

Company Registration No. 7033553

Charity Registration No. 1132048

**The Royal Foundation of The Duke and
Duchess of Cambridge and Prince Harry**

Report and Consolidated Financial Statements

31 December 2016



**The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry
Company Registration No. 7033553**

Report and financial statements 2016

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**The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry
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Patrons, officers and professional advisors

Patrons

TRH The Duke & Duchess of Cambridge
HRH Prince Henry of Wales

Trustees

Sir Keith Mills, GBE, DL – Chairman (appointed Chairman 1 April 2016)
The Rt Hon the Lord Janvrin, GCB, GCVO, QSO (resigned 1 April 2016)
Tessa Green, CBE
Edward Harley, DL
Jamie Lowther-Pinkerton, LVO, MBE, DL
Sir David Manning, GCMG, KCVO (resigned 30 March 2017)
Charles Mindenhall
Guy Monson
Simon Patterson (appointed 7 December 2016)
Lady Pinsent (appointed 7 December 2016)
The Rt. Hon. the Baroness Shackleton of Belgravia, LVO (resigned 30 March 2017)

Key Management Personnel

Chief Executive Officer	Nicholas Booth, MVO (resigned 28 April 2017)
Chief Executive Officer	Lorraine Heggsey (appointed 1 April 2017)
Director of Development	Sian Bartram
Director of Programmes	Victoria Hornby
Director of Finance and Operations	Natalie Leon

Registered Office

Kensington Palace
Palace Green
London W8 4PU

Bankers

Barclays
1 Churchill Place
London E14 5HP

Solicitors

Bates Wells & Braithwaite London LLP
10 Queen Street Place
London EC4R 1BE

Investment Advisors

Cazenove Capital Management (trading name of Schroder & Co. Limited)
12 Moorgate
London EC2R 6DA

Auditor

BDO LLP
55 Baker Street
London W1U 7E

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Chairman's Statement

The year 2016 has been an extremely busy one for The Royal Foundation, both nationally and internationally. Income has grown to £10.1m, in part due to a generous donation in support of our mental health campaign. The organisation has also invested in staff to ensure our ambitious vision is given every possible chance of success. Over the past year we have seen exciting initiatives grow, programmes embedded, and projects we have supported continue on their way to become independent and sustainable in the long term.

Building partnerships is at the heart of everything we do at The Royal Foundation, and our model of venture philanthropy; combining seed funding, raising awareness and convening is producing results across all our areas of focus. From training wildlife rangers in Africa, to providing Coach Core apprenticeships in Wales; from helping young people in deprived areas of Nottingham, to supporting injured veterans climb Antarctica's highest peaks, The Royal Foundation really is making an impact on people's lives now, and will do so for future generations.

Without the leadership and support of Their Royal Highnesses these vital projects would not have come to fruition. Through its unique position, The Royal Foundation is bringing together diverse organisations and alliances with, for example: the Cyberbullying Taskforce is developing an industry-wide response to the online bullying of young people; the unique collaboration of United for Wildlife is now making a real difference in the fight against the illegal wildlife trade, and targets are being reached across all of its five commitments; and Coach Core now works across the country together with over forty sporting clubs and charities, ranging from The Welsh Rugby Union to England Netball, from Essex County Cricket Club to Manchester United Foundation.

Last year marked The Royal Foundation's most significant initiative Their Royal Highnesses have undertaken together. Working with our charity partners, the Heads Together campaign is changing the national conversation on mental wellbeing by tackling stigma, raising awareness and providing vital help for people with mental health challenges. In April 2016, Heads Together was privileged to be announced as the 2017 Virgin Money London Marathon Charity of the Year, which led to the recruitment of a team to coordinate the marathon activity. This resulted in 745 people running for Heads Together in April of this year, with many thousands more showing their support by wearing their Heads Together headbands.

The Royal Foundation is extremely fortunate to be working with generous donors and supporters who contribute both financially and in giving us their valuable time and expertise. It is only through these partnerships that it has been able to embark on such an ambitious programme of work.

I would like to thank Their Royal Highnesses, the Trustees and the staff for their inspiration and commitment. Two of the founder Trustees, Baroness Shackleton and Sir David Manning stepped down in March of this year and The Royal Foundation is grateful to them for over seven years of unstinting support.

Finally, I would particularly like to take this opportunity to thank Nick Booth, who stepped down as CEO in April 2017. As The Duke of Cambridge said: "Catherine, Harry and I are extremely grateful to Nick Booth for all of his hard work and leadership. He has helped us deliver projects

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Chairman's Statement (continued)

we are proud of using a unique model that makes the most of our ability to bring people together.” I would also like to welcome Lorraine Heggessey as our new CEO. Lorraine is one of the UK's best known media executives with wide ranging experience as a journalist, broadcaster and producer. She was the first female Controller of BBC One, and is now the Independent Advisor to Channel 4's Growth Fund, a director of data analytics company, Pivigo and a member of Angel Academe, a group that backs female-led tech companies. She also chairs the Grierson Trust. I have no doubt that The Royal Foundation will continue to flourish under her leadership.

A handwritten signature in black ink, appearing to read 'Keith Mills', written in a cursive style.

Sir Keith Mills, GBE, DL – Chairman

12th June 2017

Trustees' Report – incorporating the Directors' report for Companies Act Purposes

2016 Key Facts Summary:

- The total income for the year to 31 December 2016 was £10.1m, a 135% increase on 2015 (£4.3m), in part due to a generous donation to support mental health
- Of the £5.4m spent in 2016, £4.3m was spent directly on charitable activities, representing 80% of total expenditure. This represents a 35% increase on 2015, reflecting the development of Heads Together campaign
- The total funds of the charity currently stand at £9.8m, with free reserves representing £2.5m. This represents approximately 11 month operational costs
- Launched Heads Together, and built of team consisting of eight charity partners, three founding corporate partners and 11 staff
- Over 1,000 children have now accessed Full Effect's diverse programme of activities and events in St. Ann's, a deprived inner city ward in Nottingham. 100% of Full Effect young people have stayed away from crime
- Since its launch in 2012, the Endeavour Fund has supported 39 different projects that have directly assisted over 1,400 wounded, injured and sick Servicemen and women. Through their own fundraising, these endeavours have collectively raised £2.5m for other forces charities
- There are now over 75 signatories to The Buckingham Palace Declaration, with global leaders from all sectors of the transport industry committing to tackle the illegal wildlife trade
- In total the MPACT Plus programme has helped 192 families, including 384 children who have been affected by parental addiction
- WILDLABS.NET - the conservation technology community platform now has over 1,000 members working on finding innovative solutions to conservation challenges
- There are now over 200 apprentices who have either graduated or are currently engaged with a Coach Core programme. 98% of its apprentices have moved into full-time work or education after graduating
- United for Wildlife online course has won a highly regarded Learning Technologies award. There are now over 9,000 learners from 196 countries, with subtitles available in Spanish, Hindi, Mandarin and Vietnamese for specific courses

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**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

The Trustees of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry (The Royal Foundation) present their annual report for the year ended 31 December 2016 under the Companies Act 2006 together with the audited accounts for the year and confirm that the latter complies with the requirements of the Act, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102) and the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102) (Charities SORP (FRS102)).

Charitable Objectives

The Royal Foundation is the primary charitable vehicle of Their Royal Highnesses The Duke and Duchess of Cambridge and Prince Harry (the Patrons). The Royal Foundation aims to be a leading philanthropic investor, effectively using its time and resources to create lasting change in targeted areas and geographies, based on need, and in line with the interests of the Patrons. The Royal Foundation seeks to invest in, or partner with, organisations with proven impact, using its profile and leverage to create a multiplier effect in resources, outcomes and knowledge.

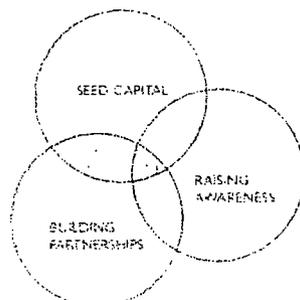
The Royal Foundation's objectives are to advance any purpose which is charitable under the laws of England and Wales. However, the Patrons and Trustees have a particular interest in the following:

1. to promote the health and well-being of persons who are currently serving or who have served in the armed forces of the Crown, and their dependants;
2. to help disadvantaged children and young people and to enable them to participate in society by providing support and activities which develop their skills, confidence and aspiration; and
3. to promote sustainable development through conservation.

Overview of the work of The Royal Foundation

The Royal Foundation is committed to making a real difference to the people and causes close to the hearts of The Duke and Duchess of Cambridge and Prince Harry. Through a combination of seed funding, raising awareness and convening, The Royal Foundation continues to identify and assist initiatives and communities in need of support, and to work in partnership with others to create lasting effects on a local and global scale.

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**



By making smart, targeted investments of time and resources, The Royal Foundation is in a unique position to generate awareness and help bring about social change in the current areas of focus, further details of which can be found later in the report:

Mental Health - working with a wide range of charities that provide frontline support to people who may need it, the Heads Together campaign was launched in April 2016, to reduce stigma associated with talking about mental health problems, remove the barriers associated with seeking support, and to give people more information about where to go.

"Through our work with young people, emergency response, homeless charities, and with veterans, we have seen time and time again that unresolved mental health problems lie at the heart of some of our greatest social challenges..."

-The Duke and Duchess of Cambridge and Prince Harry

The Heads Together campaign addresses the stigma of mental health issues. Subsequently, The Royal Foundation will launch mental health programmes, changing the focus of the campaign from tackling the stigma to actively providing practical support, offering advice and guidance to those in need. In the notes to the financial statements, The Royal Foundation's work in mental health spans across the Young People and Military themes.

Military – The Royal Foundation is promoting the welfare of those who are serving, or have served, in the Armed Forces through a range of initiatives, such as the Endeavour Fund and the Veteran's Employment programme. The Royal Foundation focuses on improving the outcomes of those leaving the Armed Forces by better transition to civilian life.

Young People – The Duke and Duchess of Cambridge and Prince Harry believe that children and young people should get the best possible help and care through difficult times in their lives. The Royal Foundation is therefore funding a range of initiatives, from projects supporting young people affected by youth violence, to inspiring those interested in building a career in sports coaching, from supporting families affected by parental substance misuse, to helping families of children with life-limiting, or life-threatening conditions. The Royal Foundation is committed to working through all these projects to enhance the lives of children and young people across the country.

Conservation – The Royal Foundation has brought together seven of the largest international conservation organisations under the banner of United for Wildlife. This is a long-term commitment to scale up the response to conservation crises, and to engage 15- 30 year olds in conservation.

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**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
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The Royal Foundation – Looking Ahead to 2017

During 2017 the Heads Together campaign has gained momentum, led by The Royal Foundation but guided at every step by the campaign's charity partners. The focus of the campaign has been on encouraging people to have conversations, which was underpinned by the widely watched #okaytosayfilms, which included Lady Gaga and Prince William's discussion on mental health, Rio Ferdinand and many other public figures as well as ordinary members of the public, all with powerful stories to share. The campaign culminated in this year's Virgin Money London Marathon becoming known as the 'first mental health Marathon', with initial reports indicating that an unprecedented number of people broke the taboo around mental health for the very first time. This is just the first phase of this vital work.

Throughout 2017, The Royal Foundation, with its charity partners and other organisations, will launch mental health programmes that are designed to make finding help easier. The Royal Foundation is undertaking feasibility studies and pilot projects in the following areas:

- Improving the quality and availability of education about mental health through digital technology
- Supporting schools, employers and the military to implement comprehensive early intervention programmes
- Transforming signposting to appropriate support
- Developing an instant access text messaging service for people in immediate need.

In May of this year, The Royal Foundation also supported an initiative for military families. 'Party at the Palace' was a special tea party in the grounds of Buckingham Palace, hosted by Their Royal Highnesses for the children of those who have died serving in the Armed Forces. The family focused event was attended by a range of charities, providing an opportunity for the children to broaden their support networks amongst other families with similar experiences.

The Royal Foundation's projects continue to grow and develop. Nowhere is this more apparent than in the expansion of Coach Core. In the first quarter of 2017, Coach Core's 'Team Birmingham' and 'Team Manchester' were officially launched. They included the participation of Aston Villa FC and England Netball, as well as Manchester City and Manchester United football clubs respectively. It is the intention of the Coach Core programme to offer apprenticeships at ten sites across the UK with the goal of reaching at least 500 young people by the end of 2018.

The Royal Foundation also looks forward to the third Invictus Games to be held in Toronto, Canada in September 2017. These Games go from strength to strength, and will see more than 550 ill, injured and wounded Servicemen and women from 17 allied nations compete in 12 adaptive sports. Prince Harry has also recently announced that the fourth Invictus Games will be held in Sydney 2018; this is a good example of how The Royal Foundation's projects foster a sustained impact for the future.

All of these programmes and initiatives will be covered in further detail in the 2017 Trustees' Report.

Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)

Programmes by Category

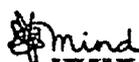
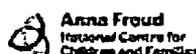
1. Mental Health

Changing the conversation on mental health and providing support to those in need

Heads Together

On 24th April 2016, The Royal Foundation initiated its mental health work with the launch of Heads Together, the same day on which The Royal Foundation was announced as the Virgin Money London Marathon Charity of the Year 2017. Working with a wide range of charities that provide frontline support to people who may need it, the Heads Together campaign is working to reduce stigma associated with talking about mental health problems, remove the barriers associated with seeking support, and to give people more information about where to go.

