

Annual Report and Accounts

For the year ended 31st March 2016



DUCHY of CORNWALL



*Sustainable
stewardship*



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For the year ended 31st March 2016

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



DUCHY *of* CORNWALL

Welcome

This Report summarises the Duchy of Cornwall's activity for the year ended 31st March 2016 and aims to describe how our integrated thinking has developed since we first addressed this in last year's Report. Integrated thinking means considering how our decisions affect communities and natural environments in the course of meeting our commercial responsibilities.

INTEGRATED THINKING

The Duchy has always aimed for integrated thinking. Our ambition is to show how this is applied systematically across the estate to optimise financial results, add value in our communities and enhance the Duchy's living legacy of landscape, woodlands and waters.

CURRENT AND FUTURE REPORTING

Our 2014/15 Annual Report was an initial step towards integrated reporting <IR>. It was informed by the International <IR> Framework developed by the International Integrated Reporting Council and reflected discussions about our mission and strategy with our staff and key stakeholders. We summarised our business model, provided an overview of strategic objectives, outlined the key factors influencing performance and described our governance structure in more detail.

In our 2015/16 Annual Report we build on this work by providing more information on strategic risk and by describing the financial and non-financial resources we produce and use – known as capitals. In particular, we discuss the initial results from a corporate natural capital account that we have produced, one of the first large-scale applications of this method in the UK. We have also considered how our strategic objectives align with the UN Sustainable Development Goals, launched in September 2015.

By next year we aim to have developed our reporting on stakeholder engagement and key performance indicators, and have progressed towards full compliance with the <IR> Framework.

www.duchyofcornwall.org

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Sustainable stewardship

The Duchy is a private estate which provides an income to The Duke of Cornwall, is managed in harmony with His Royal Highness's ethos, and which can be passed on with pride.

2015/16 HIGHLIGHTS

The year in brief

A small selection of the many initiatives, events and visits which made up another busy year across the Duchy.



1

MAY 2015

The Duke of Cornwall meets the Dunford family who moved into the 250th affordable home constructed by the Guinness Partnership in Poundbury.

2

JUNE 2015

Duchy of Cornwall holiday cottages at Restormel Manor are awarded a Certificate of Excellence by TripAdvisor.

3

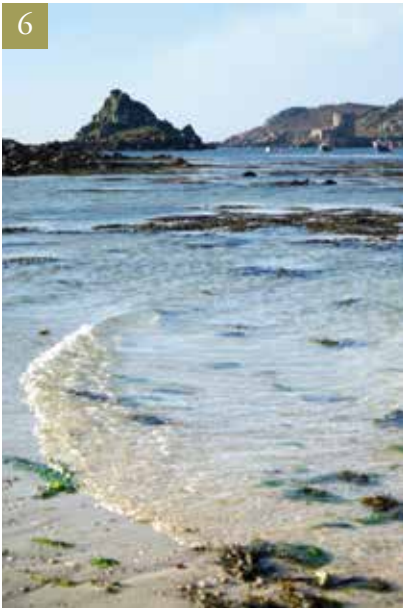
JULY 2015

The Duke and Duchess of Cornwall make their annual visit to the South West, including a day on St Mary's and St Agnes in the Isles of Scilly, one of the oldest parts of the Duchy estate.

4

SEPTEMBER 2015

The Duchy's commercial portfolio grows to 14 properties, following the acquisition of a £35million business unit in Milton Keynes.



5

NOVEMBER 2015
The Duchy sponsors the UK National Parks Conference at Bovey Castle, on Dartmoor. See page 22 for an overview of the Dartmoor estate.

6

DECEMBER 2015
The Isles of Scilly celebrate a 15% rise in tourism in the past two years.

7

JANUARY 2016
Restoration work is completed on the historic walled garden and lake at Harewood End, in Herefordshire. See page 27.

8

FEBRUARY 2016
The Duchy hosts the fifth Prince's Trust Get into Woodlands Programme, helping young people pursue a career in sustainable forestry.

9

MARCH 2016
Employment survey of Poundbury reveals that the urban extension to Dorchester is home to 180 businesses, employing more than 2,000 people.

Strategic Report

The Duchy of Cornwall

Founded in 1337, the Duchy of Cornwall is a private estate of approximately 53,400 hectares in 23 counties of England and Wales.

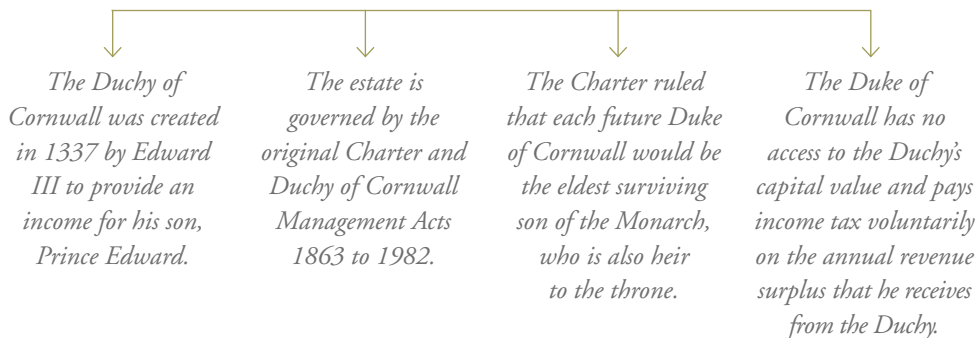
Through the sustainable, commercial management of land and property, the principal function of the estate is to provide an income to the present and future Dukes of Cornwall.

Our approach

The Prince of Wales is the 24th Duke of Cornwall and is actively involved in running the Duchy. The way in which the estate is managed reflects his belief that economic and social development will best succeed when it works in harmony with nature and is of meaningful value to the local community.

The aim is to improve the estate and pass it on in a stronger and better condition, which means continually pursuing well-balanced commercial, social and environmental performance. It also means working for the long term at the same time as meeting the requirements of today in a sustainable way.

HISTORY AND CONSTITUTION



FARM TENANTS

650

EMPLOYEES

153

NET ASSET VALUE

£877m

↑ Herefordshire

Financial highlights

The portfolio

Capital values of our holdings at 31st March 2016.

AGRICULTURAL

£365m

Over 700 lettings across 32,800 hectares, including more than 200 fully equipped farms, ranging from niche flower farms on the Isles of Scilly to large grade 1 arable/potato farms in Herefordshire. Also includes bare land lettings, from sizeable traditionally farmed holdings to pony paddocks.

FORESTRY

£18m

Nearly 2,300 hectares of woodlands. The major sections are in Cornwall and Herefordshire. The majority is directly managed and some is let. Includes a purchase this year at Port Eliot estate in Cornwall.

OTHER RURAL ASSETS

£28m

Over 1,000 different lettings – the result of the very long-term ownership of historic estates, and including mineral and marine assets, sporting lets, playgrounds, allotments, sub-sea cables and garages.

URBAN COMMERCIAL

£185m

Includes 14 major commercial properties held as standard investments and The Oval cricket ground in London, part of the Duchy's historic Kennington estate.

RURAL COMMERCIAL

£58m

Over 500 lettings across the rural estate and at Poundbury, including Dartmoor Prison, pubs, rural workshops and campsites.

RESIDENTIAL

£189m

Over 600 lettings, including rural cottages, newly built flats at Poundbury, Dorchester, and property in Kennington, London. Let by way of a wide range of agreements, including ground rent, long lease, Rent Act regulated and modern Housing Act tenancies.

DEVELOPMENT LAND

£50m

The most significant sites are *Poundbury* in Dorchester and *Nansledan* in Newquay.

Annual performance

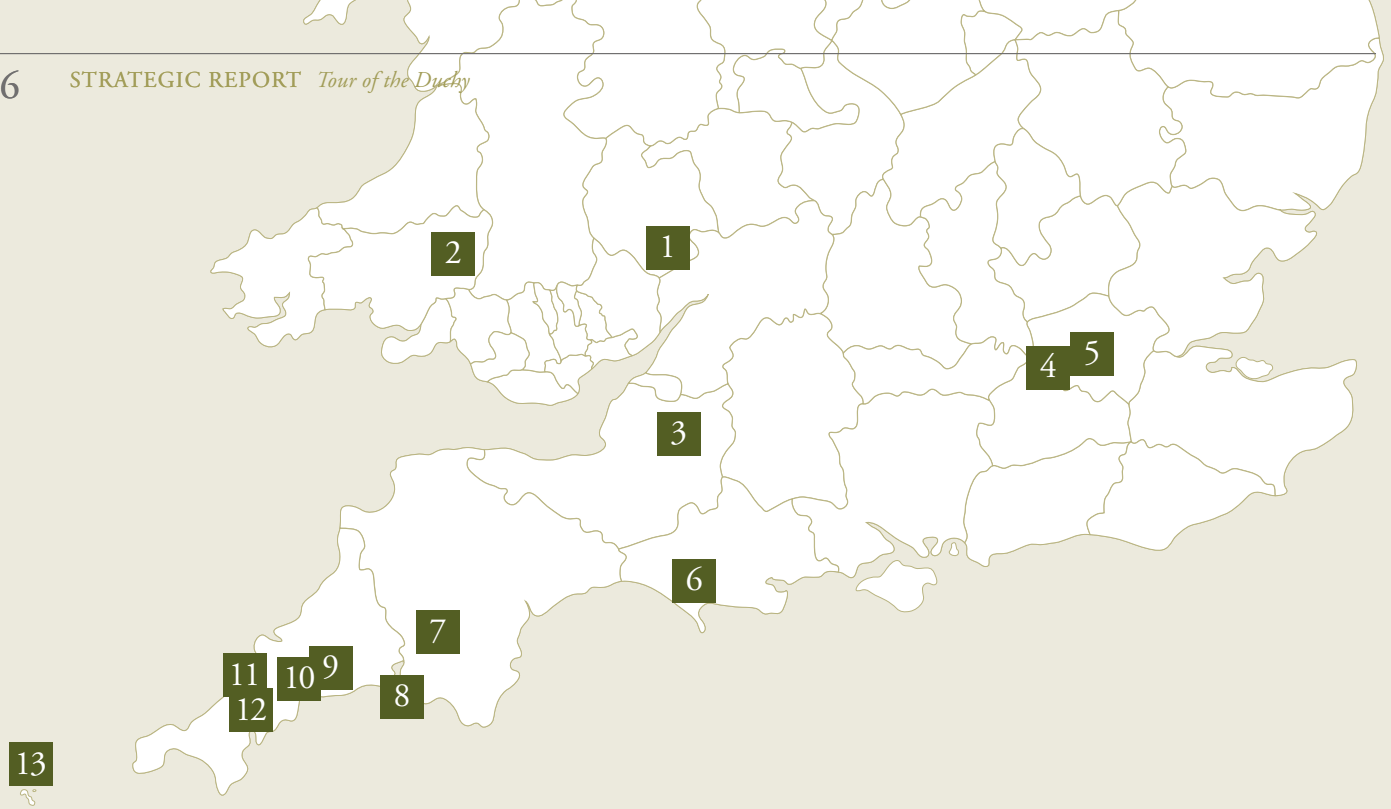
for the year to 31st March 2016

PERFORMANCE IN 2015/16 AND YEAR-END POSITION

Distributable revenue surplus has risen by 3.1% to £20.5million. With property rental levels showing little growth, this increase was primarily driven by expanding the commercial portfolio. Sale of goods fell marginally: income from the anaerobic digester unit at Dorchester rose by 2.9%, but plant sales at the Duchy Nursery fell by 30% following a reorganisation of the business model. While operating and staff costs grew by 2.4% and 1% respectively, administration costs increased by 9%, mainly as a result of increased external professional fees.

Repairs and maintenance spend increased 8% to £2.7million.

At 31st March 2016 the balance sheet was in a healthy position: net assets grew by 1% to £877million. Investment property increased from £850million to £902million largely as a result of a major commercial property acquisition financed almost entirely by increased borrowing.



Tour of the Duchy

The Duchy of Cornwall extends across 23 counties in England and Wales. The map highlights a number of examples from the varied portfolio.



1

HEREFORD ESTATES

Incorporating the Guy's estate purchased in 2000 and the Cradley estate.



2

LLWYNYWERMOD

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



3

EASTERN DISTRICT ESTATES

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



4

HEAD OFFICE

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



5

LONDON *Mainly Kennington*

The Duchy owns 16 flats, 23 houses and various commercial buildings including The Oval cricket ground as well as a number of long leases.



6

POUNDBURY

The urban extension to Dorchester

Poundbury is built on principles of architecture and urban planning as advocated by The Prince of Wales.



7

DARTMOOR AND PRINCETOWN

Most of Dartmoor's 27,300 hectares have been owned by the Duchy since the 14th century.



8

WATERS

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



9

DUCHY OF CORNWALL NURSERY *Lostwithiel*

The nursery opened its doors to the public in 1975 and includes a renowned cafe.



10

DUCHY OF CORNWALL HOLIDAY COTTAGES

The Duchy has a small number of period properties available as holiday cottages.



11

NEWQUAY *Development projects*

The Duchy has development projects at Tregunnel Hill and Nansledan.



12

TRURO *Eastern District Centre*

A partnership project with Cornwall Council and Waitrose on Duchy-owned land.



13

ISLES OF SCILLY

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

From the Secretary and Keeper of the Records



The traditions and ethos of the Duchy, set out in this Report, allow us to maintain our strong position.

Taking our lead from His Royal Highness The Prince of Wales, sustainability has long been at the heart of how the Duchy operates.

This 2015/16 Annual Report extends work begun last year on integrated reporting, through which we describe more clearly what sustainable stewardship in all its forms means to the Duchy. This year, we have commissioned a major piece of work on natural capital within the Duchy (see page 14) to guide current and future projects. We continue to investigate material key performance indicators to support all this work.

The state of the rural economy remains an important issue for the Duchy and in particular our agricultural tenants. We pride ourselves in having a close relationship with our farm tenants and this proves to be especially valuable when some are facing difficulties.

Last year I reported on the significant purchase of the Port Eliot estate in Cornwall, our most substantial purchase of farmland in Cornwall since His Royal Highness The Prince of Wales became The Duke of Cornwall in 1952. I also said that we hoped to make an additional strategic investment in commercial property, and this year we achieved this aim with the purchase of a commercial warehouse in Milton Keynes, let to B&Q. The property is valued at £35million and was predominantly funded by an increased borrowing facility. It follows the purchase of a distribution unit nearby in 2011. These acquisitions reflect the Duchy's strategy to keep under consideration the balance within its overall property portfolio.

The Duchy has successfully recruited for several positions this year to meet succession plans, to ensure continuity of staffing and to reduce the use of external consultancies. The staff consultative committee established last year is proving to be a very effective forum.

We have welcomed Clive Alderton to The Prince's Council. Clive is the new Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall. He joined The Royal Household in 2015, having previously served as Her Majesty The Queen's Ambassador to the Kingdom of Morocco. During the year, Andrew Ratcliffe retired as Duchy auditor and has been succeeded by James Chalmers. James is a partner at PwC.

Following lettings in 2013/14 and 2014/15, the Duchy has again been able to let farms to new tenants during the year. These include an 81-hectare sheep farm in Devon, a 32-hectare starter unit with farmhouse, again in Devon, a significant area of moorland grazing let to a Dartmoor young farmer, and the letting to a young family from Cornwall of 16 hectares forming the only farm on the island of Bryher in the Scilly Isles.

The Duchy continues to meet its main function of providing an income to the heir to the throne, while ensuring the capital value of the estate is maintained for future beneficiaries. There is a balance to be struck in the investment decisions made, in both the short and the long term. This year has been no exception: the distributable surplus has risen by 3.1% and capital values by 1.3%, in line with performance over the last two decades, which have seen sustainable growth in both revenue and capital values.

Investment in the estate has continued to grow. The record £15.1million investment in the estate in 2014/15 was surpassed this year with £23.8million being invested, excluding new property purchases.

The Duchy aims to increase the revenue surplus at least in line with inflation, to continue to fund the public, charitable and private activities of The Prince of Wales. There are ongoing demands from within the estate for the capital funds we generate, with the consequence that growing the revenue surplus above inflation will be challenging. We will therefore continue to seek additional diversification opportunities within the portfolio where possible, although no material property acquisitions are anticipated over the next few years.

Our budgeting process indicates that the record capital investment in 2015/16 will be exceeded in 2016/17 as the development projects at Poundbury and Nansledan expand further. Both sites will deliver significant social and economic benefits to their regions.

Work has begun to understand better the impact of our tenants' activities on the natural capital within their care, particularly soil and water. A new soil group has been established, and we are now working with Natural England on how we can help improve habitats for wild pollinators. Over the coming year we intend to survey tenants so that the Duchy can further develop the service and support it gives.

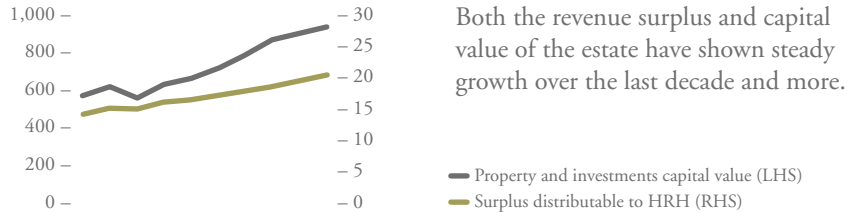
Once again I thank all the staff who have contributed so much to the Duchy's success this year in so many areas. The traditions and ethos of the Duchy, set out in this Report, allow us to maintain our strong position.



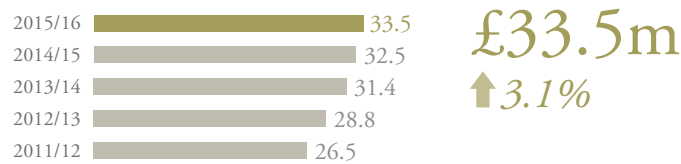
Alastair Martin
Secretary and Keeper of the Records

Performance trends

CONTINUED CAPITAL AND REVENUE GROWTH 2006/07 TO 2015/16 (£m)

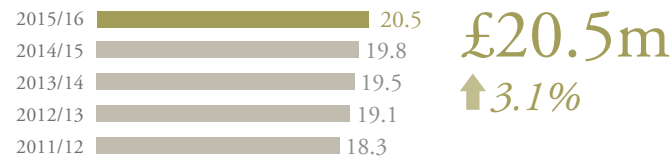


TOTAL INCOME TO 2015/16 (£m)



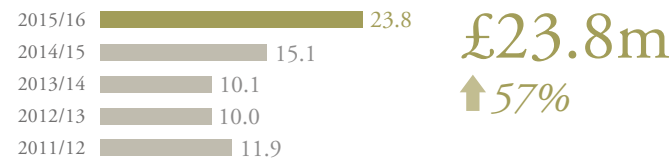
Total income includes rents from property lettings, interest and dividends from financial investments, sales at the Duchy Nursery and income from joint ventures.

