway, with significant investment planned for this year in software and collaborative working tools, including a new staff intranet. We also hope that all staff will be able to gather for the annual Duchy Day and for Christmas lunches, events that had to be cancelled in 2020.

TRH with Holiday Cottage staff, in 2019.

SUPPORTING STAFF THROUGH THE COVID-19 PANDEMIC

The Staff Group, established in 2015, is a representative body of employees from across the organisation that is nominated and appointed by staff. The Group provides a voice for employees and acts as a conduit for communication on issues that impact welfare and working conditions. It aims to drive positive change on current issues and to prepare for future needs and opportunities. For example, the Group has recently been looking at ways to make Duchy offices even greener.

This year, the Staff Group have been particularly conscious of the need to support staff in staying connected. In an effort to combat the remote working isolation of the lockdowns, the Group put on quizzes, a book club, a craft competition and even a pet photo competition.

STAFF DEVELOPMENT

The majority of the Duchy's professional staff are members of the Royal Institution of Chartered Surveyors (RICS). Membership qualification requires an RICS-accredited degree, followed by two years of practical work, where experience in various competencies is logged. Once that is complete, candidates apply to sit their Assessment of Professional Competence (APC). This involves a written case study and an interview with established professionals. Demonstrating its commitment to employee development and helping to shape the next generation of rural surveyors, the Duchy of Cornwall employs two land agent recruits who are receiving work experience in the lead up to their APCs.

Josh Conibear joined the Western District team in late 2018 from a career in law and mineral surveying and is due to sit the RICS APC in 2021. As a Cornishman, Josh understands the trials of farming in the County and appreciates the value of its marine and mineral estates.

Emma Pryce grew up on her family's farm in Mid Wales. Emma joined the Eastern District as a Graduate Surveyor in September 2020, having recently graduated from Harper Adams University. Her studies included a placement at a firm of Chartered Surveyors in Shropshire where she began working towards her APC. Emma's work with the estate so far has been largely agriculture based. She has been very involved with the Natural Capitals Project, assisting the team with producing reports and advising tenants on the potential options and biodiversity uplift they may benefit from.

HEREFORDSHIRE WOODS

Direction, oversight and transparency

The Dukes of Cornwall have traditionally managed their own estates. The current Duke of Cornwall actively leads the Duchy and has chaired The Prince's Council for 52 years. The leadership provided by the Council is fundamental to the performance of the Duchy estate.

The Council delegates executive responsibility to its respective Committees while maintaining oversight through member participation in these Committees.

HIGHER COOMBE FARM, DEVON

Governance at a glance

THE PRINCE'S COUNCIL

HM TREASURY

FINANCE & AUDIT COMMITTEE	COMMERCIAL & DEVELOPMENT COMMITTEE	RURAL COMMITTEE	REMUNERATION COMMITTEE	EXECUTIVE COMMITTEE

Transparency

The Duchies of Lancaster and Cornwall (Accounts) Act 1838 gave HM Treasury a role in ensuring that actions taken by any Duke when managing the Duchy cannot compromise the long-term value of the estate. For this reason HM Treasury must, for example, approve all property transactions with a value of £500,000 or more.

The management of the estate is subject to the supervision of The Prince's Council and to an annual independent external audit. In addition the Duchy's annual accounts are laid before the House of Commons and the House of Lords so that Parliament can be satisfied that HM Treasury is fulfilling its statutory responsibilities.

In relation to the International Integrated Reporting Council (IIRC) Framework for integrated reporting, we confirm that members of The Prince's Council have been involved in the development of this Integrated Annual Report and consider that it complies with the IIRC Framework. The Prince's Council acknowledges its overall responsibility for the accuracy and integrity of the Report's contents.

Operating framework

The Duchy estate was established under the Great Charter of 1337 by Edward III for his son and heir, Prince Edward. Subsequent Charters bequeathed additional land. The land, property and other assets of the Duchy, and the proceeds of any disposals of assets, are subject to the terms of the original Charters and the Duchy of Cornwall Management Acts. These govern the use of the Duchy's assets for the benefit of the present and future Dukes of Cornwall. The Prince of Wales, as The Duke of Cornwall, is entitled to the annual net revenue surplus of the Duchy. He is not entitled to the proceeds or profits from the sale of capital assets, which are retained in the Duchy to provide income for future beneficiaries.

Governance roles and activities

Many members of The Prince's Council sit as non-executives on one or more of the supporting Committees, providing a clear mechanism for two-way dialogue, guidance and reporting.

	Role and remit	Principal resources and relationships overseen	Matters reviewed
THE PRINCE'S COUNCIL	- Chaired by The Prince of Wales - Provides advice to His Royal Highness regarding the strategy of the Duchy - Except for the membership of the Secretary and Keeper of the Records, the Council is a non-executive body.	The Prince's Council has always taken a holistic view of the resources and relationships the Duchy estate draws from and impacts upon. In its discussions and recommendations the Council takes care to balance all resources and relationships.	The Council met in June and December. It received reports from all Committees and reviewed bona vacantia and capital transactions. Specific matters included the impact of the pandemic, farming and new farm lettings, the Natural Capitals Project and the Zero Carbon Strategy, commercial property, development projects and financial forecasts. The Council considered various legal issues.
FINANCE & AUDIT COMMITTEE	- Chaired by The Hon Sir James Leigh-Pemberton, Receiver General - Advises on the Duchy's financial strategy and liaises with the external auditor - The Committee reviews financial performance, ensuring that an appropriate balance is struck between revenue and capital growth, that any variations between forecast and budget are understood and are appropriate, and that risks are well managed.	- Financial - Manufactured	Met five times, more frequently than usual, to oversee the Executive Committee's pandemic response. In addition to routine financial matters, including budgets, forecasts, cash flows and audits, particular topics included the strategic financial response to the pandemic, particularly support for tenants, the impact on the Duchy's trading activities and property valuations in an uncertain climate. An updated five-year projection was reviewed. The Committee considered the Zero Carbon Strategy and different financial scenarios arising and received presentations from external fund managers and the Duchy auditors.
RURAL COMMITTEE	- Chaired by Sir Nicholas Bacon, Lord Warden of the Stannaries - Advises on the rural economy - Much of the value provided by the Rural Committee flows from the time and expert guidance given by members outside of meetings. Members carry out an extensive range of visits to the Duchy district offices, estates and farm tenants.	- Natural - Community - Financial - Manufactured	Two long-standing members retired: Mark Thomas and The Countess of Arran. Three new members joined: The Rt Hon the Lord Benyon, James Willcocks and Christina Williams (see page 43). There were two meetings during the year. The Committee considered the impact of the pandemic on the Duchy's rural tenants and the policy for rent waivers and deferrals. Building on work from the previous year, the Committee continued reviewing the strategic direction of the agricultural estate in the context of the Agricultural Act, the terms of EU withdrawal and the Environment Bill (see page 16). The Zero Carbon Strategy was also discussed at length.

	Role and remit	Principal resources and relationships overseen	Matters reviewed
COMMERCIAL & DEVELOPMENT COMMITTEE	- Chaired by John Stephen - Advises on the commercial property portfolio and development sites (excluding Poundbury).	- Manufactured - Community	The Committee met four times. Particular matters reviewed included portfolio valuations, the major development sites at Poundbury and Nansledan, development opportunities in Kent, Somerset and Kennington, and the lease of Dartmoor Prison. Each meeting included a review of the main commercial properties and tenancies, financial budgets and forecasts. There was an emphasis on the impact of the pandemic, particularly on the Duchy's London office portfolio and the Kennington residential estate. The sale of a small warehouse property in Portsmouth was agreed upon. The Committee reviewed the Scope 3 carbon emissions associated with the commercial and development portfolios.
EXECUTIVE COMMITTEE	- Chaired by Alastair Martin, Secretary and Keeper of the Records - Implements strategy and manages all operational activities.	- People - Intellectual - Community - Financial	The Executive Committee held its usual four meetings, as well as many extraordinary meetings to manage the Duchy's operational response to the pandemic and how best to support tenants. At each regular meeting the Committee considers the progress being made on our strategic objectives, whether the teams are working effectively and if the organisation is running smoothly. A health and safety report is received at each meeting, and the Officer attends once a year. Other regular matters include financial budgets and forecasts, legal updates and human rights resources reports. The climate crisis and our Zero Carbon Strategy have been a particular focus this year. The results of the 2020 residential tenants' survey were reviewed, along with work around housing standards. A digital records management project is underway. This year the Executive also held a number of workshops to review the main components of integrated thinking and reporting, the Duchy's vision, critical success factors, strategic objectives and key performance indicators. Groups of staff are working on a 'values' project. You can read more about this ongoing work on page 14. Next year's Integrated Annual Report will be based on this initiative.

Governance, engagement and consultation

We believe integrated thinking is fundamental to sustainable development and, as such, it has always been part of how the estate is managed and decisions are made. Our ambition is to systematically apply integrated thinking across our activities to optimise financial results and transparency, add value to communities and the natural environment, and enhance the estate's living legacy.

Governance in action

Key decisions during the year have enhanced our ability to create value in the short, medium and long term. These include:

Support for tenants during the COVID-19 pandemic

A successful Duchy depends on successful tenants. With many of our tenants affected by the pandemic, particularly those in the tourism and hospitality sector, we acted swiftly to engage and (where necessary) support them financially. Read more on pages 27, 31 and 37. Although our distributable surplus has fallen significantly for the first time, we believe our support will mean many more tenants will have survived the impacts of the lockdowns and be ready to prosper again. This support has been in the best interests of our relationships with tenants and the communities where they work and live.

Governance in difficult times

As well as supporting our tenants and their businesses during the pandemic, we also focused on ensuring the operational stability and financial viability of the organisation, such as the continuing operation of our trading enterprises – St Mary's Harbour, the Duchy Nursery and the Holiday Cottages Portfolio – which faced the same very difficult circumstances as our tenants.

Our last annual report went to print during the first national lockdown in 2020, when exceptional steps were taken to ensure ongoing governance and oversight. All Committees continued to meet as planned, albeit virtually; the Finance & Audit Committee added an additional meeting, following an emergency review of budgets. The Executive Committee met weekly to ensure a smooth transition to remote working, develop a COVID-19-safe response to all working practices and design an effective support package for tenants. New reporting was put in place to record rental deferral and waiver agreements, and to track the impact of the lockdown on our tenants and their businesses, particularly those with commercial tenancies.

Despite the pandemic, there have been no material strategic or operational disruptions. We initially had to scale back our property repairs and capital improvements but soon established safe working practices and have achieved much of what we planned to. A pay freeze remains, but the recruitment freeze ended in March 2021; we hope to fill several important posts soon. All office staff were quickly set up to work from home, and offices were made COVID-19-safe. Our annual report and accounts were published to the usual timetable. Property and lease transactions have continued, including a number of significant sales. Work at our major development sites continued almost without a break, responding to the strong residential property sector.

The approval of the budget for 2021/22

The budget for the coming financial year anticipates a reduced level of surplus, similar to 2020/21. Firstly, provision has been made for further tenant support, as businesses and residents are still impacted. Secondly, the budget has committed not only to reinstating a full-year repairs programme, but also to making up the shortfall that could not be spent over the last year. A strategic objective is to cherish, protect and enhance land and property, and the budget will ensure this.

The climate crisis: establishing a Zero Carbon Strategy

As described on page 17, the climate crisis is a principal external factor affecting value creation. The Zero Carbon Strategy and the Natural Capitals Project aim to ensure that our tenants and land enhance biodiversity and reduce emissions to net zero, and outline how they can adapt and what opportunities there are for the estate to be part of the solution.

This year saw the development of our Zero Carbon Strategy. It began with several discussions by the Executive Committee, including a separate single-issue meeting. In November much of the meetings of the Finance & Audit, Commercial Property & Development and Rural Committees was devoted to discussing these topics, both in general and the specific implications for the distinct sectors overseen by each Committee.

Staff across the Duchy have contributed to drawing up this strategy, which includes proposals for how to support staff in delivering the change required. At the request of the Committees, the remit of the strategy has been extended to include the urban commercial property and financial investment portfolios, and the marine estate.

The draft Zero Carbon Strategy was refined and then endorsed by The Prince's Council in December 2020. A substantial financial commitment has been made to develop the strategy in 2021. You can read more about the Natural Capitals Project on page 35 and the Zero Carbon Strategy on page 95.

Recruitment of Council and Committee members

The Prince's Council and its Committees provide the Duchy with invaluable professional expertise and experience, drawing on recognised leaders in the various sectors in which the Duchy operates. During the year there were three retirements and four appointments. Recruiting new members has been a key project.

SIR JIMMY JAMES, 1935-2021

We were saddened to hear of the death in February of Sir John 'Jimmy' James, KCVO, CBE, FRICS. Jimmy joined The Prince's Council in 1986 when he was running the Grosvenor Estate. On retiring from Grosvenor in 1993, he became Secretary of the Duchy, where he was instrumental in the early days of the Duchy development at Poundbury, Dorchester. He was a Crown Estate Commissioner from 1984 to 1999, and a Trustee of the Grosvenor Estate from 1970 to 2000. He served as president of the Royal Institution of Chartered Surveyors from 1980 to 1981. He was appointed CBE in 1990 and KCVO in 1997 on his retirement from the Duchy. He was succeeded by Sir Bertie Ross. Jimmy stayed in touch with the Duchy throughout his retirement in Dorset.

Left to right: Sir Jimmy James, Alastair Martin, Sir Bertie Ross
(Photograph from 2018)

Changing faces

GOVERNANCE

During the year there were three retirements from The Prince's Council. After 14 years of service, Jonathan Crow QC stepped down as Attorney General to HRH The Prince of Wales. Sharif Shivji QC, a barrister in private practice at 4 Stone Buildings in Lincoln's Inn, took over. Sharif specialises in company and financial services law and regulation. He was appointed Queen's Counsel in 2020.

Mark Thomas and The Countess of Arran also retired, having served since December 2006 and June 2007, respectively. Both had made a huge contribution to the Council and to the Rural Committee, visiting many actual and would-be tenants, and bringing their experience of farming and estate management.

We thank Jonathan, Mark and Nell for everything they have done.

Three new advisers to the Council were appointed.

Christina Williams, Deputy Lieutenant of Devon, who manages the Molland Estate on the edge of Exmoor. She has an interest in natural capital and gardening. Christina joins the Rural Committee.

James Willcocks, a third-generation tenant dairy farmer and landowner from North Cornwall who is developing local regenerative farming techniques. James also joins the Rural Committee.

Alistair Elliott joined the Commercial Property & Development Committee in September 2020. He is a Chartered Surveyor and senior partner and Group Chairman of Knight Frank, responsible for their interests in 60 territories.

THE SOLICITOR TO THE DUCHY OF CORNWALL

After 26 years as Solicitor to the Duchy of Cornwall, James Furber has retired. In June 2020 he was succeeded by Edmund Fetherston-Dilke, also a partner at Farrer & Co. Edmund's practice includes agricultural estates work, and residential and commercial property.

Engagement and consultation

We believe that our strategic priorities and day-to-day operations are best served when we engage with a wide range of stakeholders. Our relationships with, and the impact of our operations on, our stakeholders are therefore very important to us: from the conversations a rural land agent has with a long-standing farm tenant to the prompt payment of a local builder.

Our tenants

We engage with our tenants and tenant organisations in myriad ways. Our in-house staff meet regularly with tenants over tenancy matters and property issues. We undertake annual surveys of our tenants (see page 30), and over 90% of them feel we have "friendly and approachable staff", a testament to the personal care all our staff provide. There is a dedicated manager for every property, with regional offices across the estate, meaning that more than 90% of our properties are within 30 miles of their local office, and many much closer.

New residential tenants receive detailed home information packs; there is also a tenants' intranet for farmers and a regular newsletter. All tenants receive an annual financial statement of account. Since March 2020 there has been further contact and support because of the pandemic (see pages 27 and 31).

Duchy staff meet with the Tenant Farmers Association, the National Farmers Union and the Country Land and Business Association (CLA) at least annually, and are members of various working groups, such as the CLA Institutional Landowners Group. We work with various tenants' groups for mutual gain, such as the provision of rural broadband in Herefordshire and the Prince's Farm Resilience Programme.

Staff

The Duchy has a small number of staff with a relatively flat structure. Departmental team meetings are a regular feature, with meetings in each office attended by Executive Committee members.

