

Duchy Originals Limited

Directors' report and financial statements

31 March 2004

Registered number 2478770



Directors' report and financial statements

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Chairman's Statement

Duchy Originals has for the first time in its history achieved profits in excess of £1 million in a single year which is a hugely significant milestone in the growth and development of the Company.

In the last year we have seen strong progress from both the Duchy Originals and Duchy Selections food brands which are estimated to be now worth £34 million at retail selling price. A measure of the pace of growth of the Company is that the equivalent figure in 1999/2000 was approximately £10 million.

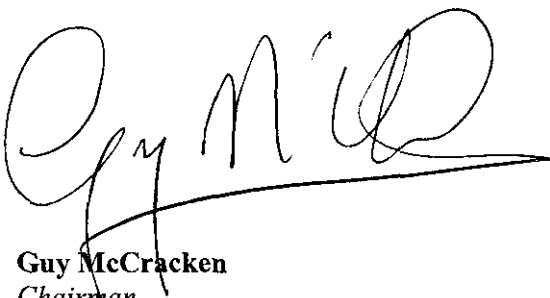
We remain totally committed to the quality and taste of our products which lies at the heart of our success. There is increasing consumer recognition of our products and we are confident that we are well on course towards our target to be one of the UK's leading premium organic food brands.

Total profits for the Company including the Highgrove retail shop business were up 40% at £1,095,145 (last year £784,792). These results enabled the Company to donate £1,096,704 (last year £790,372) to our parent undertaking The Prince of Wales's Charitable Foundation. It remains our policy to donate all profits from our operations to the Charitable Foundation and the Board and everyone associated with the Company is delighted that we have been able to donate over £1 million this year to The Prince of Wales's important and valuable Charitable Foundation.. Total donations now exceed £3 million.

On 1 April 2004, the Company transferred responsibility for the Highgrove Shop to A. G. Carrick Ltd., another subsidiary of The Prince of Wales's Charitable Foundation. This will enable the Company to concentrate its resources on growing the highly successful Duchy Originals and Duchy Selections food brands and also on developing the Duchy Collection brand in non-food areas.

Under Belinda Gooding, our highly capable management team have worked closely with our licensees and retail partners to deliver these results and on behalf of the Board I would like to record our thanks to all of them for their help and support.

I shall be retiring as Chairman at the end of July 2004 having completed two full terms of office since my appointment in 1997. It has been an honour and privilege to serve as Chairman of Duchy Originals and to see the company grow and develop. I wish my successor and the Board of Duchy Originals every success for the future.



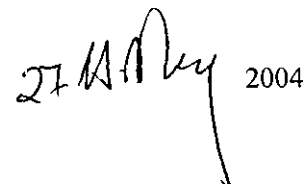
Guy McCracken

Chairman

The Old Ryde House

393 Richmond Road

East Twickenham, TW1 2EF



Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The company owns and manages unique recipe ranges for "Duchy Originals" products, a range of premium organic food and drink products, and "Duchy Selections" products, a range of premium free-range pork and fish products and mineral waters. The company also licenses high-quality non-food products under the "Duchy Collection" brand.

All profits are donated to The Prince of Wales's Charitable Foundation under the rules of the Gift Aid Scheme. This policy of maximising charitable donations under the Scheme has created a deficit on the profit and loss account. The company's working capital requirements are funded from cash generated from operations.

On 1 April 2004, the assets (including stock of £172,447) and liabilities of the Highgrove Shop were transferred from the company at book value to AG Carrick Ltd, a fellow subsidiary of The Prince of Wales's Charitable Foundation.

Results and dividends

The operating profit for the year amounted to £1,095,145 (2003: £784,792). The profit on ordinary activities after tax, which is after a charitable donation of £1,096,704 (2003: £790,372), amounted to a profit of £8,412 (2003: loss of £454). The directors do not recommend payment of a dividend for the year (2003: £nil).

Charitable donations

During the year the company made a donation of £1,096,704 to The Prince of Wales's Charitable Foundation (2003: £790,372).