SURPLUS DISTRIBUTABLE TO HRH (£m)



His Royal Highness The Prince of Wales, as Duke of Cornwall, is entitled to the annual net revenue surplus of the Duchy. He is not entitled to the proceeds or profits from the sale of the Duchy's capital assets.

CAPITAL INVESTMENT IN THE PROPERTY ESTATE (£m)



Capital investment has two main categories: work of a capital nature undertaken on existing properties, such as new farm buildings or extensions to houses; and expenditure on development sites on buildings and infrastructure which underpins the developments and future land values. 2015/16 saw record levels of investment at Poundbury and Newquay.

INVESTMENT TO REDUCE CARBON EMISSIONS (£'000)



Typical projects to reduce emissions include solar photovoltaic panels on farm buildings, renewable heating systems and improving the insulation of properties.

The increases stated are in comparison to the previous year.

Our strategic objectives

This year we have aligned our strategic objectives with the United Nations Sustainable Development Goals (SDGs), to show how the Duchy is contributing to their achievement.

The SDGs are a global set of development priorities intended to tackle the world's environmental and social challenges. They integrate sustainable economic growth and the sustainable management of natural resources.





We nurture strong relationships with tenants, communities and employees, working for positive, long-term results across the landscape and built environment to secure a proud legacy for future generations.

↑ *HRH with Duchy tenants and the local farming community, Newton Park estate*

Operating framework

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

The Prince of Wales, as Duke of Cornwall, is entitled to the annual net revenue surplus of the Duchy. He is not entitled to the proceeds or profits from the sale of the Duchy's capital assets, which are retained in the Duchy so as to provide income for future beneficiaries.

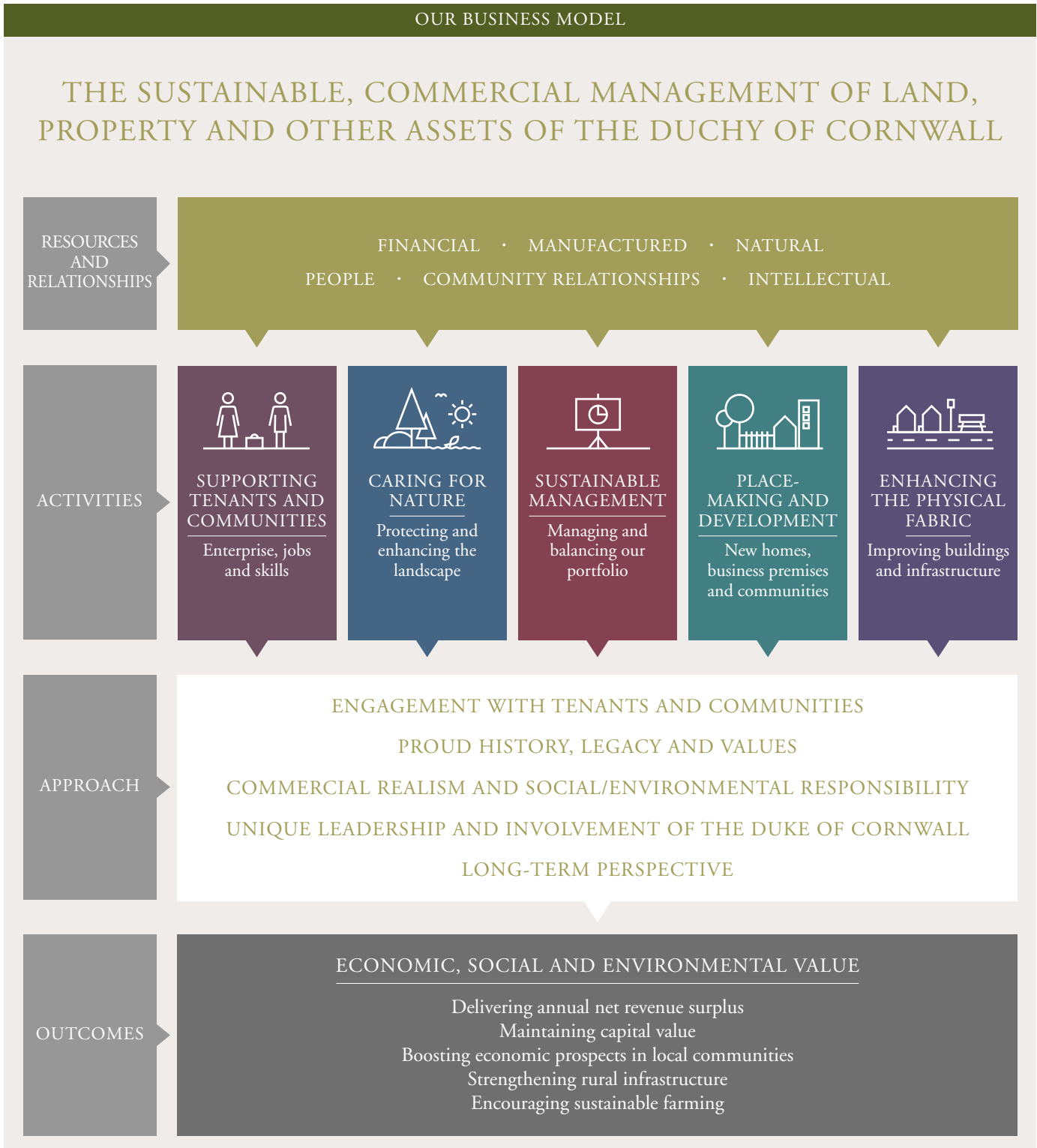
The management of the estate is subject to the supervision of The Prince's Council and the Duchy is subject to an independent external audit. In addition, HM Treasury has an important role in overseeing financial transactions, with particular emphasis on ensuring that capital is maintained for future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

Strategy and objectives

The Duchy's long-term property investment strategy is to own, manage and, wherever possible, improve its portfolio of property. This strategy will continue to involve the disposal of surplus property, investment in the maintenance and improvement of the retained estate, and the acquisition of new properties that meet the Duchy's investment objectives.

How we work

Through its approach and activities, the Duchy aims to generate positive impacts and value over the long term, balancing environmental, social and economic needs.



Our resources and relationships

Every day, the Duchy draws and impacts upon a range of resources and relationships, known in integrated reporting terms as “capitals”. We believe it is important to value the importance of all the ‘capitals’ beyond pure financial value. Understanding how we both rely and impact upon them will help us to manage, enhance and preserve them over the longer term.

The Duchy’s capitals are categorised under six key areas: financial, manufactured, natural, people, community relationships, and intellectual.

FINANCIAL



Financial resources include the Duchy’s property assets, financial investments, loans, cash, working capital and the legal tenancy agreements which enable us to receive specific income streams. They help us to maintain capital value and deliver the annual net revenue surplus.

MANUFACTURED



Manufactured assets for the Duchy mainly consist of our buildings, some very old, some newly constructed. These range across every size and shape, from single buildings to farmsteads, groups of small workshops to large office buildings, development sites, and a prison. They provide an important income stream, but also require maintenance, repair and insurance. Usually such expenditure is the Duchy’s responsibility, but sometimes it is the tenant’s. Many buildings have a finite life and we schedule replacements carefully.

NATURAL



Being an historic landed estate owning almost 53,400 hectares, **natural capital** is a major resource for the Duchy. It includes farmland, woodland, moorland, rivers, coastal margins and minerals. At a minimum we want to ensure that the stock of natural capital we rely on is not being depleted. The work the Duchy is doing in natural capital accounting helps us to understand and quantify this value as a key step in its preservation and enhancement. There is more about the work being undertaken on natural capital on page 14.

PEOPLE



We continuously draw on our **people resources**: their skills and capabilities are an essential part of our success. The Duke of Cornwall, Duchy tenants, staff, members of The Prince’s Council, and business partners such as contractors and suppliers, also make a significant contribution to our culture and standards.

COMMUNITY RELATIONSHIPS



Similarly, there are many **community relationships** which support the way the Duchy functions. The most important are with our tenants, with communities – preserving and nurturing existing communities as well as helping create new communities within new developments – and with other organisations in formal joint ventures.

INTELLECTUAL



The history and heritage of the Duchy are unique. This **intellectual resource** includes our staff, their length of service, diversity of intellect, the strong working relationships they have with each other, the Duchy archive, and our tenants, and their in-depth knowledge of the estate. Underpinning this is the ethos, passion and length of service of His Royal Highness as Duke of Cornwall.

Accounting for natural capital

Natural capital accounting will help organise environmental priorities across different parts of the estate and will support decision-making around our strategic objectives.

Natural capital for the Duchy includes 23,875 hectares of farmland (with an estimated 920,000 tonnes of carbon stored in its soils), 3,300 hectares of woods (with 167,800 tonnes of carbon stock in above-ground tree biomass), just over 24,000 hectares of mountains, moors and heaths (including 14,150 hectares of peatland), small areas of urban green space, rivers, 160 miles of coastal margins and 32,000 hectares of mineral rights in addition to surface ownership. These assets provide food and fuel, regulate the climate, purify water and generate opportunities for recreation and aesthetic experience.

Background

This year the Duchy commissioned the scoping of a corporate natural capital account for its rural estate. The project was undertaken by eftec (Economics for the Environment Consultancy) in line with the corporate natural capital accounting (CNCA) framework developed by the Natural Capital Committee (an independent advisory committee to the UK Government) to inform the management of natural capital assets by land-owning organisations. It is also in line with the draft Natural Capital Protocol, launched in November 2015 by the global Natural Capital Coalition. It was undertaken in tandem with an account produced for Forest Enterprise England, which manages the public forest estate to provide environmental, social and economic benefits. These are the first large-scale applications of the CNCA method in the UK.





Based on evidence from the 2011 UK National Ecosystem Assessment, significant ecosystem services, or benefits, are provided by mountains, moors and heaths, such as fresh water and water purification, climate regulation, soil quality, natural hazard regulation, cultural heritage, recreation and aesthetic value, and by woodlands, such as fibre, fuel, climate regulation and recreation, among other services.

Building our understanding

The initial natural capital account has developed links between the existing detailed asset register of our tenanted land and published evidence on the value of natural capital assets, including outputs from the UK National Ecosystem Assessment, to estimate the physical and monetary value of the benefits delivered by these assets. We have gained a new perspective by comparing natural capital values to the rents receivable and maintenance costs already captured within our financial accounts. These comparisons will help organise environmental priorities across different parts of the estate and will support decision-making around our strategic objectives to cherish, protect and enhance the physical fabric of the land, to provide income in a sustainable way and to generate capital while maintaining the quality and integrity of the estate.

At present the account is limited in that it only has a partial coverage of certain benefits provided by natural capital on the estate; we need to improve our understanding of the condition of the assets, particularly soil and peat. Some estimates of physical service flows are based on broad assumptions and national datasets; local data would enhance the account. Not all physical and monetary flows have been captured; in particular we would like to undertake more work to model water-regulating services and to gather data on the nature of the farming operations carried out on our farmland. Cultural heritage and aesthetic value are not directly assessed in this initial account, as there is relatively little valuation evidence compared to, for example, recreation. Given that nearly all our land is let, many of the maintenance costs associated with natural capital are borne by our tenants and so we understand less about these costs than an owner-occupier would.

The table below sets out some of the services provided by nature, the natural capital assets on our estates that provide those services, how we measured that service and the calculated or estimated value of that service in monetary terms.

SERVICE PROVIDED BY NATURE	ESTATE ASSETS WHICH PROVIDE THAT SERVICE	HOW WE MEASURE THAT SERVICE	WHAT WE CALCULATE THE VALUE TO BE*	
FOOD		ENCLOSED FARMLAND	Value of rents from agricultural tenancies, funded mainly through sale of agricultural output	£5million per year**
FIBRE/FUEL		WOODLAND	Value of timber provision	£0.3million per year**
CLIMATE REGULATION		WOODLAND	Value of carbon sequestration in above-ground tree biomass	£2million per year
		ENCLOSED FARMLAND	Value of carbon emissions resulting from soil degradation	-£3million per year***
RECREATION		MOUNTAINS, MOOR AND HEATH	Value of visits to mountains, moors and heaths	£2million per year
		WOODLAND	Value of visits to woodland	£0.1million per year
		COASTAL MARGINS	Value of visits to coastal margins	£4million per year

* Food and Fibre/Fuel values are based on market prices. Other values are estimated or partial values, and have higher levels of uncertainty.

** These values are reflected within the financial statements.

*** The negative values recorded for Climate Regulation from farmland in the Duchy's account reflect the net cost of climate change to people worldwide. The values are based on the estimated quantity of carbon emitted, due to soil degradation, and the monetary value of emissions. This monetary value is sourced from the UK's Department of Energy and Climate Change. It is based on the cost of reducing carbon emissions in the UK to comply with targets in international climate change agreements.

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 11 years.

Carbon performance summary

The Duchy has achieved a 57% decrease in overall carbon dioxide emissions since the baseline year. This represents 214 tonnes of carbon dioxide equivalent (tCO₂e) in 2015/16.

The rate of reduction has flattened over recent years, with further reductions proving harder to achieve.

All remaining emissions are offset by specific additional tree planting, with carbon credits being externally verified and excess credits being sold to sister organisations.

Using the baseline year of 1990, as typically used in Kyoto Protocol targets, a 25% reduction was met by 2008/09 and a subsequent reduction target of 40% by 2012 was also achieved.

New targets are being developed as part of the Duchy's work on integrated reporting and natural capital accounting.

Carbon statement¹

	Baseline ² tCO ₂ e	11/12 tCO ₂ e	12/13 tCO ₂ e	13/14 tCO ₂ e	14/15 tCO ₂ e	15/16 tCO ₂ e
Travel – business	132	81	86	95	113	101
Travel – commuting	52	49	62	63	64	69
Energy used in properties	225	100	39	30	26	16
Sub-total	409	230	187	187	203	185
TRADING ACTIVITIES Holiday cottages, nurseries						
Travel – business	9	9	6	6	6	2
Travel – commuting	17	17	22	18	15	9
Energy used in properties	60	15	17	17	9	18
Sub-total	86	41	45	42	31	29
Total emissions	495	271	232	229	234	214
Total travel-related emissions	210	156	176	181	199	181
Total energy used in properties	285	115	56	47	35	33
Total emissions	495	271	232	229	234	214
Reduction on baseline		45%	53%	54%	53%	57%
ENERGY USED IN PROPERTIES						
Gas – gross	54	73	89	80	63	58
Emissions reduction ³	-	-	-89	-80	-63	-58
Gas – net	54	73	0	0	0	0
Electricity – gross	156	248	278	292	299	323
Emissions reduction ⁴	-	-235	-258	-265	-282	-309
Electricity – net	156	14	19	27	17	14
Oil – gross	75	28	37	20	17	19
Total	285	115	56	47	35	33

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. This Policy was developed in 2008/09 to provide a formal basis for the preparation of the carbon statement.

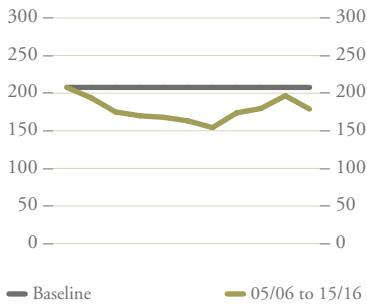
² PricewaterhouseCoopers LLP provided assurance over the Duchy's 2008/09 carbon emission data. The data for the baseline and all other years has not been subject to assurance. Assurance will be obtained in future either when there is a significant change in the assets and activities of the Duchy or in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

³ Gas emission reductions are achieved through purchases via the Green Gas Certification Scheme of biomethane credits from the Rainbarrow Farm Anaerobic Digester and Biomethane Plant.

⁴ Electricity emission reductions are achieved through the purchase of renewable electricity generated from renewable sources backed by Renewable Energy Guarantees of Origin (REGO) certificates.

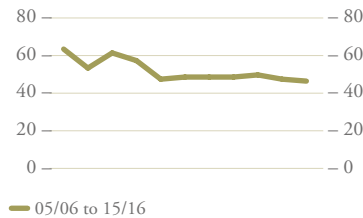
Carbon performance summary

TRAVEL EMISSIONS (tCO₂e)



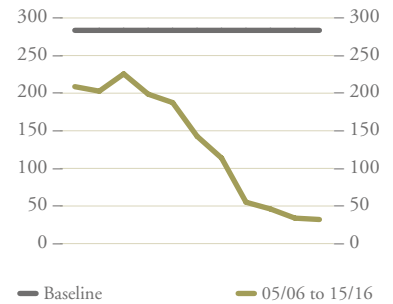
Decreased by 14% compared to baseline. Travel emissions at first declined, mainly due to the purchase of a much more fuel-efficient boat for St Mary's harbour on the Isles of Scilly, which is used both as a pilot boat and for inter-island travel. In recent years travel emissions started increasing because travel to the Isles of Scilly has been undertaken using the longer-journey fixed wing aircraft; the helicopter public transport service from Penzance having ceased.

BUSINESS MILES (tCO₂e)



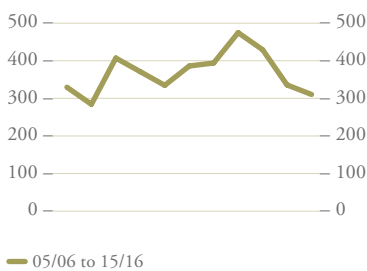
Decreased by 25% compared to baseline. While there has been a very large reduction in emissions from properties, it is proving harder to reduce emissions from travel. The average gCO₂/km of cars driven by office-based staff has fallen from 167 in 2009/10 to 141 this year, but the number of business miles driven is roughly static, and the total staff commute has risen, as more staff are employed.