The Heads Together charity partners¹ are:



Throughout 2016, The Royal Foundation focused on establishing and embedding the Heads Together campaign, building on the opportunity provided by the 2017 Virgin Money London Marathon and preparing for the second phase of the mental health work by undertaking a number of feasibility studies.

Over the past year, the Heads Together campaign led a number of initiatives in conjunction with its charity partners to support and highlight their work. Supported by The Duke and Duchess of Cambridge and Prince Harry, not only did these initiatives achieve a global reach, but also facilitated significant online conversations, challenging the notion that mental health issues need to be kept quiet. The Heads Together events which took place in 2016 included:

- June: The Duke attended a Father's Day breakfast to profile the importance of fathers in promoting the mental health of their children
- July: Prince Harry met with sports stars to de-stigmatise mental health through profiling 'sports heroes' suffering with mental health challenges
- August: The Duke and Duchess visited the Young Minds Parent Helpline to de-stigmatise the process of calling a helpline.

¹ Contact is a collaboration of military charities working with the NHS and the Ministry of Defence.

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- September: The Duke and Duchess visited Stewards Academy in Essex to profile the importance of discussing mental health with children, and profiling the work of Place2Be
- October: World Mental Health Day - Their Royal Highnesses hosted an event on the London Eye to thank people who have provided support to others in line with the global theme of “Psychological and Mental Health First Aid for All”
- December: Their Royal Highnesses attended The Mix’s Annual Volunteer Christmas Party to recognise their volunteers’ crucial role in supporting others

In addition to these events, the Heads Together team worked diligently to maximise the opportunity offered in its role as the 2017 Virgin Money London Marathon Charity of the Year. The Royal Foundation recruited a team to coordinate the marathon activity which included building a team of 745 runners and supporting them through training events, developing an active online community and producing resources to help with their fundraising. The Heads Together team worked closely with its charity partner, Mind, to develop the stewardship journey for all Heads Together runners, including email communications and distribution of materials. A role within the Mind Events team was funded by The Royal Foundation to deliver this activity in conjunction with Heads Together.

Further to the Heads Together campaign, The Royal Foundation has been developing the next phase of work – the mental health legacy programmes. Working with our charity partners and key players in both the private and public sectors, The Royal Foundation has undertaken feasibility studies to identify the best way for people to have the help they need, when they need it. In developing these mental health programmes, The Royal Foundation will ensure these solutions and support are available for the UK public in a sustainable way for the future.

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

Royal Foundation Heads Together Charity Partner - Young Minds

“Working with Heads Together this last year has been an amazing experience. From the first days of meeting together with the other charity partners to now nearing the marathon we have been part of a hugely exciting journey led by The Duke and Duchess of Cambridge and Prince Harry.

We are answering 250 more calls a week on our helpline now - both because parents are encouraged to get in touch and because Heads Together has helped us resource the helpline with more advisers so we can help more parents. We also know that our media mentions have increased by 40% over the year and our charitable donations have increased by 60%.

All of this we believe to be a result of the increased exposure of mental health brought about by the Heads Together campaign and the visit to our Helpline by The Duke and Duchess of Cambridge.”



The Duchess of Cambridge visited the Young Minds helpline service

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

Cyberbullying

The Royal Foundation Taskforce on the Prevention of Cyberbullying

“The future of our children is inextricably linked with the Internet. It is our responsibility to ensure that they grow up confident and happy online so that they can make the most of the extraordinary potential it offers.” - Brent Hoberman, CBE.

The Duke of Cambridge announced the formation of the Taskforce on the Prevention of Cyberbullying in April 2016. Chaired by entrepreneur Brent Hoberman, the Taskforce members include CEOs of major telecoms companies, social media platforms and internet service providers, as well as charities and experts in this area. The Taskforce has been working together over the past year to find ways to harness technology and make it easier for children and their parents to get help if they experience bullying online, across all digital platforms. The Taskforce has identified four areas to support young people, both practically and emotionally:

- Enhancing industry guidelines to include features and input from young people when designing and creating social media and interactive sites
- A support system to signpost young people from social media platforms directly to information and emotional support when reporting issues of cyberbullying
- Improved resources for young parents and parents/carers including a centralized hub of informative resources about cyberbullying and ensuring all parents have consistent information offline and/or online
- The development of a code of conduct and campaign for young people to guide them in their behaviour online.

The Taskforce will conclude in December 2017.

Of children between 11 and 16, 55% experienced hurtful events or banter online with nearly a fifth experiencing cyberbullying, which they defined as an upsetting and frightening experience. - Royal Foundation Research Survey of 1,000 young people between 11-16 years of age.

Members of the Taskforce represented at senior level include:



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2. Military

***Promoting the welfare of those who are serving, or who have served their country in the
Armed Forces***

The Endeavour Fund

The aim of the Endeavour Fund is to support the recovery of wounded, injured and sick Servicemen and women by helping them to rediscover their self-belief and fighting spirit through sport and physical challenges.

The Royal Foundation created the Endeavour Fund in 2012 to offer seed funding for sporting and adventure challenges, and to help new initiatives with advice, hands-on support and mentoring. The Endeavour Fund works closely with other military charities to support many of these endeavours. These inspiring adventures highlight not just the activities of the participants, but also raise awareness of the challenges facing those who have sacrificed so much in service.

Taking part in an endeavour has a wider-reaching impact than a simple physical challenge. The Endeavour Fund aims to support proactive endeavours that lead to a better onward transition to civilian life – those that provide recognised qualifications, work experience or channels into employment.

Since its launch in 2012, the Endeavour Fund has supported 37 different projects which have directly assisted over 1,400 wounded, injured and sick Servicemen and women. Through their own fundraising, these endeavours have collectively raised £2.5m for other forces charities.

Last year The Endeavour Fund supported wounded, sick and injured Servicemen and women in a range of activities including adaptive surfing, sailing, mountain climbing training, driving racing cars and flying microlights. These initiatives not only provided inspiration with rehabilitation and recovery, but gave wounded, injured and sick Servicemen and women access to training and new career opportunities.

The Endeavour Fund is now focussing on seeking out harder-to-reach veterans, and engage them with inspirational challenges. Existing Endeavour Fund alumni will be tasked with identifying and helping those men and women who are still struggling to come to terms with life after injury, and lacking the confidence or motivation to put themselves forward for an endeavour.

The Foundation maintains and updates the Endeavour Fund website and its Twitter feed, which now has nearly 3,000 followers and a highly relevant audience of people within the wounded, injured and sick serving and veteran Service personnel community.

“The men and women that serve our country are role models that any parent would be proud for their kids to follow. Their actions post-injury epitomise resilience and what it means to be unbreakable.” - Prince Harry

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Endeavour Fund Statistics

2016 grants

No. of Grants	Total Awarded	Average grant (mean)	No. of WIS directly supported	Cost per individual WIS	Total reach (active followers) (online followers, TV, book sales)	Funds raised by Endeavours
14	£314,355	£22,454	438	£717.71	5,224,256	£223,000

Grants since inception to 2016

No. of Grants	Total Awarded	Average grant (mean)	No. of WIS directly supported	Cost per individual WIS	Total reach (online followers, TV, book sales)	Funds raised by Endeavours
37*	£2,143,145	£57,923	1,417	£1,512.45	16,371,236	£2,512,943

WIS – Wounded, Injured Servicemen

* This includes £1,135,485 grants to Invictus Foundation in 2013 and 2014

The Inaugural Endeavour Awards

In January 2017, The Endeavour Fund held its first Awards Ceremony to highlight the achievements of wounded, injured and sick Servicemen and women who have taken part in various endeavours over the last few years.

The Endeavour Fund Award for the individual who has endeavoured to achieve excellence in their chosen sport or adventurous challenge - awarded to Nerys Pearce
Nerys was serving in the Royal Army Medical Corps as a medic before she was paralysed in a road traffic accident. Despite having to use a wheelchair, Nerys made the positive decision to re-engage with sport. Last year, Nerys was selected for the UK Armed Forces team at the 2016 Invictus Games in Orlando and won an incredible ten medals in a range of sports from powerlifting and rowing, to swimming and athletics.



Nerys Pearce receiving her award by Royal Foundation Chairman Sir Keith Mills and a representative from AIG, lead corporate partner of the Endeavour Fund.

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
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**The Endeavour Fund Award for the individual who has best utilised their endeavour
to promote and catalyse their recovery - awarded to Martin Pollock**

Martin was hit by an Improvised Explosive Device resulting in the loss of both legs above the knee and the loss of his left arm above the elbow. Martin found his rehabilitation difficult, until he took part in Operation SURF. From the moment he rode his first wave it was clear to all present that Martin had finally found his calling. Martin himself explained: "surfing didn't change my life, it has become my life."



Martin Pollock, Endeavour Fund Award winner

**The Henry Worsley Award for the individual who has best inspired others through
the demonstration of determination in the face of adversity whilst endeavouring to
support others with their recovery through sport or adventurous challenge - awarded
to Neil Heritage**

In honour of Henry Worsley, this award was presented to Neil Heritage who became the first British soldier of the Iraq conflict to survive an above the knee double amputation after being blown up by a suicide bomber. Neil's extraordinary spirit and determination is an inspiration to many around the world as he continues to defy medical opinion and prove to all there is life beyond injury. Neil has completed triathlons, learned to ski and rowed across the Atlantic Ocean unsupported in the inaugural Row2Recovery team. He also founded Climb2Recovery and in 2017 Neil will attempt to summit the Matterhorn for the second time.



Neil was presented his award by The Duke of Cambridge

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Veterans Employment

The Royal Foundation is working to ensure Servicemen and women are aware of the wide range of available career choices, and improve the opportunities of a fulfilling career when leaving the Armed Forces.

Following a round-table discussion with leading UK companies during the 2014 Invictus Games hosted by The Duke of Cambridge and Prince Harry, The Royal Foundation commissioned research to identify examples of good practice and lessons learnt from businesses that had already recruited, or were considering recruiting, ex-Service personnel. One of the key findings focussed on the importance of building awareness within businesses of the opportunities involved in hiring veterans, and making it easier for businesses to engage.

This research provided a platform for phase two, and working in partnership with Business in the Community (BITC), The Royal Foundation is now helping to strengthen Vet Nets – the existing networks established by UK employers to support ex-military employees and those actively seeking employment.

The main aim of phase two is to create a network of 'employer military champions' who will have three overarching objectives:

1. Raise awareness of the opportunity and role of business in supporting ex Service personnel in and into work
2. Help more businesses to set up and scale up internal military networks
3. Share learning to help build company capacity to run and support programmes which help unemployed ex Service personnel get into civilian jobs

Key progress over the past year includes running events at Jaguar Land Rover, BT and NHS, and local Vet Net events which have attracted up to 120 local businesses. The Step into Health programme, the first access pathway from the military into career opportunities in the NHS, is continuing to expand from Norfolk and Suffolk, to include London, Sheffield, Northumbria and Hampshire and plans to be available nationally by the end of 2017.

In 2017, the aim of this programme will be to produce a toolkit to enable employers to better understand applications from Service leavers and have systems in place to most effectively engage with these valuable employees in the early stages of their transition from HM Armed Forces to the civilian work environment. The Royal Foundation and BITC are keen to encourage businesses to take action based on recommendations of the toolkit as an important next step.

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

3. Young People

Helping children and young people to build their skills, confidence and aspirations

Coach Core - Sport and Young People

Since 2012, The Royal Foundation has worked with partners to pilot and develop Coach Core, an innovative sports coach apprenticeship that helps young people from challenging communities become the next generation of coaches.

Coach Core apprentices learn technical sport skills alongside an inclusive and holistic approach to coaching, with an emphasis on employability and mentoring skills. In turn, these 'future coaches' will ensure their students have a positive experience in sport and physical education, regardless of background, ability or social and physical situations.

In 2016, Coach Core started its expansion programme, with the target of working in ten sites across the country. By bringing together professional sports clubs, key sporting organisations and multiple businesses that provide employment places and create opportunities, Coach Core is producing well rounded sports professionals. These apprentices will operate in a professional capacity in whichever career path they choose, going on to become role models for children in their communities.

Coach Core is proud to have transformed the lives of its apprentices and nearly 100 graduates have now come through the programme, with 98% now being in full-time employment or education, and 80% retaining strong ties with their employers and continuing to engage in community sport. The high-quality coaching provided by each of these graduates, through being positive role models, will have significant impact in their local community.

One of the key findings from the Coach Core pilot was the importance of involving multiple employers. Not only does this alleviate the pressure of 20 apprentices on a single employer, but apprentices benefit more by combining staff, training and opportunities across a number of partnerships. It has also meant additional qualifications and formal training can be given to apprentices, including boosting the range and number of exit routes available to each individual.

“Coach Core is providing world class sports and training opportunities that previously did not exist in sports coaching. The young people have a real chance of moving on into employment or training and in turn will inspire thousands of other young people to take part in sport - extending the positive reach of this programme.” - Prince Harry

Over 200 apprentices have either graduated or are currently engaged with a Coach Core programme and the goal is to reach at least 500 young people by the end of 2018.

The success of Coach Core demonstrates to government and major sporting bodies that it could be the future of sports coaching apprenticeships in the UK. The aim of Coach Core is to

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continue as a sustainable and expanding programme, accessed by as many young people as possible.

