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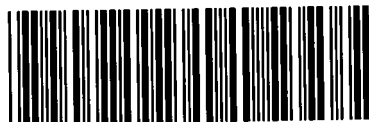
**The Royal Foundation of The Duke and Duchess of Cambridge
and The Duke and Duchess of Sussex**

(formerly The Royal Foundation of The Duke and Duchess of Cambridge & Prince Harry)

Report and Consolidated Financial Statements

31 December 2017

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Report and financial statements 2017

Contents	Page
Patrons, Officers and Professional Advisors	1
Chairman's Statement	2
Trustees' report - incorporating the Directors' report for Companies Act purposes	4
Independent Auditor's report	26
Consolidated statement of financial activities	29
Charity statement of financial activities	30
Consolidated and charity balance sheet	31
Consolidated and charity cash flow statement	32
Notes to the consolidated financial statements	33

Patrons, officers and professional advisors

Patrons

TRH The Duke and Duchess of Cambridge
TRH The Duke and Duchess of Sussex

Trustees

Sir Keith Mills, GBE, DL – Chairman
Tessa Green, CBE
Edward Harley, OBE, DL
Miguel Head, LVO (appointed 9 May 2017)
Jamie Lowther-Pinkerton, LVO, MBE, DL
Sir David Manning, GCMG, KCVO (resigned 30 March 2017)
Charles Mindenhall
Guy Monson
Simon Patterson
Lady Pinsent
The Rt. Hon. the Baroness Shackleton of Belgravia, LVO (resigned 30 March 2017)

Key Management Personnel

Chief Executive Officer	Lorraine Heggessey (appointed 1 April 2017)
Chief Executive Officer	Nicholas Booth, MVO (resigned 28 April 2017)
Director of Development	Sian Bartram/Elaine Dodds (maternity cover)
Director of Finance and Operations	Natalie Leon
Director of Insight & Innovation	Natalie Campbell (joined 19 February 2018)
Director of Programmes and Partnerships	Rob Abercrombie (joined 8 May 2018)

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 7EU

Chairman's Statement

The Royal Foundation has been developing its unique philanthropic model since it was formed in 2009. This model has enabled The Royal Foundation to develop programmes, in partnership with others, and to address a broad range of challenges that are facing society today, both at home and abroad.

With the proactive support of Their Royal Highnesses, we have been able to use their convening power and their ability to shine a light on difficult issues to effect positive change in so many areas.

As you will see in this report the range and scale of the programmes that The Royal Foundation is undertaking continues to grow.

Most significantly, The Royal Foundation welcomes a fourth Principal. I am delighted that The Duchess of Sussex has joined The Duke of Sussex, and The Duke and Duchess of Cambridge to lead our organisation into the future. Her Royal Highness's ambition for what can be achieved through The Royal Foundation is exciting, and we look forward to working together pursuing her areas of interest.

2017 was a true coming-of-age moment for The Royal Foundation. We undertook our biggest and most ambitious campaigns to date, grew each one of our core programmes, and have undergone significant growth within our own organisation. As a result of this increased activity the public profile of the Royal Foundation has also grown.

The Heads Together campaign was the largest initiative undertaken by The Royal Foundation since its inception. The campaign brilliantly demonstrated the unique Royal Foundation model and underlined the powerful influence of our Principals. The first phase of the campaign set out to break down the stigma surrounding mental health and to get the country talking. This Royal Foundation campaign has made a huge impact, it has started to change the mind set of the nation and encourage more people than ever before to talk about mental health and better understand the issues around mental wellness.

Throughout the pages of this report you will see the significant impact which our programmes have had in 2017. From the Heads Together campaign that was selected as the charity of the year for the London Marathon and captured so much media attention with the various interviews given by our Principals, to the impact we have seen across all of our programmes.

United for Wildlife rolled out new ways of tackling the illegal wildlife trade, aiding seizures of illegal products, training thousands of people worldwide, and helping to close the most perilous illegal trading routes.

The Endeavour Fund supported 25 different endeavours, reaching 827 wounded, injured or sick Service personnel. In 2017 we also hosted our inaugural Endeavour Fund awards to recognise those individuals who have shown exemplary achievements.

Step into Health, our programme helping ex service personnel reintegrate into civilian life and work in the NHS, reached a major milestone. After starting in one NHS trust in 2015/16, it has now grown to more than 40 across the country, and has been formally adopted by 'NHS Employers'. In 2018 we will look at the potential to expand into other employment sectors.

Coach Core continued to grow, supporting 25,000 coaching sessions for young apprentices. Full Effect, our pioneering model of how to support youth-led organisations in communities has continued to inspire and build a new cohort of young people in Nottingham. Chantelle Stefanovic, now one of the mentors, was asked to travel to Chicago to talk about her experience at the founding forum for the new Obama Foundation.

Our Cyberbullying Taskforce, which began in 2016, announced its first conclusions, launching the Stop, Speak, Support campaign, and uniting some of the UK's biggest and most influential media, social media, internet and gaming companies in an endeavour to combat cyberbullying.

Looking ahead to 2018, our programmes continue to be ambitious. Following the Heads Together campaign, each of our Patrons are pursuing individual programmes for people to get the right mental health help, at the right time, and in the right place. This will involve school projects, initiatives at work and a unique partnership with the Ministry of Defence to support the Armed Forces. We also expect to see new projects on tackling knife crime, further work on conservation, supporting seriously injured veterans, and the expansion of Coach Core.