PROPERTY EMISSIONS (tCO₂e)



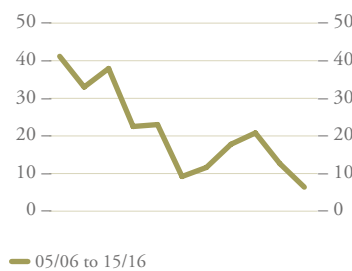
Decreased by 88% compared to baseline. Key factors include the switch to renewable fuels and a programme of works to convert offices to renewable heating systems or to upgrade existing systems. All offices and trading businesses purchase only electricity generated from renewable sources backed by Renewable Energy Guarantees of Origin (REGO) certificates, and purchase gas backed by Renewable Gas Guarantees of Origin (RGGO) registered through the Green Gas Certification Scheme (GGCS). Offices at Hereford, Princetown and Restormel are heated by biomass.

GAS (MWh)

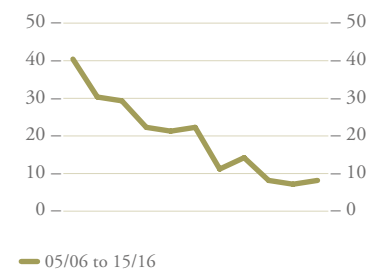


The volume of gas consumed has fallen for the last few years, and the proportion of non-renewable electricity used has fallen again. There has been a significant drop in heating oil use over the years, and we are now just left with a couple of holiday let cottages that use heating oil. All offices are either on mains gas or biomass systems.

ELECTRICITY (% brown by £)



HEATING OIL (litres, thousands)



Responding to risks and opportunities

Many factors affect the health of the estate and the economic prospects of communities connected with it. Determining and reporting these is part of how we manage risk and plan for the future.

Assessing what matters

Last year, we set out to deepen our understanding of what is material to the Duchy through a formal engagement process. We consulted with a representative sample of tenants, senior officers of the Duchy and other interested parties to identify priorities and concerns, and assess their relative importance. This was followed by a series of Integrated Thinking workshops with the wider workforce across the estate. Finally, we carried out a benchmarking exercise to review what other organisations active in land and property management considered to be material.

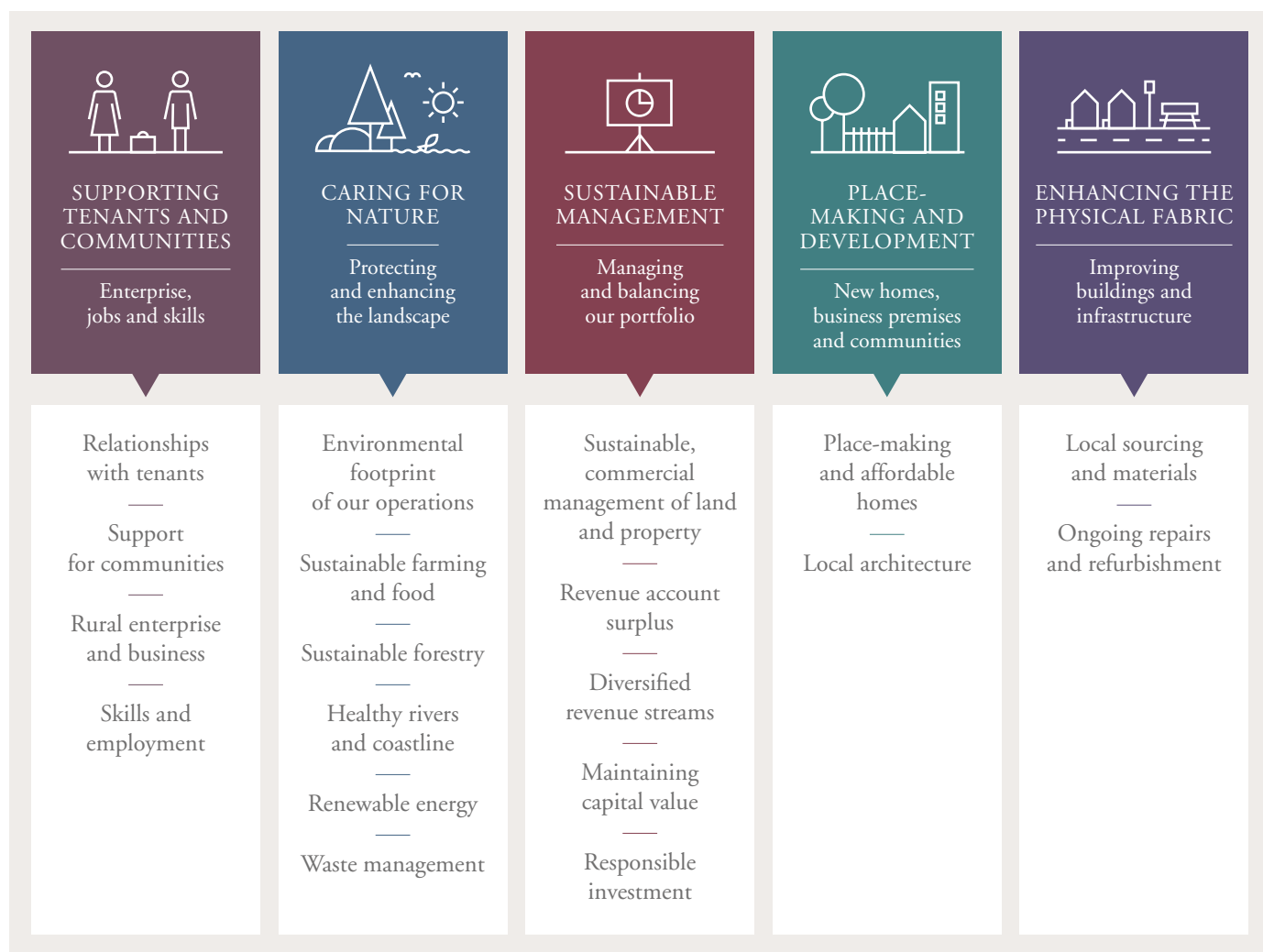


Duchy woodlands



The key topics

As a result of that process, we identified the following as most significant for the long-term future of the Duchy and its stakeholders. Areas that the Duchy can manage or influence are shown below.



The external context

The material aspects above are closely linked to external factors affecting the estate:

Climate change has potentially far-reaching effects. More extreme rainfall, leading to increased, severe flooding, is a threat to people and property, and contributes to soil erosion and degradation.

Biodiversity loss – every plant and animal species has a part to play in the whole ecosystem. For example, bees, increasingly in decline, have a vital role in pollination and food production.

Natural resource depletion – global demand for finite resources such as water and land continues to grow, with pollution, deforestation and other environmental damage adding to the pressure.

Rural infrastructure – broadband provision is a particular concern for businesses in rural premises.

Ageing farming population – a significant proportion of UK farmers are aged 65 or over. There are limited opportunities for new entrants, but younger farmers are essential for a dynamic agricultural sector.

World economics – changes in the oil price in either direction affect many commercial decisions, including the viability of renewable energy investments.

The Duchy's material risks

In attempting to meet the priorities outlined there will always be risks and uncertainties, even with there being a comprehensive approach to risk management. Those risks that could have a material impact on our ability to deliver our strategic objectives in the longer term and which are most likely to affect the creation of value over time are set out below. And further detail on the principal financial risks and uncertainties the Duchy faces is available on pages 48 and 49 in the section on governance.

Capital cash generation

Description	Mitigation	STRATEGIC OBJECTIVES IMPACTED
<p>A significant constraint on the Duchy's ability to create financial value over time is the ability to generate the capital funds that are required to maintain and enhance the Duchy's estate alongside investing in income-earning assets to provide the required Revenue account surplus.</p> <p>There is an ongoing and ever-increasing requirement for such capital investment. However, the need to generate such funds is limited by our ability to increase borrowing (not sustainable in the long term), sell non-core property, or reduce capital expenditure.</p>	<p>Good budgetary control and forward planning is combined with strategic reviews of all asset holdings and some short-term borrowing.</p>	<p>PROVIDE INCOME</p> <p>GENERATE CAPITAL AND REBALANCE CAPITAL ASSETS</p> <p>CHERISH, PROTECT AND ENHANCE THE ESTATE</p>

The state of farming

Description	Mitigation	STRATEGIC OBJECTIVES IMPACTED
<p>The difficult and uncertain economic trading environment faced by the agricultural sector is a risk, both financially and socially. It significantly affects many of the Duchy's traditional assets and tenants, with commodities and farming enterprises coming under financial pressure.</p>	<p>From the Duchy's perspective, our increasingly diversified asset portfolio mitigates the potential adverse effects of this risk. However, for the Duchy's agricultural tenants, life is particularly challenging on many fronts at the moment.</p>	<p>PROVIDE INCOME</p> <p>ENGAGE WITH AND PROACTIVELY SUPPORT COMMUNITIES</p>

Safe buildings and places

Description	Mitigation	STRATEGIC OBJECTIVES IMPACTED
<p>Being the owner of a large portfolio of buildings and associated structures brings significant inherent risk. Site health and safety is vitally important where repair and improvement projects are being undertaken. Buildings used by our staff and tenants must above all be safe places in which to live and work.</p> <p>Similar risks are presented by the Duchy's historic mineral assets (mines, quarries, adits), the marine estate and St Mary's harbour.</p>	<p>This is a key focus for the Duchy's team of professional building surveyors and land agents who manage our properties. A comprehensive risk register and risk oversight process is in place covering all assets and activities.</p> <p>The Duchy has external health and safety consultants and a comprehensive training programme for internal staff.</p>	<p>CHERISH, PROTECT AND ENHANCE THE ESTATE</p>

Climate change

Description	Mitigation	STRATEGIC OBJECTIVES IMPACTED
<p>Duchy natural capital resources are materially affected by, and have an impact on, climate change. Climate change is a significant risk to the natural capital of the Duchy, and will change the value derived from it and the costs associated with its maintenance. For example, there are at least one million tonnes of carbon stored on Duchy enclosed farmland and in woodlands, and more on mountains, moors and heath. The release of this carbon contributes to the UK's greenhouse gas emissions.</p>	<p>Our integrated thinking and reporting programme, introduced in 2014, has built on carbon footprint work begun in 2005. We are now introducing corporate natural capital accounting (CNCA).</p> <p>Projects are in place, jointly with external parties, to work with our tenants to reduce the risk and the impact of climate change.</p>	<p>WORK TOWARDS ENVIRONMENTAL PROGRESS AND IMPROVEMENT</p> <p>REDUCE THE ENVIRONMENTAL IMPACT</p>

Balancing access and protection

Description	Mitigation	STRATEGIC OBJECTIVES IMPACTED
<p>Significant recreational and aesthetic value is derived by the public from the Duchy's estate, particularly on Dartmoor, the Isles of Scilly and the Cornish foreshore, in Duchy woodlands, and from public rights of way and permissive access.</p> <p>However, the balance between increasing this value in the short term and damaging the resource in the longer term is particularly fine.</p>	<p>Local land management, combined with continuity of ownership and longer-term stewardship, increases our understanding and reduces risk.</p> <p>We have close working relationships with other stakeholders, and a formal access risk management programme is in place.</p>	<p>ENGAGE WITH AND PROACTIVELY SUPPORT COMMUNITIES</p> <p>CHERISH, PROTECT AND ENHANCE THE ESTATE</p>

Public understanding and perception

Description	Mitigation	STRATEGIC OBJECTIVES IMPACTED
<p>The Duchy is a unique organisation and fulfils a unique role. Public understanding and perception of the Duchy are important. The Duchy is a private estate established which funds the public, charitable and private activities of The Prince of Wales and his family. The Duchy of Cornwall should be differentiated from Duchy Originals (now known as Waitrose Duchy Organic), which is an organic food brand set up by The Prince of Wales in 1990 and is an entirely separate entity not managed by The Duchy of Cornwall. The Duchy is also quite distinct from the County of Cornwall.</p>	<p>Further development of communication is under way through the Duchy website, press releases and Annual Report.</p> <p>Staff are engaged in a broad programme of outreach with the communities in which the Duchy operates. Examples include working with the Council of the Isles of Scilly, Devon farming clubs, local Rotary clubs and the Cornwall Agri-Food Council.</p>	<p>BUILD AWARENESS OF THE DUCHY'S ROLE</p> <p>ENGAGE WITH AND PROACTIVELY SUPPORT COMMUNITIES</p>

Review of activity


This section shares examples of the Duchy's sustainable stewardship:

 <p>SUPPORTING TENANTS AND COMMUNITIES</p> <p>Enterprise, jobs and skills</p> <p>Page 24</p>	 <p>CARING FOR NATURE</p> <p>Protecting and enhancing the landscape</p> <p>Page 26</p>	 <p>SUSTAINABLE MANAGEMENT</p> <p>Managing and balancing our portfolio</p> <p>Page 29</p>	 <p>PLACE-MAKING AND DEVELOPMENT</p> <p>New homes, business premises and communities</p> <p>Page 32</p>	 <p>ENHANCING THE PHYSICAL FABRIC</p> <p>Improving buildings and infrastructure</p> <p>Page 36</p>
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The section begins with a summary of activities and investment at the largest landholding in our portfolio, Dartmoor.



FEATURED LOCATION



Dartmoor

Most of the land in our Dartmoor estate has been owned by the Duchy since its creation in 1337. It includes approximately one third of the Dartmoor National Park. The harsh climate and relatively poor soil quality means that Dartmoor's iconic landscape is best suited to stock rearing, which takes place at all of the Duchy's 21 tenant farms.

1



2



3



ABOUT THE ESTATE

Management of
27,300
hectares of land.

£6.6m
investment in capital
improvements and repairs
over the last 10 years.

Environmental
stewardship of
26 miles
of river.

342
hectares of sustainably
managed in-hand woodland.

After his time at university, The Duke of Cornwall spent time working on a livestock farm near Chagford on Dartmoor to get first-hand experience of the difficulties faced by tenants in such tough conditions. In the decades that followed, The Duke has helped to create a number of initiatives and partnerships to support the local farming community, including the Dartmoor Hill Farm Project, The Dartmoor Farmers' Association and the Dartmoor Woodfuel Co-operative.

Today, the Duchy is represented on 14 different initiatives and management groups on Dartmoor and it has a key role to play in nurturing and protecting Dartmoor for the benefit of current and future generations.

WORKPLACES AND JOBS

Although predominantly a rural estate, the Duchy also owns 60 houses, four pubs, four hotels and 11 small rural workshops on Dartmoor. All these premises are let to tenants and provide opportunities to both live and work on the moor.

- 21 farms, covering approximately 8,100 hectares.
- 51 bare land agricultural tenancies.
- 20,200 hectares of common land, used by local farmers to graze cattle, sheep and ponies. The Duchy plays an active role in managing Dartmoor's commons and is represented on Dartmoor Commoners' Council. **1**

SUPPORTING THE FARMING COMMUNITY

Wherever possible, we help our tenant farmers to enhance their income and long-term sustainability. The Duchy provides guidance and funding to support their progression, contributing to initiatives that help the wider moorland farming community.

- **Moorskills:** apprenticeship training scheme providing upland farming skills to young people

- **Dartmoor Farmers Association:** farmers' co-operative of 60 members, selling beef and lamb direct and supported by The Duke of Cornwall
- **Dartmoor Wader Project:** helping to prevent the decline of key wading bird species
- **The Hill Farm Training Scheme:** providing on-farm training for conservation and land management staff to enhance their understanding of practical farming, funded by The Prince's Countryside Fund
- **The Dartmoor Pony Moorland Scheme:** helping to maintain the Dartmoor pony
- **Dartmoor Hill Farm Project:** providing information and support to the local farming community. **2**

RENEWABLE ENERGY

In response to a growing need for local and sustainably produced fuel for heating systems, the Duchy has worked with local farmers and landowners to help create The Dartmoor Woodfuel Co-operative. The co-operative supplies locally sourced, chipped timber to a number of biomass boilers on Dartmoor.

- The Duchy has installed 12 biomass boilers across its national estate, including at Tor Royal Farm near Princetown **3**
- The installation of a biomass boiler at Princetown has reduced carbon emissions by 10.5 tonnes per annum
- Timber is sourced from local woodlands, including those owned by the Duchy, and a bespoke storage building at a Duchy farm provides a headquarters to ensure wood-fuel is kept dry
- The co-operative has grown and by this year is supplying wood-chip to around 26 boilers within the Dartmoor area
- It has provided a catalyst to bring together woodland and boiler owners and encourage the management of many small Devon woodlands. As a result, wildlife habitats and biodiversity have also improved.



REVIEW OF ACTIVITY

Supporting tenants and communities



By taking the time to understand the issues affecting our tenants, the Duchy is able to build strong personal relationships and provide practical help, where appropriate.

We ensure the wider needs of the community are part of our planning by helping to create the buildings, infrastructure, facilities and opportunities that enable people and businesses to thrive. Our staff are all encouraged to support communities where they are based, by giving time and expertise to local charities, schools, colleges, sports clubs and other worthwhile projects.

↑ *Their Royal Highnesses with three generations of the Hicks family, Westward Farm, St Agnes, Isles of Scilly. Young Thea is the first child to be born on St Agnes since 1937.*



ABOUT THE ESTATE

39

affordable homes
constructed in 10 years.

40

homes for market sale.

121

hectares of land.

Bletchingdon, Oxfordshire

Since purchasing the Bletchingdon estate in Oxfordshire in 2000, the Duchy of Cornwall has worked in partnership with the local community and authorities with plans to build 79 new homes, a new school, village shop and community centre.

↑ *New village hall
and primary school,
Bletchingdon*

Building homes

- In many rural communities like Bletchingdon, there is a shortage of affordable housing for local people. The consequences are often severe, with families, young people and local employees having to move out of the area. In 2012, the Duchy of Cornwall and the Parish Council undertook public consultations, which received significant village support for additional housing. It was felt that Bletchingdon needed a mixture of properties for sale and rent, with good-quality affordable housing included.
- With the support of Cherwell District Council, planning permission was granted and the completed scheme will include 40 market houses, 18 affordable houses and a new village shop that will be transferred to the Bletchingdon Community Foundation and run by The Co-operative.
- The Bletchingdon estate is already home to two affordable housing schemes on Duchy land. A collection of 12 properties was opened by The Duke of Cornwall in 2008 and nine more houses were completed in 2014.

School and community centre

This year, the development of the new Bletchingdon primary school was completed, which provides teaching facilities for 120 pupils, from age 4 to 11 years. The Duchy led the

project, investing £4million. The new premises replace old Victorian buildings and enable the provision of 40 much-needed additional school places. We carried out community consultations, submitted planning applications and guided the design and build, in keeping with the wishes of local people and the Duchy's principles of sustainability.