The Coach Core website is an important tool for apprentices to sign up and find out more information about this nationwide programme. Maintained and regularly updated by the Foundation, Coach Core also has a lively Twitter feed which is used to communicate new city launches and communicate with partners around the country, and now a YouTube channel.

Royal Foundation Coach Core Partner - Greenhouse Sports

Greenhouse Sports seeks to offer access and opportunities for the young people we work with in some of the most disadvantaged areas of London and, through our work with The Royal Foundation, we have been able to offer a further pathway for our young participants through the Coach Core apprenticeship scheme in sports coaching.

Coach Core has provided unique opportunities and helped us partner with leading organisations within the sports industry to ensure positive experiences and outcomes for our young apprentices. The apprenticeship scheme provides a route into employment or further education and, for us at Greenhouse Sports, ensures any participants who continue their journey with us have an excellent base to their training as coaches.

We have learnt a lot on our journey together with The Royal Foundation and look forward to continuing to offer these opportunities to more young people.

Mike de Giorgio, co-founder of Greenhouse Sports



Mike de Giorgio with some of the first Coach Core Graduates

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

Prevention of Addiction

There are an estimated three million children living in households affected by parental alcohol and/or drug misuse in the UK. Thirty percent of children under 16 live with a binge-drinking parent².

M-PACT Plus was launched in 2013 by The Royal Foundation in partnership with Comic Relief. The project brings together the expertise of Action on Addiction's M-PACT programme and Place2Be's delivery network to support children and their families affected by addiction.

The M-PACT Plus eight-week intensive course takes a whole family approach to tackling addiction. Based in primary schools, this programme provides support for children as well as their parents, but also raises awareness of the impact of addiction, drug and alcohol misuse, and the importance of intervening early.

- M-PACT Plus has helped 192 families, including 384 children
- Phase 2 of the pilot reached over 54 new families
- A total of 283 Place2Be staff and volunteers have been trained in Hidden Harm 1, potentially reaching 26,125 children and young people through their work

By piloting new ways of working with families who are affected by parental addiction, M-Pact Plus has proved to be a successful project, not just in supporting families, but also in extending the referral reach to include families not known to local services.

M-Pact Plus will now provide a legacy through the continuing work of The Royal Foundation's partners. Building on their experience, Place2Be will embed their knowledge of addiction through their continued training of clinical staff and volunteer counsellors. Work has already started on increasing numbers of school staff who can initiate conversations with parents, carers and children, confident in their knowledge of substance misuse. Finally the innovative work of M-PACT Plus will be shared through a new toolkit, ensuring that the experience and knowledge gained will have a far-reaching impact in raising awareness and delivering life-changing support for children and their families affected by addiction.

"We got so much from M-PACT that we don't feel we should change anything other than have more sessions. If we could we would do it again." - Family helped in phase 1 of MPACT Plus

"Doing M-PACT has made me think about new beginnings and I'm now putting the past behind me, making the most of what we've got and look forward to the future." - Mother of two children

² Manning, V., Best, D.W., Faulkner, N. and Titherington, E. (2009). New estimates of number of children living with substance misusing parents: Results from UK national household surveys. BMC Public Health, 9, 377-389.

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Supporting the Families of Children with Life Limiting Conditions

In the UK 49,000 children and young people are living with health conditions that are life-limiting or life-threatening. That is one in every 270 children, and this number is rising.³

Families who have a child with a life-limiting or life-threatening condition juggle a myriad of emotional, physical, social and financial pressures. These families often receive little practical support at home which in turn makes everyday life, and the care of other siblings, a challenge.

The Royal Foundation has been working with partners since 2014 to develop an innovative way of supporting families who have a child with a life-limiting or life-threatening condition. The Family Support Volunteering (FSV) programme teams volunteer with these families to provide practical support in the home, thereby allowing them to have more time to focus on their children.

The highlights from Phase 2 of the pilot include, as at 28 February 2017, are:

- Forty-three volunteers have been matched with 42 families providing support ranging from dog walking to housework and gardening to running errands and sibling support
- Providing support to the siblings of the affected child has been the most requested activity by families comprising 52% of all support
- Following conclusion of the Bristol and London pilots, both programmes have secured other funding to retain their project managers for a further 12 months
- The Coventry & Warwickshire pilot is running for 24 months

Following success during the Phase 1 pilot of the family support volunteering programme, East Anglia's Children's Hospices (EACH), is continuing the programme at their Treehouse facility. EACH are also working towards rolling out the service (under the name 'Help at Home') across the other two EACH hospice localities at Milton and Quidenham.

The legacy of The Royal Foundation's palliative care programme can be seen both on a local and national scale. The pilot sites have shown how volunteers can provide extra vital support for families; a model that has potential to be expanded across the country to support children's palliative services in a sustainable way. Together for Short Lives undertakes a variety of activities to ensure dissemination within the sector including:

1. Holding a learning and dissemination event with palliative sector peers
2. Developing a Community of Practice - a group that can provide peer support and learning around the Family Support Volunteering approach
3. Delivering a communications campaign to raise awareness and promote adoption of the Family Support Volunteer approach.

³ information on the prevalence of life-limiting conditions in children and young people for every local authority district in England can be found in a study in 2011: http://www.togetherforshortlives.org.uk/assets/0000/1779/Data_Briefing_-_Together_for_Short_Lives_-_July_2012.pdf

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(continued)**

Nottingham Youth Violence Prevention Initiative

Established in 2014 by The Royal Foundation, Full Effect is a dual-strand project, providing both early intervention for primary school-aged at risk children, as well as support for 16-24 year olds to build a generation of positive young leaders.

Full Effect and early intervention:

By working with teachers and the community, Full Effect identifies those at risk of gang and violent behaviour providing intensive support both in school and through diversionary activities. Full Effect also supports families of this vulnerable group, including statutory services, and often acts as a bridge between school, the family and the community, including statutory services.

Full Effect and investing in young people:

Full Effect is building a generation of aspirational young leaders in St Ann's, Nottingham, by helping to create alternatives to gang culture and violence. Through an ongoing programme of community-based opportunities and projects, young people are acquiring skills, formal qualifications and a track record of work-relevant experience. In addition, Full Effect's bespoke mentoring programme ensures these young leaders will mentor and support the next generation.

Full Effect's diversionary activities range from arts to sports, music and dance to outreach youth sessions. Full Effect helps to showcase young people's musical/artistic talents and bring together the community through the development and delivery of regular showcase and one-off live events. These provide a range of opportunities for young people to train with professionals, raising their aspirations and improving self-esteem.

After three years of delivery:

- Over 1,000 children have accessed Full Effect's diverse programme of activities and events
- Thirty-two of the most vulnerable children aged 8-12 have received ongoing one-to-one and group support
- Thirty-five young people, many of whom were not in education, employment or training have completed qualifications.
- Following on from the success of its primary school knife crime resource, 'Secrets in Boxes', Full Effect is developing resources to support 'whole school' approaches to promote good behaviour, emotional resilience and life-skills.

100% of Full Effect young people have stayed away from crime

After the evaluation in 2015/16, Full Effect responded to the importance of reaching girls as well as boys and of supporting children through transition from primary to secondary and is making significant progress in both areas.

Full Effect will continue to offer a varied programme of diversionary activities for local children and young people. It will also help to offer accredited training and further routes into education and employment.

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Full Effect will continue working with its most vulnerable children, forging partnerships with new schools such as Nottingham Academy so that targeted children may receive continued support during their transition to secondary school.

Full Effect's YouTube channel is helping young people disseminate their creative work that is enabling them to gain skills, qualifications and experience. Run by the Foundation, along with Full Effect's website, Instagram and Twitter feeds, this social media presence is helping young people develop essential digital skills. Managing the digital presence is also used as a training opportunity for some of the young people in the project.

"It's crazy the journey – we grab these kids and then we open a door to a world that is right there in front of them. Full Effect really does make a difference to the kids, to their confidence... to so many people's lives. Don't think for a single moment that these kids take it for granted, you can see it in their faces what the Full Effect Project means to them." - Trevor Rose, Manager at Full Effect



Nott Romeo and Juliet – Full Effect young people trained and performed at Theatre Royal Nottingham with Birmingham Royal Ballet in April 2016.



Look Sharp: The Barbershop - Supported by an Arts Council Award, the Full Effect hip opera was performed at Nottingham Arts Theatre in November 2016.

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

4. Conservation

Supporting communities to protect and conserve their natural resources for future generations

United for Wildlife is an unprecedented collaboration between seven of the largest international conservation organisations and The Royal Foundation. Under The Duke of Cambridge's presidency, United for Wildlife established five core commitments in the fight against illegal wildlife trade, linked together by a digital campaign that helps to share progress and engage young people in conservation.

The unique role of United for Wildlife, across the five commitments, has been one of innovation, collaboration, convening and raising awareness.

Over the past year The Royal Foundation, together with the seven main partner organizations and many other implementing organizations, has made a real impact across the commitments. This has been supported and amplified through the successful digital work, which has seen tremendous growth in the online United for Wildlife community over the last 12 months.

"The closing of domestic ivory markets, most notably those in China, is a demonstration of the power of collaboration evident in the United for Wildlife partnership, and of the focus and leadership of The Royal Foundation" - John Robinson, Executive Vice President, Conservation & Science, Wildlife Conservation Society

On-site Protection

- Supported the field testing of valuable new technology to help rangers and field staff stop poaching through grants to Zoological Society of London and Wildlife Conservation Society
- WILDLABS.NET was established through a grant to Fauna & Flora International and is a community platform connecting technology professionals with conservationists and now has over 1,000 community members
- Initial testing of new and innovative financing mechanisms has been successful, with interventions on the ground now being extended to additional locations
- The first United for Wildlife supported cohort of rangers have graduated from the Southern African Wildlife College. Over 90 percent of the school leavers and trainee rangers have now gone on to full-time employment

Demand Reduction

- Supporting efforts to ensure closure of domestic ivory markets around the world including in China, as pledged by President Xi
- Raising awareness of the consequences of the illegal trade in rhino horn amongst consumers in Vietnam. The Duke of Cambridge attended the Hanoi Illegal Wildlife Trade conference in November 2016 and visited the traditional medicine street to engage with practitioners and stakeholders

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Criminal Justice Response

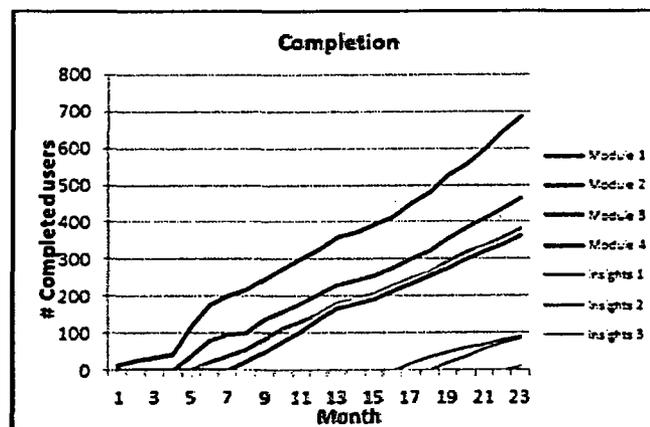
- DLA Piper continues to provide *pro bono* support to projects in identified priority countries, which improve wildlife legislation, raise awareness and build capacity in judiciary systems in Vietnam and Namibia

Private Sector

- There are now over 75 signatories to The Buckingham Palace Declaration, with global leaders from all sectors of the transport industry committing to tackle illegal wildlife trade
- Work is underway to replicate the successful Transport Taskforce model with other private sectors
- Supported the establishment of an information sharing system for the Transport Taskforce, through a grant to Wildlife Conservation Society, with data being provided from six NGOs and a dedicated analyst supporting the sharing of the resulting information

Engaging Young People

- A United for Wildlife online course won a highly regarded Learning Technologies award and an additional two courses were launched on the platform in 2016. Over 500,000 pages on the site have now been viewed with Spanish and Vietnamese subtitles available for specific courses. There are now over 9,000 learners from 196 countries. See below graph for the numbers of completed users.



- The work with the online gaming sector has brought conservation to the attention of millions – with 100,000 downloads of the United for Wildlife We Are The Rangers Minecraft map, and over 2.6 million YouTube play throughs
- United for Wildlife social media channels now have over 750,000 followers with unprecedented growth in the community, both in terms of size and levels of engagement. The unique content and activities enable young people to engage with the issue of illegal wildlife trade while learning more about conservation in general
- In 2016 a campaign that focused on elephants was initiated. 'E is for Elephant' is based on the idea that many children learn their alphabet through association with animals and it is

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important to provide them with actions to take at a local level to help in the conservation of species such as elephants. In addition to activities led by The Royal Foundation (refer to textbox on page 26) funding was also provided to the Zoological Society of London, to host events engaging children

In 2018 London will again host a conference on Illegal wildlife trade, the fourth in a series that began in London in 2014 and saw the launch of United for Wildlife. With this important milestone in the fight to protect species 2017 will see United for Wildlife build on its biggest successes by focusing on interventions that can capitalise on The Royal Foundation's ability to convene, to see beyond the daily conservation challenges and bring new ideas, resources and players to the field. These activities will fill the gaps that any single organisation struggles to fill.