All staff have an annual appraisal. In normal times there is an annual Duchy Day where staff from all offices gather in one place to share business updates and engage in social activities. A Staff Group with representatives from each office contributes to the development of HR initiatives and staff social events.

There is a comprehensive training programme available, mandatory where required, with topics ranging from health and safety to management development. All staff have undertaken training this year on equality, diversity and inclusion. We regularly have staff on training contracts, helping them become, for example, surveyors or accountants.

For many years, our video conferencing system has linked all offices. Staff working from home were able to connect to this during the year, keeping engagement going during the lockdowns and remote working.

Other estates

We are in regular contact with other similar estates, including the Crown Estate, Duchy of Lancaster, the Royal Estates Information Exchange, the National Trust and the Church Commissioners. Matthew Morris, Land Steward Eastern District, is Secretary of the Resident Land Agents Club, with a membership of some 88 estates. Nick Pollock, Head of Planning, has been seconded to lead an Executive team on the Archbishops' housing initiatives.

Our communities

One of our six strategic objectives is to "engage with and actively support communities", supported by five key performance indicators (KPIs). The KPIs include targets to:

- improve relationships with tenants, as evidenced by customer service questions and the net promoter score from our annual tenant surveys;
- let all equipped farm business tenancies for periods of no less than 10 years;
- deliver affordable housing;
- create at least one job per house sold on our major developments; and
- ensure there is community engagement on major development projects.

Find out more about our KPIs on page 30.

Our regional office teams are widely involved with community groups, such as parish councils and local interest groups. This is particularly evident in three of the areas where we are closely associated with the community.

On the Isles of Scilly, Luke Humphries, Deputy Land Steward, is Director and Vice Chairman of Islands Tourism and Business Partnership, and Chairman of Isles of Scilly AONB (Area of Outstanding Natural Beauty) Partnership as well as being a member of other groups. Dale Clark, Harbour Master, leads the Harbour Users Group and is a Member of the South West Regional Ports Association. On Dartmoor, Tom Stratton, Deputy Land Steward, is involved in 10 different groups, including as Chairman, Dart Fisheries and Conservation Association, the Forest of Dartmoor Commoners' Association and the Dartmoor Commoners' Council, and Chairman of the Dartmoor Pony Moorland Scheme.

At Poundbury in Dorset, the Duchy's long-standing development project, we have strong ties with community organisations. There are quarterly meetings with officers and councillors from Dorchester Town Council, meetings every six weeks with Dorset Council and regular engagement with the Poundbury Residents Association. Duchy staff serve as directors on the three Poundbury Management Companies and are members of Dorchester Chamber for Business and the Dorchester Sports Centre Stakeholder Group. The Duchy is a group member of the Dorchester Tourism Partnership, and is a convener and member of the Poundbury Road Safety Partnership.

There has been ongoing engagement with residents, representative associations, focus groups and local councillors at Nansledan as the community continues to grow and flourish. In autumn 2020 Cornwall Council consulted residents and stakeholders on plans for the Nansledan Local Development Order (LDO). The LDO was adopted by Cornwall Council in March 2021 and provides a more efficient and flexible planning framework for the delivery of homes, community facilities, open space, shops, offices, cycle paths and roads over the next 20 years.

Suppliers

In a typical year the Duchy may trade with over 1,500 suppliers. A key part of the Duchy team's responsibilities is engagement with suppliers, large and small. This might be in selecting new suppliers through competitive tendering or working with long-established partners.

Two-thirds of spend is with just 50 of these suppliers, consisting of construction, building and property maintenance companies, professional services companies (lawyers, accountants, IT, architects) and county councils. Of equal significance are the myriad small local contractors who are vital in supporting us in delivering on our commitments to our tenants. We understand the importance of our spend to small businesses and prioritise them for payment.

We require supplier accreditation in the certification of materials, such as Forestry Stewardship Council timber, peat-free growing compounds at the Duchy Nursery, renewable, recyclable and organic produce for our holiday cottages, and renewable power for all of our offices and in-hand properties.

The Nansledan development makes use of a range of natural materials, locally sourced where possible. Roofing slate comes from Trevillett Quarry near Tintagel on the North Cornwall coast, from Penrhyn Quarry in Wales and Burlington Stone in Cumbria. Granite for kerbstones and cobbles is from De Lank Quarry on Bodmin Moor, rustic stone for housing and Cornish hedges is from Callywith Quarry at Bodmin, and cut slate for street signage and sills comes from Delabole Slate Quarry, also in North Cornwall.

The Duke of Cornwall

The Duke of Cornwall actively leads the Duchy and chairs The Prince's Council, which meets twice a year. In addition, the Secretary regularly meets with His Royal Highness and provides a monthly report of topical matters. Minutes and reports from all Committees (most of which meet quarterly) are sent to The Duke of Cornwall. His Royal Highness usually hosts an annual meeting of around 30 Duchy staff at Highgrove to discuss estate matters and policy direction. The Secretary also meets periodically with The Duke of Cambridge, who receives a separate monthly report.

Each summer there is a visit to the South West for The Duke and Duchess of Cornwall, some years including the Isles of Scilly. Throughout the year, His Royal Highness visits the major development sites at Poundbury and Nansledan, undertakes a number of estate visits and hosts meetings of tenants. You can see examples of some of these activities in 'Our year' on page 8.

The Duke of Cambridge

HRH The Duke of Cambridge attended many of the virtual non-executive Committees to learn more about the governance of the Duchy, how the Committees are structured and to meet new members.

Governance structure

The Duchy is one of a kind. It is neither corporation nor company, trust or settlement. In the interests of trust, transparency and good practice, we provide details of our approach to governance on pages 38 to 41 to explain how the estate is run in a way that is designed to provide clear direction and oversight.

The Prince's Council and Committees

The Prince's Council provides the Duchy with invaluable professional expertise and experience. Its membership includes recognised leaders in agriculture, commercial property, estate management, investment management, law and finance. Appointments to The Prince's Council are within the gift of The Duke of Cornwall.

	DATES SERVED	MEMBERSHIP: COUNCIL	FINANCE & AUDIT	RURAL	COMMERCIAL & DEVELOPMENT	REMUNERATION	EXECUTIVE
THE PRINCE'S COUNCIL							
Chairman: His Royal Highness The Prince of Wales		✓					
Lord Warden of the Stannaries – Sir Nicholas Bacon	Jun 2006–Present	✓	✓	✓	✓	✓	
Receiver General – The Hon Sir James Leigh-Pemberton	Dec 1999–Present	✓	✓			✓	
Attorney General to HRH The Prince of Wales – Jonathan Crow QC	Dec 2006–Dec 2020	✓					
Attorney General to HRH The Prince of Wales – Sharif Shivji QC	Dec 2020–Present	✓					
Secretary and Keeper of the Records – Alastair Martin	May 2012–Present	✓	✓	✓	✓	✓	✓
Mark Thomas	Dec 2006–Dec 2020	✓		✓			
The Countess of Arran	Jun 2007–Dec 2020	✓		✓			
James Williams	Nov 2009–Present	✓	✓	✓		✓	
John Stephen	May 2012–Present	✓			✓		
Ian Marchant	May 2012–Present	✓	✓				
Clive Alderton, Principal Private Secretary to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall	Oct 2015–Present	✓	✓				
Edward Harley	Dec 2019–Present	✓	✓				
Jonathan Ruffer	Dec 2019–Present	✓	✓				
ADVISERS TO THE COUNCIL							
David Fursdon	Apr 2008–Present			✓			
Paul Morrell	Feb 2012–Present				✓		
Sir Michael Hintze	Sep 2014–Present		✓				
Henry Richards	Nov 2014–Present				✓		
Kit Martin	Feb 2015–Present				✓		
The Marquess of Downshire	Aug 2017–Present			✓			
Nigel Fox	Sep 2017–Present				✓		
Nathan Thompson	Feb 2019–Present				✓		
Catherine James, Treasurer to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall	Jun 2019–Present		✓				
Alistair Elliott	Sep 2020–Present				✓		
James Willcocks	Nov 2020–Present			✓			
Christina Williams	Nov 2020–Present			✓			
DUCHY STAFF							
Linda Bryant, Property Services Director							✓
Marie Cook, Operations and HR Director						✓	✓
Chris Gregory, Land Steward, Western District and the Isles of Scilly				✓			✓
Matthew Morris, Land Steward, Eastern District				✓			✓
Ben Murphy, Estate Director					✓		✓
Andrew Phillips, Rural Director of Finance				✓			✓
Nick Pollock, Head of Planning					✓		✓
Nicola Walker, Kennington Estate Manager					✓		
Keith Willis, Finance Director			✓	✓	✓	✓	✓

The Prince's Council

SIR NICHOLAS BACON

Lord Warden of the Stannaries, Sir Nicholas is a Norfolk landowner with experience in the management of plant nurseries, a varied commercial portfolio of lettings and a long understanding of agricultural tenants and their farming businesses. Sir Nicholas was previously President of the Royal Horticultural Society.

SIR JAMES LEIGH-PEMBERTON

Receiver General, James was a Managing Director and Chief Executive Officer of Credit Suisse in the UK. He has 40 years' experience in banking, investment and corporate finance. In 2013 James was appointed to head UK Financial Investments (UKFI). Following the merger of UKFI with UK Government Investments (UKGI), James became Deputy Chairman of UKGI. James is Non-Executive Chairman of RIT Capital Partners, Chairman of Trustees of the Charities Aid Foundation, a trustee of The Alnwick Garden Trust and a trustee of The Royal Collection Trust.

SHARIF SHIVJI QC

Attorney General to HRH The Prince of Wales, Sharif is a barrister in private practice at 4 Stone Buildings in Lincoln's Inn and was appointed Queen's Counsel in 2020. Prior to his career at the Bar, Sharif worked in investment banking. Sharif's practice involves high-profile commercial disputes (often with an international element) and company, insolvency, financial services and banking law and regulation. Sharif is involved in many different aspects of the legal profession. He is the current Treasurer of the free legal advice and representation charity, Advocate, and a Director of the Bar's professional indemnity insurer, the Bar Mutual Indemnity Fund.

ALASTAIR MARTIN

Secretary and Keeper of the Records, Alastair is responsible to HRH The Prince of Wales and The Prince's Council for the running of the Duchy of Cornwall. Alastair qualified as a land agent and Chartered Surveyor and was in private practice for some 30 years before joining the Duchy as Secretary in 2013. Alastair has worked across most property disciplines, including valuation, development, agency, dispute resolution and management, leading to him specialising in the management of mixed-property portfolios across much of England and Wales. During his private practice career Alastair also took an active role in leading and developing his practice and he was, for some years, involved in the Royal Institution of Chartered Surveyors occupying the roles of the President of the Rural Division, Chairman of the Facilities and Forums Board, and Chairman of the Strategy and Resources Board. He has a particular interest in embedding sustainability and resilience into the shaping and management of property investment portfolios and holds various trustee and non-executive appointments, including as a member of the Duchy of Lancaster's Rural Committee.

JAMES WILLIAMS

James resides in his home county of Cornwall. Before moving back there he had an extensive career in international investment management, working in many parts of the world. His interests today include education, the arts and agriculture in Cornwall and beyond. He is actively involved with several charities, having been a founder in 2002 of the Cornwall Community Foundation, which works extensively with grassroots voluntary organisations dealing with deprivation and disadvantage. He serves as Vice Lord-Lieutenant of Cornwall and brings insight to the Duchy about matters in Cornwall and the South West.

JOHN STEPHEN

John is a Chartered Surveyor who spent most of his career at real estate advisers Jones Lang LaSalle, including six years as Chairman of the English business. He has 45 years' experience in capital markets, advising on commercial investment and development projects, and over the past 10 years, has been involved as a non-executive for a range of public and private property companies and family offices. He has over 20 years' involvement in the charity sector as a board trustee for organisations focused on elderly care and senior living, financial hardship and hospices.

IAN MARCHANT

Ian has a business background in utilities and renewable energy through his previous leadership of Scottish and Southern Energy, his current chairmanship of Thames Water and board membership at Aggreko plc. He is a qualified accountant and has expertise in audit, capital allocation and risk management. He is interested in wildlife conservation and is the Honorary President of the Royal Zoological Society of Scotland. He set up the 2020 Climate Group in Scotland given his interest in climate change mitigation and adaptation and the use of natural capital accounting. He also advises and invests in early-stage companies principally in the cleantech and sustainability industries.

CLIVE ALDERTON

Principal Private Secretary to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall, Clive joined The Royal Household in 2015, having previously served in several diplomatic posts overseas, most recently as Her Majesty's Ambassador to the Kingdom of Morocco. Clive brings experience of senior-level public administration and accountability, providing a direct link between the Duchy and The Prince of Wales's Household.

EDWARD HARLEY

Edward worked for many years at Cazenove and Co where he was a Partner, most recently advising charities on investment strategy. He is a past President of the Historic Houses Association and a trustee of several landed estates, including Burghley. He is also Chairman of the Acceptance in Lieu Panel and a member of the Court of the Goldsmiths' Company. He is based in Herefordshire where he is a patron of several organisations and a Lay Canon Emeritus of Hereford Cathedral. He is Her Majesty's Lord-Lieutenant of Herefordshire.

JONATHAN RUFFER

Jonathan trained as a trust barrister (Bencher of the Middle Temple) and has spent most of his working life in the City as an investment manager. In 1994 he set up Ruffer Investment Management (now Ruffer LLP). He has written extensively on investment and was the author of The Big Shots, a chronicle of Edwardian shooting parties. He has spent the last 10 years in charitable work in Bishop Auckland, County Durham. He is a Deputy Lieutenant of County Durham, and an International Trustee of the Prado Museum and the Hispanic Society of America.

Advisers to the Council

DAVID FURSDON

Lord-Lieutenant of Devon, David is a qualified rural surveyor and agricultural valuer with experience in planning, natural capital and landlord/tenant issues. He is Chairman of Dyson Farming Limited, which has farming, property management and renewable energy businesses, and a Trustee on the National Trust Board, where he leads on sustainable land use. He is a Commissioner of the Food, Farming and Countryside Commission, the Crown Estate (commercial property, marine and renewables) and English Heritage, and is the former President of the Country Land and Business Association (CLA). David is also a partner in a family estate management, property and tourism business.

PAUL MORRELL

A chartered quantity surveyor, Paul was Senior Partner and international Chairman of Davis Langdon (now part of AECOM), where his practice was principally in the cost management of commercial development, working with some of the country's best-known developers and pension funds. He subsequently became the Government's first Chief Construction Adviser, with a brief to champion a more coordinated approach to affordable, sustainable construction. Paul now practises as an independent consultant, with a focus on the organisation and governance of major projects.

SIR MICHAEL HINTZE

Sir Michael is the founder, Group Executive Chairman and Senior Investment Officer of CQS, a London-based asset management firm. Before establishing CQS in 1999, Michael held senior roles at CSFB and Goldman Sachs. In the charitable sector the Hintze Family Charitable Foundation has provided funding to over 200 charities. Michael is Senior Vice Patron of the Royal Navy and Royal Marines Charity, Special Friend of the aircraft carrier HMS Queen Elizabeth and Honorary Captain RNR, and a Patron of the Arts of the Vatican Museums. Through MH Premium Farms Michael has significant investments in the agricultural sector.

HENRY RICHARDS

Henry was Executive Chairman of Lands Improvement Holdings Limited (LIH) before standing down when it was sold in September 2015 and remains a consultant to the company. Before joining LIH, he was a Director of Savills and spent the first six years of his career with Jones Lang Wootton. Henry has 20 years' experience of managing and expanding a diverse rural property company, with a particular focus on acquiring and promoting urban fringe and large brownfield sites for residential and commercial development. He has a detailed understanding of the planning system and managing multidisciplinary teams to create successful sustainable developments.

KIT MARTIN

Kit trained as an architect and is an Honorary Fellow of the Royal Institute of British Architects. He has spent a lifetime creating innovative solutions to conserve historic buildings at risk and promoting urban regeneration. He was Projects Consultant to The Prince's Regeneration Trust and a founding Trustee of Save Europe's Heritage. Kit was awarded a CBE for his services to conservation.

THE MARQUESS OF DOWNSHIRE

Nick is a chartered accountant with a diploma in advanced farm management from the Royal Agricultural College, Cirencester. He has worked in corporate finance and as a finance director in the technology sector. He holds a number of non-executive directorships, including Chairman of Audit and Risk for the CLA and Treasurer of the Moorland Association. He is a council member and Chairman of the Rural Committee for the Duchy of Lancaster, a trustee and Chairman of upland research for the GWCT. Nick also acts as trustee to several landed estates and runs an estate in North Yorkshire.