- Plans are designed to promote a sense of community, featuring a quadrangle with classrooms that open into it
- A fixed canopy with solar panels enables pupils to monitor how energy is generated from solar power
- An adventure play area, a hard games court, a playing field with a wildlife pond and a teaching amphitheatre encourage health and wellbeing
- The school hall also serves as a community centre, with a large folding partition. It hosts local groups such as the Women's Institute, the local lunch club and the Bletchingdon Silver Band
- Ownership of the school and hall has been transferred to the Bletchingdon Community Foundation, an amalgam of the village charities.



REVIEW OF ACTIVITY

Caring for nature



↑ Dartmoor

Across the Duchy estate, sustainable stewardship is integral to what we do.

Guided by the environmental values of The Duke of Cornwall, the Duchy seeks to work in harmony with nature, operating efficiently, while protecting and enhancing the land around us. We offset our own emissions through tree planting on Duchy land, with resulting carbon credits verified by a third party. Native species of trees and shrubs are reintroduced wherever possible, thereby reducing the risk of disease amongst our tree populations. We also help to conserve valuable natural habitats, which support many protected species of plants, birds, animals and insects.

CARBON REDUCTION

57%

reduction achieved in overall carbon emissions arising from operations since 1990 (see page 16 for full carbon report).

11,350

estimated tonnes of carbon dioxide captured by Duchy woodlands this year, over 50 times the annual emissions from all the assets that we directly manage.

2,000

In 2015/16 the renewable energy plant at Poundbury generated 33,350 MWh of renewable gas for injection into the local gas distribution network, enough for around 2,000 houses.

6,140 tonnes of CO₂

The bio-methane-to-grid plant at Poundbury produces a net carbon saving of around 6,140 tonnes per year (when compared to burning the same amount of natural (fossil) gas).



CONSERVATION FACTS

More than
270

ancient monuments
scheduled by English
Heritage across the
Duchy's estate.

Restoring and enhancing historic landscapes

A project to restore an historic walled garden and lake at Harewood End in Herefordshire completed this year, in line with our strategic objective to cherish, protect and enhance.

In the late 19th century, Harewood End featured a house surrounded by terraced gardens, a lake and two walled gardens. The house was demolished in 1959 but the chapel, one walled garden and a stable block remained. The Duchy of Cornwall led a team of specialist archaeologists, local builders, craftspeople and landscape gardeners to transform the site, which was severely overgrown and neglected. It has now been made into a local beauty spot to be enjoyed by the public and preserved for future generations. The ecological value of the area has also increased and the improved habitat will benefit local wildlife.

The walled garden

The original walled garden was built between 1833 and 1877. It was in urgent need of repair when the Duchy started restoration work in 2012 and the project was delayed when a large section of the wall was destroyed by flash floods in 2013.

- Restored and replaced dilapidated stone
- Planted with a collection of 45 fruit trees, sourced from a local supplier and representative of the traditional varieties grown in Herefordshire

- The fruit trees will support bees and other pollinators through their blossom, while the grass will be left to grow long, to provide a habitat for wildlife; there are plans to further enhance biodiversity by adding a wildflower mix in the garden
- An ornamental birch and yew circle will mature into a spectacular centrepiece for the garden.

The lake

The Duchy has restored the lake at our Harewood End estate along its original lines, returning the water to its earlier level. It was originally a 14th century 'fish stew' which was a pond used to hold live fish ready for eating at the headquarters of an order of monastic knights. Over time, the build-up of silt and weeds had made it almost unrecognisable. The restoration work and planting took three years to complete.

- Removed silt, weeds and tree stumps that had been bulldozed into the lake prior to the Duchy's acquisition
- Recreated the feel of the early terracing
- Work carried out by local builders using stone from the Duchy's own quarry at Harewood End
- Archaeological work commissioned by the Duchy brought to light the original features, including a ruined Victorian pump house and bathing pool which have now been repaired.

↑ Harewood Park Lake



WOODLAND
BENEFITS

450

trees and shrubs planted.

Restoring community woodland

Work is underway to transform scrub land at Stoke sub Hamdon into a woodland for the local community, supporting the Duchy's strategic objective to engage with and support communities.

↑ *Matts Lane Wood*

The project and its ongoing maintenance are entirely funded by the Duchy of Cornwall and Matts Lane Wood will open to the public in summer 2016.

Restoring community space

In South Somerset, Matts Lane Wood was an area of overgrown hazel and blackthorn, where litter had accumulated and young people had created unsafe camps and tracks.

With the approval of the Parish Council, the scrub land was cleared and hazel coppiced, new fences erected and pedestrian gates installed. The glade has been sown with grass and two new paths introduced. This has opened up the view of neighbouring fields, featuring lines of blackcurrants and grazing sheep.

The Duchy actively plants hedges, trees and woodlands across the estate to help protect against soil erosion and flooding, as well as offering a natural habitat for wildlife.

Native species planting

Matts Lane Wood will include a mixture of trees and plants to support its long-term sustainability and greater biodiversity.

- Planting was carried out in Spring 2016
- Trees include Oak, Leafed Lime, Common Alder, Crab Apple, Holly, Field Maple and Hazel
- Shrubs are made up of Wayfaring Tree, Spindle, Quickthorn and Guelder Rose.



REVIEW OF ACTIVITY

Sustainable management of the portfolio



The Duke of Cornwall's philosophy is to nurture and improve the estate in order to pass it on to the next generation in a stronger condition.

His Royal Highness has no access to the Duchy's capital value and pays income tax on the annual revenue. As part of our long-term approach, we create a diverse portfolio of assets and investments which achieve economies of scale and increase the reach of our activities. The Duchy seeks to retain and reinvest in property where possible, and to acquire new properties where appropriate. Through prudent management and development, we aim to continually strengthen the estate's long-term sustainability.

Financial investment portfolio

At the year-end this portfolio was valued at £69million and it contributed £3.5million to income (see note 5 to the Accounts). The portfolio is held to diversify the Duchy's asset base, to give liquidity and to provide a higher income return than can be achieved from a traditional let estate, supporting the objective to provide income. During the year the Duchy undertook a comprehensive review of the holdings within the portfolio. In view of concerns regarding the impact on climate change from greenhouse gas emissions, combined with the possibility that increased regulatory controls may make fossil fuels less valuable, a decision was taken to divest from investments that had a significant exposure to the fossil fuel energy sector. At 31st March 2016 the divestment process was under way and is expected to be completed shortly. A new fund has been established with one of the Duchy's investment managers to assist in the divestment process.

↑ Alren Farm,
Stoke Climsland, Cornwall



ESTATE FACTS

61

The Duchy has acquired a further 61 hectares of woodland.

776

The Duchy owns 776 hectares, including Padredda Wood and Rytha Plantation.

1952

Port Eliot is the Duchy's most significant purchase of farmland in Cornwall since The Prince of Wales became Duke of Cornwall in 1952.

Improvements at the Port Eliot estate

Following the purchase of the Port Eliot estate in Cornwall in October 2014, 2015/16 is the Duchy's first full year of ownership and has been one of enquiry, survey and planning.

The acquisition builds on existing Duchy holdings, allowing us to further support farming in the South West, as well as providing recreational areas for the public.

Assessing and improving the built environment

During phase one of the Port Eliot acquisition, we have aligned all estate cottages with our property standards. Maintenance has included new windows, roof overhauls, heating systems and redecoration, part of the Duchy's £2.7million spend on repairs and maintenance and £23.8million capital investment programme during the year. In 2016, during the second phase, the Duchy will update kitchens and bathrooms. We will also improve insulation to increase energy efficiency.

Where more extensive work is required, we are undertaking surveys to some listed properties, in order to understand their history and their use by bats and birds, for example. This major restoration will be undertaken in summer of 2017.

We have also commissioned a farm environment plan to gain insights into the value of the estate's natural capital. It will investigate how the Duchy can work with tenants in the long term, to identify improvement opportunities for the landscape, its habitats and historic features.

Improving natural habitats

At Padredda Wood and Rytha Plantation, plans have been developed for felling and thinning of the coniferous and broadleaves areas, with habitat improvements for wildlife, prior to work commencing in the autumn. Biodiversity will be increased through a replanting programme, while tracks and streams are being opened up to allow better access for the public.

↑ *Cottage at Port Eliot*



STATISTICS

36

residential properties
in Kennington, London.

9

out of 18
commercial properties
located in London.

Sustainable management of the portfolio

Whilst the majority of the Duchy estate is rural, we hold a range of assets in urban areas too.

This includes residential properties in the heart of London and commercial properties in towns such as Milton Keynes and Warrington. By maintaining a diverse portfolio, currently valued at £185million, the Duchy is able to offset risk and remains resilient against change and external influences.

The Duchy's history in London

The Manor of Kennington in London formed part of the original Duchy estate, under the Charter of 1337. Since then, the Duchy's holdings have reduced in size from around 80 hectares to under 16 hectares, but the area remains home to a number of residential and commercial Duchy properties. These include The Oval Cricket Ground, three pubs, educational facilities and offices, as well as a number of other properties such as a county court and a telephone exchange. The 39 residential properties represent a mixture of houses and apartments in Kennington where the Duchy operates a policy of retention. In response to problems faced by elderly tenants, the Duchy took the decision to freeze rents for this group under the direction of The Duke of Cornwall.

The Oval

Since 1874, the Duchy has leased The Oval to Surrey County Cricket Club. In 1880, the first ever Test Match in England was hosted at the grounds and, in 1882, the Ashes were created there. It also hosted the first international football match, as well as the first FA Cup final. More recently the Duchy has helped the Club to create a Masterplan to govern development and has been involved in several developments. The most recent phase comprises improvements to the Peter May Stand which have just been completed, increasing the capacity of the ground. A further scheme is being considered to enhance the visitor experience and to provide office space which the Club can sublet for business use.

↑ *The Oval*



REVIEW OF ACTIVITY

Place-making and development



All Duchy development follows the principles of architecture and planning advocated by The Prince of Wales in his book, 'A Vision of Britain'.

By creating neighbourhoods where people can meet their daily needs on foot, the bonds of community can be strengthened, giving people a sense of pride in where they live. As part of a broader and enduring approach to sustainability, the Duchy encourages the use of local materials, craftspeople and apprentices wherever possible, to create and retain value in the local economy.

SUPPORTING THE ECONOMY

3,500

The Duchy manages around 3,500 lettings in total.

200

The portfolio includes over 200 traditional farms ranging from less than one hectare to about 765 hectares.

3,100

of the Duchy's lettings are agricultural holdings and other rural assets.

↑ *Pummery Square,
Poundbury*



Duchy developments

The Duchy invested £16.5million at its development sites in 2015/16, contributing to our strategic objective to enhance the physical fabric and to add value to our manufactured resources. For more on resources and relationships, see page 13.

Poundbury started in 1993 and is now a thriving urban extension to Dorchester in West Dorset. It was the Duchy's first major urban development and is home to 2,500 people, growing to approximately 4,500 people in 2,200 homes over the next 10 years. The community currently provides employment for over 2,000 people across 180 businesses. This year will see the completion of work to Queen Mother Square, the central hub of the community.

Tregunnel Hill is a four-hectare development on the edge of Newquay town centre. Work was completed in April 2016, providing 174 new homes as well as workspace for 30 people. It has set a benchmark for sustainable development in Cornwall by championing the use of Cornish materials, local trades and traditional craft skills.

Nansledan is an urban extension to Newquay on a 218-hectare site adjoining the east of the town. Over the next five decades Nansledan will eventually comprise 4,000 homes, a high street, a primary school for up to 350 children, a church and business premises.

Tregurra Park is a partnership project with Cornwall Council and Waitrose on the edge of Truro. It includes 98 new homes; a new 1,350-space Park and Ride facility; a household waste recycling centre to encourage more sustainable living and a Waitrose store with an adjoining Cornish food hall to showcase local produce.

↑ *Victor Jackson Square,
Poundbury*



STATISTICS

126

new homes and employment space are being delivered in the first phase of development, called 'Trewolek'.

Every street, lane, square and quarter in Nansledan has a Cornish name.

Nansledan
is Cornish for 'broad valley'.

Delivering a long-term vision, Nansledan

In July 2015, the first residents moved into the Duchy's urban extension at Nansledan. The development supports the long-term growth of Newquay, helping to diversify the mostly seasonal economy.

Encouraging skills and jobs

The masterplan for Nansledan evolved in close consultation with the local community. Over the next 50 years it will grow to include 4,000 houses, generating a similar number of jobs. 30% of housing will be affordable, a mixture of rented and shared equity, spread throughout Nansledan in line with the Duchy's ethos of building community.

We are working with a consortium of South West house builders that share our aim to establish local supply chains and create opportunities for apprentices and skills development. An on-site estate yard will train the construction workforce in the use of local materials and traditional crafts.

Connecting the community

In April 2015, the first civil engineering project was completed, with the opening of the Rialton Link. This 560-metre road is the first section of a longer link road that will service the development and ease congestion in neighbouring settlements. It also unlocks

hundreds of jobs by enabling restrictions to be lifted on development of the nearby Aerohub Business Park. The 21-hectare site was previously limited to 40% capacity due to issues with congestion at a nearby junction. The business park is now expected to deliver up to 30,000 square metres of workspace and to create a further 750 jobs.

Supporting health and wellbeing

Sustainability, community and wellbeing are at the heart of Nansledan's design. We have placed a focus on creating allotments and green spaces that make a practical contribution to the everyday lives of local people. The Tretherras Allotment Association and the Newquay Community Orchard now occupy a former pony paddock and there are also plans for an urban farm and other recreational spaces including playing fields, outdoor performance areas and wildlife ponds.

↑ *Nansledan, Newquay*



KEY FACTS

**15%
less traffic**

The Tregurra Park and Ride is expected to reduce traffic into Truro from the East.

6,000 trees

to be planted on the site of the Truro Eastern District Centre.

Putting principles into action, Truro

At Tregurra Park, the new Park and Ride facility on Duchy land opened during August 2015.

With 1,350 spaces, it aims to reduce congestion and cut carbon emissions as part of a new wider development conceived and delivered in partnership with Cornwall Council and Waitrose.

Seeking community input

The Prince's Foundation for Building Community organised two workshops in 2009 and 2010 to establish the principle and design of the development, obtaining ideas and input from the community, and tackling some of the issues raised.

Construction began on a food store in autumn 2015, which includes Cornish granite columns supporting the portico entrance. The store, operated by Waitrose and Great Cornish Food, opened on 16th June 2016. Work has also begun on 98 new houses, including 34 affordable homes, which are expected to take around three years to complete. It is anticipated that the Tregurra Park development will create more than 200 jobs.

↑ *Tregurra Park, Truro*



REVIEW OF ACTIVITY

Enhancing the physical fabric



The Duchy regularly undertakes work to maintain and enhance the landscape and built environment.

This includes the creation and restoration of ponds, tree pollarding and coppicing, hedge laying, orchard improvements, work on historic parkland and gardens, and upgrades to pathways and stiles.

INVESTING IN ENHANCEMENT, UPKEEP AND REPAIR

The Duchy sets aside a proportion of income for amenity and conservation work.

£2.7m
was spent by the Duchy on repairs to its properties in 2015/16.

£23.8m
was invested in capital improvements in 2015/16.

↑ *Restormel Manor, Cornwall*



KEY FACTS

£700,000

Investment by the Duchy in new offices for the UK headquarters of Send a Cow.

2,257 sq. ft. space

Rudimentary storage shed upgraded to provide new facilities.

Development of office space, Newton St Loe

The Duchy owns the Newton Park Estate in Bath, which has been home to the international aid charity Send a Cow. The needs of the charity are developing over time and the Duchy is currently enhancing the main office facilities.

Re-investing in our property

The charity, Send a Cow, was founded in 1988 by a group of farmers over the kitchen table of Corston Fields Farm. It works hand-in-hand with some of Africa's poorest communities to provide the training, tools, seeds and livestock to help people lift themselves out of poverty.

The charity has occupied four offices in converted barns across the Duchy's Eastern District, but it has grown to approximately 50 UK staff. To accommodate these changing needs, we are upgrading a 2,257 square foot storage shed known as 'The Rude Store' and linking it, via a new part-glazed reception, to the charity's main office building on the Duchy's Old Estate Yard in Newton St Loe.

The Duke of Cornwall has been President of Send a Cow since 2010 and recently extended his Presidency for a further five years. In February 2016, His Royal Highness visited the charity's headquarters to view the building work.

- Providing a new cloakroom, more office space, a catering kitchen and a meeting room
- Upgrade carried out by a local Bath-based firm of contractors
- Scheduled for completion summer 2016
- Design uses locally grown oak for the external cladding.

↑ HRH meets staff from Send a Cow, February 2016



Modernising farming infrastructure, South Wessex Downs

In the South Wessex Downs, the Duchy is replacing an existing property for farm workers to help enable more efficient, flexible and safer working.

The new cottage sits on a farm that has been tenanted by the Hooper family since 1931. The project reflects the Duchy's ongoing commitment to sustainable estate management.

Supporting our tenants

At Chetcombe Farm, construction began in November 2015 on a new farm worker cottage. The current accommodation is located two miles away in the village of Mere, but the new family-size property will be sited on the farmstead, closer to the herd of 250 cattle. The new development will also provide increased security for the farm and its 113 hectares of arable crops and grassland, which is also rented from the Duchy.

- All work carried out by local contractors wherever possible
- Scheduled for completion summer 2016
- Existing property at Mere will be sold with all profits and additional funds put into the new cottage at Chetcombe Farm.

↑ Drawings for new cottage at Chetcombe Farm

The contents of the Strategic Report are signed on behalf of the Proper Officers by Alastair Martin, Secretary and Keeper of the Records, 8th June 2016.

↓ Dartmoor



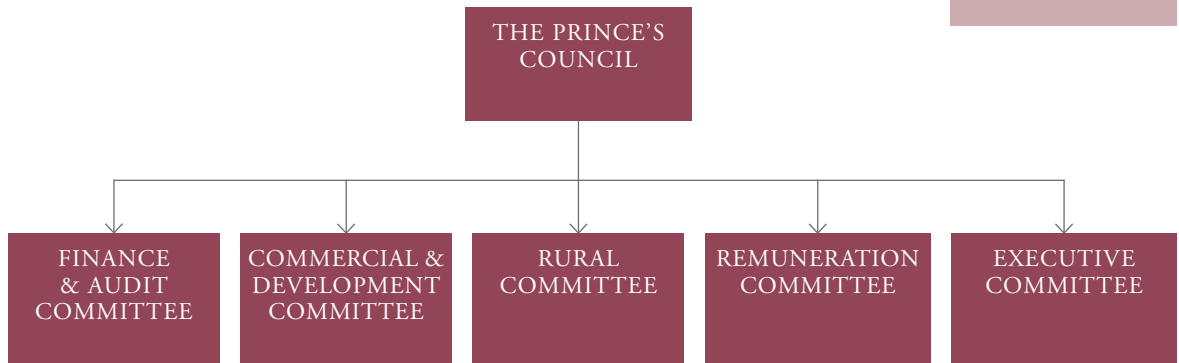
Governance

Clear direction and oversight

Dukes of Cornwall have traditionally managed their own estates. The current Duke is actively involved in running the Duchy and is Chairman of The Prince's Council.