The Foundation's digital work provides a platform for communicating United for Wildlife's aims and impact, and is also an integral part of achieving its core commitments. The Foundation runs United for Wildlife's website, Facebook, Instagram and Twitter channels, in addition to a standalone Facebook community for people taking the "Introducing Conservation" free course. It also encompasses a portfolio of sites including the Minecraft 'We are the Rangers' website, WILDLABS.net, and learn.unitedforwildlife.org, a free conservation themed online course.

United for Wildlife is also supporting innovative new digital projects, including a Facebook advertising campaign using geolocation to reach travellers to Thailand while they were at the airport, and a 360 film of the last male Northern White rhino, Sudan.

The Core Collaboration Partners are:

- Conservation International
- Fauna & Flora International
- International Union for Conservation of Nature
- The Nature Conservancy
- Wildlife Conservation Society
- WWF - UK
- Zoological Society of London

Taskforce on the Transportation of Illegal Wildlife Products

The Duke of Cambridge announced the formation of the Transport Taskforce at the World Bank in December 2014. Chaired by The Rt Hon. the Lord Hague of Richmond, the Taskforce includes high-level leaders from across the transport industry, intergovernmental organisations, international conservationists and organisations working to curb illegal trafficking, supported by expert legal advice. The Taskforce identified four key areas where the transport sector can help combat the illegal wildlife trade:

- Raising awareness of illegal wildlife trade – through adopting and publicising a zero tolerance policy and working with customers, clients, passengers and staff

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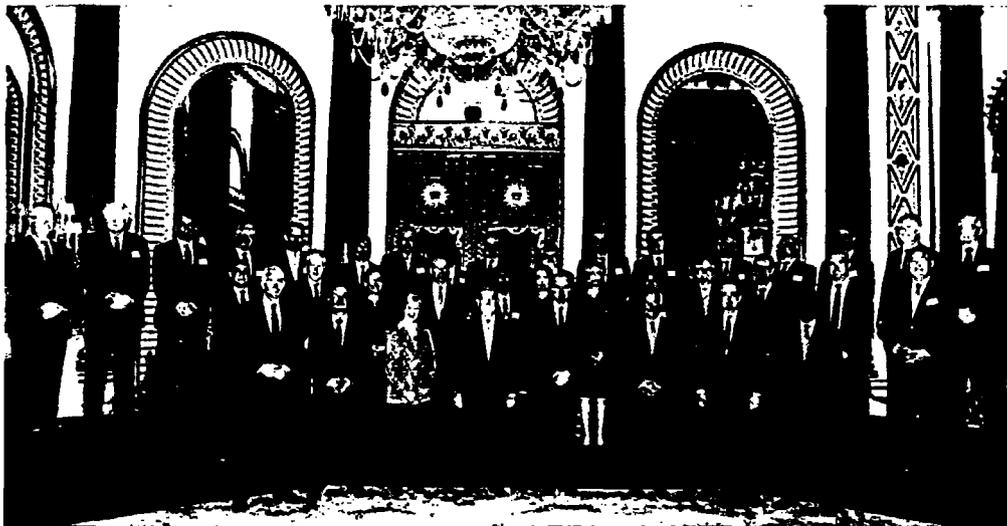
- Information sharing and detection
- Practical measures to stop the transportation of illegal wildlife products
- New mechanisms tackling illegal wildlife trade

Impact of The Transport Taskforce

The Transport Taskforce signed the ground breaking Buckingham Palace Declaration in March 2016, agreeing to a zero-tolerance policy that includes to 'never knowingly facilitate or tolerate the carriage of illegal wildlife or illegal wildlife products.' This policy will be included in documents such as conditions of carriage, employment and client contracts, as well as in marketing materials.

In addition, the Declaration includes a number of commitments with a focus on raising awareness, and developing and improving information sharing across the transport sector, both for staff and members of the public. Practical measures are also included, such as notifying relevant law enforcement authorities of suspicious cargos and refusing to transport them, and supporting new mechanisms to aid detection and prevention of the illegal wildlife trade.

There are now 75 signatories of the Buckingham Palace Declaration of the United for Wildlife International Taskforce on the Transportation of Illegal Wildlife Products. These leaders of the global transportation industry are committed to breaking the chain between suppliers and consumers of illegal wildlife products - a groundbreaking move The Duke of Cambridge has hailed as 'a game changer in the race against extinction.'



The founding signatories of the Buckingham Palace Declaration

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Engaging the Next Generation: “E is for Elephant” and “Thank a Ranger”

United for Wildlife is using innovative ways to engage young people in wildlife conservation. By using technology, social media and gaming, United for Wildlife is inspiring the next generation to help save wildlife.

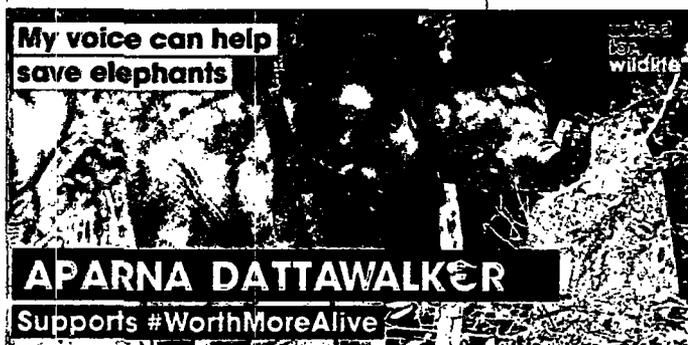
United for Wildlife created a campaign website at elephants.unitedforwildlife.org to act as a hub for the public to take action to save elephants. The site provides key information on the threats facing elephants and the protection that is currently in place. The first action on the site allowed the public to create their own elephant image and show others that they think elephants are worth more if alive. The site allows users to replace ‘e’s in their names or phrases with an elephant graphic to show that without elephants (a keystone species) the rest of the world would feel the impact.

The second action on the site allows users to send a message to rangers at the Southern African Wildlife College. These rangers are key to improving on-site protection and stop the increasingly sophisticated poaching methods used to obtain rhino horn and elephant ivory, along with other illegal wildlife products.

738 messages such as these have been sent to rangers and rangers in training in Africa

"A heartfelt thank you to all the Rangers who risk their lives daily to ensure that our animals are protected from all the human dangers out there. It breaks my heart every time a ranger or animals loses their life in this battle. I wish for you continued strength and hope and I keep the faith that one day we will all live among wildlife in harmony. You Rangers are my Earth Heroes. Much love & Respect"

Kavil Mehara)



2,529 elephant images such as these have been created online

Grant-making Policy

Decisions on grants are made by the Trustees. Trustees only approve grants or fund projects which demonstrate public benefit within the criteria of the Charity Commission's guidance. In addition, The Royal Foundation actively looks for projects or partnership opportunities where it can demonstrate added leverage or gearing from its involvement. It is unlikely to support projects where wider applicability or a broader benefit cannot be demonstrated. Except for the Endeavour Fund, The Royal Foundation does not accept unsolicited requests for funds.

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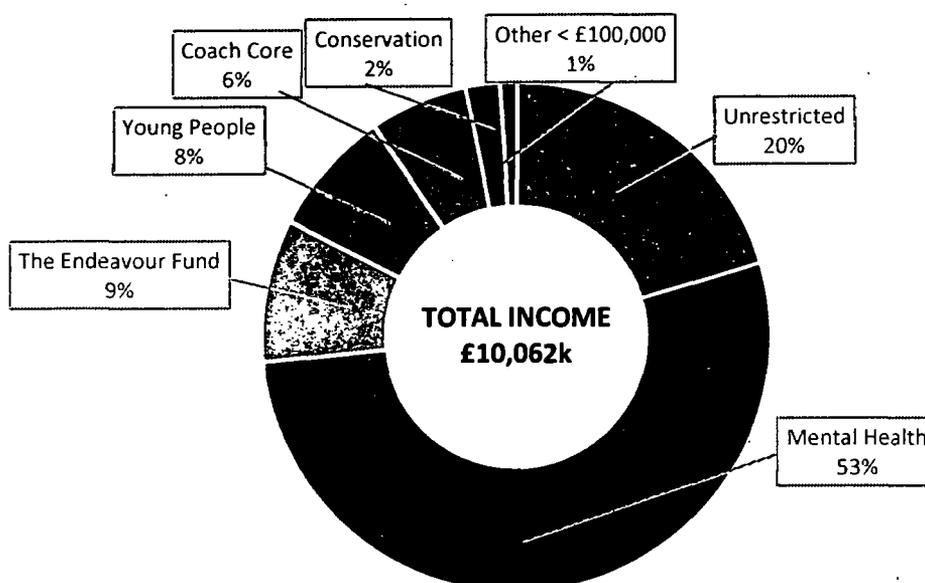
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Financial review and results for the period

Income

The total income for the year to 31 December 2016, was £10.1m, a 135% increase on 2015 (£4.3m). 98% of the income, £9.9m, related to donations and legacies, of which approximately 81% was restricted. The Royal Foundation was fortunate to receive a significant restricted donation to support its mental health programme in 2016 and beyond.

A breakdown of the income, broken down by restricted and unrestricted funds, is shown below:



Expenditure

In 2016, The Royal Foundation spent £5.4m expanding and developing its portfolio of grants, projects and partnerships in its three core areas of interest. This compares with £4.0m in 2015, an increase of 35% primarily due to the cost of the Heads Together campaign and the expansion of Coach Core.

Of the £5.4m spent in 2016, £4.3m was spent directly on charitable activities, representing 80% of total expenditure. This includes all amounts spent on providing seed capital and grant funding and all activities designed to convene and raise awareness. For 2015, this was £3.3m, representing 81% of total expenditure.

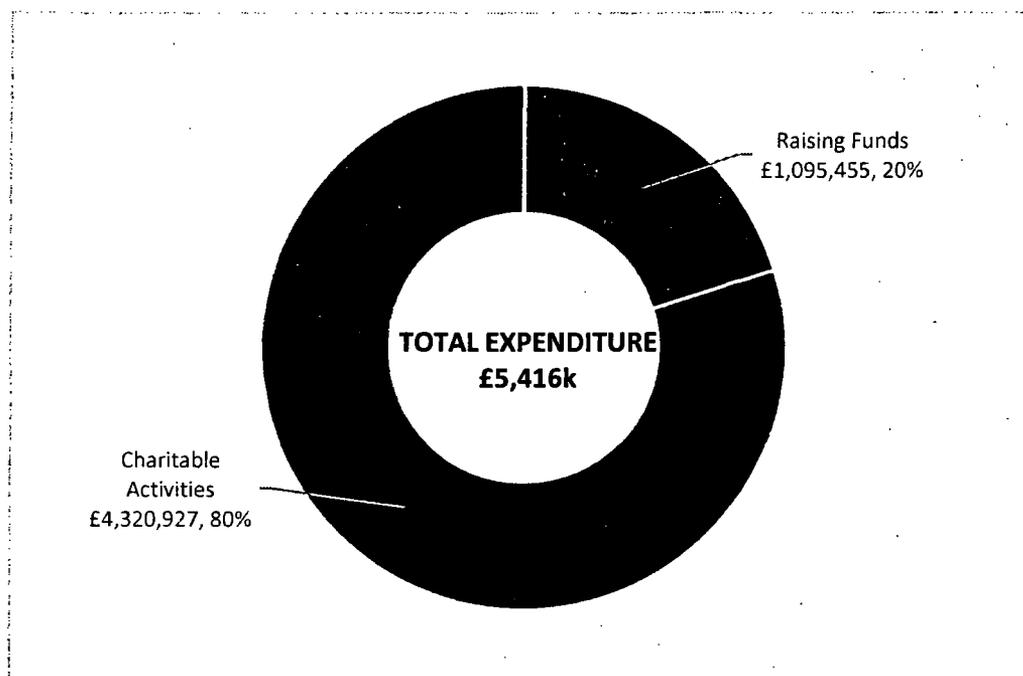
The Royal Foundation's staff costs increased by 66%, reflecting (1) the campaign nature of Heads Together which is predominately a people cost, which differs to the grant-making aspects of The Royal Foundation's remaining work; and (2) the growth of the core fundraising and programme teams, particularly within the area of Young People as the new mental health programmes develop. The average number of employees in the year was 24 full time

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equivalents, compared with 12 in the prior year, five of whom were employed for the duration of the Heads Together campaign.

A breakdown of the expenditure is shown below:



The Royal Foundation's charitable activities were spread across its three core areas, as shown following. Whilst charitable activities represent 80% of total expenditure, grant funding of activities represents 43% of charitable activities, an increase of £116k on the prior year. The balance of charitable spend was on two other key roles of The Royal Foundation - raising awareness and convening – together with a share of support costs.

The Royal Foundation's support of its young people's programmes increased significantly in 2016 to £2.5m, of which £1m related to grant funding of activities in support of Coach Core (£430k), Nottingham Youth Violence Prevention Initiative (£217k), Prevention of Addiction (£130k), Supporting Families of Children with Life Limiting Conditions (£140k) and Mental Health (£71k). All of these young people's programmes will continue in 2017.

The Royal Foundation's support for conservation and sustainable development remained at the same level as 2015, at £1.1m, of which £509k related to grants. Work focussed on its five core commitments, amplified through the successful digital work, which has seen considerable growth in the online United for Wildlife community over the last 12 months.