NIGEL FOX

Nigel is a Chartered Surveyor who established Capital Real Estate Partners in 2010, having previously spent 20 years at Jones Lang LaSalle. Nigel's expertise is in advising a range of clients (landowners, institutions, property companies, private investors and occupiers) on commercial properties, with particular experience in investment and development projects, often of scale and in Central London but also nationally in the UK. For the Duchy, Nigel and his team are responsible for the asset management of the commercial property portfolio.

NATHAN THOMPSON

Nathan is a Chartered Surveyor with over 30 years' experience in commercial property and asset management. Formerly managing director of Forth Ports' property arm in Edinburgh he was appointed Chief Executive Officer, Keeper of Records and Surveyor General of the Duchy of Lancaster in 2013. In his current role Nathan is responsible for the day-to-day management and development of a diverse portfolio of historic land and property assets across England and Wales. Prior to joining Forth Ports Nathan was a member of the executive at MEPC plc where he ran the London fund and a director of JER Partners.

CATHERINE JAMES

Catherine was appointed Treasurer to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall in June 2019. Prior to her appointment Catherine's career included senior finance positions in business and consulting.

ALISTAIR ELLIOTT

Alistair is a Chartered Surveyor and Fellow of the Royal Institution of Chartered Surveyors. Having spent all of his career at Knight Frank, starting as a graduate in 1983, he is currently Senior Partner and Group Chairman (since 2013). Much of his professional experience has centred on the commercial property markets, especially offices, and advising a broad range of occupiers and landlords. As Senior Partner Alistair has responsibility for chairing the Group Executive Board and having oversight of Knight Frank's interests in 60 territories across the globe and covering all aspects of real estate.

JAMES WILLCOCKS

James is a third-generation tenant dairy farmer and landowner from North Cornwall with a passion for crossbreeding. He is a past chairman of the Tenant Farmers Association (South West) and is still an active committee member. Conservation and sustainable farming have always been part of his farming practice and he is currently involved in a project developing regenerative farming techniques locally.

CHRISTINA WILLIAMS

Deputy Lieutenant of Devon, Christina manages the Molland Estate on the edge of Exmoor, with land both tenanted and in hand. Her interests are in improving the natural capital of the land including wildlife and landscape beauty while maintaining a viable family business and a thriving local community. She sits on various advisory groups for the Exmoor National Park and is a trustee of the Exmoor Society. She also has a Garden Design business, has exhibited at the Chelsea Flower Show and runs the gardens at Coughton Court, Warwickshire.

Other disclosures

THE DUKE OF CORNWALL'S BENEVOLENT FUND

In the Benevolent Fund's last financial year, it made grants and commitments of c.£303,000 (2020: c.£153,000) to a variety of charities, primarily operating in Cornwall. In accordance with the wishes of The Prince of Wales, grants were made to educational and agricultural charities, together with the relief of poverty, restoration of churches and environmental charities, as well as to a variety of other charitable causes.

CHARITABLE DONATIONS

Charitable donations made by the Duchy of Cornwall estate amounted to £60,000 (2020: £95,000), made to causes in the following areas:

- agriculture – £15,000 (2020: £17,000);
- environment – £14,000 (2020: £32,000); and
- community – £31,000 (2020: £46,000).

Significant individual donations included:

- £25,000 (2020: £25,000) to the Islands Partnership, a body dedicated to the promotion of the destination of the Isles of Scilly; and
- £15,000 (2020: £12,000) to the Dartmoor Hill Farm Project.

GOING CONCERN

After making due enquiries and undertaking the normal forecasting procedures, including a five-year financial and strategic plan, 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.

EMPLOYMENT POLICIES

The Duchy of Cornwall's employment policies and practices are constantly updated and developed to support the Duchy's business plans, and to continue to strengthen its skilled workforce.

The Duchy estate is committed to open discussion and direct consultation with all employees as part of its Employee Relations Policy. Communication channels include an intranet, staff Duchy Day and a staff consultative committee.

All staff undertake an annual appraisal process to align their performance against objectives, linking back into the overall business plans of the Duchy estate. As part of this process, staff have the opportunity to agree to a Personal Development Plan prepared and discussed with their manager.

Proper Officers' report

STATEMENT OF THE PROPER OFFICERS' RESPONSIBILITIES IN THE PREPARATION OF THE ACCOUNTS

The Lord Warden of the Stannaries, the Receiver General, the Attorney General to HRH The Prince of Wales and the Secretary and Keeper of the Records (the "Proper Officers") are responsible for preparing the Governance Report and the Accounts, defined below, in accordance with applicable law and regulations.

The Accounts Direction given by HM Treasury dated 28th April 2020 (the "Accounts Direction") requires the Proper Officers to prepare Accounts for each financial year. Under the Accounts Direction, the Proper Officers have prepared Group financial statements and Duchy of Cornwall financial statements (the "Accounts") in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and as applied to the Accounts by the Accounts Direction.

Under the Accounts Direction, the Proper Officers must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Duchy of Cornwall, and of the surplus or deficit of the Group for that period. In preparing these Accounts the Proper Officers:

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

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

In addition the Proper Officers are responsible for the maintenance and integrity of the Duchy of Cornwall's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

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

Independent auditor's report to The Duke of Cornwall

REPORT ON THE AUDIT OF THE ACCOUNTS

Opinion

In my opinion, the Duchy of Cornwall's Group accounts and the Duchy of Cornwall's accounts (the "accounts"):

- give a true and fair view of the state of the Group's and of the Duchy of Cornwall's affairs as at 31st March 2021 and of the Group's revenue surplus, the Group's capital surplus and the Group's and the Duchy of Cornwall's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU and as applied to the Duchy of Cornwall by the Accounts Direction given by H M Treasury dated 28th April 2020; and
- have been prepared in accordance with the Accounts Direction given by H M Treasury dated 28th April 2020.

I have audited the accounts, included within the Integrated Annual Report ("Annual Report"), which comprise: the Group and the Duchy of Cornwall balance sheets as at 31st March 2021; the Group revenue account statement of comprehensive income; the Group capital account statement of comprehensive income; the Group and the Duchy of Cornwall statement of changes in capital and reserves and the Group and the Duchy of Cornwall statement of cash flows for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. My responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the accounts section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

I remained independent of the Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, which includes the Financial Reporting Council's (FRC) Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Duchy of Cornwall's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

In auditing the accounts, I have concluded that the Proper Officers' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Duchy of Cornwall's ability to continue as a going concern.

My responsibilities and the responsibilities of the Proper Officers with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the accounts and my auditors' report thereon. The Proper Officers are responsible for the other information. My opinion on the accounts does not cover the other information and, accordingly, I do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with my audit of the accounts, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If I identify an apparent material inconsistency or material misstatement, I am required to perform procedures to conclude whether there is a material misstatement of the accounts or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report based on these responsibilities.

With respect to the Strategic report and Proper Officers' report, I also considered whether the disclosures required by the Accounts Direction given by H M Treasury dated 28th April 2020 have been included.

Based on my work undertaken in the course of the audit, the Accounts Direction given by H M Treasury dated 28th April 2020 requires us also to report certain opinions and matters as described below.

Strategic report and Proper Officers' report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Proper Officers' report for the year ended 31st March 2021 is consistent with the accounts and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the Group and the Duchy of Cornwall and their environment obtained in the course of the audit, I did not identify any material misstatements in the Strategic report and Proper Officers' report.

Responsibilities for the Accounts and the audit

Responsibilities of the Proper Officers for the Accounts

As explained more fully in the Statement of Proper Officers' responsibilities, the Proper Officers are responsible for the preparation of the accounts in accordance with the Accounts Direction given by H M Treasury dated 28th April 2020 and for being satisfied that they give a true and fair view.

The Proper Officers are also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Proper Officers are responsible for assessing the Group's and the Duchy of Cornwall's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Proper Officers either intend to liquidate the Group or the Duchy of Cornwall or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Accounts

My objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which my procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on my understanding of the Group, the Duchy of Cornwall and industry, I identified that the principal risks of non-compliance with laws and regulations related to the risk of non-compliance with the Accounts Direction given by H M Treasury dated 28th April 2020 and the Duchy of Cornwall Management Act 1982, and I considered the extent to which non-compliance might have a material effect on the accounts. I evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to incorrect classification of transactions between the Revenue account and Capital account. Audit procedures I performed included:

- Enquires of management of known or suspected instances of fraud or non-compliance with laws and regulations
- Testing the allocation of costs between the Capital account and Revenue account including staff costs, repairs and maintenance expenses
- Reviewing transfers from the Capital bank account to the Revenue bank account and inspecting signed transfer letters for those transactions
- Testing any unusual or unexpected journal entries, such as those which impact the Capital account but are unrelated to investment property or investments
- Challenging assumptions and judgements made by management in accounting estimates, particularly in relation to investment property valuations and pensions
- Incorporating an element of unpredictability in the nature, timing and extent of audit procedures performed
- Obtaining legal confirmations from each of the Duchy of Cornwall's lawyers and reviewing the legal expense listings to identify any possible breaches of laws or regulations

There are inherent limitations in the audit procedures described above. I am less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of my responsibilities for the audit of the accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

OTHER REQUIRED REPORTING

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

In my opinion:

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

Other matters on which I am required to report by exception

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

- I have not obtained all the information and explanations I require for my audit; or
- certain disclosures of Proper Officers remuneration specified by the Accounts Direction given by H M Treasury dated 28th April 2020.

I have no exceptions to report arising from this responsibility.

Other matters

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

- a sanction of approval under:
  - Section 11 of the Duchy of Cornwall Management Act 1863; or
  - Section 2 of the Duchy of Cornwall Management Act 1868; or
- an authorisation under Section 3 or 7 of the Duchy of Cornwall Management Act 1982 have been satisfied or complied with.

Katharine Finn
Chartered Accountant
and Statutory Auditor
Bristol
10th June 2021

Financial statements

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

Group revenue account statement of comprehensive income

	Note	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Revenue	2	37,492	37,191
Operating costs	2	(15,337)	(15,950)
Operating surplus		**22,155**	**21,241**
Finance income	5	**3,506**	**2,630**
Finance costs	6	**(3,711)**	**(3,894)**
Net finance costs		**(205)**	**(1,264)**
Net surplus for the year		**21,950**	**19,977**
(Deficit)/surplus attributable to:			
Non-controlling interests		(294)	(438)
HRH		**22,244**	**20,415**
Other comprehensive income			
Items that will not be reclassified subsequently to income statement:			
Actuarial gain on retirement benefit obligations	7	1,802	2,184
Total comprehensive income on Revenue account		**23,752**	**22,161**
Total comprehensive (expense)/income attributable to:			
Non-controlling interests		(294)	(438)
Duchy of Cornwall		24,046	22,599

All operations are considered to be continuing.

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 revenue surplus after official expenditure (note 1).

Group capital account statement of comprehensive income

	Note	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Net (loss)/gain from Fair Value adjustment on investment property	8	(20,468)	26,111
Net gain on the disposal of investment property		3,809	2,842
Net gain on revaluation of investment property held for sale		183	1,546
Net gain on the disposal of investment property held for sale		43	3,749
Share of loss from joint venture	10	(501)	(750)
Net gain on sale of associate	10	–	267
Finance costs		(230)	(165)
Charge from revenue account for salary costs	2	(1,118)	(1,084)
Settlement of legal case		–	1,380
Other costs		(195)	(215)
Net (loss)/surplus for the year		**(18,477)**	**33,681**
Surplus/(loss) attributable to:			
Non-controlling interests		61	–
Duchy of Cornwall		(18,538)	33,681
Other comprehensive income/(expense)			
Items that will not be reclassified to capital profit or loss:			
Net gain/(loss) on revaluation of owner occupied property	9	100	(63)
Items that may be reclassified to capital profit or loss:			
Net (loss)/gain on the revaluation of financial assets	11	(7,921)	8,658
Net (loss)/gain on the revaluation of financial derivatives	15	(1,437)	674
Total comprehensive (expense)/income on Capital account		**(27,735)**	**42,950**
Total comprehensive income/(expense) attributable to:			
Non-controlling interests		61	–
Duchy of Cornwall		(27,796)	42,950

The notes on pages 60 to 91 are an integral part of these financial statements.

Group balance sheet

	Note	As at 31st March 2020 £'000	As at 31st March 2021 £'000
Assets			
Non-current assets			
Investment property	8	928,586	952,050
Property, plant and equipment	9	19,010	19,909
Investments in joint ventures and associates	10	8,020	7,250
Financial assets	11	83,765	92,423
Trade and other receivables	12	1,000	1,000
Total non-current assets		**1,040,381**	**1,072,632**
Current assets			
Inventories		1,900	2,052
Trade and other receivables	12	9,780	8,030
Cash and cash equivalents	22	2,878	17,554
		14,558	27,636
Investment property assets held for sale	13	15,870	15,582
Total current assets		**30,428**	**43,218**
Total assets		**1,070,809**	**1,115,850**
Liabilities			
Current liabilities			
Trade and other payables	14	(13,411)	(15,439)
Borrowings	15	(1,225)	(1,073)
Lease liabilities		(271)	(566)
Total current liabilities		**(14,907)**	**(17,078)**
Non-current liabilities			
Trade and other payables	14	(6,400)	(5,553)
Borrowings	15	(132,843)	(134,646)
Lease liabilities		(2,514)	(2,610)
Derivative financial instruments	15	(2,122)	(1,365)
Retirement benefit obligations	7	(3,264)	(775)
Total non-current liabilities		**(147,143)**	**(144,949)**
Net assets		**908,759**	**953,823**
Reserves			
Revenue reserve available for distribution to HRH		5,225	5,397
Retirement benefit reserve		(5,662)	(3,478)
Capital reserve		910,178	952,454
Hedging reserve		(1,484)	(810)
		908,257	953,563
Non-controlling interest		502	260
Total equity		**908,759**	**953,823**

The notes on pages 60 to 91 are an integral part of these financial statements.

The financial statements on pages 52 to 91 were approved by the Proper Officers and signed on their behalf by Alastair Martin, Secretary and Keeper of the Records, 10th June 2021.

Duchy of Cornwall balance sheet

	Note	As at 31st March 2020 £'000	As at 31st March 2021 £'000
Assets			
Non-current assets			
Investment property	8	918,226	941,427
Property, plant and equipment	9	8,563	8,775
Investments in joint ventures and associates	10	8,020	7,250
Investments in subsidiaries	10	7,440	7,440
Financial assets	11	83,765	92,423
Trade and other receivables	12	8,809	8,141
Total non-current assets		**1,034,823**	**1,065,456**
Current assets			
Inventories		430	489
Trade and other receivables	12	8,182	6,244
Cash and cash equivalents	22	2,705	17,177
		11,317	23,910
Investment property assets held for sale	13	15,870	15,582
Total current assets		**27,187**	**39,492**
Total assets		**1,062,010**	**1,104,948**
Liabilities			
Current liabilities			
Trade and other payables	14	(12,863)	(14,542)
Lease liabilities		(10)	(14)
Total current liabilities		**(12,873)**	**(14,556)**
Non-current liabilities			
Trade and other payables	14	(6,400)	(5,553)
Borrowings	15	(132,843)	(132,993)
Lease liabilities		(58)	(55)
Derivative financial instruments	15	(2,122)	(1,365)
Retirement benefit obligations	7	(3,264)	(775)
Total non-current liabilities		**(144,687)**	**(140,741)**
Net assets		**904,450**	**949,651**
Reserves			
Revenue reserve available for distribution to HRH		3,435	4,034
Retirement benefit reserve		(5,662)	(3,478)
Capital reserve		908,161	949,905
Hedging reserve		(1,484)	(810)
Total equity		**904,450**	**949,651**

The notes on pages 60 to 91 are an integral part of these financial statements.

The Duchy has elected under Section 408 of the Companies Act 2006 as allowed by the Accounts Direction given by HM Treasury dated 28th April 2020 not to include its own statement of comprehensive income in these financial statements. The profit for the year for the Duchy was £20.842million (2020: £21.956million).

The financial statements on pages 52 to 91 were approved by the Proper Officers and signed on their behalf by Alastair Martin, Secretary and Keeper of the Records, 10th June 2021.