The Duchy of Cornwall estate is sui generis – one of a kind. It is neither a corporation or company, nor trust or settlement. In the interest of transparency and good practice, these details are given as a further insight into how the estate is run, using a governance structure designed to provide clear direction and oversight.

Governance at a glance



The leadership provided by the Council is fundamental to the Duchy's performance. The Council delegates executive responsibility to its Committees, while maintaining oversight through Council members' participation in these Committees.

The Duchies of Lancaster and Cornwall (Accounts) Act 1838 gave HM Treasury a role to ensure that actions taken by any Duke when

managing the Duchy cannot compromise the long-term value of the estate. For this reason, the Treasury must, for example, approve all property transactions with a value of £500,000 or more.

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 the Treasury is fulfilling its statutory responsibilities.

The Prince's Council and Committees

Appointments to The Prince's Council are within the gift of The Duke of Cornwall. Through these appointments, the Duchy has access to the professional expertise and wide experience of recognised leaders in agriculture, commercial property, estate management, investment management, law and finance.

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

Appointed	Membership					
	COUNCIL	FINANCE & AUDIT	RURAL	COMMERCIAL & DEVELOPMENT	REMUNERATION	EXECUTIVE
THE PRINCE'S COUNCIL						
Chairman: His Royal Highness The Prince of Wales	✓					
The Lord Warden of the Stannaries – Sir Nicholas Bacon	June 2006	✓	✓	✓	✓	✓
The Receiver General to His Royal Highness – The Hon James Leigh-Pemberton	December 1999	✓	✓		✓	
The Attorney-General to His Royal Highness – Jonathan Crow QC	December 2006	✓				
The Secretary and Keeper of the Records – Alastair Martin	January 2012	✓	✓	✓	✓	✓
The Rt Hon The Lord Rothschild	June 2006	✓				
Mark Thomas	December 2006	✓	✓			
The Countess of Arran	June 2007	✓	✓			
James Williams	December 2009	✓	✓		✓	
John Stephen	January 2012	✓		✓		
Clive Alderton, Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall	October 2015	✓	✓			
Ian Marchant	June 2012	✓	✓			
ADVISERS TO THE COUNCIL						
David Fursdon	April 2008		✓			
Paul Morrell	February 2012			✓		
Andrew Wright, Treasurer to TRH The Prince of Wales and The Duchess of Cornwall	September 2012		✓			
Sir Michael Hintze	September 2014		✓			
Henry Richards	November 2014			✓		
Kit Martin	February 2015			✓		
DUCHY STAFF						
Linda Bryant, Property Services Director						✓
Simon Conibear, Estate Director, Dorchester				✓		✓
David Curtis, Land Steward, Eastern District			✓			✓
Tim Gray, Estate Surveyor				✓		✓
Chris Gregory, Land Steward, Western District and Isles of Scilly			✓			✓
Andrew Phillips, Rural Director of Finance			✓			✓
Nick Pollock, Head of Planning				✓		
Keith Willis, Finance Director		✓	✓	✓	✓	✓

THE PRINCE'S COUNCIL

Sir Nicholas Bacon

The Lord Warden of the Stannaries, Sir Nicholas is a Norfolk landowner with commercial interests predominantly in London and is President of the Royal Horticultural Society.

The Hon James Leigh-Pemberton

Receiver General, James was a Managing Director and Chief Executive Officer of Credit Suisse in the United Kingdom. In September 2013, he was appointed to head UK Financial Investments (UKFI).

Jonathan Crow QC

The Attorney-General to His Royal Highness, Jonathan, formerly First Treasury Counsel (Chancery), is a practising barrister, specialising in company and commercial litigation and public law.

Alastair Martin

Secretary and Keeper of the Records, Fellow of the Royal Institution of Chartered Surveyors, the trustee of several private estates.

The Rt Hon The Lord Rothschild

Chairman of The Rothschild Foundation, J Rothschild Capital Management and Five Arrows Limited.

Mark Thomas

A pedigree beef and sheep farmer from Launceston, Cornwall, Mark is a landowner and tenant and past Chairman of the National Beef Association (South West), and Chairman of South Devon Herd Book Society.

The Countess of Arran

For the last 26 years, Lady Arran has been helping to manage a traditional rural estate and has wide charitable interests in the South West.

James Williams

James is based in Cornwall. His interests cover education, the arts, agriculture and charitable work.

John Stephen

A Chartered Surveyor, previously Chairman for England of Jones Lang LaSalle and currently a non-executive director/adviser to several private property companies and family offices.

Clive Alderton

Clive is Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall. He joined The Royal Household in 2015, having previously served as Her Majesty's Ambassador to the Kingdom of Morocco.

Ian Marchant

Former Chief Executive Officer of Scottish and Southern Energy. President of the Energy Institute since 2015. Now Chairman of the international oil services company, Wood Group.

ADVISERS TO THE COUNCIL

David Fursdon

David is a qualified rural surveyor and agricultural valuer. He is a Crown Estate Commissioner and Chairman of Beeswax Farming Ltd. A former Country Land and Business Association (CLA) President and English Heritage Commissioner, David is the owner of a family estate management, property and tourism business. David has recently been appointed Lord Lieutenant of Devon.

Paul Morrell

A chartered quantity surveyor, Paul was Senior Partner and international Chairman at Davis Langdon (now part of Aecom). He subsequently became the Government's first Chief Construction Adviser and now practises as an independent consultant.

Andrew Wright

Andrew is Treasurer to TRH The Prince of Wales and The Duchess of Cornwall.

Sir Michael Hintze

With a background in banking (Salomon Brothers, Goldman Sachs, Credit Suisse First Boston), Michael is the founder, Chief Executive and Senior Investment Officer of CQS, one of Europe's leading multi-strategy asset management firms and has been providing investment solutions to institutional investors for over 15 years. He is also a Senior Portfolio Manager. Michael has wide-ranging philanthropic interests and to consolidate these, the Hintze Family Charitable Foundation was established in 2005.

Henry Richards

Henry was Executive Chairman of Lands Improvement Holdings Limited (LIH) before standing down when the business was sold in September 2015 but remains an adviser to the company. Prior to joining LIH, he was a Director of Savills and spent the first six years of his career with Jones Lang Wootton.

Kit Martin

Kit trained as an architect and is an Honorary Fellow of the Royal Institute of British Architects. He has spent a lifetime conserving historic buildings. He is Projects Consultant to The Prince's Regeneration Trust and a founding Trustee of Save Europe's Heritage. Awarded a CBE for services to conservation.

Governance in action

THE PRINCE'S COUNCIL

<p><i>Role and remit</i></p> <ul style="list-style-type: none"> • Chaired by The Prince of Wales • Provides advice to His Royal Highness with regard to the strategy of the Duchy • With the exception of the membership of the Secretary and Keeper of the Records, the Council is a non-executive body.
<p><i>Principal resources and relationships overseen</i></p> <p>The Prince's Council has always taken a holistic view of the resources and relationships the Duchy draws from and impacts upon. In its discussions and recommendations the Council takes care to balance all resources and relationships.</p>
<p><i>Matters reviewed</i></p> <p>Met in July and December 2015. Other than regular reports from the Council Committees, matters reviewed included: financial investment reorganisation, the Staff Pension Scheme, the state of farming and new agricultural lettings, renewables initiatives, the Isles of Scilly quay improvement works, commercial property acquisition, progress at the development sites, the Isles of Scilly airport, Dartmoor Prison, and routine human resources, public relations and legal matters.</p>

FINANCE & AUDIT COMMITTEE

<p><i>Role and remit</i></p> <ul style="list-style-type: none"> • Advises on the Duchy's financial strategy and liaises with the external auditor • Chaired by James Leigh-Pemberton, the Receiver General.
<p><i>Principal resources and relationships overseen</i></p> <p>Financial Manufactured</p>
<p><i>Matters reviewed</i></p> <p>Met four times, in June, September, November and March. Specific topics covered during the year included: revisions to the five-year strategy 2015 to 2020; increased borrowing; the annual audit; financial investment reorganisation; the Staff Pension Scheme; major capital investments at Poundbury and Truro; the acquisition of a B&Q warehouse at Milton Keynes; and potential property realisations. Each meeting receives detailed management accounts and a financial commentary, investment performance report and financial investment valuation.</p> <p>When reviewing financial performance, the Committee ensures that an appropriate balance is being struck between revenue and capital growth, that any variations between forecast and budget are understood and are appropriate, and that risks are being well managed.</p>

RURAL COMMITTEE

<p><i>Role and remit</i></p> <ul style="list-style-type: none"> • Advises on the rural economy • Chaired by Sir Nicholas Bacon, the Lord Warden • Much of the value provided by the Rural Committee flows from the time and expert guidance given by members outside of formal meetings. Members carry out an extensive range of visits to the Duchy district offices and estates.
<p><i>Principal resources and relationships overseen</i></p> <p>Natural Community Financial Manufactured</p>
<p><i>Matters reviewed</i></p> <p>Met three times, in June, November and February. The February 2016 meeting was specifically to review the draft 2016/17 budget for the Rural Portfolio prior to the March meeting of the Finance & Audit Committee. There was a focus on the state of farming and the condition of residential property. Increased provision was made for revenue repairs.</p> <p>Each meeting reviews financial issues and the state of farming. Over the year, the Committee considered the rural residential portfolio, a strategic review of the Arrallas estate near Truro, rural tenant payment performance statistics, The Prince's Dairy Initiative, proposals for a Western District Review, and Key Performance Indicators for Integrated Thinking in the rural estate.</p>

COMMERCIAL & DEVELOPMENT COMMITTEE

Role and remit

- Advises on the commercial property portfolio and development sites
- Chaired by John Stephen.

Principal resources and relationships overseen

Manufactured
Community

Matters reviewed

Met three times, in May, November and February. As part of the Committee's work, it considered the valuations and financial reports it regularly receives in relation to the commercial property portfolio and development sites, and dealt with routine lease matters.

The Committee monitored the main developments at Nansledan and Truro in Cornwall and considered other potential sites. It reviewed possible commercial property investments (recommending the purchase of a B&Q warehouse at Milton Keynes) and reviewed the Duchy's portfolio in Kennington.

EXECUTIVE COMMITTEE

Role and remit

- Implements strategy and manages all operational activities
- Chaired by Alastair Martin, the Secretary and Keeper of the Records.

Principal resources and relationships overseen

People
Intellectual
Community
Financial

Matters reviewed

Meets formally four times a year. Major topics included sustainability and integrated thinking, staff and tenant surveys, charity and community links, the Duke of Cornwall's Benevolent Fund, the state of farming, Health & Safety and the management of risk associated with buildings, and HR matters such as staff development, the annual appraisal process and pension reforms.

Regular matters considered by the Executive Committee included legal, public relations and sustainability issues, and the annual review of the risk register, as well as management accounts, budgets and forecasts.

A NOTE ON ANCIENT TITLES

The Duchy is one of a kind, and some roles within the Duchy have ancient titles. The responsibilities attached to them are roughly equivalent to senior leadership roles in other organisations. The four Proper Officers, as they are known, are:

- **The Lord Warden of the Stannaries:** after The Duke of Cornwall, the Lord Warden is the most senior position on The Prince's Council, and deputy chairman
- **The Receiver General to His Royal Highness** is non-executive chair of the Finance & Audit Committee, and has oversight of financial affairs
- **The Attorney-General to His Royal Highness**, in whose name legal proceedings are taken and defended, is the principal legal officer providing legal advice and support
- **The Secretary and Keeper of the Records** has executive responsibility for the management of the Duchy and is equivalent to the chief executive in other organisations.

Oversight of the Duchy's long-standing development at Poundbury together with the Nansledan development site is undertaken by the **Development Monitoring Group**. The group considers all development aspects at Poundbury and Nansledan including design, planning, sustainability, financial, social and community issues.

The **Remuneration Committee**, chaired by Sir Nicholas Bacon, the Lord Warden, meets annually in March, and reviews and approves staff salaries and benefits.

Other disclosures

Duke of Cornwall's Benevolent Fund

In the Benevolent Fund's last financial year, it made grants and commitments of c.£101,000 (2015: c.£98,000) 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 restoration of churches and environmental charities, as well as to a variety of other charitable causes.

Charitable donations

Charitable donations by the Duchy of Cornwall amounted to £120,000 (2015: £101,000), made to causes in the following areas:

Agriculture	£15,000 (2015: £13,000)
Environment	£29,000 (2015: £28,000)
Community	£76,000 (2015: £60,000).

Significant individual donations included:

£42,000 (2015: £25,000) to the Isles of Scilly Initiative, a body dedicated to the promotion of the destination of the Isles of Scilly; and

£15,000 (2015: £10,000) 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 have been updated and developed to support the Duchy's business plans, and also to continue to strengthen its skilled workforce.

The Duchy is committed to open discussion and direct consultation with all employees as part of its Employee Relations Policy, with a number of channels of communication including an intranet, staff Duchy day, and a new 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. 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 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 May 2015 (the "Accounts Direction") requires the Proper Officers to prepare Accounts for each financial year. Under the Accounts Direction the Proper Officers have prepared Group financial statements and Duchy of Cornwall financial statements (the "Accounts") in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied to the Accounts by the Accounts Direction.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and as applied to the Group and the Duchy of Cornwall by the Accounts Direction have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Group and the Duchy of Cornwall will continue in business; 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 and disclose with reasonable accuracy at any time the financial position of the Duchy of Cornwall and enable them to ensure that the Accounts comply with the Accounts Direction. They are also responsible for safeguarding the assets of the Duchy of Cornwall and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

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

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

Principal financial risks and uncertainties

A comprehensive risk management process exists within the Duchy, covering all the assets and activities of the Duchy and its strategic, project, operational and financial risks.

The Prince's Council and its sub-committees take account of strategic risk as part of their deliberations. Project, operational and financial risk is controlled by members of the Executive Committee and any issues arising are highlighted at their regular meetings or escalated at an earlier stage if appropriate.

The Risk Oversight Group supports the Council and Committees in these processes. Its members comprise the Finance Director, a Land Steward, a building surveyor and the Rural Director of Finance. The Risk Oversight Group reports to the Executive Committee.

Risk and internal control statement

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

Property risk

The Duchy holds a diversified property portfolio, which is actively monitored by management so as to reduce the overall risk profile.

Credit risk

The Duchy is exposed to credit risk in relation to its tenants 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.

In addition to the financial risks outlined here, a wide range of other factors are taken into account by management. This broader spectrum of risk, including macroeconomic and environmental challenges, is described in 'Responding to risks and opportunities' (page 18).

Investment markets risk

The Duchy is exposed to adverse movements within the financial markets and employs fund managers to manage its investment portfolios and the risks associated therein. The portfolios are reviewed on a regular basis to ensure that they reflect the overall objectives of the Duchy.

Foreign exchange risk

Foreign exchange risk arises on assets and liabilities denominated in a currency other than the Duchy's functional currency of Sterling. The most significant exposure, within the financial investment portfolio, is to the US Dollar. The spread of a +/- 10% exchange rate movement would equate to £4million. Such an impact would not be material in relation to the capital value of the Duchy, so no specific mitigation measures are considered necessary.

Interest rate risk

The Duchy's exposure to interest rate fluctuations is primarily related to bonds and is managed by external fund managers. Exposure to interest rate fluctuations on borrowings is fully hedged.

Liquidity risk

Without resorting to further borrowing, the Duchy has to generate all the capital cash it requires for major improvements to the fabric of the estate and for the restructuring of the portfolio. Such activities are therefore constrained by the Duchy's ability to raise capital cash through sales of property, which can be adversely affected during periods when there is limited economic activity in the property sectors within which the Duchy operates. The Duchy is well placed to manage this risk over the medium term through careful capital cash flow planning and borrowing facilities which are readily available to us at competitive rates.

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

Financial management

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

District office procedures and controls

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

Capital investment appraisal

Clearly defined guidelines for the assessment, authorisation and control of all capital receipts and expenditure are in place.

Risk register

A comprehensive risk register is maintained and used as the basis for regular reviews by the Risk Management Committee.

Accounts

Independent auditor's report to The Duke of Cornwall

Report on the Accounts

My opinion

In my opinion, the Duchy of Cornwall's Group and Duchy of Cornwall financial statements (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 2016 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 ("IFRSs") as adopted by the European Union and as applied to the Duchy of Cornwall by the Accounts Direction given by HM Treasury dated 28th May 2015; and
- have been prepared in accordance with the Accounts Direction given by HM Treasury dated 28th May 2015.

What I have audited

The Accounts, included within the Financial Statements, comprise:

- the Group and Duchy of Cornwall balance sheets as at 31st March 2016;
- the Group Revenue account and the Capital account statements of comprehensive income for the year then ended;
- the Group and Duchy of Cornwall statements of cash flows for the year then ended;
- the Group and Duchy of Cornwall statements of changes in capital and reserves for the year then ended; and
- the notes to the Accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Accounts is applicable law and IFRSs as adopted by the European Union and as applied to the Group and the Duchy of Cornwall by the Accounts Direction given by HM Treasury dated 28th May 2015.

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

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

In my opinion:

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

Opinion on other matter prescribed by the terms of my engagement

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

Other matters on which I am required to report by exception

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

- I have not received all the information and explanations I require for my audit; or
- certain disclosures of Proper Officers' remuneration specified by the Accounts Direction given by the Treasury dated 28th May 2015 are not made.

I have no exceptions to report arising from this responsibility.

Responsibilities for the Accounts and the audit

My responsibilities and those of the Proper Officers

As explained more fully in the Statement of the Proper Officers' Responsibilities, the Proper Officers are responsible for the preparation of the Accounts in accordance with the Accounts Direction given by HM Treasury dated 28th May 2015 and for being satisfied that they give a true and fair view.

My responsibility is to audit and express an opinion on the Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)"). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This Report, including the opinions, has been prepared for and only for The Duke of Cornwall in accordance with Section 9 of the Duchy of Cornwall Management Act 1982 and for no other purpose.