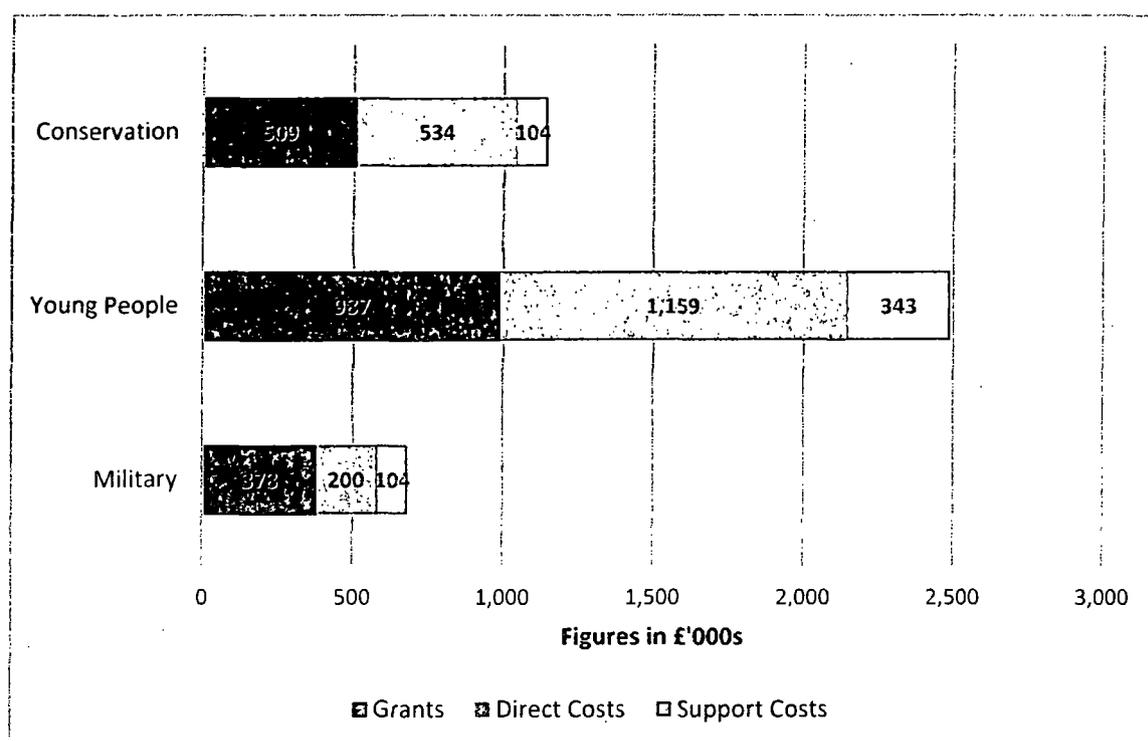
The Royal Foundation's support for its military programmes increased to £683k in 2016. Grants represented £378k, supporting 14 endeavours through its Endeavour Fund and its continued work to support those leaving the Armed Forces in their transition back into civilian life.

The ratio of grants to direct charitable costs varied considerably across the three core areas, with the conservation initiative, United for Wildlife, and the young people initiatives overall

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requiring an equal amount of funds to support convening and raising awareness as they do for their grant making. In comparison the military programmes had greater need for capital.



The costs of raising funds rose to £1.1m from £759k in 2015, in part due to an increase in fundraising staff but also due to the cost of the Heads Together campaign.

Funds of The Royal Foundation

The funds of the charity fall into three categories: Restricted funds (£6.5m) are donations received for defined projects that will be spent in future years; unrestricted funds (£3.1m) to be spent in accordance with the charitable objectives at the discretion of the Trustees; and an Endowment fund (£0.25m) in relation to a donation given by The Diana, Princess of Wales Memorial Fund for The Royal Foundation to invest and use the derived unrestricted income to support its initiatives.

Within the Coach Core restricted fund, there are two pilot programmes which have negative balances at the year end, due to timing differences: London (£11,000) and Essex (£65,000). Donations to these pilot programmes are expected to be forthcoming in 2017 following information received from donors prior to the year end.

The total net assets of The Royal Foundation increased by £4.8m in 2016; 99% of this increase related to restricted funds. This compares with a gain of £199k in 2015.

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Reserves Policy

The total funds of the charity currently stand at £9.8m (2015: £5.0m). The free reserves of the charity are £2.5m (2015: £2.2m). The adjustments to determine the free reserves of the charity are set out below:

	2016 £	2015 £
Total Funds of The Royal Foundation	9,844,476	5,007,853
Deduct		
Restricted Funds	6,542,143	1,746,927
Endowment Fund	250,000	250,000
Tangible Fixed Assets	75,130	84,979
Approved grants, not funded by Restricted Funds ⁴	517,700	730,700
Free Reserves	<u>2,459,503</u>	<u>2,195,247</u>

The level of reserves is calculated monthly and the Trustees review it at each Trustee meeting. The Trustees target a level of free reserves of 12 months of budgeted operational expenditure. Reserves are held to cover unforeseen circumstances including (1) any unplanned reduction to income particularly relating to funding of multi-year programmes; (2) unforeseen need for funds, for example seed funding and increased operational costs for an urgent programme; and (3) a need to fund short-term deficits to cover grants before income is received.

At the end of 2016, free reserves stood at 11 months, as in 2015, after accounting for the increased operational costs. Whilst slightly below target, the Trustees are satisfied with this level and consider it to be appropriate for a growing organisation, which needs to be able to respond in a timely manner to issues raised by its Patrons.

Investment Policy and Performance

The Trustees invest funds not immediately required for operational purposes in an investment portfolio managed by Cazenove Capital Management to maximise the total return within a given level of risk.

The current investment objective is to generate a return of inflation (UK CPI) plus 3% per annum, after expenses through a fully-diversified strategy with an investment time horizon of five years. The investment portfolio is, where possible, directly invested in an ethically-screened portfolio, and governed by the Church of England's Ethical Investment Policy, which is revisited regularly by the Finance Committee.

⁴ These are conditional grants that are not on the balance sheet, however for the purpose of the reserves calculation, it has been prudently assumed they are committed grants.

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The portfolio produced a positive performance return of 12.2% (2015: (0.7%)) during the year, after excluding investment management fees. This compared with a CPI + 3% return of 4.3%.

The investment portfolio stood at a value of £2.18m as at 31 December 2016 (2015: £1.94m), including cash held for investment purposes. The value and composition of investments are summarised in note 13 to the financial statements.

Going Concern

The Royal Foundation's financial position and performance has been outlined in the financial review above. The Trustees have assessed projected future income, expenditure and cash flows and analysed the strength of The Royal Foundation's reserves and liquid assets and its ability to withstand a material fall in incoming resources. Consideration has been given to stability and diversity of various income streams in making this assessment.

The Trustees believe that The Royal Foundation and its subsidiary, PWPH Trading Limited, have adequate resources to continue their activities for the foreseeable future so they continue to adopt the going-concern basis in preparing the financial statements.

Risk Management

A comprehensive risk register is reviewed regularly by the Senior Management Team and Trustees, taking into consideration three measures: impact, likelihood and level of mitigation. The risks, covering the areas of financial, governance, operational, programme, compliance and external, are split into two categories:

- Strategic and Governance risks which are reviewed by Trustees at each Trustee meeting; and
- Operational risks which are reviewed regularly by senior management, with any risks attracting a high score being referred to Trustees for review at the Trustee meetings.

Each risk is assigned to a senior member of staff or Trustees who are responsible for ensuring that controls are established to mitigate those risks through planning and operational decision making, management systems, insurance cover, specialist advice or holding an appropriate level of funds for residual reserves.

The principal risks identified by the Trustees and Senior Management Team are:

- Financial, specifically the uncertainty in levels of income. The Royal Foundation has taken this risk into consideration when calculating its target level of reserves. It has also reviewed and refined its fundraising strategy to ensure it is more diversified and where appropriate programme-based, and refined its strategy in the funding of grants;
- Operational, specifically the stretch on resources given the breadth of The Royal Foundation's charitable objectives. The Royal Foundation significantly strengthened its core staff team during the year with additional team members in the areas of HR, finance, fundraising and programmes, in addition to building short-term capacity to manage The Royal Foundation's role as Charity of the Year for the 2017 London Marathon;

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- Reputational, specifically the risk of receiving funds from an inappropriate source. The Royal Foundation mitigates this risk by conducting due diligence on the source of funds in line with The Royal Foundation's robust gift acceptance policy. This policy is reviewed annually, and more frequently when it requires further strengthening; and
- In 2016, the Trustees identified an additional risk surrounding the run-up and the advent of the 2017 London Marathon. This included operational impact on other Royal Foundation activities, lower than expected income, impact of the campaign and adverse impact from an occurrence during the marathon beyond the control of The Royal Foundation.

The Trustees are satisfied that the major risks identified have been reviewed and systems or procedures have been established to manage those risks.

Structure, Governance and Management

Constitution

The Royal Foundation is registered as a charity with the Charity Commission under charity number 1132048 and is a company registered in England & Wales number 7033553.

The Royal Foundation was formed on 29 September 2009 as a charitable company limited by guarantee. It is governed by its revised Articles of Association which were passed by a special resolution dated 28 April 2011 and further amended by special resolutions dated 1 November 2011, 29 February 2012, 11 July 2012 and 12 January 2017.

PWPH Trading Limited was formed on 26 January 2011 as a wholly-owned subsidiary to carry out trading activities on behalf of The Royal Foundation (see note 3).

On the 1 April 2013, The Royal Foundation assumed legal control of The Diana, Princess of Wales Memorial Fund (the Fund), registered charity 1064238, to safeguard both the Fund's name and any future income donated to the Fund once its operations had ceased. The Royal Foundation became the sole member of the Fund's Trustee Company (company number 05516463) upon its closure at the end of March 2013.

A Declaration of Trust was signed by The Diana, Princess of Wales Memorial Fund Trust Company as sole corporate trustee of The Diana, Princess of Wales Memorial Fund applying the current and future assets (excluding a £10 reserved sum) to The Royal Foundation. The Declaration of Trust came into effect on 31st December 2013. Any future income is received by The Royal Foundation as unrestricted funds.

The American Friends of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry, established in 2011 is a 501(c) (3) public charity, and whilst it is a separately controlled entity its interests are aligned with those of The Royal Foundation. The American Friends support The Royal Foundation's programmes and initiatives, primarily focussing on projects that deliver impact on an international scale.

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Trustees and Advisory Boards

The Directors of The Royal Foundation are its Trustees for the purposes of Charity law, and throughout this report are collectively referred to as the Trustees. At the date of signing, and during the year, the Trustees were:

Sir Keith Mills GBE, DL– Chairman (elected chairman 1 April 2016)

The Rt Hon the Lord Janvrin, GCB, GCVO, QSO (resigned 1 April 2016)

Tessa Green, CBE

Edward Harley, DL

Jamie Lowther-Pinkerton, LVO, MBE, DL

Sir David Manning, GCMG, KCVO (resigned 30 March 2017)

Charles Mindenhall

Guy Monson

Simon Patterson (appointed 7 December 2016)

Lady Pinsent (appointed 7 December 2016)

The Rt. Hon. the Baroness Shackleton of Belgravia, LVO (resigned 30 March 2017)

The Articles of Association of The Royal Foundation provide for the appointment of Directors, who also act as Trustees. After discussing and agreeing the specific skills and experience required to enhance the Trustee board, the Trustees draw up a list of potential candidates, which is approved by the Patrons of The Royal Foundation. New Trustees are recruited through known sources such as The Royal Foundation's sub-committees or other areas of the charity sector. The Chairman and Trustees interview all candidates, completing skills matrices after each interview. The matrix skill set covers Trustee charity experience, fundraising capability, experience in the sectors of relevance to The Royal Foundation, diversity and overall suitability for the role. After the selection process, the successful candidate is approved by the Trustees and the Patrons.

Upon appointment, each Trustee receives a copy of the Charity Commission for England and Wales publication "Responsibilities of Charity Trustees" and other relevant Charity Commission literature. New Trustees meet with senior members of The Royal Foundation's management team, and are introduced to staff as part of their induction process. They attend meetings to help familiarise themselves with in-house procedures and activities. They are also provided with comprehensive background documentation which covers incorporation, operations and finance, policies and more general information relevant to The Royal Foundation's history and associations. Whereas Trustees are recruited with their specific skills and experience in mind, further project-based training is undertaken where necessary. This includes project visits to familiarise themselves with the full nature of The Royal Foundation's work as well as meeting with project partners, donors and other stakeholders.

Each Trustee undertakes a balance of responsibilities divided between strategic direction, governance, oversight and fund-raising and the Trustees meet formally a minimum of four times a year under the Chairmanship of Sir Keith Mills GBE, DL.

**The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry
Company Registration No. 7033553**

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

The Trustees have appointed two sub-committees to help with the execution of its responsibilities, the members of which are appointed by the Trustees. The sub-committees are:

- Finance Committee comprising two Trustees and three external advisory members: Gilbert Holbourn FCA, FCCA, DChA; Ben Moorhead, DL, Solicitor; and Claire Brown FCA. The Finance Committee, chaired by Edward Harley, DL, meet quarterly to consider financial matters and report to the Trustees accordingly. The Chief Executive and Director of Finance & Operations attend this meeting.
- Remuneration Committee comprising Edward Harley, DL, Charles Mindenhall, Ben Moorhead, DL, Solicitor and Sir Keith Mills. The committee was established during 2015 to consider remuneration policy updates, and meets annually in October. The Committee did not meet in 2016 however as the Trustee board considered relevant remuneration matters.

