

Duchy Originals Limited

Directors' report and financial statements
for the year ended 31 March 2009

Registered number 02478770



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Chairman's statement

During the 2008/09 financial year the Company continued its programme of restructuring, committed not only to the sustainability of our products but also to the long term success and growth of the company.

We continued to develop the UK business as a champion of sustainability and to pioneer the production of quality foods made from the finest organic and natural ingredients in accordance with our *Good Food Charter*, ensuring that we provide a fair deal for producers, uphold traditional farming methods and have the smallest environmental footprint.

Economic and trading conditions during the year continued to be challenging and because of the Company's constitution and the fact that we are owned by a charity, the Company has never been able to build up reserves for investing in future growth. Instead, the Company has given all its profits to The Prince's Charities Foundation. To date, almost £7million has been donated.

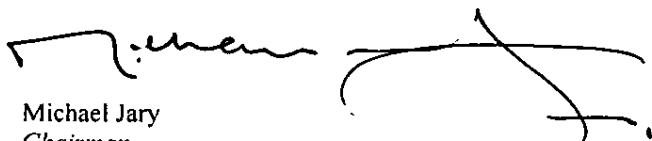
Therefore during the year the board decided that it was time to take our pioneering company to the next level, accelerating the growth of the brand, and amplifying its voice as a champion of sustainably grown and produced food from the UK. In order to realise our ambitions we were pleased to announce our partnership with Waitrose in September 2009.

The partnership gives Waitrose, the Company's largest and longest-standing client, the exclusive right to originate, manufacture, distribute and sell Duchy Originals products in the UK. Waitrose will also sell Duchy Originals products wholesale, enabling independent and family-run stores and restaurants to continue to stock and sell the brand. Waitrose, whose aim is to expand the range from the current 200 products to around 500, will pay a royalty to the Company on all wholesale and retail sales. The Duchy Originals brand will continue to champion sustainability and organic farming and food production.

The new licensing and distribution agreement - the first of its kind ever undertaken by Waitrose - will significantly increase the charitable donations made by the Company as Britain's fastest-growing supermarket invests in and develops the brand. This agreement is good for the Company, good for the Duchy Originals brand, good for Waitrose, good for our consumers and good for charity.

Following the year end, the Company's subsidiary Duchy Originals Foods Limited disposed of its business, the bakery at Launceston, to Samworth Brothers Limited, operating as Tamar Foods. Despite the best endeavours of the commercial and bakery teams, the operation had continued to make a significant financial loss, thereby reducing the ability of the Company to generate profits for the Prince's Charities Foundation. Tamar Foods will be able to continue the production of Duchy branded organic desserts, and combine their broad experience in desserts and Duchy's knowledge of Organic to provide a firm base for future growth.

The loss for the year before exceptional items amounted to £1,190,118 (2008: £151,717). Exceptional charges during the year consist of £1,968,513 costs charged as a result of the subsequent sale of the business of the company's subsidiary, Duchy Originals Foods Limited, £78,627 of costs incurred on an acquisition which was not completed for various commercial reasons and £34,228 spent on the development of the Company's new website. The loss for the year after exceptional items amounted to £3,271,486 (2008: £151,717). The directors do not recommend payment of a dividend for the year (2008: £nil). After taking account of the subsidiary's loss no donation has been made this year to The Prince's Charities Foundation.



Michael Jary
Chairman
The Old Ryde House
393 Richmond Road
East Twickenham, TW1 2EF

26 January 2010

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2009.

Principal activities

The company owns and manages unique recipe ranges for "Duchy Originals" products, a range of premium organic food and drink products. All profits are donated to The Prince's Charities Foundation.

On 30 September 2009 the business of Duchy Originals Limited was licensed exclusively to Waitrose. It is anticipated that the licensing and distribution agreement will significantly increase the charitable donations made by the Company as Waitrose will increase investment in the brand. The partnership gives Waitrose the exclusive right to originate, manufacture, distribute and sell Duchy Originals products in the UK. Waitrose will pay a royalty to the Company on all wholesale and retail sales.

