

Duchy Originals Limited

Directors' report and financial statements
for the year ended 31 March 2010

Registered number 02478770

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Chairman's statement

During the 2009/10 financial year we continued to focus 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 tough 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 since incorporation to The Prince's Charities Foundation. This has led to almost £7million being donated.

Therefore 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, Duchy Originals' largest and most long-standing client, the exclusive right to originate, manufacture, distribute and sell Duchy Originals products in the UK. 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. Waitrose will also sell Duchy Originals products wholesale, enabling independent and family-run stores and restaurants to continue to stock and sell the brand. The Duchy Originals brand will continue to promote sustainability and organic produce.

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

The loss for the year before exceptional items amounted to £309,414 (2009 £1,190,118). Exceptional charges during the year consist of £228,581 consisting of £26,052 loss on disposal of fixed assets of the Company and £202,079 of costs incurred as a result of the write-off of a loan with Duchy Originals Foods Limited, the assets of which were sold during this financial year. The loss for the year after exceptional items amounted to £537,995 (2009 £3,271,486). The directors do not recommend payment of a dividend for the year (2009 £nil). After taking account of the subsidiary's loss no donation has been made this year to The Prince's Charities Foundation.

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2010

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 £291,151 (2009 £1,232,712). The operating loss after exceptional items was £519,732 (2009 £3,314,080). Exceptional charges during the year consist of £26,052 loss on disposal of fixed assets of the Company and £202,079 of costs incurred as a result of the write-off of a loan with Duchy Originals Foods Limited, the assets of which were sold in the financial year. The loss for the year amounted to £537,955 (2009 £3,271,486). The directors do not recommend payment of a dividend for the year (2009 £nil).

Charitable donations

During the year the company did not make a donation (2009 £nil) to The Prince's Charities Foundation.

Directors

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

Andrew Baker (resigned 27 April 2010)

Leslie Ferrar

Michael Jary

Sir Michael Peat, KCVO (resigned 30 April 2010)

Craig Sams

Keith Weed (resigned 10 May 2010)

Stephen Nelson (appointed 23 April 2009)

Robert McKinnon (appointed 23 April 2009, resigned 30 September 2009)

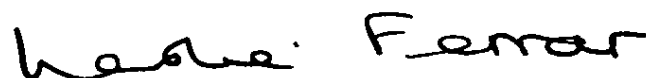
Disclosure of information to auditors

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 485 of the Companies Act 2006, 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

Clarence House

London

SW1A 1BA

 27th September 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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2010 which comprise the Profit and Loss account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



AJ Sykes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y

27 September 2010

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Profit and loss account
for the year ended 31 March 2010

	Note	2010 Pre Exceptional £	2010 Exceptional £	2010 Total £	2009 Total £
Turnover	1	1,227,880	-	1,227,880	2,200,565
Gross profit		1,227,880	-	1 227 880	2 200,565
Administrative expenses	5	(1,519,031)	(228,581)	(1 747,612)	(5,514,645)
Operating loss	5	(291,151)	(228 581)	(519,732)	(3,314,080)
Interest receivable and similar income	3	153	-	153	77,353
Interest payable and similar charges		(18,416)	-	(18,416)	(34 759)
Loss on ordinary activities before taxation		(309,414)	(228,581)	(537,995)	(3,271,486)
Tax on loss on ordinary activities	6	-	-	-	-
Loss for the financial year		(309,414)	(228,581)	(537,995)	(3,271,486)

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

The result for the year both the current and prior year are derived from continuing activities

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

Balance sheet
as at 31 March 2010

	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Tangible assets	7	-		159 425	
Investments	8	2 584		2 584	
			2,584		162 009
Current assets					
Stock	10	-		249	
Debtors	9	234 823		367 934	
Debtors due after more than one year	9	-		173 000	
Cash at bank and in hand		180 274		63 171	
		415 097		604 354	
Creditors amounts falling due within one year	11	(2 184 835)		(2,320,522)	
Net current liabilities			(1 769,738)		(1,716 168)
Creditors amounts falling due in more than one year	11		-		(25 000)
Net (liabilities)/ assets			<u>(1 767 154)</u>		<u>(1 579 159)</u>
Capital and reserves					
Called up share capital	12		1 109 002		759 002
Profit and loss account	13		(2 876 156)		(2 338 161)
Shareholders' deficit	14		<u>(1 767 154)</u>		<u>(1 579 159)</u>

These financial statements were approved by the board of directors on **27** September 2010 and were signed on its behalf by

Leslie Ferrar

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

The company's business activities are set out in the Directors' report on page 2. The company meets its day-to-day working capital requirements through an intercompany loan with its immediate parent that is due on demand.