Chairman's Statement (continued)

In the last 12 months we have further strengthened and grown our team to meet this growing programme demand, with the appointment of a new Chief Executive, Lorraine Heggessey, and two new Directors. Two of our original Trustees, Baroness Shackleton and Sir David Manning, stood down after serving 7 ½ years, and Nick Booth stepped down as CEO. All of us at The Royal Foundation are hugely grateful to all three for their incredible support.

Finally, we look forward to 2018 and beyond with great optimism as we continue to grow our current range of programmes and look at tackling new areas where we think the unique The Royal Foundation model can make a real impact. None of this would be possible, of course, without the amazing support of all of our charity partners, corporate partners, donors and supporting foundations. On behalf of our Trustees and The Royal Foundation team, I would like to thank all of you, and we look forward to working with you over the coming years.

A handwritten signature in black ink, appearing to read 'Keith Mills', with a long horizontal line extending from the end of the signature.

Sir Keith Mills, GBE, DL
Chairman

27th June 2018

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

2017 Key Facts

Financial

- The total income for the year to 31 December 2017 was £9.0m. Due to an unusually large donation in 2016 to support the establishment of our mental health programmes, income of £9.0m represents a 11% fall; however, it is a significant increase when compared with 2015
- Of the £9.7m spent in 2017, £8.3m was spent directly on charitable activities, representing 85% of total expenditure. This increase on charitable activity represents a 92% increase on 2016, reflecting the development of the mental health programme
- Grant funding represents the large category of charitable spend, with £4.3m (52% of charitable activities) being granted in 2017, up from £1.9m in 2016
- At the end of 2017 the total funds of the charity stood at £9.3m, of which our free reserves represent £3.4m. This reflects approximately 13 months operating costs

Operational

- 745 London Marathon participants ran for Heads Together
- 19m viewers watched The Duke of Cambridge in conversation with Lady Gaga about mental health
- 1.5m more people were talking about mental health at the end of the Heads Together campaign
- 42% increase in referrals to parent and child groups at the Anna Freud Centre for Children and Families
- 2.4m people watched BBC's Mind Over Marathon documentary
- The Royal Foundation awarded a grant of £2 million to establish a start-up to develop digital tools to help people have conversations about mental health
- In 2017, Coach Core apprentices led or assisted over 25,000 coaching sessions with over 320,000 coaching interactions taking place, and the ambitious 98.8% success rate has been maintained
- In 2017, the Endeavour Fund granted over £400,000 across 25 endeavours, during the year supported 827 Wounded, Injured and Sick Service Personnel (WIS)
- Step into Health was first piloted in a single hospital in 2014 and by 2017, we saw the scheme build and will now transition from this pilot programme phase to national implementation in 2018, starting with 43 NHS locations, to support hundreds of veterans
- The United for Wildlife online learning platform saw the launch of three short insight courses, bringing the total to eight courses, covering topics from illegal wildlife trade to marine conservation. The platform has over 11,400 registered users and has been accessed over 500,000 times
- We celebrated World Elephant Day with the second Angry Birds Friends Tournament, which saw over 145 million levels played and over 1.75 million daily active users
- The Transportation Taskforce helped make 5 seizures of illegal wildlife products and prompted 23 law enforcement investigations, supported by the Taskforce's information-sharing system

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 The Duke and Duchess of Sussex (The Royal Foundation) present their annual report for the year ended 31 December 2017 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)).

Overview of our work

The Royal Foundation's core principle, running through how we work, what we believe and what we strive to achieve, is that we can make a difference together. When people come together they can achieve great things. The Royal Foundation unites people to tackle some of today's biggest challenges. We use our passion and unique influence to change mindsets to make a lasting difference on the issues that matter to us and to society.

We focus on projects that meet a few simple criteria – they reflect the interests and passions of our Patrons and matter to society; they bring about sustainable change; they are innovative; and they work in a way that only The Royal Foundation can make happen. We are also careful not to duplicate or compete with activities already under way.

If a new potential project meets our criteria we research and explore the most effective solutions, scaling when appropriate and ultimately handing the reins over to one of our partners or developing it in a way that makes it self-sustainable. The Invictus Games is one such programme, developed by The Royal Foundation, now successfully growing and run independently.

We support these projects by using our Patrons' convening power to provide a neutral platform where charities and other organisations can work together. In 2017, we saw the immense power of collaboration between mental health charities. It started with eight partners and grew beyond anything we could have imagined, and is already having a significant impact on mental health in the UK.

We have recently developed and implemented a new system that clearly delineates the various stages our programmes go through as we explore the best way to tackle an issue.

Our programmes currently revolve around four main themes of work: mental health, wildlife and conservation, young people and the armed forces community. Further details on each of our programmes follows.

Key achievements in 2017

Young People

Full Effect

Many of our programmes have young people at the heart, designed to inspire, support and empower future generations. Full Effect, our regional project to divert young people away from crime and gang violence will be five years old in 2018.