Results and dividend

The operating loss for the year, before exceptional charges, amounted to £1,232,712 (2008: £57,360 profit). The operating loss after exceptional items was £3,314,080 (2008: £57,360 profit). Exceptional charges during the year consist of £78,627 of costs incurred on an acquisition which was not completed for various commercial reasons, £34,228 spent on the development of the Company's new website and costs charged as a result of the sale of the business of the company's subsidiary, Duchy Originals Foods Limited. The loss for the year amounted to £3,271,486 (2008: £151,717). The directors do not recommend payment of a dividend for the year (2008: £nil).

Charitable donations

During the year the company did not make a donation (2008: £nil) to The Prince's Charities Foundation.

Directors

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

Andrew Baker

Andrew Cosslett (resigned 30 September 2008)

Leslie Ferrar

Richard Hogg (resigned 30 May 2008)

Michael Jary (appointed 30 September 2008)

Jennifer Moses (resigned 9 May 2008)

Sir Michael Peat, KCVO

Craig Sams (appointed 5 February 2009)

Keith Weed

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, 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



Leslie Ferrar

Director

The Old Ryde House, 393 Richmond Road
East Twickenham, TW1 2EF

26 January 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Duchy Originals Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the 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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 January 2009

8 Salisbury Square
London EC4Y 8BB

Profit and loss account
for the year ended 31 March 2009

	Note	2009 Pre Exceptional £	2009 Exceptional £	2009 Total £	2008 Total £
Turnover	1	2,200,565	-	2,200,565	4,058,234
Gross profit		2,200,565	-	2,200,565	4,058,234
Administrative expenses	5	(3,433,277)	(2,081,368)	(5,514,645)	(4,000,874)
Operating (loss)/ profit	5	(1,232,712)	(2,081,368)	(3,314,080)	57,360
Interest receivable and similar income	3	77,353	-	77,353	106,077
Interest payable and similar charges		(34,759)	-	(34,759)	(11,720)
(Loss)/profit on ordinary activities before taxation		(1,190,118)	(2,081,368)	(3,271,486)	151,717
Tax on (loss)/profit on ordinary activities	6	-	-	-	-
(Loss)/profit for the financial year		(1,190,118)	(2,081,368)	(3,271,486)	151,717

There is no difference between the profit for the financial year and the profit on a historical cost basis.


The result for the year is derived entirely from continuing activities.

There were no other recognised gains or losses other than the results set out above.

Balance sheet
as at 31 March 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	7	159,425		181,449	
Investments	8	<u>2,584</u>		<u>2</u>	
			162,009		181,451
Current assets					
Stock	10	249		241	
Debtors	9	367,934		996,438	
Debtors due after more than one year	9	173,000		1,639,636	
Cash at bank and in hand		<u>63,171</u>		<u>89,052</u>	
		604,354		2,725,367	
Creditors: amounts falling due within one year	11	<u>(2,320,522)</u>		<u>(1,214,491)</u>	
Net current (liabilities)/assets			(1,716,168)		1,510,876
Creditors: amounts falling due in more than one year	11		(25,000)		-
Net (liabilities)/ assets			<u>(1,579,159)</u>		<u>1,692,327</u>
Capital and reserves					
Called up share capital	12		759,002		759,002
Profit and loss account	13		<u>(2,338,161)</u>		<u>933,325</u>
Shareholders' (deficit)/ funds	14		<u>(1,579,159)</u>		<u>1,692,327</u>

These financial statements were approved by the board of directors on 26 January 2010 and were signed on its behalf by:


Andrew Baker
Director


Leslie Ferrar
Director

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 financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

These financial statements have been prepared on the going concern basis notwithstanding the net liabilities at 31 March 2009 as the parent undertaking, The Prince's Charities Foundation, has confirmed that it will continue to provide financial and other support to the Company, at least for the next twelve months and thereafter for the foreseeable future to enable it to continue to trade.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

As the Company is a wholly owned subsidiary of The Prince's Charities Foundation, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of The Prince's Charities Foundation, within which this Company is included, can be obtained from the address given in note 16.