Group statement of changes in capital and reserves

	Revenue account		Capital account		Total £'000	Non-controlling interest £'000	Total reserves £'000
	Revenue reserve £'000	Retirement benefit reserve £'000	Capital reserve £'000	Hedging reserve £'000			
Balance as at 1st April 2019	**3,609**	**(7,464)**	**936,537**	**(47)**	**932,635**	**605**	**933,240**
Net surplus/(loss) for the year	22,244	–	(18,538)	–	3,706	(233)	3,473
Other comprehensive income/(expense)							
Net gain on revaluation of owner occupied property (note 9)	–	–	100	–	100	–	100
Net loss on revaluation of financial assets (note 11)	–	–	(7,921)	–	(7,921)	–	(7,921)
Loss on financial derivatives (note 15)	–	–	–	(1,437)	(1,437)	–	(1,437)
Actuarial gain on retirement benefit obligations (note 7)	–	1,802	–	–	1,802	–	1,802
Total comprehensive income/(expense)	**22,244**	**1,802**	**(26,359)**	**(1,437)**	**(3,750)**	**(233)**	**(3,983)**
Non-controlling interest in subsidiary share capital	–	–	–	–	–	130	130
	25,853	(5,662)	910,178	(1,484)	928,885	502	929,387
Less payments made to HRH							
In respect of current year	(17,019)	–	–	–	(17,019)	–	(17,019)
In respect of prior year	(3,609)	–	–	–	(3,609)	–	(3,609)
Balance as at 31st March 2020	**5,225**	**(5,662)**	**910,178**	**(1,484)**	**908,257**	**502**	**908,759**
Net surplus/(loss) for the year	20,415	–	33,681	–	54,096	(252)	53,844
Other comprehensive (expense)/income							
Net (loss) on revaluation of owner occupied property (note 9)	–	–	(63)	–	(63)	–	(63)
Net gain on revaluation of financial assets (note 11)	–	–	8,658	–	8,658	–	8,658
Gain on financial derivatives (note 15)	–	–	–	674	674	–	674
Actuarial gain on retirement benefit obligations (note 7)	–	2,184	–	–	2,184	–	2,184
Total comprehensive income/(expense)	**20,415**	**2,184**	**42,276**	**674**	**65,549**	**(252)**	**65,297**
Non-controlling interest in subsidiary share capital	–	–	–	–	–	10	10
	25,640	(3,478)	952,454	(810)	973,806	260	974,066
Less payments made to HRH							
In respect of current year	(15,018)	–	–	–	(15,018)	–	(15,018)
In respect of prior year	(5,225)	–	–	–	(5,225)	–	(5,225)
Balance as at 31st March 2021	**5,397**	**(3,478)**	**952,454**	**(810)**	**953,563**	**260**	**953,823**

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 the revaluation of assets held to generate income. Proceeds from the disposal of capital assets have to be reinvested. 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		
	Revenue reserve £'000	Retirement benefit reserve £'000	Capital reserve £'000	Hedging reserve £'000	Total reserves £'000
Balance as at 1st April 2019	**2,107**	**(7,464)**	**934,619**	**(47)**	**929,215**
Net surplus/(loss) for the year	21,956	–	(18,637)	–	3,319
Other comprehensive income/(expense)					
Net gain on revaluation of owner occupied property (note 9)	–	–	100	–	100
Net loss on revaluation of financial assets (note 11)	–	–	(7,921)	–	(7,921)
Loss on financial derivatives (note 15)	–	–	–	(1,437)	(1,437)
Actuarial gain on retirement benefit obligations (note 7)	–	1,802	–	–	1,802
Total comprehensive income/(expense)	**21,956**	**1,802**	**(26,458)**	**(1,437)**	**(4,137)**
	24,063	(5,662)	908,161	(1,484)	925,078
Less payments made to HRH					
In respect of current year	(17,019)	–	–	–	(17,019)
In respect of prior year	(3,609)	–	–	–	(3,609)
Balance as at 31st March 2020	**3,435**	**(5,662)**	**908,161**	**(1,484)**	**904,450**
Net surplus for the year	20,842	–	33,149	–	53,991
Other comprehensive (expense)/income					
Net loss on revaluation of owner occupied property (note 9)	–	–	(63)	–	(63)
Net gain on revaluation of financial assets (note 11)	–	–	8,658	–	8,658
Gain on financial derivatives (note 15)	–	–	–	674	674
Actuarial gain on retirement benefit obligations (note 7)	–	2,184	–	–	2,184
Total comprehensive income	**20,842**	**2,184**	**41,744**	**674**	**65,444**
	24,277	(3,478)	949,905	(810)	969,894
Less payments made to HRH					
In respect of current year	(15,018)	–	–	–	(15,018)
In respect of prior year	(5,225)	–	–	–	(5,225)
Balance as at 31st March 2021	**4,034**	**(3,478)**	**949,905**	**(810)**	**949,651**

Group statement of cash flows

	Note	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Cash generated from operating activities	16	20,752	24,348
Interest paid		(3,795)	(3,910)
Net cash from operating activities		**16,957**	**20,438**
Cash flows from investing activities			
Purchase of financial investments		(440)	–
Loans granted		(800)	–
Investments in joint ventures		(723)	(154)
Distributions from joint ventures		1,961	127
Proceeds from sale of associate		–	476
Proceeds from disposal of financial investments		2,859	–
Purchase of investment property		(1,298)	(930)
Property improvements and development expenditure		(17,389)	(7,300)
Proceeds from disposal of investment properties		10,069	7,569
Purchase of property, plant and equipment		(3,412)	(1,739)
Proceeds from disposal of assets held for sale		4,597	11,630
Financial investment income received		3,216	3,396
Interest received		18	94
Net cash (outflow)/inflow from investing activities		**(1,342)**	**13,169**
Cash flows from financing activities			
Proceeds from borrowings		417	1,707
Principal paid on lease liabilities		(234)	(188)
Borrowings repaid		–	(207)
Payments made to HRH		(20,628)	(20,243)
Net cash outflow from financing activities		**(20,445)**	**(18,931)**
(Decrease)/increase in cash in the year		(4,830)	14,676
Cash and cash equivalents at start of year		7,708	2,878
Cash and cash equivalents at end of year		**2,878**	**17,554**

Duchy of Cornwall statement of cash flows

	Note	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Cash generated from operating activities	16	19,431	23,212
Interest paid		(3,627)	(3,620)
Net cash from operating activities		**15,804**	**19,592**
Cash flows from investing activities			
Purchase of financial investments		(440)	–
Loans granted		(2,959)	–
Net movement on amounts owed by subsidiaries		–	668
Investments in joint ventures		(723)	(154)
Distributions from joint ventures		1,961	127
Distribution received from QMS		1,001	400
Proceeds from disposal of financial investments		2,859	–
Purchase of investment property		(1,298)	(930)
Property improvements and development expenditure		(17,378)	(7,300)
Proceeds from disposal of investment properties		10,069	7,569
Purchase of property, plant and equipment		(473)	(725)
Proceeds from disposal of assets held for sale		4,597	11,630
Financial investment income received		3,216	3,396
Interest received		567	454
Net cash inflow from investing activities		**999**	**15,135**
Cash flows from financing activities			
Principal paid on lease liabilities		(10)	(12)
Payments made to HRH		(20,628)	(20,243)
Net cash outflow from financing activities		**(20,638)**	**(20,255)**
(Decrease)/increase in cash in the year		(3,835)	14,472
Cash and cash equivalents at start of year		6,540	2,705
Cash and cash equivalents at end of year		**2,705**	**17,177**

Notes to the financial statements

1 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements incorporate the financial statements of the Duchy of Cornwall and its subsidiary undertakings all prepared up to 31st March 2021.

The financial statements of the Group and the Duchy have been prepared on a going concern basis and in accordance with the Accounts Direction issued by HM Treasury dated 28th April 2020 (set out on page 93) and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board.

Following the outbreak of COVID-19 in early 2020, careful consideration was given to its likely impact on the Duchy. The Duchy has undertaken a detailed analysis of the potential impact of COVID-19 on its cash flows for the financial year ending 31st March 2022. This analysis includes a line by line assessment of the ability of tenants across the whole of its estate to meet their rental obligations, the likely levels of cash returns from the financial investments portfolio and the impact on the Duchy's trading businesses.

The Duchy has completed an equally detailed analysis of its costs and has identified a package of measures to contain costs through a range of actions and in particular deferring non-essential expenditure.

These analyses have produced a range of possible outcomes, which have been categorised as the pessimistic, expected and optimistic cases. The Duchy's analyses have been presented to, and reviewed by, the Duchy's Finance & Audit Committee.

All outcomes indicate that although the financial impact will be significant, the availability of liquid resources to manage the situation will remain considerable and confirm that the Duchy will continue to meet its financial commitments and remains a going concern.

The Duchy is in the fortunate position that the Group balance sheet with net assets of £953million (including liquid financial investments of £88.1million) remains strong. Post 31st March 2021 the valuation of the financial investment portfolio has not been materially impacted; however, in the unlikely event that it is required, the Duchy has also arranged short-term overdraft facilities to cover any temporary liquidity issues should they arise.

The financial statements have been prepared in Sterling (rounded to the nearest thousand), which is the presentational currency of the Group, and under the historical cost convention as modified by the revaluation of land and buildings, Fair Value through other comprehensive income 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 year on year, is set out below. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31st March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. For the year ending 31st March 2022, the Duchy will apply UK IFRS. This is not anticipated to have an impact on the financial statements.

Significant judgements

Property assets held for sale

Judgement is taken to establish when to classify an investment property as an asset held for sale. The Duchy classifies investment properties as assets held for sale where their carrying amount is likely to be recovered principally through a sale transaction and a sale is considered highly probable within the next 12 months. Information on properties being openly marketed and the status of sale negotiations is used to aid the decision, but increased judgement is required by management to assess the likelihood of the sales within the next 12 months due to the heightened uncertainty in the property market due to the outbreak of COVID-19.

Estimates

Pension valuation

A formal valuation of the pension scheme is undertaken every three years by an external actuary and the most recent result rolled forward to the reporting date. Valuations are based on a number of key assumptions, including estimates of future salary and pension increases, mortality rates and inflation.

Carrying value of loans and receivables

The Group tests annually loans and receivable financial assets for indicators of impairment, and performs an impairment assessment if indicators of impairments are identified. COVID-19 is considered to be an indicator of impairment and has been included in the expected credit loss reviews. The recoverable amount of loans and receivables is determined using loss rates based on particular property types and situations affecting particular tenants or business types, and the Group uses its judgement to make assumptions based on the conditions existing at the end of each reporting period and information available.

1 ACCOUNTING POLICIES *(continued)*

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, investment yields, and anticipated outgoings and maintenance costs. The external and internal valuers also make reference to market evidence of transaction prices for similar properties.

Revenue

Revenue is measured at the transaction price allocated to the performance obligations received or receivable, and represents amounts receivable for services provided or goods supplied, stated net of discounts and value added taxes. The Group recognises revenue when a customer obtains control of a good or service and, thus, has the ability to direct the use and obtain the benefits from the good or service.

Property income

This comprises rental income, licence fees, other dues and premiums on lease surrenders on investment properties for the year, exclusive of service charges receivable. Rental income is recognised on an accruals basis over the lease term. Licence fees and other property-related dues are recognised on an accruals basis for the period covered.

Sales of produce at the Duchy Nursery

The Group operates a nursery selling plants and other goods. Sales of goods are recognised when a product is sold and control transfers to the customer. Sales are usually in cash or by credit card.

Income at J V Energen LLP

The Group has a subsidiary, J V Energen LLP, which has built and runs an anaerobic digestion and biomethane injection plant at Dorchester, Dorset. Income is recognised when biomethane is injected into the local gas distribution network or when electricity is exported to the National Grid. Sales of energy are invoiced and renewable energy subsidies are applied for via Ofgem.

Finance income

Income in respect of bank interest, fixed interest and corporate bond investments is accounted for on an accruals basis under the effective interest rate method. Equity income is included on a receipts basis.

Deferred revenue

The Group recognises a liability for rental income received in advance from the leasing out of investment property. Deferred lease rentals are recognised as revenue on a straight line basis over the lease term.

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 remeasured.

Gains and losses arising on conversion or translation are dealt with as part of realised and unrealised investment gains and losses within the Capital account statement of comprehensive income.

Post-retirement benefits

The Group operates post-employment schemes that include both defined benefit and defined contribution plans. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the Fair Value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows against interest rates. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the operating surplus.

For defined contribution plans the Duchy pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Duchy has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 Duchy's net revenue surplus after official expenditure.

Investment property valuation

Investment properties, including those held for development, are valued on the basis of Fair Value. Investment properties are those held to earn income and/or capital appreciation. Any surplus or deficit on the revaluation of investment properties is recognised within the Capital account statement of comprehensive income.

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

Owner occupied property

Properties occupied by the Duchy of Cornwall are valued on the basis of Fair Value. The properties are included within property, plant and equipment. Any surplus or deficit arising on revaluation is taken directly to the Capital account statement of comprehensive income.

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

Investment property assets held for sale

Properties being actively marketed with the intention of disposal within 12 months of the balance sheet date are held at Fair Value. They are shown within the balance sheet as investment property assets within current assets. Any surplus or deficit arising on the revaluation of property assets held for sale is recognised within the Capital account statement of comprehensive income. Transfers into and out of investment property happen on a regular basis.

Disposal of properties

The sale of property is recognised when the control has been transferred to the buyer, usually when legally binding contracts that are irrevocable and unconditional are exchanged, which is when legal title passes to the purchaser, on completion. 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

Leases – the Group as lessor

The Group has 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 on a straight line basis over the term of the relevant lease. 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.

Leases – the Group as lessee

Where the Group is a lessee, a right of use asset and lease liability are recognised at the outset of the lease except for all leases of 12 months or less, which are treated as short-term leases and are accounted for through profit and loss on a straight line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Group's expectations of the likelihood of the lease extension or break options being exercised. The lease liability is subsequently adjusted to reflect the imputed interest, payments made to lessor and any lease modifications. The Group applies a single discount rate to portfolios with reasonably similar characteristics.

The right of use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before commencement date, less any lease incentives received, an estimate of any costs expected to be incurred at the end of the lease to dismantle or restore the asset. The right of use asset classified as property, plant and equipment is subsequently depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life. The amount charged to the income statement comprises the depreciation of the right of use asset and the imputed interest on the liability.

Plant and equipment

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

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

The plant and equipment is depreciated on a straight line basis, over the expected useful life, and repaid out of the Revenue account statement of comprehensive income applying the following rates:

- motor vehicles – 25% per annum; and
- 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

Financial investments under IFRS 9 are now categorised as Fair Value through other comprehensive income and are measured at Fair Value with profits or losses on revaluation being taken to the Capital account statement of comprehensive income.

The Duchy recognises private equity and fixed interest securities as Fair Value through other comprehensive income as they are held to collect cash flows or to sell.

The Duchy elected to recognise equity financial investments as Fair Value through other comprehensive income to reduce volatility in the income statement, this will result in no recycling through the profit and loss.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

1 ACCOUNTING POLICIES *(continued)*

(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. The Joint Venture activity is deemed to be capital related and the profits or losses are recognised in the Capital account statement of comprehensive income.

Inventories

Wood, nursery and other stocks are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out 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 receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 12 for further information about the Group's accounting for trade receivables and impairment policies.

Trade payables

Trade payables are recognised initially at Fair Value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at Fair Value and subsequently measured at amortised cost using the effective interest method.

Upon renegotiation of a loan an assessment is made if the loan is modified or extinguished. Upon modification or extinguishment any associated costs will be recognised in the capital income statement.

Capitalisation of staff costs

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

Derivative financial instruments and hedging activities

Derivatives are initially recognised at Fair Value on the date a derivative contract is entered into and are subsequently remeasured 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 maturity of the hedging instrument is more than 12 months, and as a current asset or liability when the remaining maturity of the hedging instrument 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. The ineffective portion of changes in Fair Value of derivatives is recognised in the surplus or deficit within the Capital account statement of comprehensive income. Amounts accumulated in reserves are reclassified to Revenue account statement of comprehensive income in the periods when the hedged transaction takes place.

When a hedging instrument expires, is sold or no longer meets the criteria for hedge accounting, any effective 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 Revenue account statement of comprehensive income. Any resulting ineffectiveness will be taken to the Capital account statement of comprehensive income.