Improving the lives and prospects of young people from disadvantaged backgrounds is the focus for Full Effect. It is an initiative close to The Duke of Sussex's heart, as he first thought of the idea after privately visiting the St Ann's area of Nottingham in 2013. In the past four years the project has thrived and is now established as one of the area's main sources of hope, opportunity and empowerment for local young people.

We brought together two local organisations – the Community Recording Studio (CRS) and Epic Partners – to form a new partnership to deliver programmes and activities created to reduce crime and youth violence in the area. The activities on offer range from sports sessions to drama workshops, filmmaking, music and dance.

There's a strong mentoring team and great support from Huntingdon Academy, St Ann's Well Academy and Nottingham Academy. And it is working. Support for children at primary and secondary school has reduced school exclusions to almost zero, educational attainment has improved markedly for some, and all the children have seen improvements in their confidence, communication and social skills. One thousand children have participated in sports and music sessions during school holidays and after school sessions.

Film and live performances have showcased the talents of St Ann's young musicians, dancers and artists. The Full Effect approach is creating a new cohort of young mentors and role models who are supporting and guiding the next generation of local children.

Coach Core

"Coach Core offers a real chance for young people to move into employment or training and in turn will inspire thousands of others to take part in sport – extending the positive reach of the programme." – The Duke of Sussex

Motivated by the success and impact of the 2012 Olympic Games in London, Their Royal Highnesses understood the power and impact sport can have on people – especially young people. With this in mind they sought to develop a new programme using sport to help improve life chances.

Coach Core is an apprenticeship programme that helps young people (16-24 years old), who are not in education, employment or training, to build a career in the sports industry.

Each site where Coach Core operates targets those most in need. While some areas may have pockets of affluence, they also have some of the highest levels of youth unemployment and social deprivation.

Since the programme launched in 2012, we have recruited 293 apprentices, enabled 98.9% of graduates to enter full-time education or secure employment, supported 94% who started the programme to complete their apprenticeship and engaged with over 80 employers across 40 different sports.

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

In 2017, Coach Core apprentices led or assisted over 25,000 coaching sessions with over 320,000 coaching interactions taking place.

Coach Core is currently active in ten locations across the UK and over the next two years we have expansion plans, to introduce programmes to 20 new sites. This will include new programmes across the whole of the UK – including further sites in Wales and Scotland.

By bringing together professional clubs, key sporting organisations and multiple businesses that provide employment places and create opportunities, Coach Core is producing well-rounded sports professionals and role models for children in their communities.

M-PACT Plus

M-PACT Plus brought together Action on Addiction and Place2Be to deliver support for children and their families affected by addiction. Our involvement with the programme ended in December 2017, but the partner charities will continue to embed the resources, training and learnings into their general practices.

DMSS Consultancy were the external evaluators for the programme and reported that there was strong qualitative evidence that the programme had delivered the following effects:

- Improves family relationships, particularly with regard to communication;
- Increases children's understanding that they are not to blame for addiction and that they are not the only ones affected by the issue;
- Increases children's ability to articulate their views and feelings; and
- Increases families' willingness and confidence to seek other support, as evidenced by what families told us and in the take-up of ongoing support from Place2Be.

Family Support Volunteering

In the UK, 49,000 children are living with a life-limiting or life-threatening condition. These children and their families not only face long-term emotional effects, they are often also impacted by physical, social and financial pressures.

Since 2014, The Royal Foundation and True Colours Trust have worked together to develop a programme to support families with children in need of palliative care. With input from the care sector and its associated stakeholders, an opportunity was created to engage local volunteers in supporting these families through our Family Support Volunteering (FSV) programme.

The programme completed in early 2018, and a range of activities is now embedding and spreading the learning from the programme across the sector.

Mental Health

Cyberbullying

"Through my work on mental health, I have spent time getting to know parents and children for whom the impact of online bullying has been devastating. And as a parent myself, I understand the sense of loss and anger of those particular families who have lost children after they were the targets of campaigns of harassment." - The Duke of Cambridge

In response to an increase in tragic consequences resulting from cyberbullying, The Duke of Cambridge brought together leading tech companies, NGO's and independent advisers in a Taskforce chaired by Brent Hoberman CBE, to tackle this critical issue. The Taskforce is also supported by a panel of young people aged 11-18.

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

The Taskforce's Action Plan was launched during Anti-Bullying Week in November 2017 and includes safety guidelines to ensure children and young people are kept safe on social media and gaming platforms, alongside a commitment to improve the awareness and understanding of the issue amongst children, parents and other influential adults. The Taskforce is also piloting the provision of emotional support at the point of reporting content within Facebook and Snapchat.

STOP SPEAK SUPPORT

The Taskforce's panel of young people said they had rules and guidelines for every part of their life, but not online. The Duke of Cambridge believes that technology is a force for good, but we need to help children and young people feel empowered to question online behaviour, speak out and support their friends.

Our Stop Speak Support campaign created an online code of conduct for 11-16 year olds who encounter cyberbullying. The code consists of three pillars, each of which is underpinned by three tangible actions that will help to guide young people's behaviour online.

We coordinated the delivery and development of the campaign, including the launch event at YouTube Space London. The next Taskforce meeting takes place in June 2018, where we will review progress and assess the current digital landscape following a series of industry and Government strategies due to be announced shortly.