I do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior consent in writing.

What an audit of financial statements involves

I conducted my audit in accordance with International Standards on Auditing ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Duchy of Cornwall's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Proper Officers; and
- the overall presentation of the Accounts.

I primarily focus my work in these areas by assessing the Proper Officers' judgements against available evidence, forming my own judgements, and evaluating the disclosures in the Accounts.

I test and examine information, using sampling and other auditing techniques, to the extent I consider necessary to provide a reasonable basis for me to draw conclusions. I obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Other matters

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

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

have been satisfied or complied with.

James Chalmers

Chartered Accountant and
Statutory Auditor
London
8th June 2016

Financial statements

Year ended 31st March 2016

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

Group Revenue Account Statement of Comprehensive Income

	Notes	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Revenue	2	30,472	32,848
Operating costs	2	(12,768)	(13,070)
Operating surplus		17,704	19,778
Finance income	5	5,030	4,159
Finance costs	6	(2,953)	(3,459)
Net finance income		2,077	700
Net surplus for the year		19,781	20,478
Surplus attributable to:			
Non-controlling interests		(64)	11
HRH		19,845	20,467
Other comprehensive income:			
Items that will not be reclassified subsequently to income statement:			
Actuarial (loss)/gain on retirement benefit obligations	7	(2,429)	1,064
Total comprehensive income on Revenue account		17,352	21,542
Total comprehensive income attributable to:			
Non-controlling interests		(64)	11
Duchy of Cornwall		17,416	21,531

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

Group Capital Account Statement of Comprehensive Income

	Notes	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Net gain from fair value adjustment on investment property and property held for sale	8	34,016	9,405
Net gain on the disposal of investment property and property held for sale		4,356	2,722
Net (loss)/gain on revaluation of investment property held for sale		(424)	2,027
Loss on acquisition of joint venture		(323)	-
Net gain on the disposal of investment property held for sale		143	790
Net loss on the disposal of financial assets	11	(76)	(2,417)
Impairment of financial assets	11	-	(2,500)
Charge from Revenue for salary costs	2	(862)	(826)
Other costs		(403)	(501)
Net surplus for the year on Capital account		36,427	8,700
Other comprehensive (expense)/income:			
Net gain/(loss) on revaluation of owner occupied property	9	21	(679)
Net other comprehensive expense of joint venture	10	(307)	-
Net gain/(loss) on the revaluation of financial assets	11	4,693	(1,453)
Loss on the revaluation of financial derivatives	15	(3,356)	(2,283)
Total comprehensive income on Capital account		37,478	4,285

The notes on pages 60 to 87 are an integral part of these financial statements. Other comprehensive income relating to income of joint venture will not subsequently be reclassified to the income statement.

Group balance sheet

	Notes	31 st March 2015 £'000	31 st March 2016 £'000
Assets			
Non-current assets			
Investment property	8	849,720	902,373
Property, plant and equipment	9	13,483	13,733
Investments in joint venture	10	-	4,645
Financial assets	11	88,301	68,481
Trade and other receivables	12	5,000	6,300
Total non-current assets		956,504	995,532
Current assets			
Inventories		1,333	1,365
Trade and other receivables	12	11,932	8,396
Cash and cash equivalents		5,805	4,383
		19,070	14,144
Investment property assets held for sale	13	9,814	12,918
Total current assets		28,884	27,062
Total assets		985,388	1,022,594
Liabilities			
Current liabilities			
Trade and other payables	14	(16,749)	(22,413)
Borrowings	15	-	(208)
Derivative financial instruments	15	(973)	-
Total current liabilities		(17,722)	(22,621)
Non-current liabilities			
Trade and other payables	14	(16,022)	(10,684)
Borrowings	15	(70,000)	(100,000)
Derivative financial instruments	15	(5,119)	(8,375)
Retirement benefit obligations	7	(5,445)	(4,345)
Total non-current liabilities		(96,586)	(123,404)
Net assets		871,080	876,569
Reserves			
Revenue reserve available for distribution to HRH		3,198	3,327
Retirement benefit reserve		(6,938)	(5,874)
Capital reserve		880,812	887,380
Hedging reserve		(6,092)	(8,375)
		870,980	876,458
Non-controlling interest		100	111
Total reserves		871,080	876,569

The notes on pages 60 to 87 are an integral part of these financial statements.

The financial statements on pages 52 to 87 were approved by the Proper Officers and signed on their behalf by Alastair Martin, Secretary and Keeper of the Records, 8th June 2016.

Duchy of Cornwall balance sheet

	Notes	31 st March 2015 £'000	31 st March 2016 £'000
Assets			
Non-current assets			
Investment property	8	840,150	893,206
Property, plant and equipment	9	7,736	8,320
Investment in joint venture	10	-	4,645
Investment in subsidiaries	10	9,514	9,514
Financial assets	11	88,301	68,481
Trade and other receivables	12	12,150	12,950
Total non-current assets		957,851	997,116
Current assets			
Inventories		451	384
Trade and other receivables	12	11,280	7,258
Cash and cash equivalents		5,208	4,048
		16,939	11,690
Investment property assets held for sale	13	9,814	12,918
Total current assets		26,753	24,608
Total assets		984,604	1,021,724
Liabilities			
Current liabilities			
Trade and other payables	14	(16,404)	(22,141)
Derivative financial instruments	14	(973)	-
Total current liabilities		(17,377)	(22,141)
Non-current liabilities			
Trade and other payables	14	(16,022)	(10,684)
Borrowings	15	(70,000)	(100,000)
Derivative financial instruments	15	(5,119)	(8,375)
Retirement benefit obligations	7	(5,445)	(4,345)
Total non-current liabilities		(96,586)	(123,404)
Net assets		870,641	876,179
Reserves			
Revenue reserve available for distribution to HRH		3,697	3,483
Retirement benefit reserve		(6,938)	(5,874)
Capital reserve		879,974	886,945
Hedging reserve		(6,092)	(8,375)
Total reserves		870,641	876,179

The notes to the Accounts on pages 60 to 87 are an integral part of these financial statements.

The financial statements on pages 52 to 87 were approved by the Proper Officers and signed on their behalf by Alastair Martin, Secretary and Keeper of the Records, 8th June 2016.

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 1 st April 2014	3,011	(4,509)	839,978	(2,736)	835,744	164	835,908
Net surplus for the year	19,845	-	36,427	-	56,272	(64)	56,208
Other comprehensive income:							
Net gain on revaluation of owner occupied property (note 9)	-	-	21	-	21	-	21
Net other comprehensive expense of joint venture (note 10a)	-	-	(307)	-	(307)	-	(307)
Net gain on the disposal or revaluation of financial assets (note 11)	-	-	4,693	-	4,693	-	4,693
Loss on financial derivatives (note 15)	-	-	-	(3,356)	(3,356)	-	(3,356)
Actuarial loss on retirement benefit obligations (note 7)	-	(2,429)	-	-	(2,429)	-	(2,429)
Total comprehensive income	19,845	(2,429)	40,834	(3,356)	54,894	(64)	54,830
	22,856	(6,938)	880,812	(6,092)	890,638	100	890,738
Less payments made to HRH							
In respect of current year	(16,647)	-	-	-	(16,647)	-	(16,647)
In respect of prior year	(3,011)	-	-	-	(3,011)	-	(3,011)
Balance as at 1st April 2015	3,198	(6,938)	880,812	(6,092)	870,980	100	871,080
Net surplus for the year	20,467	-	8,700	-	29,167	11	29,178
Other comprehensive income:							
Net loss on revaluation of owner occupied property (note 9)	-	-	(679)	-	(679)	-	(679)
Net loss on revaluation of financial assets (note 11)	-	-	(1,453)	-	(1,453)	-	(1,453)
Loss on financial derivatives (note 15)	-	-	-	(2,283)	(2,283)	-	(2,283)
Actuarial gain on retirement benefit obligations (note 7)	-	1,064	-	-	1,064	-	1,064
Total comprehensive income	20,467	1,064	6,568	(2,283)	25,816	11	25,827
	23,665	(5,874)	887,380	(8,375)	896,796	111	896,907
Less payments made to HRH							
In respect of current year	(17,140)	-	-	-	(17,140)	-	(17,140)
In respect of prior year	(3,198)	-	-	-	(3,198)	-	(3,198)
Balance as at 31st March 2016	3,327	(5,874)	887,380	(8,375)	876,458	111	876,569

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

Capital reserve: The capital reserve contains the gains and losses on revaluation of assets held to generate income. Proceeds from disposal of capital assets have to be 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		Total reserves £'000
	Revenue reserve £'000	Retirement benefit reserve £'000	Capital reserve £'000	Hedging reserve £'000	
Balance as at 1 st April 2014	3,533	(4,509)	838,576	(2,736)	834,864
Net surplus for the year	19,822	-	36,684	-	56,506
Other comprehensive income:					
Net gain on revaluation of owner occupied property (note 9)	-	-	21	-	21
Net gain on the disposal or revaluation of financial assets	-	-	4,693	-	4,693
Loss on financial derivatives (note 15)	-	-	-	(3,356)	(3,356)
Actuarial loss on retirement benefit obligations (note 7)	-	(2,429)	-	-	(2,429)
Total comprehensive income	19,822	(2,429)	41,398	(3,356)	55,435
	23,355	(6,938)	879,974	(6,092)	890,299
Less payments made to HRH					
In respect of current year	(16,647)	-	-	-	(16,647)
In respect of prior year	(3,011)	-	-	-	(3,011)
Balance as at 1st April 2015	3,697	(6,938)	879,974	(6,092)	870,641
Net surplus for the year	20,124	-	9,103	-	29,227
Other comprehensive income:					
Net loss on revaluation of owner occupied property (note 9)	-	-	(679)	-	(679)
Net loss on revaluation of financial assets	-	-	(1,453)	-	(1,453)
Loss on financial derivatives (note 15)	-	-	-	(2,283)	(2,283)
Actuarial gain on retirement benefit obligations (note 7)	-	1,064	-	-	1,064
Total comprehensive income	20,124	1,064	6,971	(2,283)	25,876
	23,821	(5,874)	886,945	(8,375)	896,517
Less payments made to HRH					
In respect of current year	(17,140)	-	-	-	(17,140)
In respect of prior year	(3,198)	-	-	-	(3,198)
Balance as at 31st March 2016	3,483	(5,874)	886,945	(8,375)	876,179

Group statement of cash flows

	Notes	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Cash generated from operating activities	16	17,066	17,692
Interest paid		(3,380)	(3,459)
Net cash from operating activities		13,686	14,233
Cash flows from investing activities			
Purchase of financial investments		(11,891)	(21,373)
Loans repaid		-	884
Investment in joint venture		-	(4,645)
Proceeds from disposal of financial investments		21,551	34,823
Additional investment in QMS		(5,506)	-
Purchase of investment property		(12,539)	(37,946)
Property improvements and development expenditure		(16,791)	(17,788)
Proceeds from disposal of investment properties		20,147	11,295
Purchase of property, plant and equipment		(480)	(1,224)
Proceeds from disposal of assets held for sale		5,761	6,456
Financial investment income received		4,530	3,333
Interest received		646	660
Net cash inflow/(outflow) from investing activities		5,428	(25,525)
Cash flows from financing activities			
Borrowings repaid/proceeds from borrowings		(10,000)	30,208
Payments made to HRH		(19,658)	(20,338)
Net cash (outflow)/inflow from financing activities		(29,658)	9,870
Decrease in cash in the year		(10,544)	(1,422)
Cash and cash equivalents at start of year		16,349	5,805
Cash and cash equivalents at end of year		5,805	4,383

Duchy of Cornwall statement of cash flows

	Notes	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Cash generated from operating activities	16	16,500	16,536
Interest paid		(3,380)	(3,415)
Net cash from operating activities		13,120	13,121
Cash flows from investing activities			
Purchase of financial investments		(11,891)	(21,373)
Loans repaid		-	884
Investment in joint venture		-	(4,645)
Loans repaid by subsidiary undertakings		-	1,000
Additional investment in QMS		(5,500)	-
Proceeds from disposal of financial investments		21,551	34,823
Purchase of investment property		(12,539)	(37,946)
Property improvements and development expenditure		(16,997)	(17,788)
Proceeds from disposal of investment properties		20,147	11,295
Purchase of property, plant and equipment		(431)	(1,203)
Proceeds from disposal of assets held for sale		5,761	6,456
Financial investment income received		4,530	3,279
Interest received		1,297	1,275
Net cash inflow/(outflow) from investing activities		5,928	(23,943)
Cash flows from financing activities			
Borrowings repaid/proceeds from borrowings		(10,000)	30,000
Payments made to HRH		(19,658)	(20,338)
Net cash (outflow)/inflow from financing activities		(29,658)	9,662
Decrease in cash in the year		(10,610)	(1,160)
Cash and cash equivalents at start of year		15,818	5,208
Cash and cash equivalents at end of year		5,208	4,048

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 2016.

These financial statements have been prepared on a going concern basis and in accordance with the Accounts Direction issued by HM Treasury dated 28th May 2015 (set out on pages 88 to 89) and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and International Accounting Standards Board's (IASB's) Interpretation Committee. The financial statements have been prepared in Sterling (rounded to the nearest thousand), which is the functional currency of the Group, and under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies, which have been applied consistently across the Group, is set out below. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

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

- Annual Improvements to IFRSs – 2010–2012 Cycle and 2011–2013 Cycle.
- Amendments to IAS 19 “Defined Benefit Plans”. This amendment clarifies the application of IAS 19 – referred to as “IAS 19R” – to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions.

The adoption of these amendments did not have any significant effect on the Group financial statements.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st April 2015, and have not been applied in preparing these consolidated financial statements. Effects noted are as follows:

- The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not

recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1st January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, “Revenue from contracts with customers”, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised 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. The standard replaces IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1st January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

1 ACCOUNTING POLICIES (continued)

- IFRS 16, “Leases”, deals with lease accounting. The standard replaces current guidance within IAS 17. For lessors, the accounting stays almost the same. However, IFRS 16 is likely to have a significant impact on the financial statements of lessees. The new standard will affect both the balance sheet and related ratios, such as debt/equity ratios. Depending on the number of lease contracts previously classified as operating leases under IAS 17, the new approach will result in a significant increase in debt on the balance sheet. Additionally, lessees will have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. The standard is effective for annual periods beginning on or after 1st January 2019, with earlier application permitted if IFRS 15, “Revenue from Contracts with Customers”, is also applied. The Group is currently assessing the impact of IFRS 16; no conclusion has been made to date.
- Annual Improvements to IFRSs 2012–2014 Cycle and Disclosure Initiative: Amendments to IAS 1, which merely clarify the existing requirements and do not affect the Group’s accounting policies or any other disclosure.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Significant judgements, key assumptions and estimates

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. The recoverable amount of

loans and receivables is determined using valuation techniques and the Group uses its judgement to make assumptions based on the conditions existing at the end of each reporting period and information available.

Operating leases

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

Property valuations

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

Financial instruments valuations

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

- Level 1 financial instruments are valued at unadjusted quoted prices in active markets for identical instruments and require no judgement.
- Level 2 financial instruments are valued based significantly on observable market data. Inputs other than quoted prices are directly or indirectly observable for the asset or liability.

- Level 3 financial instruments use valuation techniques which incorporate at least one input (with a potentially significant impact on valuation), which is based on unobservable market data. The valuation techniques considered include the market approach which uses comparable market transactions and the income approach which is based on the net present value of estimated future cash flows adjusted for factors such as credit, liquidity and market risk. Inputs may include price information, volatility statistics, credit data, liquidity statistics and other factors. As a result Level 3 investments require significant judgement on behalf of both the investment managers and Duchy management.

Revenue

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

Property income

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

Sales of produce at the Duchy’s Nursery

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

1 ACCOUNTING POLICIES (*continued*)**Income at J V Energen LLP**

The Group participates in a joint venture, 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 grid. Sales of energy are invoiced and renewable energy subsidies are applied for via Ofgem.

Other income

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

Finance income

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

Foreign currencies

All foreign exchange dealings relate to the Capital account. Foreign currency transactions are translated into Sterling at rates prevailing at the dates of transaction or at the year end rate where items are 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 net revenue surplus of the Duchy for the year.

Investment property valuation

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

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

Owner occupied property

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

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

Investment property assets held for sale

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

Disposal of properties

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

1 ACCOUNTING POLICIES (continued)

Impairment

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

Leases

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

Plant and equipment

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

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

The plant and equipment is depreciated on a straight line basis, over the expected useful life, and repaid out of the Revenue 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

Available for sale financial investments are measured at fair value with profits or losses on revaluation being taken to the Capital Account Statement of Comprehensive Income. Loans and receivable financial

investments are initially recognised at fair value and subsequently measured at amortised cost under the effective interest method.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

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

(b) Associates and joint ventures

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

The Group's share of post-acquisition profits or losses is recognised in the Revenue Account Statement of Comprehensive Income. Its share of post-acquisition movements in other

1 ACCOUNTING POLICIES (continued)

comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Inventories

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

Provisions

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

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently held at amortised cost less allowances for situations where recovery is doubtful. Such allowances are based on an individual assessment of each receivable. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Subsequent recoveries of amounts

previously written off are credited against "operating costs" in the income statement.

Trade payables

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

Borrowings

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

Capitalisation of staff costs

Staff costs are recharged to the Capital account on a relevant time basis for dealing with appropriate 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 hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income, within the Capital Account Statement of Comprehensive Income. 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 surplus or deficit 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 cumulative gain or loss existing in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in the Capital Account Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in reserves is immediately transferred to the Capital Account Statement of Comprehensive Income within the surplus or deficit.