The Royal Foundation is fortunate to benefit from a network of experienced volunteers, who support and help steer The Royal Foundation's work through the following external advisory groups:

- Endeavour Fund Advisory Board – this board includes former Servicemen, experienced adventurers and representatives from Walking With The Wounded, Row2Recovery and Help for Heroes.
- Coach Core Advisory Board - the board plays a key role in developing the Coach Core model towards its goal of rolling out on a national scale
- Digital Operations Group - made up of industry experts who provide operational support and strategic input into the digital aims of The Royal Foundation across all projects and themes.

Key Management

The Trustees have delegated authority to the Chief Executive and the Senior Management Team for the day-to-day management of the organisation. The Senior Management Team is composed of the Chief Executive, the Director of Finance & Operations, the Director of Programmes and the Director of Development.

The Senior Management Team has the delegated responsibility for the design and delivery of programmes and income generation, along with the administrative functions of finance, HR, health and safety, project evaluation, management information systems, marketing and communications.

Regarding remuneration of the Senior Management team and all employees, The Royal Foundation's policy is 'to ensure its remuneration policy supports its overarching objectives, enables effective recruitment and retention and reflects organisational values. It seeks to align and reward within the sector average and to tailor its benefit proposition to the specific needs of The Royal Foundation and its workforce'.

**The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry
Company Registration No. 7033553**

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

Following a comprehensive review of its remuneration in 2015, The Royal Foundation has embedded a simple pay framework in 2016 and continues to review its position through external benchmarking.

Fundraising

The Royal Foundation applies the support it receives only for its charitable purposes. In all cases it welcomes donations and other funding from individuals, companies and other charities engaging supporters around particular programmes or the charitable work of The Royal Foundation as a whole, in line with its gift acceptance policy.

The Royal Foundation's fundraising is carried out by its employees and Trustees through direct contact with supporters and potential supporters. The Royal Foundation is committed to the highest standards in all of its fundraising activity and is open and honest in the information it provides to its supporters about its work and how their donations are used. The Royal Foundation takes care not to cause nuisance or disruption when communicating with its supporters and the fundraising team reports to the Board of Trustees and the Chief Executive on the delivery of its fundraising activity. The Royal Foundation will never sell or share data about its donors and ensures the security of all data held. Whilst The Royal Foundation does not use any professional fundraisers it has recently started working with commercial participators and has put in place policies to ensure their effective management. The Royal Foundation has not received any complaints about its fundraising activity to date but will keep a record of any future complaints received and how it has responded.

During 2016, The Royal Foundation registered with the Fundraising Regulator.

Related Parties

Further details about Related Parties can be found in note 11 to the consolidated financial statements.

Public Benefit

The Royal Foundation is a public benefit entity under FRS 102. The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and setting grant-making policies.

The Trustees consider particularly how planned activities will contribute to the aims and objectives they have set.

Auditor

BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

**The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry
Company Registration No. 7033553**

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

Trustees' responsibilities in relation to the financial statements

The Trustees (who are also the Directors for Companies law purposes) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees 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 group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the integrity of the financial statements contained therein.

Disclosure of Information to Auditor

The Trustees who held office at the date of approval of this Trustees' Report confirm that, so far as they are each aware, there is no relevant audit information of which the charity's auditor is unaware, and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

**The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry
Company Registration No. 7033553**

**Trustees' Report – incorporating the Directors' report for Companies Act Purposes
(continued)**

The Trustees' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and takes advantage of the small companies' exemption from the requirement to prepare a strategic report.

Approved by the Board of Trustees on 12th June 2017 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Keith Mills', written over a horizontal line.

Sir Keith Mills, GBE DL - Chairman
Kensington Palace
Palace Green
London
W8 4PU

Independent auditor's report to the Trustees and members of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Company Registration No. 7033553

We have audited the financial statements of The Royal Foundation of the Duke and Duchess of Cambridge and Prince Harry for the year ended 31 December 2016 which comprise the (consolidated and charity) statement of financial activities, the (consolidated and charity) balance sheet, the (consolidated and charity) cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees and 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 charity and the charity's trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2016 and of the group's and parent charitable company's incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the trustees' report has been prepared in accordance with applicable legal requirements.

Based on our knowledge and understanding of the charity and its environment obtained during the course of the audit we have identified no material misstatements in the trustees' report.

Independent auditor's report to the Trustees and members of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Company Registration No. 7033553

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 and the Charities Act 2011 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the charity financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements and the trustees' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

Julia Poulter (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
Date *15th June 2017*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Company Registration No. 7033553

Consolidated statement of financial activities (including the income and expenditure account) For the year ended 31 December 2016

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2016 £	Total 2015 £
Income:						
Donations and Legacies	2	1,883,485	8,005,792	-	9,889,277	4,174,383
Trading activities	3	20,000	-	-	20,000	20,000
Investment income	4	66,563	10,603	-	77,166	63,235
Other income	4	74,042	1,092	-	75,134	30,832
Total		2,044,090	8,017,487	-	10,061,577	4,288,450
Expenditure:						
Raising funds	5	(1,039,848)	(55,607)	-	(1,095,455)	(758,696)
Charitable activities	5,6	(723,943)	(3,596,984)	-	(4,320,927)	(3,259,282)
Total		(1,763,791)	(3,652,591)	-	(5,416,382)	(4,017,978)
Net income before investment gains / (losses)		280,299	4,364,896	-	4,645,195	270,472
Net gains/(losses) on investment	13	191,427	-	-	191,427	(71,326)
Net income		471,726	4,364,896	-	4,836,622	199,146
Transfers between funds	17	(430,945)	430,945	-	-	-
Net movement in funds		40,781	4,795,841	-	4,836,622	199,146
Reconciliation of funds:						
Fund balances brought forward at 1 January 2016		3,011,552	1,746,302	250,000	5,007,854	4,808,708
Funds balances carried forward at 31 December 2016	16,17,18	3,052,333	6,542,143	250,000	9,844,476	5,007,854

All results are from continuing operations.

There were no other recognised gains or losses.

The notes on pages 44 to 59 also form part of these financial statements.

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Company Registration No. 7033553

Charity statement of financial activities (including the income and expenditure account) For the year ended 31 December 2016

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2016 £	Total 2015 £
Income:						
Donations and legacies	2	1,883,485	8,022,724	-	9,906,209	4,175,006
Investment income	4	66,563	10,603	-	77,166	63,235
Other income	4	75,142	1,092	-	76,234	32,555
Total		2,025,190	8,034,419	-	10,059,609	4,270,796
Expenditure:						
Raising funds	5	(1,037,880)	(55,607)	-	(1,093,487)	(753,771)
Charitable activities	5,6	(723,943)	(3,596,984)	-	(4,320,927)	(3,259,282)
Total		(1,761,823)	(3,652,591)	-	(5,414,414)	(4,013,053)
Net income before investment gains / (losses)		263,367	4,381,828	-	4,645,195	257,743
Net gains/(losses) on investment	13	191,427	-	-	191,427	(71,326)
Net income		454,794	4,381,828	-	4,836,622	186,417
Transfers between funds	17	(430,945)	430,945	-	-	-
Net movement in funds		23,849	4,812,773	-	4,836,622	186,417
Reconciliation of funds:						
Fund balances brought forward at 1 January 2016		3,010,927	1,746,926	250,000	5,007,853	4,821,436
Funds balances carried forward at 31 December 2016	16,17,18	3,034,776	6,559,699	250,000	9,844,475	5,007,853

All results are from continuing operations.

There were no other recognised gains or losses.

The notes on pages 44 to 59 also form part of these financial statements.

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Company Registration No. 7033553

Consolidated and Charity balance sheet As at 31 December 2016

	Notes	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Fixed assets					
Tangible fixed assets	12	75,130	84,979	75,130	84,979
Investments	13	2,175,036	1,938,321	2,175,037	1,938,322
		<u>2,250,166</u>	<u>2,023,300</u>	<u>2,250,167</u>	<u>2,023,301</u>
Current assets					
Debtors	14	110,085	74,602	127,417	84,064
Cash at bank and in hand	23	7,991,626	3,283,707	7,968,397	3,272,569
		<u>8,101,711</u>	<u>3,358,309</u>	<u>8,095,814</u>	<u>3,356,633</u>
Creditors: amounts falling due within one year	15	(507,401)	(373,755)	(501,506)	(372,081)
Net current assets		<u>7,594,310</u>	<u>2,984,554</u>	<u>7,594,308</u>	<u>2,984,552</u>
Net assets		<u>9,844,476</u>	<u>5,007,854</u>	<u>9,844,475</u>	<u>5,007,853</u>
The funds of the charity					
Unrestricted funds	16	3,052,333	3,011,552	3,034,776	3,010,927
Restricted funds	17	6,542,143	1,746,302	6,559,699	1,746,926
Endowment fund	18	250,000	250,000	250,000	250,000
Total charity funds		<u>9,844,476</u>	<u>5,007,854</u>	<u>9,844,475</u>	<u>5,007,853</u>

The notes on pages 44 to 59 also form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry (registered number 7033553) were approved by the Board of Trustees on 12th June 2017 and signed on its behalf by:



Edward Harley, DL – Trustee

Kensington Palace
Palace Green
London
W8 4PU

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Company Registration No. 7033553

Consolidated Charity Cash Flow Statement For the year ended 31 December 2016

	Notes	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Cash used in operating activities:					
<i>Net cash provided by operating activities</i>	21	4,700,728	524,521	4,688,637	515,820
Cash flows from investing activities:					
Dividends, interest from investments		77,166	63,235	77,166	63,235
Purchase of investments	13	(515,459)	(794,106)	(515,459)	(794,106)
Proceeds from sale of investments	13	464,705	536,678	464,705	536,678
Purchase of tangible fixed assets	12	(24,687)	(11,316)	(24,687)	(11,316)
<i>Net cash provided by (used in) investing activities</i>		1,725	(205,509)	1,725	(205,509)
<i>Change in cash and cash equivalents in the year</i>		4,702,453	319,012	4,690,362	310,311
Cash and cash equivalents at the beginning of the year		3,528,234	3,209,223	3,517,096	3,206,785
Total cash and cash equivalents at the end of the year	22	8,230,687	3,528,234	8,207,458	3,517,096

The notes on pages 44 to 59 also form part of these financial statements.

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Notes to the consolidated financial statements For the year ended 31 December 2016

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.

a) Basis of accounts preparation

The consolidated financial statements of The Royal Foundation have been prepared under the historical cost convention (with the exception of investments carried at valuation as noted in the accounting policy below) in accordance with the Finance Reporting Standard Applicable in the UK and Republic of Ireland (FRS102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard Applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) - (Charities SORP (FRS102)) and the Companies Act 2006. The transition date was 1 January 2015.

b) Consolidation

The financial statements of the wholly owned subsidiary, PWPH Trading Limited, have been consolidated with those of the charity on a line by line basis. The principal activity of PWP Trading Limited during 2016 was the sponsorship of the Endeavour Fund.

With effect from 1 April 2013, The Royal Foundation took over legal control of The Diana, Princess of Wales Memorial Fund in order to safeguard both the Fund's name and any further income donated to the Fund in the future. The Royal Foundation will not continue the Fund's grant-making or charitable activities.

A Declaration of Trust was signed by The Diana, Princess of Wales Memorial Fund Trust Company as sole corporate trustee of The Diana, Princess of Wales Memorial Fund applying the current and future assets (excluding a £10 reserved sum) to The Royal Foundation. The Declaration of Trust came into effect from midnight on the 31st December 2013. The financial statements of The Diana, Princess of Wales Memorial Fund Trust Company have not been consolidated on grounds of immateriality.

c) Going Concern

These accounts have been prepared on the going concern basis. The Trustees believe The Royal Foundation and its subsidiary are financially secure for the foreseeable future and further information is given in the Trustees' report.

d) Judgements and estimates made by management

The preparation of the financial statements requires management to make significant judgements and estimates. These judgements and estimates are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. The items in the financial statements where these judgements and estimates have been made include:

- Basis of allocation of support costs
- Income recognition, in particular estimating fair value of a gift in kind
- Estimating the liability from multi-year grant commitments
- Rates of depreciation used in determining the carrying value of tangible fixed assets

With respect to the next reporting period, January to December 2017, the most significant areas of uncertainty that affect the carrying value of assets held by the charity are the level of investment return and the performance of investment markets (see the investment policy and performance and risk management sections of the Trustees Annual Report for further information). The carrying value of the investment portfolio at the end of December 2016 was £2,175,036.

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Notes to the consolidated financial statements (continued) Year ended 31 December 2016

e) Fund accounting

Unrestricted funds are general funds that are available for use at the Trustees' discretion in furtherance of the objectives of the charity.

Restricted funds are funds subject to specific restrictions imposed by the donor. All restrictions are in line with the charitable objectives of the charity.

An expendable endowment fund is held by the charity under conditions prescribed by the donor with the associated interest income disclosed as unrestricted funds.

All transfers between funds are recorded gross and shown on the Statement of Financial Activities or the notes.

f) Income

Donations and gifts consist of the total donations from individuals, trusts and corporates. Income is recognised in the Statement of Financial Activities when there is evidence of entitlement, receipt is probable and its amount can be measured reliably.

Grants consist of income received by The Royal Foundation from individuals, trusts and corporates. Income is recognised when there is entitlement to the grant, receipt is probable and its amount can be measured reliably.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution.