Heads Together

"Too often, people feel afraid to admit that they are struggling. Heads Together wants to help people feel more comfortable with their mental wellbeing and support their friends and family."
The Duke of Cambridge, The Duchess of Cambridge and The Duke of Sussex

We launched Heads Together to change the national conversation on mental health and tackle the stigma that prevents people from getting help, alongside developing a series of new mental health initiatives.

Through our work, 2017 saw the first ever Mental Health Marathon and one of the largest public health and awareness campaigns in the UK for many years. The campaign has made a lasting impact on people's lives with clear evidence that more people are now comfortable talking about their mental health.

Heads Together convened eight inspiring charities with decades of experience across a wide range of mental health issues. Working with us has helped to maximise the reach and impact of the campaign.

To help assess the impact of Heads Together, we worked with YouGov and the Data Science Institute at Imperial College London to research how the country was talking about mental health and whether it was changing.

In May 2017, 1.5 million more people were talking about mental health, compared to three months earlier, with 800,000 more men saying they had a conversation with a health professional about their mental wellbeing.

Our charity partners experienced a similar impact. For example, there was a 42% increase in referrals to parent and child groups at the Anna Freud National Centre for Children and Families, and on marathon day the charity Mind had an increase of 58% in calls to its helpline.

As the 2017 London Marathon nominated charity of the year, Heads Together benefitted from the positive and nationwide platform of the Marathon, with 745 participants running for us, and thousands more donning the distinctively branded headband.

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

The campaign was also amplified across the UK and around the world by far reaching media moments. The film of The Duke of Cambridge in conversation with Lady Gaga about mental health had more than 19 million viewers online alone; the BBC's Mind Over Marathon documentary about runners for Heads Together was watched by 2.4 million people, while Bryony Gordon's podcast with The Duke of Sussex about his own struggles with mental health was universally praised.

"All of us have mental health. So, the more we all get behind this topic, the more we can help not just the individuals suffering, but also their entire families and work colleagues as well. Together we will break the stigma forever and save lives." The Duke of Sussex

Phase two of the Heads Together programme will combine our campaign to change the conversation on mental health with the development and delivery of new programmes to help people get the right help, at the right time, in the right place.

Mental Health Innovations

The Royal Foundation awarded a grant of £2 million to establish a new start-up for digital mental health innovation, which will develop new digital tools to help people have conversations about mental health.

During its Heads Together campaign, The Royal Foundation found that better tools are needed to help give people the confidence to start a conversation on mental health – whether in times of calm or times of crisis – and to be able to have this conversation wherever they are and whenever they need.

This new digital mental health start-up, Mental Health Innovations, is led by CEO Victoria Hornby and a Board made up of leading technology experts. The funding represents the largest single grant The Foundation has made since it commenced operations in 2009.

With the advice and support of its Heads Together partner charities, The Royal Foundation will also be investing in programmes to support better conversations on mental health in schools, workplaces, and within the defence community. Further announcements will be made in the year ahead.

Workplace Wellbeing

Mental ill health is estimated to cost UK businesses £35 billion annually and is the leading cause of sickness absence in the UK, with 127 million hours of work lost in 2015 due to mental health-related absence – the equivalent of around 75,000 individuals losing the entire working year. However, for all but the biggest corporates or businesses where the leadership is engaged with the mental wellbeing agenda, little is being done to address a clear need.

Publication of the government-mandated report "Thriving at Work" (Stevenson/Farmer, October 2017) highlighted the vital need for a range of employee wellbeing tools and strategies. Developed in conjunction with our charity partner, Mind, our Workplace Wellbeing Programme will deliver much of the recommended help and support.

The programme consists of two core elements:

1. An Employer Gateway – an online portal containing curated resources enabling employers to address workplace mental health constructively and proactively;
2. Online SME (small and medium-sized enterprises) Employee Training aimed to equip employees with information and training about workplace mental health, so that they can better support themselves and their colleagues.

Mind announced the programme at a workplace mental health symposium in March 2018, with programme tools launched to the public in September.

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

Support for Primary School Pupils

One in ten children will experience a mental health difficulty at least once before age 11, and many adults with lifetime mental health issues can trace their symptoms back to childhood. Many children can wait up to ten years before effective diagnosis or treatment. There is good evidence that educational settings provide multiple opportunities to support their mental health and wellbeing.

As part of Heads Together, The Duchess of Cambridge launched a new website for primary schools, called Mentally Healthy Schools, on 23rd January 2018. It is being delivered through three of our charity partners: Anna Freud, YoungMinds and Place2Be.

NAHT, the school leaders' association, has been engaged to develop the initiative with guidance from Centre for Mental Health. The website will provide school staff with curated materials and resources, as well as key guidance to promote children's mental health and support to implement a 'whole school' approach to mental wellbeing.

The site will be piloted and evaluated with 50 schools in England over 2018 to help us further develop content and functionality. Due to demand from teachers we are making the site available publicly during this pilot phase.

Support for maternal mental health

In 2016, the Centre for Mental Health published the report 'Missed Opportunities: A review of recent evidence into children and young people's mental health', which suggested that mental health problems affect one in ten children and young people. It goes on to say that: "A range of interventions can help to protect mental health from pregnancy to age five. Most need to be targeted towards families who have the highest risks or children who are showing early signs of distress."