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	- Over the shorter of the useful economic life or the remaining period of the lease
Fixtures and fittings	- 25% per annum
Computers	- 25% per annum

Investments

Fixed asset investments are shown at cost.

Stock

Stock is made up of finished goods and is stated at the lower of cost and net realisable value.

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contribution payable in respect of the accounting period.

Turnover

Turnover represents royalty income notified to the company. All turnover is accounted for on an accruals basis.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse based on tax rates and laws enacted or subsequently enacted at the balance sheet date.

2 Directors' emoluments

	2009 £	2008 £
Directors' emoluments	241,427	488,212
Pension contributions	32,681	42,885
Termination payment	32,988	81,450
	<u>307,096</u>	<u>612,547</u>

The emoluments of the highest paid director were £224,476 (2008: £169,108) and pension contributions of £31,500 (2008: £11,682) were made to that director's personal pension plan.

Pension contributions were made on behalf of two directors during the year and on behalf of four directors during 2008.

During the year a termination payment of £32,988 was paid to Richard Hogg on his resignation from the board. In 2008 termination payments of £51,450 and £30,000 were paid respectively on to Belinda Gooding and Alan Bradley on their resignations.

3 Interest receivable and similar income

	2009 £	2008 £
Bank interest	2,850	16,026
Interest received from subsidiary	72,532	90,051
Foreign Exchange Gain	1,971	-
	<u>77,353</u>	<u>106,077</u>

Notes (continued)

4 Wages and salaries

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2009	2008
Administration	6	5
Sales and Marketing	16	15
	<u>22</u>	<u>20</u>

The aggregate payroll costs of these persons were as follows:

	2009 £	2008 £
Wages and salaries	1,260,966	1,307,098
Social security costs	103,238	149,198
Pension costs	90,055	77,045
	<u>1,454,259</u>	<u>1,533,341</u>

5 (Loss)/ profit on ordinary activities

(Loss)/ profit on ordinary activities is stated after charging;

	2009 £	2009 £	2008 £
Exceptional Items			
Aborted acquisition costs	78,627		-
Website development costs	34,228		-
Provision against amounts receivable from group undertakings	<u>1,968,513</u>		-
		2,081,368	-
Depreciation		64,602	45,477
Fees payable to the Company's auditors for the audit of the Company's annual accounts		<u>5,000</u>	<u>5,000</u>

The amounts shown above have been recorded in administrative expenses.

Exceptional charges during the year consist of £78,627 of costs incurred on an acquisition which was not completed for various commercial reasons and £34,228 spent on the development of the Company's new website. As a result of the sale of the business of the Company's subsidiary after the balance sheet date, a provision has been made against the inter-group loan. See Note 17 for further details.

6 Taxation

	2009 £	2008 £
UK corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the year is different to the standard rate of corporation tax in the UK. The differences are explained below.

	2009 £	2008 £
Current tax reconciliation		
(Loss)/ profit on ordinary activities before tax	(3,271,486)	151,717
Current tax at 28% (2008: 30%)	(916,016)	45,515
Effects of:		
Losses surrendered by group company for no consideration	-	(52,019)
Surplus losses carried forward	351,433	-
Short term timing differences	(18,200)	(1,488)
Items disallowed for tax purposes	582,783	7,992
Total current tax charge (see above)	-	-

Factors that may affect future current and total tax charges

There was no provision for deferred taxation as at 31 March 2009. No deferred tax asset has been recognised due to the uncertainty surrounding its recoverability.