Investment in subsidiaries and associate undertakings

Investments in subsidiaries and associate undertakings are held at cost less accumulated impairment losses by the Duchy.

IBOR reform

The Duchy has considered the impact of InterBank Offered Rate (IBOR) reform on the Duchy's financial statements. In August 2020, the International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments were effective for annual periods beginning on or after 1st January 2021, with earlier application permitted. The Group has not early adopted these amendments for the year ended 31st March 2021.

The Phase 1 'Amendments to IFRS 9, and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019 are adopted by the Group. In accordance with the transition provisions the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continuing should be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The Duchy has limited exposure to changes in the IBOR benchmark (this is related to London InterBank Offered Rate (LIBOR) reform) as follows:

- As at 31st March 2021, the Group has one interest rate swap having the fair value of £1.36 million which is in a cash flow hedge relationship.

The Duchy has considered an IBOR transition plan. The Duchy currently anticipates that the areas of greatest change will be amendments to the contractual terms of LIBOR-referenced swap and updating hedge designations. In summary the reliefs provided by the Phase 1 amendments that apply to the Duchy and the Group are:

- In assessing whether the hedge is expected to be highly effective on a forward-looking basis; the Duchy has assumed that the LIBOR interest rate on which the cash flows of the interest rate swap that hedges GBP loan is not altered by LIBOR reform.
- The Duchy will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness demonstrates ineffectiveness due to IBOR reform. The Duchy has assessed whether the hedged LIBOR risk component is a separately identifiable risk only when it first designates the hedge and not on an ongoing basis.
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

2 ANALYSIS OF REVENUE ACCOUNT OPERATING SURPLUS

	Note	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Property income:			
Agricultural income		8,207	8,236
Commercial income		16,839	16,087
Residential income		6,540	6,266
Total property income		31,586	30,589
Sale of goods		5,906	6,602
Total operating income		**37,492**	**37,191**
Staff costs	4	5,567	5,860
Charge to Capital account		(1,118)	(1,084)
		4,449	4,776
Direct cost of sales		2,838	3,401
Depreciation	9	1,049	1,392
Repairs and maintenance		3,066	2,906
Administration		3,119	2,232
Other operating costs		816	1,243
Total operating costs		**15,337**	**15,950**
Operating surplus		**22,155**	**21,241**

During the year, the Duchy received £1.38million in compensation for professional advice which led to a loss on a capital asset valuation. Further analysis of the Capital account operating surplus is not deemed necessary given the nature of the transactions and disclosure within the primary statements.

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

	Year ended 31st March 2020 £	Year ended 31st March 2021 £
Fees payable to the Duchy of Cornwall auditors for the audit of the Duchy and consolidated financial statements:		
Current year	112,000	164,000
Prior year	–	15,000
Fees payable to the Duchy of Cornwall auditors and their associates for other services:		
The audit of QMS (Poundbury) LLP	8,000	11,000
	120,000	**190,000**

3 LEASING: OPERATING LEASES WITH TENANTS

The Duchy of Cornwall leases out all of its investment properties under operating leases with, on average, 62 years remaining to expiry. The aggregate minimum rentals, excluding contingent rents, receivable under non-cancellable leases are as follows:

	31st March 2020 £'000	31st March 2021 £'000
Less than one year	19,164	19,078
Between two to five years	64,597	60,985
After five years	334,066	324,482
	417,827	**404,545**

Leases with no fixed expiry date have been excluded from the figures above.

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Contingent rents receivable	**2,277**	**1,249**

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

4 STAFF COSTS

The number of people employed by the Duchy during the year was as follows:

	2019/20 Full time equivalent	2020/21 Full time equivalent	2020/21 Monthly average number
Administrative	65	66	78
Estate workers	12	11	12
Nursery	24	32	55
Housekeepers	7	3	26
	108	**112**	**171**

The total remuneration for the Group was £7.244million (2020: £6.888million) comprising:

	Group Year ended 31st March 2020 £'000	Duchy Year ended 31st March 2020 £'000	Group Year ended 31st March 2021 £'000	Duchy Year ended 31st March 2021 £'000
Wages and salaries	5,173	4,998	5,412	5,128
Social security costs	547	528	577	557
Pension costs	1,004	1,004	921	916
Other staff costs	164	164	334	309
	6,888	**6,694**	**7,244**	**6,910**

Included within the above figures are the costs of staff primarily engaged in Revenue account activities:

	Group Year ended 31st March 2020 £'000	Duchy Year ended 31st March 2020 £'000	Group Year ended 31st March 2021 £'000	Duchy Year ended 31st March 2021 £'000
Wages and salaries	4,163	3,988	4,430	4,145
Social security costs	434	415	463	444
Pension costs	843	843	761	756
Other staff costs	127	127	206	181
	5,567	**5,373**	**5,860**	**5,526**

4 STAFF COSTS *(continued)*

Of the above, £1.084million (2020: £1.118million) are recharged to the Capital account, reflecting the extent that they are deemed to be enhancing its value.

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

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

	Year ended 31st March 2020 £	Year ended 31st March 2021 £
Alastair Martin	304,964	305,140
Jonathan Crow	2,250	–
Mark Thomas	8,000	8,000
	315,214	**313,140**

In addition, pension contributions of £41,250 (2020: £41,250) were paid into a money purchase scheme for Alastair Martin.

5 FINANCE INCOME – GROUP

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Interest and dividend income from financial investments measured at Fair Value through OCI	3,445	2,577
Bank interest	13	1
Loan interest	48	52
	3,506	**2,630**

6 FINANCE COSTS – GROUP

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Loan interest	**3,711**	**3,894**

Loan interest cost recognised for the year ended 2021 includes £84,000 (2020: £84,000) transferred to hedging reserve in relation to the interest rate swaps.

7 RETIREMENT BENEFIT OBLIGATIONS – GROUP AND THE DUCHY

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

The last completed actuarial valuation as at 1st January 2019 showed a funding deficit at that date of £4.590million. 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 annual contributions of £402,000 over a six-year period backdated to the valuation date. The results of the valuation as at 1st January 2019 have been used as a basis and then rolled forward to 31st March 2021.

The Scheme operates under the Pensions Act 2004.

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

Description of risks to which the Scheme exposes the Duchy:

- Asset volatility – if the Scheme's assets underperform the discount rate a deficit may result and so to mitigate this, the trustees have agreed that the Scheme's investment strategy will be de-risked over time. This is achieved by funding triggers that allow the Scheme to take advantage of favourable market conditions and developments in the funding level. If the funding level improves by a predetermined amount, then a switch to increase the target allocation for liability matching assets will be made.
- Inflation – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although for most increases there are caps in place that protect against extreme inflation).
- Longevity – increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the Scheme's liabilities.

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

7 RETIREMENT BENEFIT OBLIGATIONS – GROUP AND THE DUCHY *(continued)*

Recognition of funded status

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

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Fair Value of assets at end of year	22,917	27,393
Present value of obligations at end of year	(26,181)	(28,168)
Net defined benefit obligation	**(3,264)**	**(775)**

Expense recognised in income statement

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Current service cost	354	266
Administration expenses	105	130
Operating expense	459	396
Net interest on the net defined benefit obligation	119	64
Total expense recognised in income statement	**578**	**460**

Reconciliation of value of defined benefit obligations over the year

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

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Present value of obligations at start of year	30,066	26,181
Current service cost	354	266
Interest cost	712	555
Distributions	(814)	(1,870)
Experience gains	(1,512)	(299)
Actuarial (gains)/losses arising from change in financial assumptions	(934)	3,265
Actuarial (gains)/losses arising from change in demographic assumptions	(1,691)	70
Present value of obligations at end of year	**26,181**	**28,168**

Reconciliation of Fair Value of assets

The movement in the Fair Value of assets over the year was as follows:

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Fair Value of assets at start of year	24,765	22,917
Employer contributions	813	765
Interest income	593	491
Return on Scheme assets excluding interest income	(2,335)	5,220
Distributions	(814)	(1,870)
Administration expenses and death in service premia	(105)	(130)
Fair Value of assets at end of year	**22,917**	**27,393**

Movement in net defined benefit obligation over the year

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Net defined benefit obligation at beginning of the year	(5,301)	(3,264)
Employer contributions	813	765
Expense recognised in income statement	(578)	(460)
Remeasurement gains recognised in OCI	1,802	2,184
Net defined benefit obligation at end of the year	**(3,264)**	**(775)**

Remeasurement effects recognised in other comprehensive income (OCI)

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Return on Scheme assets excluding interest income	(2,335)	5,220
Experience gains on obligations	1,512	299
Actuarial gains/(losses) arising from change in financial assumptions	934	(3,265)
Actuarial gains/(losses) arising from change in demographic assumptions	1,691	(70)
Total gains recognised in OCI	**1,802**	**2,184**

7 RETIREMENT BENEFIT OBLIGATIONS – GROUP AND THE DUCHY *(continued)*

Actuarial assumptions at end of year

	31st March 2020	31st March 2021
Discount rate (p.a.)	2.20%	1.95%
Salary increases (p.a.)	3.25%	3.80%
RPI inflation (p.a.)	2.80%	3.35%
CPI inflation (p.a.)	2.00%	2.55%
Pension increases: RPI min 0%, max 5% (p.a.)	2.75%	3.25%
Post-retirement mortality (base table)	S3PxA 'light'adjusted for CMI	S3PxA 'light'adjusted for CMI
Post-retirement mortality (improvements)	2018 projections with 1.5% p.a. long-term trend rate	2019 projections with 1.5% p.a. long-term trend rate

Sensitivity analysis

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

Value of obligations at the end of the year if:	31st March 2021 £'000
Discount rate reduced by 0.25% p.a.	1,211
Discount rate increased by 0.25% p.a.	(1,138)
Salary increases increased by 0.25% p.a.	139
Salary increases decreased by 0.25% p.a.	(138)
Inflation increased by 0.25%* p.a.	1,019
Inflation decreased by 0.25%* p.a.	(974)
Life expectancy increased by approximately one year	1,355
Life expectancy decreased by approximately one year	(1,153)

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

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

Description of any asset-liability matching strategies

The trustees have agreed that the Scheme's investment strategy will be de-risked over time. This is done by funding triggers that allow the Scheme to take advantage of favourable market conditions and developments in the funding level. If the funding level improves by a predetermined amount, then a switch to increase the target allocation for liability matching assets will be made.

Breakdown of value of assets at end of year

The following tables provide information on the composition and Fair Value of assets of the Scheme.

	Quoted £'000	Unquoted £'000	Total £'000
UK equities	1,011	–	1,011
Overseas equities	15,299	–	15,299
Index-linked gilts	5,192	–	5,192
UK corporate bonds: investment grade	5,362	–	5,362
Cash and net current assets	–	529	529
At 31st March 2021	**26,864**	**529**	**27,393**

	Quoted £'000	Unquoted £'000	Total £'000
UK equities	4,416	–	4,416
Overseas equities	7,386	–	7,386
Index-linked gilts	5,595	–	5,595
UK corporate bonds: investment grade	5,237	–	5,237
Cash and net current assets	–	283	283
At 31st March 2020	**22,634**	**283**	**22,917**

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

Description of any funding arrangements and funding policy that would affect future contributions:

The Scheme was in deficit on a funding basis at 1st January 2019, the date of the latest completed annual actuarial report. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed with an effective date of 1st January 2022.

The Duchy's best estimate of contributions to be paid over following year (£'000)	724
Average duration of the liabilities (years)	17
Expected future benefit payments (£'000):	
Year ending 31st March 2022	969
Year ending 31st March 2023	1,097
Year ending 31st March 2024	927
Year ending 31st March 2025	954
Year ending 31st March 2026	1,051
Five years ending 31st March 2031	5,310

The Duchy also contributes to defined contribution scheme arrangements, the charge for which was £461,000 (2020: £411,000).

8 INVESTMENT PROPERTY – GROUP

	Agricultural & Forestry £'000	Commercial £'000	Residential £'000	Development land £'000	Total £'000
At 1st April 2019	**407,925**	**299,267**	**200,759**	**41,356**	**949,307**
Additions	320	–	978	–	1,298
Capital improvements	2,818	240	1,781	16	4,855
Capitalised development expenditure	–	–	–	9,874	9,874
Transfer to property, plant and equipment – at Fair Value	–	(400)	–	–	(400)
Transfer to investment property assets held for sale	(3,044)	(140)	(155)	(6,281)	(9,620)
Disposals	(1,291)	–	(27)	(4,942)	(6,260)
Net (loss)/gain from Fair Value adjustments on investment property	(10,349)	(3,722)	2,480	(8,877)	(20,468)
At 31st March 2020	**396,379**	**295,245**	**205,816**	**31,146**	**928,586**
Additions	1,322	48	–	–	1,370
Capital improvements	1,534	1,282	887	36	3,739
Capitalised development expenditure	–	–	–	4,800	4,800
Transfer to investment property assets held for sale	(301)	–	(94)	(6,993)	(7,388)
Disposals	(1,285)	(1,850)	(1,432)	(600)	(5,167)
Net (loss)/gain from Fair Value adjustments on investment property	(4,633)	13,540	8,250	8,953	26,110
At 31st March 2021	**393,016**	**308,265**	**213,427**	**37,342**	**952,050**

8 INVESTMENT PROPERTY – THE DUCHY

	Agricultural & Forestry £'000	Commercial £'000	Residential £'000	Development land £'000	Total £'000
At 1st April 2019	**407,925**	**290,786**	**198,892**	**41,356**	**938,959**
Additions	320	–	978	–	1,298
Capital improvements	2,818	240	1,781	16	4,855
Capitalised development expenditure	–	–	–	9,874	9,874
Transfer to property, plant and equipment – at Fair Value	–	(400)	–	–	(400)
Transfer to investment property assets held for sale	(3,044)	(140)	(155)	(6,281)	(9,620)
Disposals	(1,291)	–	(27)	(4,942)	(6,260)
Net (loss)/gain from Fair Value adjustments on investment property	(10,349)	(3,734)	2,480	(8,877)	(20,480)
At 31st March 2020	**396,379**	**286,752**	**203,949**	**31,146**	**918,226**
Additions	1,322	48	–	–	1,370
Capital improvements	1,534	1,282	887	36	3,739
Capitalised development expenditure	–	–	–	4,800	4,800
Transfer to investment property assets held for sale	(301)	–	(94)	(6,993)	(7,388)
Disposals	(1,285)	(1,850)	(1,432)	(600)	(5,167)
Net (loss)/gain from Fair Value adjustments on investment property	(4,633)	13,335	8,192	8,953	25,847
At 31st March 2021	**393,016**	**299,567**	**211,502**	**37,342**	**941,427**

Fair Values of land and buildings

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

All properties are valued on an annual basis. All significant development sites plus 20% by number of the remaining properties in the mainland rural estate are valued by Savills on a rotational basis. The balance of mainland rural estate properties are valued by internal valuers who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers and employees of the Duchy of Cornwall. The internal valuers have detailed management knowledge of the properties concerned. The internal valuation team is led by one of the Duchy's employees, an RICS Registered Valuer, supported by the Duchy's Finance Director. All Isles of Scilly properties are valued externally by Savills. All of the London residential properties are valued externally by Cluttons. All of the urban commercial properties are valued externally by Avison Young. All valuations are in accordance with the RICS Valuation – Global Standards effective from 31st January 2020 (incorporating the IVSC International Valuation Standards) (the "Red Book") and, if relevant, the RICS Valuation – Global Standards 2017: UK National Supplement effective from 14th January 2019.

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

Fair Value measurements using significant unobservable inputs (Level 3)

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

Valuation processes

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

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

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

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

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

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

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

8 INVESTMENT PROPERTY – GROUP AND THE DUCHY *(continued)*

Relationship of significant unobservable inputs to Fair Value and the impact of significant changes to those inputs

Unobservable input	**Impact on Fair Value of changes to input**	
	Increase in input	**Decrease in input**
Adjusted comparable vacant possession values	Increase in Fair Value	Decrease in Fair Value
Rental values	Increase in Fair Value	Decrease in Fair Value
Capitalisation rates	Decrease in Fair Value	Increase in Fair Value
Discount rates	Decrease in Fair Value	Increase in Fair Value

Impact on Fair Value of changes to capitalisation and discount rates (ceteris paribus)

All in £'000	Increase of 50 basis points	As disclosed	Decrease of 50 basis points
Agricultural	294,278	343,191	436,016
Other rural assets	26,515	27,594	28,753
Urban commercial	203,742	229,020	258,999
Rural commercial	74,968	79,245	84,201
Residential property	210,020	213,427	217,286

Impact on Fair Value of changes to market rental values (ceteris paribus)

All in £'000	Increase of 10%	As disclosed	Decrease of 10%
Agricultural	362,957	343,191	323,412
Urban commercial	248,236	229,020	217,935

The Fair Values at the balance sheet date, valuation techniques, nature and, where meaningful, range of unobservable inputs are shown in the table below for each class of investment property.