The Duchess of Cambridge requested research into further interventions, alongside the programmes and platforms already in development, which could provide support for mothers-to-be and new mothers. As a result, towards the end of 2018 we will launch initiatives designed to reduce the stigma of maternal mental health difficulties and improve related knowledge and understanding.

We will collaborate with the Maternal Mental Health Alliance (MMHA) to support new initiatives and work with other organisations within the MMHA for this purpose.

As a major part of her future work, The Duchess of Cambridge has been working with The Foundation to develop an overarching programme on early intervention, pulling together three key themes of support for mothers, parents and teachers to give children a better start in life.

Partnership across the Armed Forces Community

In October 2017, The Foundation signed a Memorandum of Understanding with the Ministry of Defence, agreeing to work together in line with its Mental Health Defence Strategy Paper, working to change the conversation about mental health across HM Forces. The belief is that we can help our serving personnel to adopt a more positive and constructive understanding about promoting good mental fitness across the military.

For more than two years we have been supporting Contact – a federation of charities, public sector bodies and academia who have come together to facilitate better delivery of mental health service to the Armed Forces Community.

As an active member and provider of funding, we will help to place the good management of mental health at the heart of the training and support provided to the entire defence community.

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

Armed Forces Community

Endeavour Fund

The majority of people leave the Armed Forces in good health, enriched by their time in uniform. But those who have experienced serious physical or physiological injury or ill health during service are statistically more likely to find the transition into civilian life more difficult.

Both The Duke of Cambridge and The Duke of Sussex have had careers in the military and remain personally connected to the Armed Forces community.

The Endeavour Fund exists to support the ambitions of wounded, injured and sick Service personnel and veterans (WIS) to use sport and adventurous challenge as a way to recover and rehabilitate. The Fund has been in existence since 2012 but over the past two years has focused on connecting with those considered to be the hardest to reach members of the veterans' community.

Our aims are to provide greater opportunities for advancement through mentoring work experience or the attainment of qualifications and the soft skills and emotional growth linked to sports participation in a supportive team environment.

In 2017, the Endeavour Fund awarded over £400,000 across 25 endeavours and supported 827 WIS, and in the same year the first annual awards ceremony for the Endeavour Fund took place, celebrating the achievements of participants from across all the challenges. Since 2012, the Endeavour Fund has awarded grants of £2.49m across 58 separate endeavours.

Examples of the Endeavours funded in 2017

Tadcaster Triathlon

The annual triathlon took place in May, featuring a 400m swim, 14km cycle ride and a 7km run. In total, 13 wounded, sick and injured Service personnel took on the challenge.

Climb2Recovery

A week-long introduction to alpine climbing for a small group chosen from the 'hard to reach' veteran community, culminating in the ascent of Gran Paradiso.

Op Surf UK

Operation Surf is a joint initiative by Help for Heroes Sports Recovery and supported by the Endeavour Fund. In September 2017, we invited 20 WIS to develop their surfing skills, as well as ways to use the sport to regulate emotion and maintain positive mental health.

Mission Motorsport

We provided further support to this charity, enabling participation in a national rally series. All those involved then benefitted from a range of development activities including qualification courses, case management and work placements.

65 Degrees North

In January 2017, a team of Servicemen and women from the group 65 Degrees North summited Mount Vinson in Antarctica, the largest mountain on the continent.

Flying for Freedom

This Endeavour trains Servicemen and women to fly microlight aircraft. In 2017, those trying a microlight flight for the first time were almost entirely trained by wounded, injured or sick Service personnel who had taken the course previously.

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

RAID17

In September 2017, a team of 15 cyclists and handcyclists rode from coast-to coast along some of the toughest roads of the Pyrenees. The retired senior officer who ran the expedition took the time to meet and select some very hard-to-reach members of the veteran community, who all benefited greatly from his mentorship.

Team Endeavour Racing

We are again using powerboat racing to engage and support wounded and injured Service personnel. Fifteen team members competed in the 2017 P750 powerboat racing series on national and international circuits.

Turn To Starboard

A whole new set of faces joined the Turn to Starboard crew on this year's Round Britain Challenge, sailing a 92-foot schooner. The 'Pride of Falmouth' was skippered by Dan Fielding, a former Marine who has recently completed his training and has now fully qualified through the initiative.

The Endeavour Fund Awards

The Endeavour Fund Awards took place on February 1st 2018 at Goldsmiths' Hall, recognising the achievements of men and women across the full spectrum of endeavours that took place in 2017.

The Henry Worsley Award is given to the individual who has best inspired others, showing determination in the face of adversity, while supporting colleagues with their recovery.

This year's recipient, Sean Gane, carries a number of injuries from multiple tours and the long-term effects that result from being in close proximity to several large-scale explosions. These include damage to his hearing, multiple muscular-skeletal injuries, post-traumatic stress disorder (PTSD) and a cardiac abnormality.

He was selected to join the Fortitude Team on their dog sledding expedition to Sweden, braving temperatures of -35°C. Sean soon proved to be a vital asset by playing a key role in the administration and logistical organisation of the team of 13 veterans.

Once on the ground, Sean's multiple and complicated injuries became debilitating and he was forced to leave the team for several days. However, Sean re-joined the expedition and despite his own obvious discomfort and showing great fortitude, he crossed the finish line with the team.