2 Analysis of Revenue account operating surplus

	Notes	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Property income:			
Agricultural income		7,768	7,906
Commercial income		12,613	14,498
Residential income		5,483	5,902
Total property income		25,864	28,306
Sale of goods		4,608	4,542
Total operating income		30,472	32,848
Staff costs	4	4,733	4,783
Charge to Capital account		(862)	(826)
		3,871	3,957
Direct cost of sales		2,285	2,076
Depreciation	9	802	762
Repairs and maintenance		2,509	2,712
Administration		2,682	2,932
Other operating costs		619	631
Total operating costs		12,768	13,070
Operating surplus		17,704	19,778

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

	Year ended 31 st March 2015 £	Year ended 31 st March 2016 £
Fees payable to the Duchy of Cornwall auditor for the audit of the Duchy and consolidated financial statements	71,500	75,500
Fees payable to the Duchy of Cornwall auditor and his associates for other services:		
– The audit of QMS (Poundbury) LLP	5,000	7,200
	76,500	82,700

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

3 Leasing: operating leases with tenants

The Duchy of Cornwall leases out all of its investment properties under operating leases with, on average, 80 years remaining to expiry. The aggregate minimum rentals, excluding contingent rents, receivable under non-cancellable leases are as follows:

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Less than one year	14,083	16,824
Between two to five years	48,909	60,635
After five years	304,052	321,932
	367,044	399,391

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

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Contingent rents receivable	1,425	1,393

4 Staff costs

The average number of full time equivalent staff employed by the Duchy during the year was 100 (2015: 92). The split of staff was: Administrative 66, Estate workers 15, Nursery 19 (2015: Administrative 59, Estate workers 15, Nursery 18). The total remuneration was £4,783,000 (2015: £4,733,000) comprising:

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Wages and salaries	3,377	3,258
Social security costs	342	331
Pension costs	718	833
Other staff costs	296	361
	4,733	4,783

Staff costs of £826,000 (2015: £862,000) are charged to the Capital account reflecting the extent that they are deemed to be enhancing its value. Other staff costs include benefits (such as health insurance) and skill enhancement costs for appropriate staff.

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

	Year ended 31 st March 2015 £	Year ended 31 st March 2016 £
Alastair Martin	223,697	237,196
Jonathan Crow	3,000	3,000
Mark Thomas	8,000	8,000
	234,697	248,196

In addition, pension contributions of £33,750 (2015: £31,726) were paid into a Money Purchase Scheme for Alastair Martin.

5 Finance income – Group

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Income from investments	4,384	3,499
Bank interest	8	7
Loan interest	638	653
	5,030	4,159

6 Finance costs – Group

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Loan interest	2,953	3,459

7 Retirement benefit obligations – Group and the Duchy

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

The last completed actuarial valuation as at 1st January 2013 showed a funding deficit at that date of £6.7million. The Duchy agreed with the trustees of the Duchy of Cornwall Staff Pension Scheme a recovery plan to eliminate this funding shortfall by making additional contributions over a 12-year period backdated to the valuation date. The results of the valuation as at 1st January 2013 have been used as a basis and then rolled forward to 31st March 2016. An actuarial valuation as at 1st January 2016 is under way.

The Scheme operates under the Pensions Act 2004.

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

Risks to which the Scheme exposes the Duchy:

- Asset volatility – a deficit will result if the Scheme's assets underperform relative to the discount rate used, and so to mitigate this, the trustees have agreed that the Scheme's investment strategy will be derisked over time. This is done by funding triggers which allow the Scheme to take advantage of favourable

market conditions and developments in the funding level. If the funding level improves by a predetermined amount, then a switch to increase the target allocation for liability matching assets will be made.

- Inflation risk – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although for most increases there are caps in place which protect against extreme inflation).
- Longevity – increases in life expectancy will increase plan liabilities; the inflation-linkage of the benefits also means that inflationary increases result in a higher sensitivity to increases in life expectancy.

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

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 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Fair value of assets at end of year	20,056	19,234
Present value of obligations at end of year	(25,501)	(23,579)
Net defined benefit obligation	(5,445)	(4,345)

Expense recognised in income statement

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Current service cost	426	407
Administration expenses	80	203
Operating expense	506	610
Net interest on the net defined benefit obligation	125	162
Total expense recognised in income statement	631	772

Reconciliation of value of defined benefit obligations over the year

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

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Present value of obligations at start of year	20,537	25,501
Current service cost	426	407
Interest cost	888	788
Distributions	(718)	(985)
Experience (gains)/losses	(135)	2
Actuarial losses/(gains) arising from change in financial assumptions	4,503	(2,134)
Present value of obligations at end of year	25,501	23,579

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

Reconciliation of fair value of assets

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

	31 st March 2015 £'000	31 st March 2016 £'000
Fair value of assets at start of year	17,244	20,056
Employer contributions	908	808
Interest income	763	626
Return on Scheme assets excluding interest income	1,939	(1,068)
Distributions	(718)	(985)
Administration expenses	(80)	(203)
Fair value of assets at end of year	20,056	19,234

Movement in net defined benefit obligation over the year

	31 st March 2015 £'000	31 st March 2016 £'000
Net defined benefit obligation at beginning of the year	(3,293)	(5,445)
Employer contributions	908	808
Expense recognised in income statement	(631)	(772)
Remeasurement (loss)/gain recognised in OCI	(2,429)	1,064
Net defined benefit obligation at end of the year	(5,445)	(4,345)

Remeasurement effects recognised in other comprehensive income (OCI)

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
Return on Scheme assets excluding interest income	1,939	(1,068)
Experience gains/(losses) on obligations	135	(2)
Actuarial (losses)/gains arising from change in financial assumptions	(4,503)	2,134
Total (losses)/gains recognised in OCI	(2,429)	1,064

7 RETIREMENT BENEFIT OBLIGATIONS – GROUP AND THE DUCHY (*continued*)**Actuarial assumptions at end of year**

	31 st March 2015	31 st March 2016
Discount rate (p.a.)	3.15%	3.35%
Salary increases (p.a.)	4.30%	4.05%
RPI inflation (p.a.)	3.05%	2.80%
CPI inflation (p.a.)	1.85%	1.80%
Pension increases – RPI max 5% (p.a.)	3.00%	2.75%
Post-retirement longevity – base table	80% S1PXA	80% S1PXA
Post-retirement longevity – future improvements	Year of birth, CMI 2011 projections with a 1.0% p.a. long-term trend (from 2008 onwards)	Year of birth, CMI 2011 projections with a 1.0% p.a. long-term trend (from 2008 onwards)

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:	31 st March 2016 £'000
As disclosed	23,579
Discount rate reduced by 0.25% p.a.	24,653
Discount rate increased by 0.25% p.a.	22,575
Inflation reduced by 0.25%* p.a.	24,625
Inflation increased by 0.25%* p.a.	22,590
Life expectancy increased by approximately one year	24,510
Life expectancy decreased by approximately one year	22,657

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

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

Description of any asset–liability matching strategies

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

7 RETIREMENT BENEFIT OBLIGATIONS – GROUP AND THE DUCHY (*continued*)**Breakdown of value of assets at 31st March 2016**

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

31 st March 2016	Quoted £'000	Unquoted £'000	Total £'000
UK equities	4,130	-	4,130
Overseas equities	6,517	-	6,517
Index-linked gilts	4,301	-	4,301
UK corporate bonds: investment grade	4,215	-	4,215
Cash and net current assets	-	71	71
Total	19,163	71	19,234

31 st March 2015	Quoted £'000	Unquoted £'000	Total £'000
UK equities	4,291	-	4,291
Overseas equities	6,657	-	6,657
Index-linked gilts	4,242	-	4,242
UK corporate bonds	4,217	-	4,217
Cash and net current assets	-	649	649
Total	19,407	649	20,056

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

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

The Scheme is currently in deficit on a funding basis. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed with an effective date of 1st January 2016.

The Duchy's best estimate of contributions to be paid over following year (£'000)	765
Average duration of the liabilities (years)	17
Expected future benefit payments (£'000):	
Year ending 31 st March 2017	795
Year ending 31 st March 2018	813
Year ending 31 st March 2019	829
Year ending 31 st March 2020	856
Year ending 31 st March 2021	870
Five years ending 31 st March 2026	4,882

The Duchy also contributes to defined contribution scheme arrangements, the charge for which was £282,000 (2015: £245,000).

8 Investment property – Group

	Agricultural & forestry £'000	Commercial £'000	Residential £'000	Development land £'000	Total £'000
At 31st March 2014	404,737	176,444	170,747	42,084	794,012
Additions	9,961	8	2,570	-	12,539
Capital improvements	1,708	1,090	1,911	-	4,709
Capitalised development expenditure	-	-	-	10,405	10,405
Transfer from property, plant and equipment – at fair value	-	-	320	-	320
Transfer from joint venture	-	7,237	2,263	-	9,500
Transfer to investment property assets held for sale	(561)	-	(432)	(3,200)	(4,193)
Disposals	(10,230)	(19)	(1,339)	-	(11,588)
Net gain from fair value adjustments on investment property	6,534	16,658	12,092	(1,268)	34,016
At 31st March 2015	412,149	201,418	188,132	48,021	849,720
Additions	748	36,728	467	2	37,945
Capital improvements	3,408	520	1,824	-	5,752
Capitalised development expenditure	-	-	-	16,484	16,484
Transfer to property, plant and equipment – at fair value	-	(467)	-	-	(467)
Transfers from investment property assets held for sale	140	-	-	541	681
Transfer to investment property assets held for sale	(427)	-	(756)	(5,439)	(6,622)
Disposals	(88)	-	(1,119)	(9,318)	(10,525)
Net (loss)/gain from fair value adjustments on investment property	(4,484)	12,322	2,096	(529)	9,405
At 31st March 2016	411,446	250,521	190,644	49,762	902,373

8 Investment property – the Duchy

	Agricultural & forestry £'000	Commercial £'000	Residential £'000	Development land £'000	Total £'000
At 31st March 2014	404,737	176,444	170,747	42,084	794,012
Additions	9,961	8	2,570	-	12,539
Capital improvements	1,708	1,090	1,911	-	4,709
Capitalised development expenditure	-	-	-	10,405	10,405
Transfer from property, plant and equipment – at fair value	-	-	320	-	320
Transfer to investment property assets held for sale	(561)	-	(432)	(3,200)	(4,193)
Disposals	(10,230)	(19)	(1,339)	-	(11,588)
Net gain/(loss) from fair value adjustments on investment property	6,534	17,548	11,132	(1,268)	33,946
At 31st March 2015	412,149	195,071	184,909	48,021	840,150
Additions	748	36,728	467	2	37,945
Capital improvements	3,408	520	1,824	-	5,752
Capitalised development expenditure	-	-	-	16,484	16,484
Transfer to property, plant and equipment – at fair value	-	(467)	-	-	(467)
Transfers from investment property assets held for sale	140	-	-	541	681
Transfer to investment property assets held for sale	(427)	-	(756)	(5,439)	(6,622)
Disposals	(88)	-	(1,119)	(9,318)	(10,525)
Net (loss)/gain from fair value adjustments on investment property	(4,484)	11,502	3,319	(529)	9,808
At 31st March 2016	411,446	243,354	188,644	49,762	893,206

8 Investment property – Group and the Duchy

Fair values of land and buildings

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

All properties are valued on an annual basis. 20% by number of the properties in the rural estate are valued by Savills and Clegg & Co on a rotational basis. The remaining rural estate properties are valued by internal valuers who are Chartered Surveyors and are employees of the Duchy of Cornwall. The internal valuers have detailed management knowledge of the properties concerned. The internal valuation team is led by one of the Duchy's employees, a Chartered Surveyor and Registered Valuer, supported by the Duchy's Finance Director. All of the London residential properties are valued externally by Cluttons each year, and all of the urban commercial properties are valued externally by Savills each year. Development land is valued externally each year by Savills. All valuations are in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

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

Fair value measurements using significant unobservable inputs (Level 3)

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

Valuation processes

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

- i) Yield methodology: the value of the income stream for the term of the lease, by reference to the current rent for the property, rent review provisions, market rent for similar properties, and capitalisation rates from similar properties traded in the same geographic region.
- ii) Adjusted sales comparison approach: the vacant possession value of similar properties, the time until vacant possession will be achieved, and discount rates for similar properties traded in the same geographic region.
- iii) Discounted cash flow: net future cash flows for the duration of a project are discounted at an appropriate rate, and a risk factor may be applied.

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

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

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

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 (Duchy)	Decrease of 50 basis points
Agricultural	311,355	365,453	472,806
Other rural assets	27,109	28,236	29,462
Urban commercial	180,735	185,145	192,810
Rural commercial	55,095	58,209	61,825
Residential property	185,115	188,644	192,697

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

All in £'000	Increase of 10%	As disclosed	Decrease of 10%
Urban commercial	197,190	185,145	172,980

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.

8 INVESTMENT PROPERTY – GROUP AND THE DUCHY (continued)

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

	Property type	Fair value at 31 st March 2016 £'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (where meaningful)	
Agricultural & forestry	Agricultural	£365,453	Yield methodology	Rental values	-	
				Capitalisation rate	Farms: 1.70% to 5% Bare land: 7% to 9%	
				Adjusted sales comparison approach	Adjusted comparable vacant possession values	-
					Discount rate for terminal value	4% to 6%
					Estimate of period until vacant possession achieved	0 to 83 years (average 5 years)
	Forestry	£17,757	Adjusted sales comparison approach	Price per hectare	£2,471 to £35,734 (average £9,597) per hectare	
	Other rural assets	£28,236	Yield methodology	Rental values	-	
				Capitalisation rate	7% to 10%	
				Discount rate for terminal value	8.5% to 12%	
	Total		£411,446			
Commercial	Urban commercial	£185,145	Yield methodology	Rental values	Industrial: £61 to £83 psm Office: £124 to £700 psm Retail: £81 to £1,884 psm	
				Capitalisation rate	Industrial: 4.5% to 6.5% Office: 3.6% to 9.6% Retail: 3.6% to 5.5% Other: 3.6% to 9.6%	
	Rural commercial	£58,209	Yield methodology	Rental values	-	
				Capitalisation rate	7.5% to 11%	
	Total		£243,354			
	Residential		£188,644	Yield methodology	Rental values	-
Capitalisation rate					4% to 8%	
Adjusted sales comparison approach					Adjusted comparable vacant possession values	-
				Discount rate for terminal value	4.5% to 7%	
				Estimate of period until vacant possession achieved, for short-term lets	0 to 19 years (average 1.2 years) Fair value £115m	
Estimate of period until vacant possession achieved, for long-term lets				0 to 156 years (average 32 years) Fair value £74m		
Development land		£49,762	Discounted cash flow	Discount rate	7% to 8% (average 7.4%)	
				Risk factor	0% to 30% (average 9.7%)	
				Time to completion	< 1 year, to 46 years (average 5.6 years)	

9 Property, plant and equipment – Group

	Motor vehicles £'000	Plant and equipment £'000	Owner occupied property £'000	Total £'000
At 31st March 2014				
Cost/valuation	193	11,367	5,427	16,987
Accumulated depreciation	(132)	(2,714)	-	(2,846)
Net book value	61	8,653	5,427	14,141
Year ended 31st March 2015				
Additions/improvements	15	221	207	443
Transfer to investment property	-	-	(320)	(320)
Fully written down – cost	(17)	(117)	-	(134)
Depreciation charge	(40)	(762)	-	(802)
Fully written down – depreciation	17	117	-	134
Revaluation	-	-	21	21
At 31st March 2015	36	8,112	5,335	13,483
At 31st March 2015				
Cost/valuation	191	11,471	5,335	16,997
Accumulated depreciation	(155)	(3,359)	-	(3,514)
Net book value	36	8,112	5,335	13,483
Year ended 31st March 2016				
Additions/improvements	47	450	727	1,224
Transfer to investment property	-	-	467	467
Fully written down – cost	(81)	(297)	-	(378)
Depreciation charge	(32)	(730)	-	(762)
Fully written down – depreciation	81	297	-	378
Revaluation	-	-	(679)	(679)
At 31st March 2016	51	7,832	5,850	13,733
At 31st March 2016				
Cost/valuation	157	11,624	5,850	17,631
Accumulated depreciation	(106)	(3,792)	-	(3,898)
Net book value	51	7,832	5,850	13,733

9 Property, plant and equipment – the Duchy

	Motor vehicles £'000	Plant and equipment £'000	Owner occupied property £'000	Total £'000
At 31st March 2014				
Cost/valuation	193	4,626	5,427	10,246
Accumulated depreciation	(132)	(2,068)	-	(2,200)
Net book value	61	2,558	5,427	8,046
Year ended 31st March 2015				
Additions/improvements	15	193	207	415
Transfer to investment property	-	-	(320)	(320)
Fully written down – cost	(17)	(117)	-	(134)
Depreciation charge	(40)	(386)	-	(426)
Fully written down – depreciation	17	117	-	134
Revaluation	-	-	21	21
At 31st March 2015	36	2,365	5,335	7,736
At 31st March 2015				
Cost/valuation	191	4,702	5,335	10,228
Accumulated depreciation	(155)	(2,337)	-	(2,492)
Net book value	36	2,365	5,335	7,736
Year ended 31st March 2016				
Additions/improvements	47	429	727	1,203
Transfer from investment property	-	-	467	467
Fully written down – cost	(81)	(297)	-	(378)
Depreciation charge	(32)	(375)	-	(407)
Fully written down – depreciation	81	297	-	378
Revaluation	-	-	(679)	(679)
At 31st March 2016	51	2,419	5,850	8,320
At 31st March 2016				
Cost/valuation	157	4,834	5,850	10,841
Accumulated depreciation	(106)	(2,415)	-	(2,521)
Net book value	51	2,419	5,850	8,320

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 Investment in joint venture and subsidiaries

The Group has the following undertakings for the year ended 31st March 2016:

Name	Entity type	Principal activity	% of holding
QMS (Poundbury) LLP	Partnership	Investment property	100
RP (Poundbury) LLP	Partnership	Investment property	50
J V Energen LLP	Partnership	Energy supply	54
Barrow Shipping Ltd	Company	Biomethane shipping and marketing	16

Joint venture

	£'000
Balance at 31 st March 2015	-
Invested in year	4,646
Share of loss	(1)
Balance at 31st March 2016	4,645

As at 31st March 2016, the Duchy owned 50% of the members' capital of RP (Poundbury) LLP.

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

The latest audited accounts were produced for the period ended 31st March 2016. The aggregate assets, liabilities, revenue and results for RP (Poundbury) LLP were as follows:

	Year ended 31 st March 2016 £'000
Assets	9,290
Liabilities	(2)
Revenue	-
Loss	(2)

The Group's share of the loss has been included within Other costs in the Capital Account Statement of Comprehensive Income.

10 Investment in joint venture and subsidiaries (*continued*)

Subsidiaries

	Year ended 31 st March 2015 £'000	Year ended 31 st March 2016 £'000
QMS (Poundbury) LLP	8,864	8,864
J V Energen LLP	650	650
	9,514	9,514

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.