Directors and directors' interests

The directors who held office, new appointees and resignations during the year were as follows:

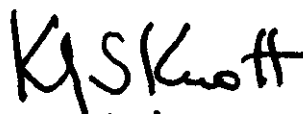
Guy McCracken (Chairman)
Belinda Gooding (Managing Director)
Richard Hogg (Marketing Director)
Alan Bradley (Commercial Director)
Geoffrey Dart, CBE (resigned 24th March 2004)
Kevin Knott, CVO
Sir Michael Peat, KCVO
Julian Richer
Andrew Coslett (appointed 23rd July 2003)

None of the directors has a beneficial interest in the share capital of the company.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



K J S Knott, CVO
Secretary
The Old Ryde House
393 Richmond Road
East Twickenham, TW1 2EF

27 May 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Duchy Originals Limited

We have audited the financial statements on pages 5 to 10.

This report is made solely to our company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations which we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
London

27 May 2004

Profit and loss account

for the year ended 31 March 2004

	Note	Continuing Operations Year ended 31 March 2004 £	Disposals Year ended 31 March 2004 £	Total Year ended 31 March 2004 £	Total Year ended 31 March 2003 £
Turnover	1	2,697,246	631,450	3,328,696	2,710,384
Cost of sales		0	(314,874)	(314,874)	(350,899)
Gross Profit		2,697,246	316,576	3,013,822	2,359,485
Administrative expenses		(1,691,047)	(227,630)	(1,918,677)	(1,574,693)
Operating profit before interest		1,006,199	88,946	1,095,145	784,792
Interest receivable	3			9,971	5,126
Charitable donation				(1,096,704)	(790,372)
Profit/(loss) on ordinary activities before tax	4			8,412	(454)
Tax on profit/(loss) on ordinary activities	5			0	0
Profit/(loss) on ordinary activities after tax				8,412	(454)
Dividend payable				0	0
Retained profit/(loss) for the year	11			8,412	(454)
Retained loss brought forward				(65,525)	(65,071)
Retained loss carried forward				(57,113)	(65,525)

In both the current and preceding years, there were no recognised gains or losses other than the result for that year.

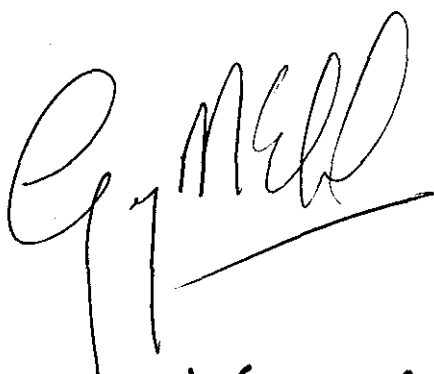
Balance sheet

as at 31 March 2004

	Note	31 March 2004		31 March 2003	
		£	£	£	£
Fixed assets	7		52,883		23,332
Current assets					
Stock		172,447		153,343	
Debtors	8	534,112		266,491	
Cash at bank and in hand		346,374		262,231	
		<u>1,052,933</u>		<u>682,065</u>	
Creditors : amounts falling due within one year	9	<u>(1,117,927)</u>		<u>(725,920)</u>	
Net current liabilities			(64,994)		(43,855)
			<u>(12,111)</u>		<u>(20,523)</u>
Capital and reserves					
Called up share capital	10		45,002		45,002
Profit and loss account			(57,113)		(65,525)
Shareholders' funds	11		<u>(12,111)</u>		<u>(20,523)</u>

These financial statements were approved by the board of directors and were signed on its behalf by:

Guy McCracken



Date

27/1/04

Kevin Knott



Date

27 May 2004

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

Notwithstanding the deficit in shareholders' funds, the directors believe that available cash resources and cash generated from operations will be sufficient to cover liabilities as they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with other group entities which are eliminated on consolidation.

Turnover

Turnover represents royalty income notified to the company and sales from the Highgrove Shop.

All turnover is accounted for on an accruals basis.

Stock

Stock is valued at the lower of cost and net realisable value.

Depreciation

Fixed assets are depreciated on a straight line basis over their expected useful lives, applying the following rates :

Motor vehicles	-	25% per annum
Fixtures & Fittings	-	25% per annum
Computers	-	25% per annum
Leasehold Improvements	-	Over duration of Lease

Deferred taxation

The company fully provides for deferred tax to the extent that it has any liability to tax. However, it transfers all of its taxable profit to The Prince of Wales's Charitable Foundation by Gift Aid and consequently has no liability to tax.