"Through the Endeavour Fund, I've met so many warm, genuine and amazing people and found a real sense of camaraderie. Taking on an adventure challenge gives you that spark to realise that you can still do things, you're still the same person – you just have to find the right button to ignite it. It takes perseverance but you just go for it."

Sean Gane

The Award is named after the late Henry Worsley, who tragically lost his life in January 2016 while attempting to cross the Antarctic landmass, solo and unsupported. Henry, a career soldier and an experienced polar adventurer, undertook this incredible expedition in order to raise money for the Endeavour Fund. Sean was presented with the Henry Worsley Award by The Duke of Sussex, alongside Alicia and Max Worsley, whose late father inspired the award.

Two other prizes were awarded on the night:

- Ben Lee, Winner of the Recognising Achievement Award – awarded to the individual who has best utilised their endeavour to promote and catalyse their recovery.

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

- Daniel Claricoates, Winner of the Celebrating Excellence Award – awarded to the individual who has best endeavoured to achieve excellence in his chosen sport or adventurous challenge.

The Invictus Games – A Royal Foundation legacy

Launched with £250,000 of seed funding from the Endeavour Fund, the Invictus Games is now a successful independent organisation bringing together more than 550 competitors from 17 nations for eight days of fierce competition. It is growing stronger and reaching further than ever and although we no longer oversee its organisation, we are tremendously proud of our initial, founding involvement.

The Endeavour Fund continued to support the British team as they took part in their most successful games to date. The third Invictus Games took place in Toronto, Canada from 23rd to 30th September 2017. The competitors are a combination of both active duty and also veteran Service personnel, from participating allied nations, who became ill or injured during, or as a direct result of, their service. The Games also include a number of disciplines featuring able-bodied and disabled competitors of both genders competing side by side.

"The team environment is what I needed, just to be back amongst the guys again... and not letting my teammates down. These games have changed my life." Stix McGavin, Team Australia

All competitions took place in state-of-the-art sports venues throughout Toronto, and the first ever Invictus Games relay was introduced, which ignited the Invictus Games spirit across all 32 Canadian military bases and neighbouring communities.

In 2017 participating countries included Afghanistan, Australia, Canada, Denmark, Estonia, France, Georgia, Germany, Iraq, Italy, Jordan, Romania, The Netherlands, New Zealand, UK, USA and Ukraine. The next Games will take place in Sydney in October 2018.

Step into Health

"The men and women of our armed forces who stand up to fight for our country are truly remarkable, and I'm very proud that The Royal Foundation is able to support you on your future path. I would love to see Step into Health expand even further, heading into Scotland, Wales and Northern Ireland." The Duke of Cambridge, national launch of Step into Health, London, 18th January 2018

Open to all Service leavers and veterans and their spouse or partner, Step into Health recognises the inherent skills gained in the armed forces and supports their journey into the civilian workplace.

In the early schemes, 78% of veterans who completed a work placement went on to either secure employment within the NHS or one of its partners.

Step into Health was first piloted in a single hospital, and in 2015-16 expanded to five English NHS organisations, supporting up to 500 Service leavers. In 2017, we saw the scheme build and it will now transition from this pilot programme phase to national implementation in 2018, starting with 43 NHS locations, supporting hundreds of veterans.

Step into Health includes insight days to raise awareness of the huge range of opportunities within Europe's largest employer, work experience opportunities and valuable guidance for Service leavers.

Thanks to ongoing partnerships over the past four years, we have helped Step into Health grow from a small pilot project in one hospital in Norfolk to a national recruiting policy in over 40 NHS organisations across England.

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

Conservation

United For Wildlife

Our main conservation campaign, United for Wildlife, is led by The Duke of Cambridge and brings together seven of the world's global conservation organisations with a common purpose: to create a global movement for change.

Some of the world's most iconic species continue to be killed by criminals, some poached to extinction. In response to this threat, United for Wildlife agreed to focus initially on the threat posed by illegal wildlife trade and have pledged to work to help make a difference.

Engaging Young People

United for Wildlife is working to engage young people with the issues of conservation and empower young conservationists to be ambassadors in their home countries.

Working with AVADO, a specialist online learning platform provider, United for Wildlife partners have developed a series of Massive Open Online Courses for young people to learn about and engage with conservation.

The United for Wildlife online learning platform now hosts eight courses covering topics from illegal wildlife trade to marine conservation. During 2017 three short insight courses were launched including the addition of Spanish, Vietnamese, Mandarin and Hindi subtitles. The platform now has over 11,400 registered learners and has been accessed over 500,000 times since the launch of the first course in September 2015.

United for Wildlife continued to work with partners from the gaming world in 2017. We celebrated World Elephant Day with the second Angry Birds Friends Tournament, which saw over 145 million levels played and over 1.75 million daily active users. Our "We are the Rangers" Minecraft Map continues to be a great success with over 100,000 downloads and over 2.5 million YouTube views of user-created playthroughs.