Investment income consists of bank interest, and dividends and interest from the portfolio managed by Cazenove Capital Management. Investment income is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the money paid or payable by the bank or investment manager.

Gifts in kind are from donated services which are recognised at fair value when performed. Fair value is the amount the charity would have been willing to pay to obtain those services on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Incoming resources from trading activities and other income are recorded on a receivable basis. This includes rent from office space surplus to requirements.

g) Expenditure

Expenditure is accounted for on an accruals basis. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Expenditure is classified under the following activity headings:

- Raising funds, which comprise the costs incurred in supporting income generation activities, such as fundraising, and their associated support costs.
- Expenditure on charitable activities includes grants payable and costs incurred directly by The Royal Foundation in furtherance of its charitable objectives, along with associated support costs. Grants made are recognised when they have been approved and a legal or constructive obligation is in place.

Direct costs comprise amounts spent in all activities designed to convene and raise awareness, and to provide the seed capital and grant funding.

Shared costs relate to the charitable activities component of The Royal Foundation's digital technology team who share their time enhancing both the fundraising and charitable activities of The Royal Foundation.

Support costs have been allocated across the categories of charitable expenditure and raising funds.

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Notes to the consolidated financial statements (continued) Year ended 31 December 2016

Support costs for charitable activities comprise costs attributable to operational and grant-making functions. Staff costs are allocated between raising funds and charitable activities on a time spent basis. Office related costs including rent, IT, depreciation and stationery are allocated between raising funds and charitable activities on a headcount or FTE basis.

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to the statutory audit and legal fees together with an apportionment of overhead and support costs. Support costs include premises, general management, IT, HR, office supplies and finance.

h) Taxation

The company is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge arose in the period.

The subsidiary company, PWPH Trading Limited, made qualifying donations of all taxable profit to The Royal Foundation of the Duke and Duchess of Cambridge and Prince Harry. No corporation tax liability on the subsidiary arises in the accounts.

i) Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the year-end exchange rates. All differences are taken to the Statement of Financial Activities.

j) Pension costs

The charity operates a defined contribution scheme. The amount charged to the Statement of Financial Activities in respect of pension costs is the contribution payable in the year. Any difference arising between contributions payable in the year and contributions actually paid are shown as either an accrual or prepayment in the balance sheet.

k) Investments

The fixed asset investment consists of the share in the subsidiary PWPH Trading Limited which is stated at cost and a portfolio of listed investments. Listed investments are a form of basic financial instrument initially recognised at their transaction value and subsequently measured at fair value at the balance sheet date using the closing quoted market price. Any gain/loss on revaluation and disposal are recorded in the Statement of Financial Activities.

l) Tangible Fixed assets

Tangible fixed assets costing more than £1,000 are capitalised and stated at historical cost less depreciation and applicable impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off each asset to its estimated residual value evenly over its expected useful life, as follows:

- Computer equipment – 24 months on a straight line basis
- Fixtures and Fittings - 36 months or over remaining life of the lease, on a straight line basis
- Leasehold improvements – Over remaining life of the lease, on a straight line basis.

m) Operating Leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

n) Financial Instruments

The charity has financial instruments of a kind that qualify as basic financial instruments which are recognised at transaction value initially and subsequently at their settlement value.

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Notes to the consolidated financial statements (continued) Year ended 31 December 2016

2. Income from donations and legacies

	Unrestricted funds £	Group Restricted funds £	Total 2016 £	Unrestricted funds £	Group Restricted funds £	Total 2015 £
Donations	1,503,914	6,634,267	8,138,181	865,091	676,155	1,541,246
Grants	371,840	1,123,709	1,495,549	446,729	2,023,373	2,470,102
Legacies	1,131	-	1,131	694	-	694
Donated services	6,600	247,816	254,416	5,600	156,741	162,341
Total	1,883,485	8,005,792	9,889,277	1,318,114	2,856,269	4,174,383

Income from donations and legacies arises from donations received from individuals and members of the general public. In 2016, The Royal Foundation received £11,221 (2015: £8,961) from The Diana, Princess of Wales Memorial Fund.

Donated services of £254,416 (2015: £162,341) relate to gifts of services in support of United for Wildlife's conservation programmes including seconded staff, professional legal fees, the digital platform for the running of the Massive Open Online Course (MOOC) and in relation to the Heads Together mental health campaign, including seconded staff and professional fees.

Income from donations and legacies for the charity alone, includes £16,932 restricted to the Endeavour Fund, which has been gift aided to The Royal Foundation from its subsidiary, PWPH Trading Limited and is eliminated on consolidation.

3. Income from trading activities

The charity has a wholly owned trading subsidiary, PWPH Trading Limited (registered number 7506603), which was incorporated in Great Britain and registered in England and Wales on 26 January 2011.

PWPH Trading Limited raises funds on behalf of the charity and passes up its taxable profits to The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry. A summary of its results extracted from its full audited accounts are shown overleaf:

The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry

Notes to the consolidated financial statements (continued) Year ended 31 December 2016

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Turnover	20,000	20,000
Gross profit	20,000	20,000
Administrative expenses	(2,338)	(7,374)
Operating profit	17,662	12,626
Finance charges	(730)	(1,273)
Profit on ordinary activities before taxation	16,932	11,353
Tax on profit on ordinary activities	-	-
Profit on ordinary activities after taxation	16,932	11,353
Charitable donation to parent	(16,932)	(624)
Retained profit for the year	-	10,729
Assets, liabilities and shareholders' funds		
Assets	23,229	11,138
Liabilities	(23,228)	(11,137)
Funds surplus including 1 ordinary share of £1	1	1

4. Investment income and other income – Group and Charity

	Unrestricted funds £	Group Restricted funds £	Total 2016 £	Unrestricted funds £	Group Restricted funds £	Total 2015 £
Investment Income:	66,563	10,603	77,166	57,422	5,813	63,235
Other Income:						
Foreign exchange gains	55,161	-	55,161	11,916	-	11,916
Rent and associated charges	18,532	-	18,532	18,917	-	18,917
Other	349	1,092	1,441	-	-	-
Total	74,042	1,092	75,134	30,833	-	30,833

Rent and associated charges relate to amounts charged to the Invictus Games Foundation from letting part of the first-floor office space to the Invictus Games Foundation, which is currently surplus to the charity's operational requirements

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

Other income for the charity alone, includes an amount of £1,100 (2015: £1,722) relating to interest received on a loan from The Royal Foundation to PWPB Trading Limited, and a resource sharing agreement recharge.

5. Summary analysis of total expenditure

	Unrestricted funds £	Group Restricted funds £	Total 2016 £	Unrestricted funds £	Group Restricted funds £	Total 2015 £
Raising Funds	1,039,848	55,607	1,095,455	583,873	174,823	758,696
Charitable Activities	723,943	3,596,984	4,320,927	579,577	2,679,705	3,259,282
Total	1,763,791	3,652,591	5,416,382	1,163,450	2,854,528	4,017,978

Expenditure on Raising Funds for the charity alone excludes £1,968 (2015: £4,925) of non-intercompany expenses incurred by PWPB Trading Limited. Included within Raising Funds are Investment management costs of £17,444 (2015: £16,421).

6. Analysis of expenditure on charitable activities

Activity	Grant funding of activities £	Direct costs £	Shared costs £	Support costs £	Governance costs £	Total 2016 £	Total 2015 £
Military	378,304	183,168	17,378	75,447	28,734	683,031	542,641
Young People	987,012	1,141,572	17,378	286,463	57,469	2,489,894	1,601,680
Conservation	509,445	482,243	52,133	75,447	28,734	1,148,002	1,114,961
Total	1,874,761	1,806,983	86,889	437,357	114,937	4,320,927	3,259,282

7. Analysis of support costs and governance costs

	Raising Funds £	Military £	Young People £	Conservation £	Total £	Basis of allocation
Premises	103,293	17,671	123,989	17,671	262,624	Headcount
General Management	98,904	24,697	49,707	24,697	198,005	Headcount / Salary
Finance	50,137	12,534	25,068	12,534	100,273	Salary
IT	30,767	9,395	38,676	9,395	88,233	Headcount/FTE
HR	33,925	9,816	39,664	9,816	93,221	Headcount/salary costs
Office Supplies	7,797	1,334	9,359	1,334	19,824	Headcount
Governance	24,433	28,734	57,469	28,734	139,370	Various
Total	349,256	104,181	343,932	104,181	901,550	

Raising Funds totals £1,095,455 which consists of £746,199 of direct fundraising costs and £349,256 of support and governance costs.

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

8. Analysis of Grants

	Military £	Young People £	Conservation £	Total £
The Endeavour Fund				
Alabare Christian Care & Support	10,000			10,000
Armed Forces Para-Snowsport (prev. Combined Services Disabled Ski Team)	10,000			10,000
Climb 2 Recovery	29,000			29,000
Depththerapy	14,000			14,000
Endeavour Fund Mongolia, in relation to Mongolia Dog Sledding 2017	43,000			43,000
Flying for Freedom	42,500			42,500
Help for Heroes, in relation to Invictus Games 2016	50,000			50,000
Help for Heroes, in relation to Op Surf UK	9,659			9,659
Mission Motorsport	7,500			7,500
Supporting Wounded Veterans (previously Skiing with Heroes)	31,000			31,000
Team Endeavour Racing - 2016 Powerboat season	21,700			21,700
Team Endeavour Running Club	14,000			14,000
The Sir Oswald Stoll Foundation	1,400			1,400
Turn to Starboard	30,595			30,595
Veterans Employment				
Business in the Community	35,000			35,000
Norfolk & Norwich University Hospital	28,950			28,950
Nottingham Youth Violence Prevention Initiative				
Epic Partners		217,400		217,400
Coach Core				
Culture and Sport Glasgow		53,500		53,500
Essex County Council		65,000		65,000
Fulham Football Club Foundation		91,000		91,000
Nottingham City of Football		118,000		118,000
Welsh Rugby Union		101,906		101,906
Supporting Families of Children with Life Limiting Conditions				
East Anglia's Children's Hospices		30,000		30,000
Together for Short Lives		107,096		107,096
Whittington Hospital NHS Trust		2,500		2,500
Prevention of Addiction				
Place2Be		130,000		130,000
Mental Health				
Best Beginnings		70,610		70,610
Conservation				
Fauna & Flora International			29,445	29,445
South African Wildlife College			175,000	175,000
Wildlife Conservation Society, in relation to i2			50,000	50,000
Wildlife Conservation Society, in relation to strengthening anti-poaching ops.			50,000	50,000
Zoological Society of London, in relation to E is for elephant			60,000	60,000
Zoological Society of London, in relation to on site protection			50,000	50,000
Zoological Society of London, in relation to young people engagement			95,000	95,000
Charitable Grants 2016	378,304	987,012	509,445	1,874,761
Charitable Grants 2015	211,250	1,121,749	425,885	1,758,884

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Some of the projects on the previous page are co-funded with other organisations, where The Royal Foundation contributes 50% of the total project costs and the other charities matches The Royal Foundation's contribution. In the view of the Trustees, this gives added return, "a multiplier effect", from the Royal Foundation's grants.

9. Total expenditure

The following have been charged within total expenditure:

	2016	2015
	£	£
Auditor remuneration:		
Fees payable for the audit of The Royal Foundation & subsidiary annual accounts	24,000	21,700
Fees payable for tax advisory services	1,938	1,675
Depreciation of tangible fixed assets	34,536	31,239
Operating lease payments	188,304	199,436
Exchange (gain)	(55,161)	(11,916)
Defined contribution pension costs	128,850	98,084
	<u> </u>	<u> </u>

10. Analysis of staff costs and the cost of key management personnel

	2016	2015
	£	£
Total staff costs comprised:		
Gross wages and salaries	1,247,386	725,032
Social security costs	127,167	82,412
Pension costs: defined contribution	128,850	98,084
Other benefits (including medical insurance)	10,729	8,584
	<u> </u>	<u> </u>
	<u>1,514,132</u>	<u>914,112</u>

All employees are employed by the charity. The average number of employees in the year was 25 (2015: 14), 5 of whom were employed for the Heads Together Mental Health campaign. The average number of staff in the year was 20 full time (2015: 10) and 6 part time (2015: 4), with the part time staff representing an average of 4 FTE's (2015: 2).

The key management personnel of the charity comprise the Trustees, the Chief Executive and the Directors of Finance & Operations, Programmes and Fundraising (including maternity cover). The total employee benefits of the key management personnel were £445,170 (2015: £373,641), including pension costs of £54,980 (2015: £46,235).

The number of employees who earned over £60,000, including taxable benefits but excluding pension costs, was:

	2016	2015
£60,000 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

The charity operates a defined contribution scheme for its employees which require contributions to be made to separately administrated funds. Those employees earning over £60,000 also received contributions into the defined contribution pension scheme, with a contribution by the charity of £44,147 (2015: £40,901). The pension costs for the year totalled £128,850 (2015: £98,084). As at 31 December 2016 £nil was outstanding (2015: £nil).

11. Trustee remuneration, expenses and related party transactions

Remuneration

No Trustee or persons connected with them received any remuneration or received any other benefits from an employment with the charity or a related entity (2015: £nil).

Expenses

During the year two Trustees incurred expenses in the UK totalling £335 (2015: £66) for subsistence and other expenses.