On 31st October 2014, the Duchy acquired the remaining 50% of the members' capital of QMS (Poundbury) LLP for cash at a fair value of £4,750,000 and the partnership has been consolidated within these accounts. The fair value of the investment property was £9,500,000 and the fair value of other working capital £76,316. The fair value of the previously held equity interest was £4,949,747. The loss recognised in respect of the purchase was £323,000. £9,000 of costs on acquisition were recognised as an expense.

The latest accounts were produced for the year ended 31st March 2016. The revenue and results for the QMS (Poundbury) LLP for the full year and post acquisition were as follows:

	Year ended 31 st March 2015 £'000	Post acquisition £'000	Year ended 31 st March 2016 £'000
Revenue	271	231	423
Profit	138	112	327

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

	Available for sale					Loan and receivable	Total £'000
	Equity securities Level 1 £'000	Fixed interest securities Level 1 £'000	Private equity funds Level 2 £'000	Private equity funds Level 3 £'000	Equity securities Level 3 £'000	£'000	
At 31st March 2014	38,110	24,972	14,433	11,330	578	3,921	93,344
Purchases	-	9,000	-	1,777	35	1,079	11,891
Sale proceeds	(6,404)	(10,924)	-	(4,201)	(22)	-	(21,551)
Loss on sale	-	(76)	-	-	-	-	(76)
Revaluation	1,589	312	1,737	890	165	-	4,693
At 31st March 2015	33,295	23,284	16,170	9,796	756	5,000	88,301
Purchases	20,400	-	-	951	22	-	21,373
Sale proceeds	(25,916)	(3,570)	(3,184)	(1,923)	(230)	-	(34,823)
Loss on sale	(2,417)	-	-	-	-	-	(2,417)
Revaluation	394	(1,478)	(326)	(247)	204	-	(1,453)
Impairment	-	-	-	-	-	(2,500)	(2,500)
At 31st March 2016	25,756	18,236	12,660	8,577	752	2,500	68,481

The fair values of financial investments classified as Level 1 are based on quoted market prices on the 31st March 2016. Level 2 financial instruments are valued based significantly on observable market data at 31st March 2016. Level 3 investments are valued using valuation techniques in which at least one input is not based on observable market data. There were no transfers of investments between the fair value hierarchy levels during the year. Based on information provided by the fund managers, the Proper Officers believe that whilst significant judgement is required in the valuation of Level 3 investments the effect of stressing the assumptions to a range of reasonably possible alternatives would not result in a material change in the valuation at 31st March 2016.

The loan and receivable investment meets the definition of a hybrid instrument, comprising a debt instrument (“the host”) with a right to convert to preference shares at a future date. The debt instrument and preference shares provide a return of 6% per annum. At 31st March 2016 there is no difference between the fair value of the hybrid instrument and the host contract.

The Group made a significant judgement about the impairment of the loans and receivables financial asset as at 31st March 2016. To determine if the loans and receivables financial asset is impaired, the Group evaluates the duration and extent of its investment, and the financial health of and the short-term business outlook of the investee (including factors such as industry performance and changes in government policies that are impacting the investee’s business) available to the Group at the end of the reporting period.

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

	31 st March 2015 £'000	31 st March 2016 £'000
US Dollar exchange rate +/- 10bpt	(2,632)/3,012	(2,135)/2,543

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

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

12 Trade and other receivables

	Group 31 st March 2015 £'000	Duchy 31 st March 2015 £'000	Group 31 st March 2016 £'000	Duchy 31 st March 2016 £'000
Amounts falling due within one year:				
Trade receivables	5,426	4,274	4,417	4,211
Less provision for impairment of trade receivables	(211)	(211)	(193)	(193)
Prepayments and accrued income	3,487	3,487	3,912	2,980
Other receivables	3,230	3,730	260	260
	11,932	11,280	8,396	7,258
Amounts falling due after more than one year:				
Other receivables	5,000	5,000	6,300	6,300
Amounts due from Group subsidiaries	-	7,150	-	6,650
	5,000	12,150	6,300	12,950

Other receivables falling due after more than one year include £200,000 at 6% repayable 2018 and £4million at 6% repayable 2025.

Amounts due from the Group subsidiaries comprise of two loans to J V Energen LLP, classified as loans and receivables – £4.6million repayable in 2026 and £2.05million repayable at a date to be determined and at least 12 months from the balance sheet date, both at an interest rate of 8%. These loans are secured against the land and buildings of the company.

All receivables are denominated in Sterling.

As of 31st March 2016 trade receivables of £3,579,000 (2015: £3,946,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 31 st March 2015 £'000	Duchy 31 st March 2015 £'000	Group 31 st March 2016 £'000	Duchy 31 st March 2016 £'000
Under 3 months	2,862	2,862	2,477	2,477
3 to 12 months	859	859	705	705
Over 12 months	225	225	397	397

As of 31st March 2016 trade receivables of £193,000 (2015: £211,000) were impaired and provided for. The impaired receivables mainly relate to tenants who are in financial difficulty.

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

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

	Group 31 st March 2015 £'000	Duchy 31 st March 2015 £'000	Group 31 st March 2016 £'000	Duchy 31 st March 2016 £'000
At 1 st April	179	179	211	211
Provision for receivables impairment	53	53	58	58
Net receivables written off	(21)	(21)	(76)	(76)
At 31st March	211	211	193	193

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

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

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

13 Investment property assets held for sale – Group and the Duchy

	31 st March 2015 £'000	31 st March 2016 £'000
At 1 st April	9,911	9,814
Disposal	(5,615)	(5,691)
Capital improvements	1,749	827
Transfer to investment property	-	(681)
Transfer from investment property	4,193	6,622
Revaluation in year	(424)	2,027
At 31st March	9,814	12,918

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

14 Trade and other payables

	Group 31 st March 2015 £'000	Duchy 31 st March 2015 £'000	Group 31 st March 2016 £'000	Duchy 31 st March 2016 £'000
Amounts falling due within one year:				
Trade payables	5,151	4,806	7,916	7,718
Accruals	1,208	1,208	1,236	1,162
Social security and other taxes	1,908	1,908	848	848
Payments received on account	5,089	5,089	6,475	6,475
Rents paid in advance	3,393	3,393	3,938	3,938
Other payable	-	-	2,000	2,000
	16,749	16,404	22,413	22,141
Amounts falling due after more than one year:				
Payments received on account	14,022	14,022	10,684	10,684
Other payable (note 16)	2,000	2,000	-	-
	16,022	16,022	10,684	10,684

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

15 Borrowings and derivative financial instruments – Group and the Duchy

Group	Less than 1 year £'000	Between 1–5 years £'000	Over 5 years £'000	Total £'000
At 31st March 2016				
Borrowings	208	30,000	70,000	100,208
Interest rate swaps – cash flow hedges (Level 2)	-	1,239	7,136	8,375
At 31st March 2015				
Borrowings	-	30,000	40,000	70,000
Interest rate swaps – cash flow hedges (Level 2)	973	1,214	3,905	6,092
Duchy				
At 31st March 2016				
Borrowings	-	30,000	70,000	100,000
Interest rate swaps – cash flow hedges (Level 2)	-	1,239	7,136	8,375
At 31st March 2015				
Borrowings	-	30,000	40,000	70,000
Interest rate swaps – cash flow hedges (Level 2)	973	1,214	3,905	6,092

The Duchy has four interest rate derivatives designated into cash flow hedge relationships on the loan facilities totalling £100million. The notional amount of the interest rate derivatives is £100million. As at 31st March 2016, a loss of £2,283,000 was recognised in other comprehensive income in the Capital Account Statement of Comprehensive Income, in respect of the effective cash flow hedge relationships. These are classified as Level 2 financial instruments measured at fair value on directly or indirectly observable inputs.

The bank loan of £40million is repayable in 2022; interest in the year is at a floating rate which has been fully swapped to a fixed rate of 4.31%. The bank loan of £30million is repayable in 2019; interest in the year is at a floating rate of which £2.5million has been fully swapped to a fixed rate of 3.355% and £27.5million to a rate of 3.56%. During the year an additional bank loan of £30million repayable in 2025 was drawn down; interest in the year is at a floating rate which has been fully swapped to a fixed rate of 3.17%.

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

16 Reconciliation of operating surplus to net cash inflow from operating activities

	Group Year ended 31 st March 2015 £'000	Duchy Year ended 31 st March 2015 £'000	Group Year ended 31 st March 2016 £'000	Duchy Year ended 31 st March 2016 £'000
Net surplus on the Revenue account	19,781	19,822	20,478	20,124
Net surplus on the Capital account	36,427	36,684	8,700	9,103
Adjusted for:				
Depreciation	802	426	762	407
Impairment of financial assets	-	-	2,500	2,500
Dividend income on available for sale assets	(4,384)	(4,384)	(3,499)	(3,499)
Net finance costs	2,307	1,624	2,799	2,184
Share of loss from associate and joint venture	323	-	1	-
Shortfall of pension charge over contributions	(402)	(402)	(198)	(198)
Net gain from fair value of investment property	(34,016)	(33,946)	(9,405)	(9,808)
Net gain from fair value of investment property held for sale	-	-	(2,027)	(2,027)
Net loss/(gain) on property held for sale	424	424	(790)	(790)
Profit on disposal of investment property	(4,499)	(4,499)	(2,722)	(2,722)
Loss on disposal of financial investments	76	76	2,417	2,417
Decrease/(Increase) in inventories	96	226	(32)	67
Increase in trade receivables	(1,818)	(1,580)	1,706	1,703
Increase in trade payables	1,949	2,029	(2,998)	(2,925)
Net cash inflow from operating activities	17,066	16,500	17,692	16,536

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 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 2016 there was £nil (2015: £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 £650,175 (2015: £645,888). As at 31st March 2016 there was £4,287 (2015: £57,795) 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 £28,859 (2015: £37,286) for fees and commission and £59,462 (2015: £61,821) for the purchase of furniture, furnishings, and retail stock for the Duchy of Cornwall holiday accommodation, Duchy office at Restormel and Penlyne Nursery. At 31st March 2016 there was £9,425 (2015: £8,220) 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 2016, the Duchy of Cornwall made the following payments to key management personnel: Short-term employee benefits (salary) £1,178,000 (2015: £1,362,000); Post-employment benefits (retirement benefit plan contribution) £420,000 (2015: £346,000); Benefits £90,000 (2015: £89,000); Total £1,688,000 (2015: £1,797,000).

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

During the year the Duchy received £615,000 of interest (2015: £651,000). In addition the Duchy leased an area of land to a Partnership for which a rent of £58,000 (2015: £58,000) was received.

18 Bona vacantia

During the year, His Royal Highness in right of his Duchy of Cornwall, received bona vacantia (being the estate of deceased intestates resident in Cornwall and dying without next of kin) of £146,000 (2015: £321,000) before allowing for ex gratia payments and other associated costs of £23,000 (2015: £48,000). Surplus receipts of bona vacantia by His Royal Highness are paid over to The Duke of Cornwall's Benevolent Fund; £185,000 (2015: £215,000) was paid during the year. At 31st March 2016, the Duchy retained £145,000 (2015: £207,000) within creditors to meet potential future claims from individuals statutorily entitled to estates which had previously passed as bona vacantia to His Royal Highness.

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

19 Capital commitments

At 31st March 2016 the Duchy had Capital commitments of £8,721,000 (2015: £16,559,000) in respect of development and property improvement works and £3,896,000 (2015: £3,549,000) for the acquisition of financial investments.

20 Contingent liability

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

21 The Duchy of Cornwall total comprehensive income on Revenue account

The Duchy has elected under Section 408 of the Companies Act 2006 as allowed by the Accounts Direction given by HM Treasury dated 28th May 2015 not to include its own statement of comprehensive income in these financial statements. The result for the year for the Duchy was £20,124,000 (2015: £19,822,000).

22 Financial instruments – Group and the Duchy

Group	Note	Held at fair value £'000	Amortised cost £'000	31 st March 2015 £'000
Assets:				
Financial assets	11	83,301	5,000	88,301
Trade and other receivables	12	-	16,932	16,932
Cash and cash equivalents		-	5,805	5,805
		83,301	27,737	111,038
Liabilities:				
Trade and other payables	14	-	(32,771)	(32,771)
Borrowings	15	-	(70,000)	(70,000)
Derivative financial instruments	15	(5,119)	-	(5,119)
		(5,119)	(102,771)	(107,890)

22 FINANCIAL INSTRUMENTS – GROUP AND THE DUCHY (*continued*)

Group	Note	Held at fair value £'000	Amortised cost £'000	31 st March 2016 £'000
Assets:				
Financial assets	11	65,981	2,500	68,481
Trade and other receivables	12	-	14,696	14,696
Cash and cash equivalents		-	4,383	4,383
		65,981	21,579	87,560
Liabilities:				
Trade and other payables	14	-	(33,097)	(33,097)
Borrowings	15	-	(100,208)	(100,208)
Derivative financial instruments	15	(8,375)	-	(8,375)
		(8,375)	(133,305)	(141,680)

Duchy	Note	Held at fair value £'000	Amortised cost £'000	31 st March 2015 £'000
Assets:				
Financial assets	11	83,301	5,000	88,301
Trade and other receivables	12	-	23,430	23,430
Cash and cash equivalents		-	5,208	5,208
		83,301	33,638	116,939
Liabilities:				
Trade and other payables	14	-	(32,426)	(32,426)
Borrowings	15	-	(70,000)	(70,000)
Derivative financial instruments	15	(5,119)	(3,092)	(8,211)
		(5,119)	(105,518)	(110,637)

Duchy	Note	Held at fair value £'000	Amortised cost £'000	31 st March 2016 £'000
Assets:				
Financial assets	11	65,981	2,500	68,481
Trade and other receivables	12	-	20,208	20,208
Cash and cash equivalents		-	4,048	4,048
		65,981	26,756	92,737
Liabilities:				
Trade and other payables	14	-	(32,825)	(32,825)
Borrowings	15	-	(100,000)	(100,000)
Derivative financial instruments	15	(8,375)	-	(8,375)
		(8,375)	(132,825)	(141,200)

23 Financial risk management

A review of the Group's financial risks is set out in the Governance section on pages 48 to 49.

Market risk

All borrowings at floating rates are fully hedged by swap agreements. Sensitivity to currency exchange movements are outlined in note 11. The Duchy has a diverse financial investment portfolio predominately 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	208	30,000	70,000	100,208
Net interest payable on swap	3,682	12,629	5,781	22,092
Trade and other payables	12,000	-	-	12,000
At 31st March 2016	15,890	42,629	75,781	134,300
At 31 st March 2015	10,998	40,922	41,724	93,644

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.

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 which the assets generate. The Duchy's financial objective in managing capital assets is to continue to improve the quality of the estate whilst 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.

Treasury consents

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

- Authority for an additional £3.0million to fund construction of a commercial building at Poundbury.
- Authority to repay up to £30million of principal under a facility agreement with Coutts Bank plc.
- Authority to exchange areas of land with Cornwall Council, both areas being worth no more than £50,000.

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

- Authority to construct six dwellings for £0.552million.
- Authority to construct infrastructure for £1.2million.
- Authority to purchase property for £34.8million.
- Authority to purchase land and woods for £0.575million.
- Authority to purchase land for £1.604million.
- Authority to purchase land for £1.599million.
- Authority for the sale of land for £4,880million and share of future sale.
- Authority for the sale of land for £0.9million.
- Authority for the sale of land and property for £0.642million.

Alastair Martin

Secretary and Keeper of the Records

8th June 2016

Appendix

Accounts direction given by HM Treasury

- 1 The Duchy of Cornwall shall prepare accounts for the financial year ended 31st March 2015 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 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; and
 - a Cash Flow Statement
 including such notes as may be necessary for the purposes described in the following paragraphs
- 2 The Accounts shall give a true and fair view of the Revenue Account Statement of Comprehensive Income, Capital Account Statement of Comprehensive Income, Statement of Changes in Capital and Reserves, Cash Flow Statement for the financial year and the balance sheet as at the end of the financial year. Subject to these requirements and the exemptions set out in Schedule 1, the Accounts shall be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
- 3 The application of the accounting and disclosure requirements of the Companies Act 2006 (CA), accounting standards, and other disclosure requirements is given in Schedule 1 attached.
- 4 This direction supersedes that of 20th May 2014. It shall be reproduced as an appendix to the Accounts.

Richard Brown

Treasury Officer of Accounts

28th May 2015

Accounting and disclosure requirements

Companies Act 2006

- 1 The disclosure exemptions permitted by the CA shall not apply to the Duchy of Cornwall unless specifically approved by the Treasury.
- 2 The CA requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, information relating to the Duchy shall be contained in the Proper Officers' Report for the year, which shall be signed and dated by the Secretary or other Proper Officer.
- 3 The Duchy shall take into consideration the CA requirements as they apply to non-listed companies (to the extent that they can be applied in the circumstances of the Duchy).
- 4 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 2013 and the contribution rate subsequently adjusted to ensure that the deficit is forecast to be made good within the term recommended by the actuary and agreed by the trustees. The pension reserve required by IAS 19 shall be a separate non-distributable reserve within the balance sheet. The next formal valuation of the Pension Scheme will be concluded during 2016.

The Duchy of Cornwall estates

Surface Area Report 31st March 2016

The Duchy of Cornwall is a landed estate of 53,390 hectares. The extent and distribution of the major land holdings at 31st March 2016 were as follows:

	Hectares
Devon	28,506.1
Cornwall	7,730.7
Hereford	5,372.7
Somerset	5,305.0
Isles of Scilly	1,582.8
Dorset	1,331.6
Wiltshire	1,253.0
Gloucestershire	657.1
Shropshire	581.5
Kent	519.4
Nottinghamshire	287.6
Oxfordshire	120.4
Carmarthenshire	84.0
Vale of Glamorgan	20.4
Greater London	15.7
Buckinghamshire	10.9
Hertfordshire	6.0
Norfolk	2.2
Berkshire	1.5
Cheshire	0.7
Hampshire	0.4
Leicestershire	0.2
Middlesex	0.1
Total	53,390

↓ Dartmoor



Annual Report and Accounts

Year ended 31st March 2016

www.duchyofcornwall.org

Writing, design and production

The Duchy of Cornwall with Flag Communication Ltd.

www.flag.co.uk

Printing

Printed by Nationwide Print on presses 80%-powered by 200 solar energy panels.

Paper: Cocoon Offset made from 100% recycled fibre, FSC® certified, very high whiteness (CIE 150) minimising negative impacts on the environment.

Printing inks: made using vegetable-based oils.

Waste reduction: as many waste elements as possible that are associated with this product will be recycled.

www.nationwideprint.co.uk



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