Quantitative data about Fair Value measurement using unobservable inputs (Level 3) – Group

	Property type	Fair Value at 31st March 2021 £'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (where meaningful)
Agricultural & Forestry	Agricultural	£343,191	Yield methodology	Rental values	–
				Capitalisation rate	Farms: 1.5% to 3.5% Bare land: 9% to 10%
			Adjusted sales comparison approach	Adjusted comparable vacant possession values	–
				Discount rate for terminal value	5% to 7%
				Estimate of period until vacant possession achieved	0 to 78 years (average 5 years)
	Forestry	£22,231	Adjusted sales comparison approach	Price per hectare	£2,471 to £49,420 (average £11,635) per hectare
	Other rural assets	£27,594	Yield methodology	Rental values	–
				Capitalisation rate	8% to 10%
				Discount rate for terminal value	8.5% to 12%
	Total	**£393,016**			
Commercial	Urban commercial	£229,020	Yield methodology	Rental values	Industrial: £73 to £105 psm Office: £17 to £526 psm Retail: £129 to £562 psm
				Capitalisation rate	Industrial: 4.5% to 4.8% Office: 3.2% to 4.8% Retail: 5.0% to 7.3% Other: 3.6% to 9.6%
	Rural commercial	£79,245	Yield methodology	Rental values	–
				Capitalisation rate	6.75% to 11%
	Total	**£308,265**			
Residential		£213,427	Yield methodology	Rental values	–
				Capitalisation rate	4% to 5%
			Adjusted sales comparison approach	Adjusted comparable vacant possession values	–
				Discount rate for terminal value	5% to 7%
				Estimate of period until vacant possession achievable, for short-term lets	0 to 19 years (average 0.9 years) Fair Value £133m
				Estimate of period until vacant possession achievable, for long-term lets	0 to 161 years (average 33 years) Fair Value £80m
Development land		£37,342	Discounted cash flow	Discount rate	7% to 8% (average 7.1%)
				Risk factor	0% to 55% (average 10.4%)
				Time to completion	< 1 year to 34 years (average 20.4 years)

9 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Motor vehicles £'000	Right of use motor vehicles £'000	Plant and equipment £'000	Right of use plant and equipment £'000	Owner occupied property £'000	Right of use owner occupied property £'000	Total £'000
At 1st April 2019							
Cost/valuation	214	46	14,929	26	5,446	47	20,708
Accumulated depreciation	(158)	(18)	(5,894)	(4)	–	–	(6,074)
Net book value	**56**	**28**	**9,035**	**22**	**5,446**	**47**	**14,634**
Year ended 31st March 2020							
Additions/improvements	–	–	3,412	1,523	–	–	4,935
Transfer from investment property	–	–	–	–	400	–	400
Transfer between categories – cost	–	–	(2,422)	2,422	–	–	–
Disposal at cost	–	–	(13)	–	–	–	(13)
Fully written down – cost	(68)	–	(498)	–	–	–	(566)
Depreciation charge	(32)	(13)	(811)	(193)	–	–	(1,049)
Transfer between categories – depreciation	–	–	831	(831)	–	–	–
Depreciation on disposal	–	–	3	–	–	–	3
Fully written down – depreciation	68	–	498	–	–	–	566
Revaluation	–	–	–	–	100	–	100
At 31st March 2020	**24**	**15**	**10,035**	**2,943**	**5,946**	**47**	**19,010**
At 31st March 2020							
Cost/valuation	146	46	15,408	3,971	5,946	47	25,564
Accumulated depreciation	(122)	(31)	(5,373)	(1,028)	–	–	(6,554)
Net book value	**24**	**15**	**10,035**	**2,943**	**5,946**	**47**	**19,010**
Year ended 31st March 2021							
Additions/improvements	24	44	1,712	211	393	–	2,384
Transfer between categories – cost	–	–	(285)	285	–	–	–
Disposal at cost	–	–	(50)	–	–	–	(50)
Fully written down – cost	(69)	(31)	(358)	–	–	–	(458)
Depreciation charge	(21)	(14)	(1,038)	(319)	–	–	(1,392)
Depreciation on disposal	–	–	20	–	–	–	20
Fully written down – depreciation	69	31	358	–	–	–	458
Revaluation	–	–	–	–	(63)	–	(63)
At 31st March 2021	**27**	**45**	**10,394**	**3,120**	**6,276**	**47**	**19,909**
At 31st March 2021							
Cost/valuation	101	59	16,427	4,467	6,276	47	27,377
Accumulated depreciation	(74)	(14)	(6,033)	(1,347)	–	–	(7,468)
Net book value	**27**	**45**	**10,394**	**3,120**	**6,276**	**47**	**19,909**

9 PROPERTY, PLANT AND EQUIPMENT – THE DUCHY

	Motor vehicles £'000	Right of use motor vehicles £'000	Plant and equipment £'000	Right of use plant and equipment £'000	Owner occupied property £'000	Right of use owner occupied property £'000	Total £'000
At 1st April 2019							
Cost/valuation	214	8	5,344	26	5,446	47	11,085
Accumulated depreciation	(158)	–	(2,851)	(4)	–	–	(3,013)
Net book value	**56**	**8**	**2,493**	**22**	**5,446**	**47**	**8,072**
Year ended 31st March 2020							
Additions/improvements	–	–	473	–	–	–	473
Transfer from investment property	–	–	–	–	400	–	400
Disposal at cost	–	–	(13)	–	–	–	(13)
Fully written down – cost	(68)	–	(498)	–	–	–	(566)
Depreciation charge	(32)	(3)	(430)	(7)	–	–	(472)
Depreciation on disposal	–	–	3	–	–	–	3
Fully written down – depreciation	68	–	498	–	–	–	566
Revaluation	–	–	–	–	100	–	100
At 31st March 2020	**24**	**5**	**2,526**	**15**	**5,946**	**47**	**8,563**
At 31st March 2020							
Cost/valuation	146	8	5,306	26	5,946	47	11,479
Accumulated depreciation	(122)	(3)	(2,780)	(11)	–	–	(2,916)
Net book value	**24**	**5**	**2,526**	**15**	**5,946**	**47**	**8,563**
Year ended 31st March 2021							
Additions/improvements	24	7	308	6	393	–	738
Transfer from investment property	–	–	–	–	–	–	–
Disposal at cost	–	–	–	–	–	–	–
Fully written down – cost	(69)	–	(358)	–	–	–	(427)
Depreciation charge	(21)	(6)	(429)	(7)	–	–	(463)
Depreciation on disposal	–	–	–	–	–	–	–
Fully written down – depreciation	69	–	358	–	–	–	427
Revaluation	–	–	–	–	(63)	–	(63)
At 31st March 2021	**27**	**6**	**2,405**	**14**	**6,276**	**47**	**8,775**
At 31st March 2021							
Cost/valuation	101	15	5,256	32	6,276	47	11,727
Accumulated depreciation	(74)	(9)	(2,851)	(18)	–	–	(2,952)
Net book value	**27**	**6**	**2,405**	**14**	**6,276**	**47**	**8,775**

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 reserve'.

10 INVESTMENTS IN JOINT VENTURES, ASSOCIATES AND SUBSIDIARIES

The Group has the following undertakings for the year ended 31st March 2021:

Name	Entity type	Principal activity	% of holding
QMS (Poundbury) LLP*	Partnership	Investment property	100
RP (Poundbury) LLP**	Partnership	Investment property	50
Poundbury Spa LLP**	Partnership	Spa operation	15
J V Energen LLP***	Partnership	Energy supply	54
BioCarbonics Ltd***	Company	Renewable CO_2 sourcing and marketing	30
West Country Soil Improvements Ltd***	Company	Soil improver production and marketing	100

During the year, J V Energen LLP disposed of its remaining shares in Barrow Shipping Ltd for total consideration of £603,000, including deferred consideration of £127,000, resulting in a gain on disposal of £453,000.

*Registered Office 66 Lincoln's Inn Fields, London WC2A 3LH

**Registered Office c/o C G Fry & Sons, Litton Cheney, Dorchester, Dorset DT2 9AW

***Registered Office c/o Wilkin Chapman LLP, The Maltings, Brayford Wharf, East Lincoln LN5 7AY

Investments in joint ventures

As at 31st March 2021 the Duchy owned 50% of the members' capital of RP (Poundbury) LLP.

	2020 £'000	2021 £'000
Balance at 1st April	9,070	6,732
Net invested in year	124	53
Distributed in year	(1,961)	(127)
Share of loss	(501)	(750)
Balance at 31st March	**6,732**	**5,908**

RP (Poundbury) LLP was incorporated on 14th March 2015 and commenced trading on that date. The principal activity of RP (Poundbury) LLP during the year was property development.

The latest unaudited financial statements were produced for the year ended 31st March 2021. The aggregate assets, liabilities, revenue and results for RP (Poundbury) LLP were as follows:

	As at/Year ended 31st March 2020 £'000	As at/Year ended 31st March 2021 £'000
Assets	13,496	11,856
Liabilities	(32)	(40)
Revenue	–	–
Loss	**(1,001)**	**(1,500)**

The Group's share of the loss has been included within 'Other costs' in the Capital account statement of comprehensive income.

Investments in associates

As at 1st April 2021 the Duchy owned 15% of the members' capital of Poundbury Spa LLP but 33% of the voting rights and is therefore deemed to have significant influence over the entity, so it accounts for the investment as an associate.

	2020 £'000	2021 £'000
Balance at 1st April	766	1,288
Net invested in year	599	101
Share of loss	(77)	(47)
Balance at 31st March	**1,288**	**1,342**

The latest management accounts were produced for the year ended 31st March 2021. The aggregate assets, liabilities and results for Poundbury Spa LLP were as follows:

	As at/Year ended 31st March 2020 £'000	As at/Year ended 31st March 2021 £'000
Assets	4,282	4,096
Liabilities	(758)	(225)
Loss	(442)	(359)

Investments in subsidiaries

	31st March 2020 £'000	31st March 2021 £'000
QMS (Poundbury) LLP	6,790	6,790
J V Energen LLP	650	650
	7,440	**7,440**

The principal activity of QMS (Poundbury) LLP during the year was the commercial operation of a retail, residential and office building.

The latest unaudited financial statements of QMS (Poundbury) LLP were produced for the year ended 31st March 2021. The revenue and results for QMS (Poundbury) LLP were as follows:

	Year ended 31st March 2020 £'000	Year ended 31st March 2021 £'000
Revenue	546	575
Profit	482	462

During the year the Duchy retained 54% of the members' capital of J V Energen LLP for £650,000 and is entitled to 59% of the partnership profits. The Duchy has also provided loans to the partnership as described in note 12. The principal activities of J V Energen LLP and its subsidiaries (BioCarbonics Ltd and West Country Soil Improvements Ltd) are the operation of an anaerobic digestion, biomethane injection and renewable carbon dioxide capture plant, the shipping and marketing of biomethane, the shipping and marketing of carbon dioxide from renewable sources, and the production and marketing of soil improvement products.

The partnerships have been consolidated within these financial statements. The investment in the Group entities are recorded at cost in the Duchy's own financial statements, which is the Fair Value of the consideration paid.

11 FINANCIAL ASSETS – GROUP AND THE DUCHY

	Fair Value through other comprehensive income			
	Equity securities Level 1 £'000	Fixed interest securities Level 1 £'000	Private equity funds Level 3 £'000	Total £'000
At 1st April 2019	**52,536**	**36,563**	**5,006**	**94,105**
Purchases	–	–	440	440
Sale proceeds	(2,000)	–	(859)	(2,859)
Revaluation	(3,503)	(3,862)	(556)	(7,921)
At 31st March 2020	**47,033**	**32,701**	**4,031**	**83,765**
Purchases	–	–	–	–
Sale proceeds	–	–	–	–
Revaluation	4,491	3,945	222	8,658
At 31st March 2021	**51,524**	**36,646**	**4,253**	**92,423**

The Fair Values of financial investments classified as Level 1 are based on quoted market prices on the 31st March 2021 under Fair Value through other comprehensive income. 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.

During the year the Duchy de-recognised £nil (2020: £0.859million) of its Level 3 financial investments when the constituent loans within the fund were repaid by the borrowers.

As a result of COVID-19 there has been considerable volatility within the financial investment markets. The Duchy is comfortable that such volatility and uncertainty pose no long-term financial threat to the investment value.

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

	31st March 2020 £'000	31st March 2021 £'000
US Dollar exchange rate +/- 10bpt	**(301)/354**	**(291)/336**

The maximum exposure to the credit risk at the reporting date is the carrying value of the debt securities classified as Fair Value through other comprehensive income.

The carrying value of financial assets, including debt securities classified as Fair Value through other comprehensive income and cash deposits, best represents the maximum exposure to counterparty risk at the reporting date.

12 TRADE AND OTHER RECEIVABLES

	Group 31st March 2020 £'000	Duchy 31st March 2020 £'000	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000
Amounts falling due within one year:				
Trade receivables	5,120	4,614	4,400	3,951
Less provision for impairment of trade receivables	(329)	(314)	(501)	(477)
Other receivables	200	200	200	200
Prepayments	334	337	478	358
Accrued income	4,455	3,345	3,453	2,212
	9,780	**8,182**	**8,030**	**6,244**
Amounts falling due after more than one year:				
Other receivables	1,000	1,000	1,000	1,000
Amounts due from Group subsidiaries	–	7,809	–	7,141
	1,000	**8,809**	**1,000**	**8,141**

The Group's other receivables falling due after more than one year comprise £1million at 4% repayable at a date to be determined.

Amounts due from the Group subsidiaries comprise of three loans to J V Energen LLP – £4.6million repayable in 2026 and £0.55million repayable at a date to be determined and at least 12 months from the balance sheet date, both at an interest rate of 8% and £1.991million at 6% repayable by 2030. These loans are secured against the land and buildings of the company. The recoverability of inter-company receivables and loans has been reviewed using the expected credit loss method under IFRS 9. The expected credit loss was immaterial.

All receivables are denominated in Sterling.

As of 31st March 2021 trade receivables of £3.2million (2020: £4.1million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 31st March 2020 £'000	Duchy 31st March 2020 £'000	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000
Under 3 months	3,353	3,243	2,396	2,314
3 to 12 months	340	334	598	595
Over 12 months	407	407	159	158
	4,100	**3,984**	**3,153**	**3,067**

As of 31st March 2021 trade receivables of £501,000 (2020: £329,000) 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.

The Group and Duchy apply the IFRS 9 simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and accrued income have been grouped based on the shared characteristics of the type of property to which they relate. Accrued income relates to unbilled rents that are due in arrears and have a due date after the balance sheet date. They have the same risk characteristics as trade receivables for the same type of property. It has therefore been concluded that the same expected credit loss rates apply to both types of asset.

The expected loss rates are based on risks associated with the particular property types, and understanding of the situation faced by both specific tenants and the business sectors occupying these properties. The resulting loss allowance for 31st March 2021 is a significant increase on 31st March 2020 for Agricultural and Commercial property, a reflection of the increased risks arising from changes to the UK subsidy regime and the economic impact of the pandemic, particularly for those connected with tourism and hospitality, and those whose jobs or livelihoods are more uncertain. Uncertainty in the future of many of our tenants is reflected in the uncertainty we have over these expected loss rates. Expected losses are monitored throughout the year by a dedicated credit controller and regular meetings with senior management.