The company's forecasts and projections for the period to 31 March 2012, taking account of the forecast royalty income from the contract in place with Waitrose show that the company should be able to operate within the level of the current intercompany loan. The company has held discussion with its parent about its future borrowing needs and no matters have been drawn to its attention to suggest that they will not continue to provide this loan for the foreseeable future.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company is exempt by virtue of s400 of the Companies Act 2006 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

	2010 £	2009 £
Directors' emoluments	309,1	241,427
Pension contributions	32,2	32,681
Termination payment	53,2	32,988
	<u>394,7</u>	<u>307,096</u>

The emoluments of the highest paid director were £245,729 (2009 £224,476) and pension contributions of £26,644 (2009 £31,500) 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 two directors during 2009

During the year a termination payment of £53,288 was paid to Andrew Baker on his resignation as Chief Executive. In 2009 termination payments of £32,988 was paid to Richard Hogg on his resignation

3 Interest receivable and similar income

	2010 £	2009 £
Bank interest	153	2,850
Interest received from subsidiary	-	72,532
Foreign Exchange Gain	-	1,971
	<u>153</u>	<u>77,353</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

	2010	2009
Administration	3	6
Sales and Marketing	6	16
	<u>9</u>	<u>22</u>

The aggregate payroll costs of these persons were as follows

	2010 £	2009 £
Wages and salaries	763,112	1,260,966
Social security costs	80,478	103,238
Pension costs	34,498	90,055
	<u>878,088</u>	<u>1,454,259</u>

5 Loss on ordinary activities

Loss on ordinary activities is stated after charging,

	2010 £	2010 £	2009 £	2009 £
Exceptional Items				
Aborted acquisition costs	-		78,627	
Website development costs	-		34,228	
Provision against amounts receivable from group undertakings	202,079		1,968,513	
Loss on disposal of tangible fixed assets	<u>26,502</u>		<u>-</u>	
		228,581		2,081,368
Depreciation		132,259		64,602
Fees payable to the Company's auditors for the audit of the financial statements		<u>5,000</u>		<u>5,000</u>

The amounts shown above have been recorded in administrative expenses

As a result of the sale of the assets of the Company's subsidiary during the year to Samworth Brothers Limited for one-off cash proceeds, a provision has been made against the balance of the inter-group loan totalling £202,079

6 Taxation

	2010 £	2009 £
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.

	2010 £	2009 £
Current tax reconciliation		
Loss on ordinary activities before tax	(537,955)	(3,271,486)
Current tax at 28% (2009 28%)	(150,622)	(916,016)
Effects of		
Surplus losses carried forward	94,040	351,433
Short term timing differences		(18,200)
Items disallowed for tax purposes	56,582	582,783
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 2010. 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 2009	134,165	37,129	38,490	156,493	366,277
Disposals	-	(37,129)	(38,490)	(156,493)	(232,112)
At 31 March 2010	134,165	-	-	-	134,165
Depreciation					
At 1 April 2009	37,227	32,522	28,066	109,037	206,852
Charge for year	96,938	2,993	9,623	22,705	132,259
Disposals	-	(35,515)	(37,689)	(131,742)	(204,946)
At 31 March 2010	134,165	-	-	-	134,165
Net book value					
At 31 March 2010	-	-	-	-	-
At 31 March 2009	96,938	4,606	10,424	47,456	159,425

Notes (continued)

8 Fixed asset investments

Shares in group undertakings

	2010 £	2009 £
Cost and net book value		
At beginning of year	2 584	2
Additions	-	2,582
At end of year	<u>2,584</u>	<u>2,584</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 2009 the company incorporated a wholly owned subsidiary, Duchy Originals USA Limited to pursue licensing opportunities in the USA

9 Debtors

	2010 £	2009 £
Trade debtors	211,629	326,424
Other debtors	1,196	11,170
Prepayments and accrued income	21,998	30,340
	<u>234 823</u>	<u>367,934</u>
Amounts owed by group undertakings (due in more than one year)	-	173,000
	<u>234,823</u>	<u>540,934</u>

10 Stock

	2010 £	2009 £
Finished Goods	-	249

11 Creditors

	2010 £	2009 £
Creditors amounts falling due within one year		
Trade creditors	132,153	250,227
Amounts owed to group undertakings	-	3,743
Amounts owed to parent undertaking	1,854,153	1,544,267
Taxation and social security	2,338	72,051
Accruals and deferred income	196,191	450,234
	<u>2,184,835</u>	<u>2,320 522</u>
Creditors: amounts falling due in more than one year		
Accruals and deferred income	-	25,000
	<u>2,184,835</u>	<u>2,345,522</u>

Notes (continued)

12 Called up share capital

	2010 £	2009 £
Authorised		
Ordinary shares of £1 each	<u>1 500,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid	2010	2009
Ordinary shares of £1 each	£	£
As at 1 April	759,002	759,002
Increase during the year	350 000	-
As at 31 March	<u>1 109,002</u>	<u>759,002</u>

On 2nd June 2009, the Company increased its authorised share capital from 1,000,000 ordinary shares of £1 each to 1 500 000 ordinary shares of £1 each. On the same day, 350,000 ordinary £1 shares were issued.

13 Profit and loss account reserve

	2010 £	2009 £
Opening reserve	(2,338,161)	933,325
Loss for the year	(537,995)	(3,271,486)
Closing reserve	<u>(2 876,156)</u>	<u>(2 338,161)</u>

14 Reconciliation of movements in Shareholders' Deficit

	2010 £	2009 £
Opening shareholders' (deficit)/funds	(1,579,159)	1,692,327
Loss for the year	(537,995)	(3 271,486)
Increase in share capital	350,000	-
Closing shareholders' deficit	<u>(1,767,154)</u>	<u>(1 579,159)</u>

15 Commitments

The Company has a 9 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 in September 2009, the Company has been actively marketing the business premises for subletting. Since the year end the Company has received an offer to sublet the premises. As a result the directors do not expect there to be a shortfall between the Company's lease commitment and its sublet income.

Notes *(continued)*

16 Parent undertaking

The Company is a wholly owned subsidiary undertaking of The Prince's Charities Foundation (Registered Charity Number 1127255, Company Number 06777589), which prepares consolidated financial statements

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