World Elephant Day statistics:

- Facebook filter used 2,500 times
- 500% increase in activity in all 'Take action' pages by our target audience
- 4.5 million people reached through our Facebook posts
- 800,000 Twitter impressions and an increase in our engagement rate

Transportation Taskforce

Since its inception in December 2014, the United for Wildlife Transport Taskforce has been working to facilitate collaboration between the transport sector and law enforcement to prevent wildlife trafficking across the world. What started out with 12 members of the Taskforce grew to 40 members with the initial signing of the Buckingham Palace Declaration in March 2016, and now has more than 90 signatories.

In 2017 the Transport Taskforce convened for two successful high-level meetings chaired by Lord Hague. The Duke of Cambridge joined the second of these meetings at Lancaster House to hear of the successes of the Taskforce and to lead discussions on further action.

One of the highlights of the meetings was the success of the information sharing system, supported by The Royal Foundation and developed to facilitate increased distribution of information with the private sector. This system works in tandem with a secure network to pass information about suspected wildlife traffickers to customs and law enforcement authorities.

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

The London 2018 Illegal Wildlife Trade Conference in October will see the world's attention focused on London, bringing together international leadership and securing political commitments to end illegal wildlife trade. United for Wildlife will be highlighting its successful work with the private sector on these key issues at the Conference.

Transportation Taskforce statistics:

- 5 seizures of illegal wildlife products
- 23 law enforcement investigations supported by the Transport Taskforce information-sharing system
- More than 25k transport company employees received training based on the Transport Taskforce Alerts
- 180 national customs services receiving Transport Taskforce Alerts
- 80% of the global shipping industry receiving Transport Taskforce Bulletins

"I believe passionately that we have a duty to prevent critically endangered species from being wiped out. If we get together, everywhere, we can preserve these animals."
The Duke of Cambridge

On-site Protection

United for Wildlife is working to address all aspects of the illegal wildlife product supply chain, from source to market. As part of this we are dedicated to scoping out and trialling new technologies that can assist in the fight against poachers on the front line throughout Africa and Asia.

By supporting field sites, we are helping to develop testing locations where new and existing technology can be assessed for effectiveness, scalability and utility. In addition to on the ground testing we have also helped to build a web-based community platform. This brings experts from the technology world together with conservation practitioners to create a dynamic online community to combat illegal wildlife trade.

This community is helping to crowdsource ideas and solutions for some of the challenges faced by conservationists, while also providing a place for skill-sharing and networking. WILDLABS' collaborative approach has also helped to cut costs and raise effectiveness of technology-based approaches, making them more practical and accessible.

United for Wildlife partners are working to support WILDLABS and ensure the community has the support needed to address some of the most pressing and difficult challenges for conservation. WILDLABS.NET continued to grow during 2017 and now has over 2,000 community members, almost 20,000 users and has seen over 1,700 conversations start since the platform launched in November 2015. The community has helped develop a number of new technologies for use in conservation.

Regional Learning Hubs

As part of our ongoing commitment to conservation, we are also supporting regional training courses to help rangers get the training they need to respond to the threats from illegal wildlife trade and poaching.

As part of this work, we continue to support trainee rangers to develop their skills and knowledge at the Southern African Wildlife College in Hoedspruit, South Africa. Over 20 years, the college has trained close to 15,000 people from 26 African countries, mostly from the Southern Africa region. United for Wildlife has been supporting a number of projects at the college including Field Ranger training, community engagement work and Protected Area Management training.

The Royal Foundation's CEO looks forward

For The Royal Foundation, 2018 will be a significant year as we continue to grow and adapt and further cement our work in communities up and down the UK. In my short time as Chief Executive, I have seen how successfully The Royal Foundation has navigated its start-up phase, testing the model and proving that we can get results.

The Patrons have shown they are prepared to act, working together or singly, to make a difference in their own areas of interest – we are a unique vehicle for them to multiply their collective impact.

As an organisation, we will always continue to face challenges. We need to change to avoid some risks, but more importantly to seize some new opportunities. Our workload is expanding. The biggest single change we will embrace this year is the exciting addition of a fourth Principal and Patron, The Duchess of Sussex. The Duchess has been a wonderful advocate and campaigner her entire life, and we are delighted to welcome her to The Royal Foundation and to begin new projects to support communities throughout the UK.

All of our programmes have ambitions for 2018. Our Conservation team is looking at ways to replicate the success of the Transport Taskforce and see if there are other industries that can help stymie the trading of illegal wildlife products. They are also researching ways to better protect Rhino populations and are working with the UK Government in preparation for the UK's IWT conference taking place in October.

Coach Core will welcome a new cohort of apprentices, and push forward with exciting new developments as it incorporates the new apprenticeship standards.

On the back of the success of the public awareness campaign, Heads Together is now developing new strands of programme work, launching projects for schools, the workplace and the military.

Our military team are working on a wide range of new programmes to help and support the recovery, rehabilitation and reintegration of veterans; including well-established programmes, such as The Endeavour Fund and Step Into Health, through to new initiatives designed to reach the hardest to reach and inspire and support them.

As always, our work is driven by our Patrons. We can expect to develop new work streams in the coming months that are likely to bear fruit in the coming year. The Duchess of Cambridge is building an umbrella for her early years and parenting work. The Duke of Cambridge is looking into what he can do for First Responders¹ and wants to use the experience of the Transport Taskforce to engage other private sector companies. The Duke of Sussex wants to tackle knife crime beyond Full Effect in Nottingham and is exploring how he can encourage tourism companies to build sustainable models that do not negatively impact the environment or communities. The Duchess of Sussex joined us after their wedding and is already actively engaging with The Royal Foundation and has lots of ideas she would like to pursue, particularly around female empowerment.