12 TRADE AND OTHER RECEIVABLES *(continued)*

On that basis, the loss allowance as at 31st March 2021 was determined as follows for both trade receivables and accrued income:

Group

	Agriculture £'000	Commercial £'000	Residential £'000	Other property £'000	Financial investments £'000	Other £'000	Total £'000
31st March 2021							
Expected loss rate	7.4%	8.6%	31.0%	5.8%	0.0%	0.0%	–
Gross carrying amount – trade receivables	1,415	1,326	445	222	–	–	3,408
Gross carrying amounts – accrued income	220	665	42	526	398	1,548	3,399
Loss allowance	**120**	**171**	**151**	**43**	**0**	**15**	**500**
31st March 2020							
Expected loss rate	2.9%	2.9%	29.7%	5.9%	0.0%	0.0%	–
Gross carrying amount – trade receivables	1,624	1,673	386	506	–	–	4,189
Gross carrying amounts – accrued income	276	1,435	46	–	1,268	–	3,025
Loss allowance	**55**	**89**	**128**	**30**	**–**	**27**	**329**

Duchy

	Agriculture £'000	Commercial £'000	Residential £'000	Other property £'000	Financial investments £'000	Other £'000	Total £'000
31st March 2021							
Expected loss rate	7.4%	8.6%	31.4%	5.8%	0.0%	0.0%	–
Gross carrying amount – trade receivables	1,415	1,227	439	222	–	–	3,303
Gross carrying amounts – accrued income	220	659	42	526	623	87	2,157
Loss allowance	**120**	**162**	**151**	**43**	**–**	**–**	**476**
31st March 2020							
Expected loss rate	2.9%	2.9%	29.7%	5.9%	0.0%	0.0%	–
Gross carrying amount – trade receivables	1,624	1,673	386	506	–	–	4,189
Gross carrying amounts – accrued income	276	1,435	46	–	1,268	–	3,025
Loss allowance	**55**	**89**	**128**	**30**	**–**	**12**	**314**

The loss allowances for trade receivables and accrued income as at 31st March reconcile to the opening loss allowances as follows:

	Group 31st March 2020 £'000	Duchy 31st March 2020 £'000	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000
Opening loss allowance at 1st April	163	163	329	314
Increase in loss allowance recognised in Revenue account	193	178	682	673
Net receivables written off	(27)	(27)	(510)	(510)
Closing loss allowance at 31st March	**329**	**314**	**501**	**477**

The creation, release and utilisation 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 THE DUCHY

	2020 £'000	2021 £'000
At 1st April	13,241	15,870
Disposal	(7,744)	(9,611)
Capitalised development expenditure	–	337
Capital improvements	570	52
Transfer from investment property	9,620	7,388
Revaluation in year	183	1,546
At 31st March	**15,870**	**15,582**

At the year end the Duchy was actively marketing properties for sale at the Fair Values stated above, and these are expected to be sold within 12 months of the balance sheet date. This strategy forms part of the long-term aim to continue to improve and rebalance the property portfolio. Where sales have taken longer to complete than anticipated, some assets may be in this category for longer than 12 months.

14 TRADE AND OTHER PAYABLES

	Group 31st March 2020 £'000	Duchy 31st March 2020 £'000	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000
Amounts falling due within one year:				
Trade payables	3,349	2,931	3,209	2,895
Accruals	1,912	1,900	2,955	2,531
Social security and other taxes	909	878	2,020	1,952
Payments received on account	2,772	2,772	2,639	2,639
Rents paid in advance	4,469	4,382	4,366	4,275
Other payable	–	–	250	250
	13,411	**12,863**	**15,439**	**14,542**
Amounts falling due after more than one year:				
Payments received on account	6,400	6,400	4,803	4,803
Other payable	–	–	750	750
	6,400	**6,400**	**5,553**	**5,553**

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

Included within Other payable above is an amount for £1.0million (2020: £nil) relating to the Group's obligation to make dowry payments in connection with certain water and sewerage services on the Isles of Scilly. The dowry is payable in four equal annual instalments, with the first due on 1st April 2021.

15 BORROWINGS AND DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND THE DUCHY

Group

	Less than 1 year £'000	Between 1–5 years £'000	Over 5 years £'000	Total £'000
At 31st March 2021				
Borrowings	1,073	1,642	133,004	**135,719**
Interest rate swaps – cash flow hedges (Level 2)	–	–	1,365	**1,365**
At 31st March 2020				
Borrowings	1,225	–	132,843	**134,068**
Interest rate swaps – cash flow hedges (Level 2)	–	–	2,122	**2,122**

15 BORROWINGS AND DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND THE DUCHY *(continued)*

Duchy

	Less than 1 year £'000	Between 1–5 years £'000	Over 5 years £'000	Total £'000
At 31st March 2021				
Borrowings	–	–	132,993	**132,993**
Interest rate swaps – cash flow hedges (Level 2)	–	–	1,365	**1,365**
At 31st March 2020				
Borrowings	–	–	132,843	**132,843**
Interest rate swaps – cash flow hedges (Level 2)	–	–	2,122	**2,122**

As part of the risk management strategy the Duchy Finance Committee concluded that it wished to lock in to low interest rates. Management intends to achieve this by hedging the interest rate risk arising on the variable interest payable on bank debt using an interest rate swap with a receive variable rate (3M Libor) and pay fixed interest rate (1.397%). The Duchy has an interest rate derivative designated into a cash flow hedge relationship on the bank loan facility totalling £30million. The notional amount of the interest rate derivative is £30million. As at 31st March 2021 a gain of £0.674million (2020: loss of £1.437million) was recognised in other comprehensive income in the Capital account statement of comprehensive income, in respect of the effective cash flow hedge relationship. This is classified as a Level 2 financial instrument measured at Fair Value on directly or indirectly observable inputs.

The bank loan of £30million is repayable in 2027 and has been fully swapped to a fixed rate of 2.64%. The Fair Values of borrowings are not considered to be significantly different from their carrying value (rate of swap 1.397%).

During the year, J V Energen LLP and its subsidiaries (BioCarbonics Ltd and West Country Soil Improvements Ltd) took out Government-backed loans through the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme. J V Energen LLP borrowed £1.5million under CBILS, repayable over 54 months at an interest rate of 4% above base rate. BioCarbonics Ltd and West Country Soil Improvements Ltd borrowed £50,000 and £30,000 respectively under the Bounce Back Loan Scheme. Repayments for both are over a period 60 months at a fixed interest rate of 2.5% per annum. Under both the CBILS and Bounce Back Loans Scheme, no interest is charged for the first 12 months.

On the 29th March 2019 the Duchy issued £105million of bonds maturing between 2059 and 2069 at fixed interest rates of between 2.68% and 2.73%. £75million was utilised to repay £75million of bank borrowings.

The valuation of interest rate swaps (classified as Level 2) is taken from the counterparty bank. The economic relationship between a hedged item (bank loan) and a hedging instrument (interest rate swap), as well as ineffectiveness (if any), is determined by using the dollar-offset methodology. Under this methodology a hypothetical derivative is constructed on the designation date to model the change in the Fair Value of the hedged item. This is constructed without the inclusion of credit risk. The hypothetical derivative will therefore be constructed as a 'pay fixed GBP, receive floating GBP LIBOR' interest rate swap. Potential sources of ineffectiveness are changes in the credit risk of the Duchy or the counterparty to the interest rate swap (which management considers not material at year end) and movements in the starting value of the hedging instrument on the hedge relationship designation date due to the off-market rate of the interest rate swap. Ineffectiveness (if any) is recorded in profit or loss. The change in Fair Value of the hedging instrument of £0.76million (2020: £1.3million) and the Fair Value of the hedged item of £0.68million (2020: £1.4million) was used as the basis for recognising hedge ineffectiveness for the year.

To comply with the risk management policy the hedge ratio is based on a GBP interest rate swap with a notional amount of £30million and a maturity date of 31st December 2027 to offset a GBP denominated bank loan of £30million with a maturity date of 31st December 2027. This results in a hedge ratio of 1:1 or 100%.

Assessment of hedge effectiveness is done at inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

In 2017, the Duchy refinanced one of its borrowings to extend the maturity date and reduce the interest. The fixed interest payable on the loan decreased from LIBOR +1.4% to LIBOR +1.25%. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

16 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group Year ended 31st March 2020 £'000	Duchy Year ended 31st March 2020 £'000	Group Year ended 31st March 2021 £'000	Duchy Year ended 31st March 2021 £'000
Net surplus on the Revenue account	21,950	21,956	19,977	20,842
Net (loss)/surplus on the Capital account	(18,477)	(18,637)	33,867	33,149
Adjusted for:				
IFRS 9 effective interest	192	192	142	142
Bond transaction costs	8	8	8	8
Depreciation	1,049	472	1,392	463
Impairment of financial assets	501	501	750	750
Interest and dividend income on Fair Value through other comprehensive income assets	(3,480)	(3,480)	(2,577)	(2,577)
Net finance costs	3,767	2,968	3,841	2,499
Share of loss from associate and joint venture	75	75	47	47
Net gain on disposal of investments	–	–	(453)	–
Shortfall of pension charge over contributions	(235)	(235)	(305)	(305)
Net loss/(gain) from Fair Value of investment property	20,468	20,480	(26,110)	(25,847)
Net gain from Fair Value of investment property held for sale	(183)	(183)	(1,546)	(1,546)
Net gain on property held for sale	(43)	(43)	(3,749)	(3,749)
Profit on disposal of investment property	(3,808)	(3,808)	(2,842)	(2,842)
Increase in inventories	(408)	(60)	(152)	(59)
(Increase)/decrease in trade receivables	(298)	(216)	879	1,303
(Increase)/decrease in trade payables	(326)	(559)	1,179	934
Net cash inflow from operating activities	**20,752**	**19,431**	**24,348**	**23,212**

17 RELATED PARTY TRANSACTIONS

Two members of The Prince's Council are also trustees of The Duke of Cornwall's Benevolent Fund to which the Duchy of Cornwall, on behalf of The Duke of Cornwall, pays surplus receipts of bona vacantia as detailed in note 18. There were no transactions with the trustees during the financial year and, as at 31st March 2021, there was £nil (2020: £nil) remaining payable to the trustees.

Certain Duchy properties, including Highgrove House, are occupied by His Royal Highness The Prince of Wales and his office staff for living accommodation or commercial activities. These are let at open market values; the total value of annual rent charged amounted to £702,810 (2020: £701,785). As at 31st March 2021 there was £nil (2020: £nil) remaining payable to the Duchy.

During the year the Duchy paid Mrs Annabel Elliot, The Duke of Cornwall's sister-in-law, in the normal course of business and on an arm's length basis £36,634 (2020: £72,572) for fees and commission and £22,215 (2020: £87,248) for the purchase of furniture, furnishings and retail stock for the Duchy of Cornwall holiday accommodation, Duchy offices and Penlyne Nursery. At 31st March 2021 there was £5,104 (2020: £4,800) remaining payable to Mrs Elliot.

Key management personnel are individuals that have the responsibility for planning, directing and controlling the activities of the Duchy. For the year ended 31st March 2021 the Duchy of Cornwall made the following payments to key management personnel: short-term employee benefits (salary) £1.516million (2020: £1.546million); post-employment benefits (retirement benefit plan contribution) £163,000 (2020: £264,000); benefits £27,000 (2020: £29,000); total £1.706million (2020: £1.839million).

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

During the year the Duchy received £584,000 of interest on loans to J V Energen LLP (2020: £549,000). In addition, the Duchy leased areas of land to a Partnership for which rent of £146,488 (2020: £129,925) from J V Energen LLP was received.

18 BONA VACANTIA

During the year His Royal Highness, by right of his Duchy of Cornwall, received bona vacantia (being the estate of deceased intestates resident in Cornwall and dying without next of kin or assets remaining following dissolution of a company registered in Cornwall) of £225,000 (2020: £201,000) before allowing for ex gratia payments, returns and other associated costs of £90,000 (2020: £182,000). Surplus receipts of bona vacantia by His Royal Highness are paid over to The Duke of Cornwall's Benevolent Fund; £200,000 (2020: £nil) was paid during the year. At 31st March 2021 the Duchy retained £759,000 (2020: £824,000) within creditors to meet potential future claims from individuals statutorily entitled to estates that 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.

19 CAPITAL COMMITMENTS

At 31st March 2021 the Duchy had Capital commitments of £0.537million (2020: £0.605million) for development expenditure, fixed asset purchases and property improvement works; and £1.867million (2020: £2.072million) for the acquisition of financial investments.

A number of Duchy property leases include a commitment to appropriately compensate tenants at the end of the lease for capital improvements they have made during their tenancy. The improvements must be agreed in advance with the Duchy and a formula is used to derive the value of the improvements at the end of the lease, to ensure appropriate depreciation is included within the value. Due to some leases also including clauses for the tenant to pay the Duchy for dilapidations to the property, the requirement to pay out cash rarely occurs.

20 FINANCIAL INSTRUMENTS – GROUP

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2020 £'000
Assets				
Financial assets	11	83,765	–	83,765
Trade and other receivables excluding prepayments and accrued income	12	–	5,991	5,991
Cash and cash equivalents		–	2,878	2,878
		83,765	**8,869**	**92,634**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(20,620)	(20,620)
Borrowings	15	(1,225)	(135,000)	(136,225)
Derivative financial instruments	15	(2,122)	–	(2,122)
		(3,347)	**(155,620)**	**(158,967)**

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2021 £'000
Assets				
Financial assets	11	92,423	–	92,423
Trade and other receivables excluding prepayments and accrued income	12	–	5,099	5,099
Cash and cash equivalents		–	17,554	17,554
		92,423	**22,653**	**115,076**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(20,992)	(20,992)
Borrowings	15	(2,726)	(135,000)	(137,726)
Derivative financial instruments	15	(1,365)	–	(1,365)
		(4,091)	**(155,992)**	**(160,083)**

20 FINANCIAL INSTRUMENTS – THE DUCHY

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2020 £'000
Assets				
Financial assets	11	83,765	–	83,765
Trade and other receivables excluding prepayments and accrued income	12	–	13,309	13,309
Cash and cash equivalents		–	2,705	2,705
		83,765	**16,014**	**99,779**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(17,363)	(17,363)
Borrowings	15	–	(135,000)	(135,000)
Derivative financial instruments	15	(2,122)	–	(2,122)
		(2,122)	**(152,363)**	**(154,485)**

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2021 £'000
Assets				
Financial assets	11	92,423	–	92,423
Trade and other receivables excluding prepayments and accrued income	12	–	11,815	11,815
Cash and cash equivalents		–	17,177	17,177
		92,423	**28,992**	**121,415**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(20,095)	(20,095)
Borrowings	15	–	(135,000)	(135,000)
Derivative financial instruments	15	(1,365)	–	(1,365)
		(1,365)	**(155,095)**	**(156,460)**

21 FINANCIAL RISK MANAGEMENT

A review of the Group's financial and non-financial risks is set out on pages 16 to 21. This includes the strategic and operational risks of capital cash generation and tenant livelihoods, and the financial risks associated with credit investments.

Market risk

All borrowings at floating rates are fully hedged by swap agreements. Sensitivity to currency exchange movements is outlined in note 11. The Duchy has a diverse financial investment portfolio predominantly invested in funds so as to minimise risk.

Liquidity risk

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

	Less than 1 year £'000	2–5 years £'000	More than 5 years £'000	Total £'000
Borrowings	1,073	1,643	135,010	137,726
Net interest payable on loans/swaps	3,616	14,464	104,862	122,942
Trade and other payables	6,414	750	–	7,164
Lease liabilities	566	1,661	949	3,176
At 31st March 2021	**11,669**	**18,518**	**240,821**	**271,008**
At 31st March 2020	11,869	15,730	244,726	272,325

The Duchy reviews the liquidity risk on a regular basis, ensuring detailed forecasts that incorporate all contractual obligations.

There is further narrative on how the Duchy manages liquidity risk on page 18 regarding the strategic and operational risks of capital cash generation and tenant livelihoods, as well as discussion on financial credit risk.

Credit risk

The Duchy is exposed to credit risk in relation to its tenants and financial institutions. Credit risk in respect of the Duchy's tenants is reviewed on a regular basis and appropriate action is taken where necessary. For new lettings the Duchy undertakes credit checks and holds tenant deposits where appropriate. 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.

There is further narrative concerning credit risk in note 12 regarding expected credit losses for trade receivables and accrued income.

Capital management

Under the 1337 Charter The Prince of Wales is not entitled to the proceeds or profit from the sale of capital assets and only receives the annual income that the assets generate. The Duchy's financial objective in managing capital assets is to continue to improve the quality of the estate while providing an income for future beneficiaries.