7 Tangible fixed assets

	Leasehold Improvements £	Fixtures and fittings £	Equipment £	Computers £	Total £
Cost					
At 1 April 2008	112,514	34,009	38,490	149,393	334,406
Additions	21,651	3,120	-	52,035	76,806
Write-off	-	-	-	(44,935)	(44,935)
At 31 March 2009	134,165	37,129	38,490	156,493	366,277
Depreciation					
At 1 April 2008	23,647	29,001	18,508	81,801	152,957
Charge for year	13,580	3,521	9,558	37,943	64,602
Write-off	-	-	-	(10,707)	(10,707)
At 31 March 2009	37,227	32,522	28,066	109,037	206,852
Net book value					
At 31 March 2009	96,938	4,607	10,424	47,456	159,425
At 31 March 2008	88,867	5,008	19,982	67,592	181,449

Notes (continued)

8 Fixed asset investments

Shares in group undertakings

	2009 £	2008 £
Cost and net book value		
At beginning of year	2	2
Additions	2,582	-
At end of year	<u>2,584</u>	<u>2</u>

The company owns the entire issued share capital of Duchy Originals Foods Limited, incorporated in the UK, which develops and manufactures a range of bakery products.

During the year the company incorporated a wholly owned subsidiary, Duchy Originals USA Limited to pursue licensing opportunities in the USA.

9 Debtors

	2009 £	2008 £
Trade debtors	326,424	898,374
Other debtors	11,170	55,296
Prepayments and accrued income	30,340	42,768
	<u>367,934</u>	<u>996,438</u>
Amounts owed by group undertakings (due in more than one year)	173,000	1,639,636
	<u>540,934</u>	<u>2,636,074</u>

10 Stock

	2009 £	2008 £
Finished Goods	<u>249</u>	<u>241</u>

11 Creditors

	2009 £	2008 £
Creditors: amounts falling due within one year		
Trade creditors	250,227	305,527
Amounts owed to group undertakings	3,743	25,909
Amounts owed to parent undertaking	1,544,267	509,510
Taxation and social security	72,051	95,138
Accruals and deferred income	450,234	278,407
	<u>2,320,522</u>	<u>1,214,491</u>
Creditors: amounts falling due in more than one year		
Accruals and deferred income	25,000	-
	<u>2,345,522</u>	<u>1,214,491</u>

Notes (continued)

12 Called up share capital

	2009 £	2008 £
Authorised		
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>759,002</u>	<u>759,002</u>

13 Profit and loss account reserve

	2009 £	2008 £
Opening reserve	933,325	781,608
(Loss)/profit for the year	(3,271,486)	151,717
Closing reserve	<u>(2,338,161)</u>	<u>933,325</u>

14 Reconciliation of movements in Shareholders' (Deficit)/Funds

	2009 £	2008 £
Opening shareholders' funds	1,692,327	1,540,610
(Loss)/profit for the year	(3,271,486)	151,717
Closing shareholders' (deficit)/funds	<u>(1,579,159)</u>	<u>1,692,327</u>

15 Commitments

The Company has a 10 year non cancellable operating lease on its Company's business premises with annual commitments of £63,750. Following the license of the Company's business to Waitrose (See Note 17), the Company intends to sublet its business premises.

16 Parent undertaking

The Company is a wholly owned subsidiary undertaking of The Prince's Charities Foundation (Registered Charity Number 277540), which prepares consolidated financial statements. After the year ended 31 March 2009, the activities and assets of the Foundation were transferred to a new incorporated charity of the same name (charity number 1127255).

The consolidated financial statements of this group are available to the public and may be obtained from The Charity Commission, PO Box 1227, Liverpool, L69 3UG.

Notes *(continued)*

17 Post Balance Sheet Events

On 28 August 2009 the fixed assets of the Company's subsidiary, Duchy Originals Foods Limited were sold to Samworth Brothers Limited for one-off cash proceeds of £250,000. All employees transferred to Samworth Brothers Limited, operating as Tamar Foods, and Tamar Foods will operate the facility for the remaining duration of the building lease. As a result of this transaction, the Company has made a provision against the intercompany loan due from its subsidiary. This has been disclosed as an exceptional item. See Note 5.

On 30 September 2009 the business of the Company was licensed exclusively to Waitrose. The partnership gives Waitrose the exclusive right to originate, manufacture, distribute and sell Duchy Originals products in the UK. Waitrose will pay a royalty to the Company on all wholesale and retail sales.