2 Directors' emoluments

	Year ended 31 March 2004 £	Year ended 31 March 2003 £
Directors' Emoluments	310,244	207,871
Pension contributions under personal pension arrangements	21,069	17,399
	<hr/>	<hr/>
Total	331,313	225,270
	<hr/>	<hr/>

The emoluments of the highest paid director amounted to £153,126 (2003: £133,458) excluding pension contributions of £16,875 (2003: £15,038).

Directors' remuneration for the year to 31 March 2003 included two newly appointed directors for the last six months of the year whilst for the year to 31 March 2004 a full twelve months of directors' remuneration costs were included.

Notes (continued)

3 Interest receivable

	Year ended 31 March 2004 £	Year ended 31 March 2003 £
Bank interest receivable	9,971	5,126

4 Profit/(loss) on ordinary activities

The profit/(loss) on ordinary activities is stated after charging :

	Year ended 31 March 2004 £	Year ended 31 March 2003 £
Directors' remuneration	310,244	207,871
Auditors' remuneration	3,500	3,500
Depreciation	9,621	6,582
	<u>323,365</u>	<u>217,953</u>

5 Taxation

No charge to tax arises in the current or previous year by virtue of the Gift Aid payment made to the parent undertaking.

At 31 March 2004 there are no accumulated tax losses to set against future profits.

6 Business Transferred

The business of the Highgrove Shop was transferred to A.G. Carrick Ltd., a fellow subsidiary of The Prince of Wales's Charitable Foundation, on 1 April 2004 at book value.

The assets sold were:

	£
Stock	172,447
Cash	600
Computers, Fixtures & Fittings and Other Fixed Assets	4,226
Prepayments	12,333
	<u>189,606</u>

Notes (continued)

7 Fixed assets

	Motor vehicles £	Computers £	Fixtures & Fittings £	Leasehold Improvements £	Total £
Cost					
At 1 April 2003	12,563	33,507	4,759	0	50,829
Additions	0	7,293	11,833	20,046	39,172
Disposals	(12,563)	0	0	0	(12,563)
At 31 March 2004	<u>0</u>	<u>40,800</u>	<u>16,592</u>	<u>20,046</u>	<u>77,438</u>
Depreciation					
At 1 April 2003	12,563	13,339	1,595	0	27,497
Charge for the year	0	7,815	1,695	111	9,621
Disposals	(12,563)	0	0	0	(12,563)
At 31 March 2004	<u>0</u>	<u>21,154</u>	<u>3,290</u>	<u>111</u>	<u>24,555</u>
Net book value as at 31 March 2004	<u>0</u>	<u>19,646</u>	<u>13,302</u>	<u>19,935</u>	<u>52,883</u>
Net book value as at 31 March 2003	<u>0</u>	<u>20,168</u>	<u>3,164</u>	<u>0</u>	<u>23,332</u>

8 Debtors : amounts falling due within one year

	31 March 2004 £	31 March 2003 £
Trade debtors	500,660	263,244
Prepayments and accrued income	33,452	3,247
	<u>534,112</u>	<u>266,491</u>

9 Creditors : amounts falling due within one year

	31 March 2004 £	31 March 2003 £
Trade creditors	62,551	46,507
Amounts due to group undertakings	846,704	551,372
Taxation and social security	114,416	83,556
Accruals and deferred income	94,256	44,485
	<u>1,117,927</u>	<u>725,920</u>

Notes (continued)

10 Called up share capital

	31 March 2004 £	31 March 2003 £
<i>Authorised</i>		
Ordinary shares of £1 each	45,100	45,100
	<hr/>	<hr/>
<i>Issued Share Capital</i>		
Ordinary shares of £1 each	45,002	45,002
	<hr/>	<hr/>

11 Reconciliation of Movements in Shareholders' Funds

	31 March 2004 £	31 March 2003 £
Opening shareholders' funds	(20,523)	(20,069)
Profit/(loss) for the year	8,412	(454)
	<hr/>	<hr/>
Closing shareholders' funds	(12,111)	(20,523)
	<hr/>	<hr/>

All profits are donated to The Prince of Wales's Charitable Foundation under the rules of the Gift Aid Scheme. This policy of maximising charitable donations under the Scheme has created a deficit on the profit and loss account. The company's working capital requirements are funded from cash generated from operations.

12 Parent undertaking

The company is wholly owned by The Prince of Wales's Charitable Foundation (Registered Charity Number 277540), which prepares consolidated financial statements which are available from The Charity Commission, Harmsworth House, 13-15 Bouverie Street, London EC4Y 8DP.