The Duchy continually monitors the capital asset weightings, particularly from a diversification and cash flow perspective. Capital cash flow projections are regularly reviewed and updated to ensure that funding is available to meet both liabilities when due and to pursue investment opportunities when considered appropriate. This also ensures that the covenants in relation to the bank loan facilities are adhered to.

22 CASH AND CASH EQUIVALENTS

Net debt consists of loans and other borrowings (both current and non-current), less current asset investments and cash and cash equivalents. Loans and other borrowings are measured at the net proceeds raised, adjusted to amortise any discount over the term of the debt. For the purpose of this measure, current asset investments and cash and cash equivalents are measured at the lower of cost and net realisable value.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings (current and non-current), current asset investments, and cash and cash equivalents.

A reconciliation from the most directly comparable IFRS measure to net debt is given below.

	Group 31st March 2020 £'000	Duchy 31st March 2020 £'000	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000
Loans and other borrowings	136,190	134,965	137,084	134,358
Lease liabilities	2,785	68	3,176	69
Less: cash and cash equivalents	(2,878)	(2,705)	(17,554)	(17,177)
Net debt	**136,097**	**132,328**	**122,706**	**117,250**

Included within cash and cash equivalents are the following restricted funds:

	Group 31st March 2020 £'000	Duchy 31st March 2020 £'000	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000
Rent deposit accounts	268	260	389	367

Reconciliation of liabilities arising from financing activities.

			Non-cash changes		
	Group 1st April 2019 £'000	Cash flows – additional borrowings/ (borrowings repaid) £'000	Other £'000	New leases £'000	Group 31st March 2020 £'000
Lease liabilities	100	(234)	–	2,919	2,785
Borrowings	133,451	417	200	–	134,068
	133,551	183	200	2,919	136,853

			Non-cash changes		
	Group 1st April 2020 £'000	Cash flows – additional borrowings/ (borrowings repaid) £'000	Other £'000	New leases £'000	Group 31st March 2021 £'000
Lease liabilities	2,785	(181)	–	572	3,176
Borrowings	134,068	1,501	150	–	135,719
	136,853	1,320	150	572	138,895

Treasury consents

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

- Authority to draw payments by electronic transfer from the Capital bank account
- Authority for the expenditure of up to £900,000 for the professional fees on the promotion of a development project

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

- Authority for the sale of a property for £806,000
- Authority for a purchase surrender payment of £1,100,000
- Authority for the sale of land for £3,290,856
- Authority for the sale of a property for £691,030 plus VAT
- Authority for the sale of land and property for £1,071,000
- Authority for the sale of a property for £2,150,000
- Authority for the sale of a property for £652,000
- Authority for the sale of land and property for £4,650,000
- Authority for the sale of a property for £730,000
- Authority for the sale of land for £925,000
- Authority for the sale of land for £2,375,000
- Authority for the sale of land for £4,106,866
- Authority for the sale of land and property for £1,860,000
- Authority for the sale, by way of grant of a 125-year lease, of land and property for £690,000 plus VAT

Alastair Martin
Secretary and Keeper of the Records

10th June 2021

Appendix

Accounts Direction given by HM Treasury

1. The Duchy of Cornwall shall prepare accounts for the financial year ended 31st March 2020 and subsequent financial years comprising:

   - a report for the year, including a Strategic report, a Proper Officers' report, a Statement of the Proper Officers' responsibilities and a Governance statement;
   - a Revenue account statement of comprehensive income and a Capital account statement of comprehensive income;
   - a Balance sheet;
   - a Statement of changes in capital and reserves;
   - a Statement of cash flows; and

   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, Statement of cash flows 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 EU.

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

4. This direction supersedes that of 8th May 2017. It shall be reproduced as an appendix to the Accounts.

David Fairbrother
Treasury Officer of Accounts

28th April 2020

Accounting and disclosure requirements

Companies Act 2006

1. The disclosure exemptions permitted by the Companies Act 2006 (CA) shall not apply to the Duchy of Cornwall unless specifically approved by the Treasury.
2. The CA requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, information relating to the Duchy shall be contained in the Proper Officers' report for the year, which shall be signed and dated by the Secretary or other Proper Officer.
3. The Duchy shall take into consideration the CA requirements as they apply to non-listed companies (to the extent that they can be applied in the circumstances of the Duchy).
4. The statements of comprehensive income be prepared in accordance with International Accounting Standard (IAS) 1.
5. The balance sheet shall be prepared in accordance with IAS 1, separating the classification of the current and non-current assets, and current and non-current liabilities on the face of the balance sheet. The balance sheet 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 IAS 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; and
    - 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 2019 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.

Carbon report

The Duchy of Cornwall is fully committed to understanding and reducing its carbon footprint. It has calculated and published carbon footprint data for the last 15 years. This year's Carbon report is designed to meet, inter alia, the requirements of the UK Government's Streamlined Energy & Carbon Reporting (SECR) framework.

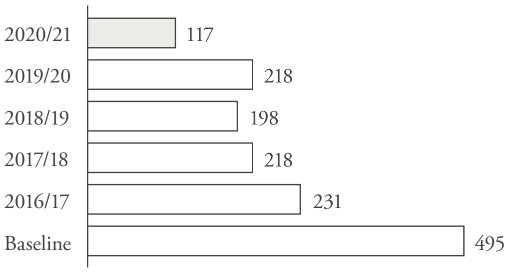
Carbon performance summary

We have achieved a 76% decrease in overall carbon dioxide emissions since the baseline year of 1990, with an output of 117 tonnes carbon dioxide equivalent (CO2e) in 2020/21. All remaining emissions are offset by specific additional tree planting, with carbon credits being externally verified and excess credits being sold to sister organisations. Although the rate of reduction had flattened over recent years, 2020/21 saw a significant drop due to much-reduced levels of business travel and staff commuting during the national lockdowns.

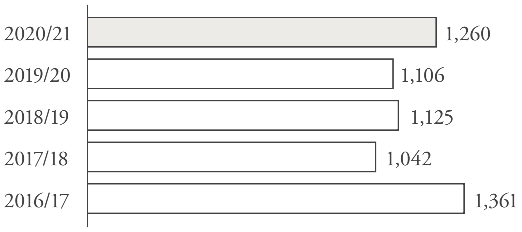
Using 1990 as the baseline year, following typical Kyoto protocol targets, we met our target of 25% reduction by 2008/09 and a subsequent reduction target of 40% by 2012. A new target was set to reduce greenhouse gas emissions (GHG) emissions by 60% against baseline by 2020, which was achieved in 2018/19, although in 2019/20 we slipped back slightly. With offsetting, we remain net-zero carbon for in-house operations.

All emissions and energy consumption are within the UK.

GHG EMISSIONS (tCO2e)



ENERGY CONSUMPTION (MWh)



Energy efficiency measures

All offices and trading businesses purchase only electricity generated from renewable sources backed by Renewable Energy Guarantee of Origin certificates, and purchase gas backed by Renewable Gas Guarantees of Origin registered through the Green Gas Certification Scheme. The Cornwall and Devon offices have biomass boilers, Hereford has a heat pump and Bath has a solar PV array. The nature of the buildings, many of which are listed, often inhibits the implementation of modern energy efficiency measures.

The Duchy offers a car leasing scheme for all staff, enabling them to lease electric vehicles via a salary sacrifice scheme and, thus, access government tax incentives. The Duchy does not pay the higher HMRC mileage rate for business travel, so as to encourage more fuel-efficient cars. On the Isles of Scilly and in mainland Cornwall, office pool cars have been replaced with electric vehicles and charging stations are being installed across the estate for staff use. Many staff also successfully used video conferencing when face-to-face meetings and site visits were no longer feasible due to the COVID-19 pandemic. This practice will continue to be used wherever possible, reducing emissions from travel.

Net zero, Scope 3 emissions and GHG Protocol reporting

As described elsewhere in this Report, the Duchy has launched a Zero Carbon Strategy. Scope 3 emissions from the estate fall into category 13 (downstream leased assets) and category 15 (investments). Our early estimate of these emissions is around 220,000 tonnes CO2e. The most material elements to be addressed are emissions from: land use and farming, the degraded peat on Dartmoor, the energy embedded in construction activities and the ongoing use of this property. In none of these areas does the Duchy have direct control over the emissions. To support our farm tenants we are extending our natural capital assessments to include a much greater emphasis on soil and a full farm carbon footprint. We are establishing eight focus farms where others can learn how to use this information to reduce emissions and enhance biodiversity.

A budget of over £0.7million across the Revenue and Capital accounts has been approved for the coming financial year. We formed a Zero Carbon Task Force and detailed implementation plans will be drawn up. In due course our targets will be subjected to scrutiny through the Science Based Targets initiative. We currently think that some aspects of the estate could be net zero by the late 2020s, though farming could take longer. Much depends on the regulation and markets in which our farm tenants operate. During the current year we will start reviewing our mineral and marine estates and their potential impacts. For the financial year ending on 31st March 2022 we aim to report under the Corporate Value Chain (Scope 3) Accounting & Reporting Standard.

Carbon statement [1]	Baseline[2] tCO_2e	2016/17 tCO_2e	2017/18 tCO_2e	2018/19 tCO_2e	2019/20 tCO_2e	2020/21 tCO_2e
OPERATIONAL MANAGEMENT Offices, in-hand property						
Travel – business	132	96	102	89	93	45
Travel – staff commuting	52	64	58	61	61	25
Energy used in properties	225	29	14	9	13	10
Sub-total	**409**	**189**	**175**	**159**	**168**	**80**
TRADING ACTIVITIES Holiday lets, nursery						
Travel – business	9	7	8	8	5	3
Travel – staff commuting	17	17	14	14	13	10
Energy used in properties	60	18	21	18	32	24
Sub-total	**86**	**42**	**43**	**40**	**50**	**37**
Total emissions	**495**	**231**	**218**	**198**	**218**	**117**
Total travel-related emissions	210	184	183	172	173	83
Reduction on baseline		12%	13%	18%	18%	60%
Total energy used in property emissions	285	47	35	26	45	34
Reduction on baseline		84%	88%	91%	84%	88%
Total emissions	**495**	**231**	**218**	**198**	**218**	**117**
Reduction on baseline		53%	56%	60%	56%	76%
Carbon intensity: tCO_2e per person		2.31	2.04	1.83	2.02	0.95
ENERGY USED IN PROPERTIES						
Gas – gross		74	66	59	60	66
Emissions reduction[3]		-74	-66	-59	-60	-66
Gas – net		0	0	0	0	0
Electricity – gross		294	249	203	195	147
Emissions reduction[4]		-267	-239	-197	-181	-140
Electricity – net		28	10	6	14	7
Oil		19	25	20	32	26
Total – tCO_2e		**47**	**35**	**26**	**46**	**33**
Total – MWh[5]		**1,361**	**1,376**	**1,405**	**1,399**	**1,260**

1 This carbon statement presents the carbon emission data from the activities and assets under the ownership and direct management of the Duchy, and from the commuting of Duchy staff. It has been prepared in accordance with the Duchy's Carbon Reporting Policy set out below. This Policy was developed in 2008/09 to provide a formal basis for the preparation of the carbon statement.

2 PricewaterhouseCoopers LLP provided assurance over the Duchy's 2008/09 carbon emissions data. The data for the baseline and all other years has not been subject to assurance. Assurance will be obtained in the future either when there is a significant change in the assets and activities of the Duchy or in general carbon reporting practice.

3 Greenhouse gas emissions reductions are achieved through purchases via the Green Gas Certification Scheme of biomethane credits from the Rainbarrow Farm AD and Biomethane Plant.

4 Electricity emissions reductions are achieved through the purchase of renewable electricity generated from renewable sources backed by Renewable Energy Guarantee of Origin certificates.

5 MWh data is reported in line with SECR recommendations and includes the MWh of energy from gas, electricity and travel (company vehicles and the business use of private vehicles). This is a smaller boundary than the reported tCO_2e data.

Carbon reporting policy: methodology

The data in this Carbon report is presented consistent with previous years and includes all operational emissions associated with the direct activities of the Duchy estate except for emissions associated with Duchy woodlands. These are excluded and netted off the sequestration calculations of the woodlands. It includes direct emissions from the Duchy offices (Scope 1), emissions from the generation of purchased electricity (Scope 2), and emissions from the business travel and commuting of Duchy staff (categories 6 and 7 of Scope 3).

Physical boundaries

The Duchy operates out of eight offices, in London, Bath, Restormel, Princetown (Dartmoor), Herefordshire, St Mary's (the Isles of Scilly), Nansledan and Poundbury. Also included is property that is temporarily in hand awaiting re-letting or sale, included for the period of time in which they are vacant.

Operational travel includes travel by Duchy staff that is required to complete their duties. This includes business miles driven by car (including private cars, Duchy-owned vehicles and hire cars), travel by train and taxi; as well as boat and air travel, mainly incurred in travel to and from the Isles of Scilly.

Properties included within trading activities include a nursery, 25 holiday let cottages and St. Mary's Harbour. Travel associated with trading activities includes the travel of specific staff involved with the operation of these activities. It also includes the emissions from Duchy-owned estate maintenance vehicles, operated on Duchy-managed land.

In most cases the refurbishment and development of Duchy-owned properties are undertaken when the property is in hand. Energy used during this work would therefore typically be included in the data.

Conversion factors

The CO2 emissions associated with the activities noted above have been determined on the basis of measured or estimated energy and fuel use, multiplied by relevant carbon conversion factors from Defra's UK Government GHG Conversion Factors for Company Reporting, Standard Set, 2020. The methods for estimating energy and fuel use and the sources of carbon conversion factors are detailed below.

Reporting methods – travel

Business travel includes emissions from the Duchy's vehicles, staff-owned vehicles, hire cars, trains, boats, taxis, planes and estate maintenance vehicles. Travel data is obtained from the personal expense claim system and invoicing system, which are retained in the accounts reporting system and consolidated through the carbon reporting processes. The journey details, including distance and/or fuel consumed, are used as a basis for determining emissions.

For a small number of journeys, insufficient data is available from the expense records to confirm the mode of travel and/or distance travelled. However, the cost of these journeys is known, so an estimate for the associated emissions has been included in the total based on the average emissions per £ of travel from journeys where precise details are known. The distance of taxi journeys is not recorded in the expense records, so emissions have been estimated based on an average journey basis.

Conversion factors are taken from Defra, with the exception of the factors used for individual car models that are taken either from the car manufacturers or from the Vehicle Certification Agency.

Staff commuting includes the carbon emissions from commuting based on an annual staff survey. Emissions are calculated on the basis of the distance travelled, mode of transport and each individual's own estimation of the number of commutes undertaken annually. Where the make and age of the car are known, specific emission factors are used. Where these details are not known, the nearest equivalent or a default average value is used.

Reporting methods – energy

Electricity includes energy supplied via the grid and used by the Duchy at the properties within the scope of reporting. Electricity consumption is obtained from regular meter readings. Emissions are calculated on the basis of energy consumed multiplied by the conversion factors, including the application of a zero emission rating for green tariff supplies generated from renewable sources.

Gas includes all mains and other gas supplied. Gas consumption is obtained from regular meter readings. Emissions are calculated on the basis of total mains gas and gas deliveries multiplied by conversion factors.

Oil emissions are calculated on the basis of oil delivered multiplied by conversion factors, with adjustments for opening and closing stock where material.

Surface area report 31st March 2021

The Duchy of Cornwall is a landed estate of 52,660 hectares.

The extent and distribution of the major land holdings at 31st March 2021 were as follows:

	Hectares
Devon	28,441.7
Cornwall	7,563.9
Hereford	5,367.6
Somerset	5,147.5
Isles of Scilly	1,604.9
Dorset	1,323.5
Wiltshire	1,253.5
Gloucestershire	657.4
Shropshire	393.2
Kent	349.1
Nottinghamshire	287.4
Oxfordshire	112.3
Carmarthenshire	95.9
Vale of Glamorgan	19.6
Buckinghamshire	15.4
Greater London	14.2
Hertfordshire	7.0
Norfolk	2.2
Berkshire	1.5
Hampshire	0.4
Total	**52,658.2**

HILL BARN FARM, HEREFORDSHIRE

DUCHY *of* CORNWALL

INTEGRATED ANNUAL REPORT

Year ended 31st March 2021

www.duchyofcornwall.org

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Front cover image

The front cover shows the Dart Estuary, part of the Duchy's marine estate, with Dartmoor on the skyline.

Planting trees to catch carbon
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