Related Party transactions - Trustees

During the year, The Royal Foundation received aggregate donations from Trustees of £310,000 (2015: £20,000), in addition to gifts in kind of £3,000 (2015: £nil).

Charles Mindenhall, is a Trustee of The Royal Foundation and also a Director of Avado, which donated Gifts in Kind to The Royal Foundation during the year, with a value of £50,000 (2015: £31,875).

Jamie Lowther-Pinkerton, LVO, MBE, DL is a Trustee of both The Royal Foundation and The Varkey Foundation, which donated £350,000 to The Royal Foundation during the year (2015: £350,000).

Edward Harley, DL, is a Trustee of both The Royal Foundation and The Cazenove Charitable Trust, which donated £4,000 to the Royal Foundation during the year (2015:£nil).

Sir Keith Mills, GBE, DL and Guy Monson, are Trustees of The Royal Foundation, and also Directors of the Invictus Games Foundation. In 2016, the Royal Foundation received £18,532 (2015: £18,917) from the Invictus Games Foundation in relation to rent and associated charges. In 2016 £nil (2015: £5,124) was outstanding at the end of the year.

Edward Harley, DL, is a Trustee of The Royal Foundation and Chair of the Finance Committee, and is also a Senior Advisor of Cazenove Capital Management, the wealth management and charity investment business of Schroders plc. Guy Monson chairs meetings held with Cazenove Capital Management when reviewing The Royal Foundation's investment portfolio managed by Cazenove Capital Management.

Related Party transactions - Subsidiaries

PWPH Trading Limited

The charity has a wholly owned trading subsidiary, PWPH Trading Limited (registered number 7506603), which was incorporated in Great Britain and registered in England and Wales on 26 January 2011.

PWPH Trading Limited raises funds on behalf of the charity and passes up its profits to The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry. At the year end, PWPH Trading Limited owed £17,332 (2015: £9,462) to The Royal Foundation, comprised of management charges and a gift aid donation of £16,932 (2015: £624).

The Royal Foundation lent PWPH Trading Limited £15,000 in three tranches of £5,000 on 21 August 2012, 22 August 2012 and 21 March 2013. Interest on the loan is repayable annually in arrears at the rate of 7% per annum from the date of drawdown to the date of repayment of the loan. The loan is secured by a fixed

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

and floating charge over the subsidiary's present and future assets. During the year, PWPH Trading Limited repaid the outstanding balance of £10,000 (2015: £5,000) of its loan from The Royal Foundation, leaving a balance on the loan of £nil as at 31 December 2016.

The Diana, Princess of Wales Memorial Fund

With effect from 1 April 2013, The Royal Foundation took over legal control of The Diana, Princess of Wales Memorial Fund in order to safeguard both the Fund's name and any further income donated to the Fund in the future. The Royal Foundation will not continue the Fund's grant-making or charitable activities.

A Declaration of Trust was signed by The Diana, Princess of Wales Memorial Fund Trust Company as sole corporate trustee of The Diana, Princess of Wales Memorial Fund applying the current and future assets (excluding a £10 reserved sum) to The Royal Foundation. The Declaration of Trust came into effect from midnight on the 31st December 2013. The financial statements of The Diana, Princess of Wales Memorial Fund Trust Company have not been consolidated on grounds of immateriality. For further details of transactions, please refer to Note 2.

12. Tangible fixed assets – Group and Charity

	Equipment £	Fixtures & Fittings £	Leasehold Improvements £	Total £
Cost:				
Balance brought forward 1 January 2016	36,455	12,800	86,462	135,717
Additions	21,554	3,133	-	24,687
	58,009	15,933	86,462	160,404
Depreciation:				
Balance brought forward 1 January 2016	26,294	3,552	20,892	50,738
Charge for the period	11,676	4,561	18,299	34,536
	37,970	8,113	39,191	85,274
Net book value:				
Brought forward 1 January 2016	10,161	9,248	65,570	84,979
Carried forward 31 December 2016	20,039	7,820	47,271	75,130

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

13. Investments

The Royal Foundation has funds invested with Cazenove Capital Management in order to generate a return for the charity and ensure its long term financial viability. The funds are recorded at open market value as at 31 December 2016. All funds invested with Cazenove Capital Management are unrestricted funds.

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Fund investments:				
Market value at 1 January	1,693,794	1,507,693	1,693,794	1,507,693
Additions at cost	515,459	794,106	515,459	794,106
Proceeds on disposal	(464,705)	(536,678)	(464,705)	(536,678)
Net gain /(losses) on revaluation	191,427	(71,326)	191,427	(71,326)
Cash at 31 December	239,061	244,527	239,061	244,527
	<u>2,175,036</u>	<u>1,938,321</u>	<u>2,175,036</u>	<u>1,938,321</u>
Market Value at 31 December	2,175,036	1,938,321	2,175,036	1,938,321
Investment in Subsidiary	-	-	1	1
Total	2,175,036	1,938,321	2,175,037	1,938,322

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Fund investments:				
Equities	1,316,088	1,246,407	1,316,088	1,246,407
Bonds	231,691	224,895	231,691	224,895
Multi Asset funds	172,437	141,472	172,437	141,472
Alternatives	215,759	85,412	215,759	85,412
Cash	239,061	240,135	239,061	240,135
	<u>2,175,036</u>	<u>1,938,321</u>	<u>2,175,036</u>	<u>1,938,321</u>

The following investment is considered significant and contributes more than 5% of the total investment value:

Fund investments	% Contribution to Total Investment
BlackRock ICS Institutional	8.5%
Ruffer Charity Assets Trust	7.9%

The charity also holds 1 ordinary share of £1 in PWPB Trading Limited, which is registered in England and Wales. The company carries out trading activities to raise funds for the charity (note 3).

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

14. Debtors

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Trade debtors	-	5,124	-	5,124
Amounts owed by subsidiary	-	-	17,332	9,462
Prepayments and accrued income	107,898	65,685	107,898	65,685
Other debtors	2,187	3,792	2,187	3,792
	<u>110,085</u>	<u>74,602</u>	<u>127,417</u>	<u>84,064</u>

15. Creditors: amounts falling due within one year

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Trade creditors	209,782	46,856	209,782	46,857
Charitable grants	42,330	165,385	42,330	165,385
Taxation and social security	50,606	26,432	46,606	26,432
Accruals and deferred income	199,003	135,083	197,108	133,408
Other creditors	5,680	-	5,680	-
	<u>507,401</u>	<u>373,755</u>	<u>501,506</u>	<u>372,081</u>

16. Analysis of movements in unrestricted funds

Group	Balance at	Income	Expenditure	Transfer	Gains	Balance at
	1 January					31 December
	2016	£	£	between funds	& losses	2016
	£	£	£	£	£	£
Unrestricted funds:						
General funds	<u>3,011,552</u>	<u>2,044,090</u>	<u>(1,763,791)</u>	<u>(430,945)</u>	<u>191,427</u>	<u>3,052,333</u>
Charity						
	Balance at	Income	Expenditure	Transfer	Gains	Balance at
	1 January					31 December
	2016	£	£	between funds	& losses	2016
	£	£	£	£	£	£
Unrestricted funds:						
General funds	<u>3,010,927</u>	<u>2,025,190</u>	<u>(1,761,823)</u>	<u>(430,945)</u>	<u>191,427</u>	<u>3,034,776</u>

Unrestricted funds can be used in accordance with the charitable objects at the discretion of the Trustees.

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

17. Analysis of movements in restricted funds

	Balance at 1 January 2016 £	Income £	Expenditure £	Transfer between funds £	Balance at 31 December 2016 £
Restricted funds:					
Military	(17,354)	65,067	(81,326)	158,047	124,434
The Endeavour Fund	683,699	911,147	(443,856)	(125,000)	1,025,990
Young People	169,805	809,577	(590,392)	(53,500)	335,490
Mental Health	60,470	5,342,170	(915,725)	-	4,486,915
Coach Core	145	628,858	(547,278)	53,500	135,225
Conservation	770,604	215,555	(958,162)	397,898	425,895
Digital Technology	78,933	45,113	(115,852)	-	8,194
	<u>1,746,302</u>	<u>8,017,487</u>	<u>(3,652,591)</u>	<u>430,945</u>	<u>6,542,143</u>

The table above summarises the main restricted funds. All restricted funds are held as cash until paid.

Military funds cover projects to support military personnel currently serving in the Armed Forces, or those who have previously served, and their families. During the year, a transfer from unrestricted funds of £32,574 was made to cover a shortfall in one of the military programmes, and a transfer of £125,000 from the Endeavour fund was made to establish a military mental health fund, with the objective to improve the mental health of military veterans. Included in the Military funds are funds received in relation to veterans employment.

The funds received in relation to the Endeavour Fund were from donors to support injured, wounded and sick Servicemen and women with their recovery through the provision of sporting and adventure challenges.

The Young People fund supports disadvantaged children and young people, and funds are used for the purpose of providing support and activities which help develop skills, confidence and aspirations. The Young People fund includes a fund to support families of children with life limiting conditions, a fund in relation to the prevention of addiction, and a fund for the prevention of youth violence in St Ann's, Nottingham. During the year, there was a transfer of £53,500 from the Young People restricted fund to meet the costs of a Coach Core pilot programme in Glasgow.

The funds received in relation to Mental Health relate to The Royal Foundation's work focusing on children and young people's mental health and well-being.

The funds received in relation to Coach Core programmes were used to train the next generation of inspirational sports coaches for young people throughout the UK. Within the Coach Core restricted fund there are two pilot programmes which have negative balances at the year end, due to timing differences: London (£11,000) and Essex (£65,000). Donations to these pilot programmes are expected to be forthcoming in 2017, following information received from donors prior to the year-end.

The Conservation funds help to convene sector leaders and strengthen collaborative working in the field of conservation. Included in the Conservation fund is a fund for an International Taskforce. During the year, a transfer from unrestricted funds of £397,898 was made to cover a shortfall in one of the conservation programmes.

The funds received in relation to Digital Technology were from donors to support the development of a specialist digital team.

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

18. Expendable Endowment fund

	Group 2016 £	2015 £	Charity 2016 £	2015 £
Balance brought forward 1 January	250,000	250,000	250,000	250,000
Balance carried forward 31 December	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

An endowment of £250,000 was received in 2012 from The Diana, Princess of Wales Memorial Fund as a contingency sum to provide against any unforeseen liabilities. It is to be held for six years, until 2018, at which time it can be used as unrestricted funds by The Royal Foundation.

19. Analysis of group net assets between funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	Balance at 31 December 2016 £
Fixed assets	75,130	-	-	75,130
Investments	2,175,036	-	-	2,175,036
Cash	994,895	6,746,731	250,000	7,991,626
Other net current assets/(liabilities)	(192,728)	(204,588)	-	(397,316)
Net assets	<u>3,052,333</u>	<u>6,542,143</u>	<u>250,000</u>	<u>9,844,476</u>

20. Operating leases – Group and Charity

The minimum lease payments due over the lease terms are:

	Property 2016 £	Other 2016 £	Total 2016 £	Property 2015 £	Other 2015 £	Total 2015 £
Within one year	191,712	4,263	195,975	191,712	2,554	194,266
In the second to fifth years inclusive	766,848	3,626	770,474	766,848	1,762	768,610
In the fifth to tenth years inclusive	505,800	-	505,800	697,512	-	697,512
	<u>1,464,360</u>	<u>7,889</u>	<u>1,472,249</u>	<u>1,656,072</u>	<u>4,316</u>	<u>1,660,388</u>

The Royal Foundation leased an office under an operating lease in 2014. The lease runs for 10 years, with a break at 5 years, at which time the lease payments are renegotiated to reflect market rentals. Part of the first floor of the office was sublet by The Royal Foundation to the Invictus Games Foundation in January 2015.

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Notes to the consolidated financial statements (continued) Year ended 31 December 2016

21. Reconciliation of net income/expenditure to net cash flow from operating activities

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Net movement in funds	4,836,622	199,146	4,836,622	186,417
Adjustments for:				
Depreciation charge	34,536	31,239	34,536	31,239
(Gains)/Losses on investments	(191,427)	71,326	(191,427)	71,326
Dividends and interest included in investing activities	(77,166)	(63,235)	(77,166)	(63,235)
Decrease/(increase) in debtors	(35,483)	210,762	(43,353)	214,465
Increase/(decrease) in creditors	133,646	75,283	129,425	75,608
Net cash used in operating activities	4,700,728	524,521	4,688,637	515,820

22. Reconciliation of net cash flow to movement in net funds

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Increase/(decrease) in cash	4,702,453	319,011	4,690,362	310,311
Net funds at 1 January	3,528,234	3,209,223	3,517,096	3,206,785
Net funds at 31 December	8,230,687	3,528,234	8,207,458	3,517,096

23. Analysis of cash and cash equivalents

	At 1 January 2016 £	Group Cash flows £	At 31 December 2016 £
Cash at bank and in hand	3,283,707	4,707,919	7,991,626
Cash held in investment portfolio	244,527	(5,466)	239,061
Total cash and cash equivalents	3,528,234	4,702,453	8,230,687
	At 1 January 2016 £	Charity Cash flows £	At 31 December 2016 £
Cash at bank and in hand	3,272,569	4,695,828	7,968,397
Cash held in investment portfolio	244,527	(5,466)	239,061
Total cash and cash equivalents	3,517,096	4,690,362	8,207,458