At our best, we are a vehicle for innovative projects – our contribution is to research and explore the most effective solutions, to trial, build, refine, scale – and exit.

We have people who are passionate and committed, and we have Patrons who are passionate and committed. We work with four of the most influential people in the world. We already know that when we get everyone aligned, we can produce great things.

Lorraine Heggsey

CEO, The Royal Foundation

¹ First Responder is a person whose job entails being the first on the scene of an emergency, such as a firefighter or police officer.

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

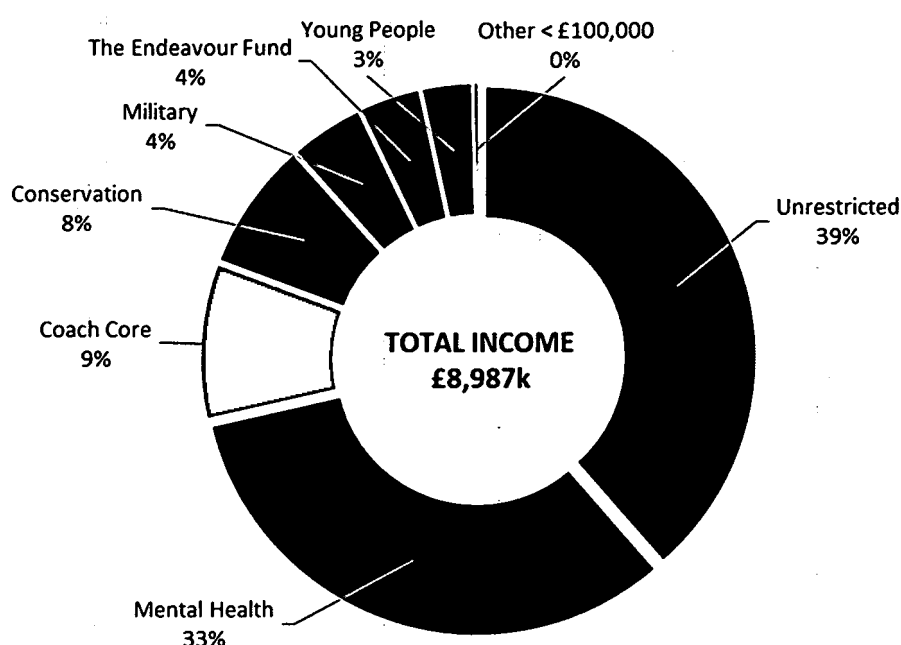
Financial Performance

Income

The total income for the year to 31 December 2017, was £9.0m, an 11% decrease on 2016 (£10.1m). In 2016, The Royal Foundation received a generous donation to support the establishment of its mental health programmes which made it an exceptional year.

Of the total income, 98% (£8.9m), related to donations and legacies, of which 61% was restricted.

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



Expenditure

In 2017, The Royal Foundation spent £9.7m expanding and developing its portfolio of grants, projects and partnerships in its four core areas of interest. This compares with £5.4m in 2016, an increase of 80% primarily due to the establishment of several new mental health programmes, the expansion of Coach Core to ten sites throughout the UK and the costs associated with the Heads Together campaign.

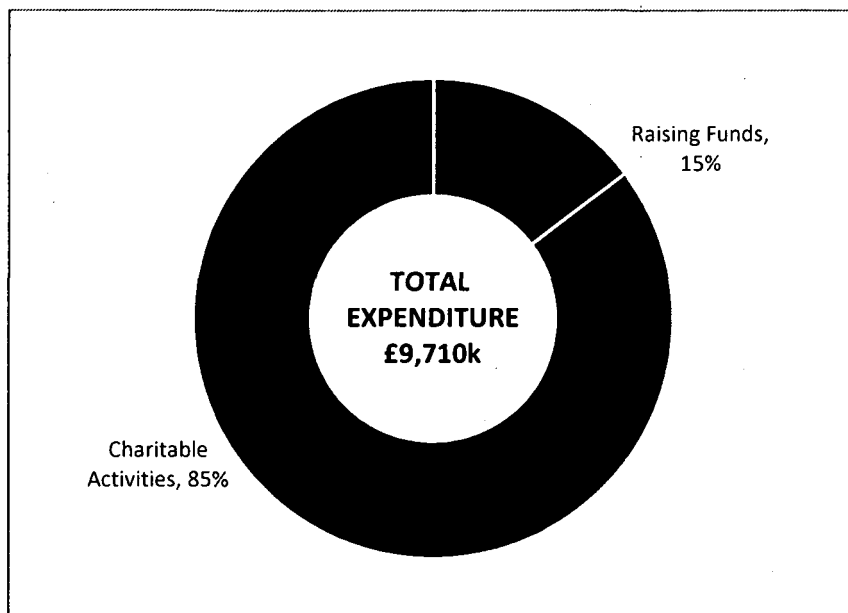
Of the £9.7m spent in 2017, £8.3m was spent directly on charitable activities, representing 85% of total expenditure. This includes all amounts spent on providing seed capital and grant funding and all activities designed to convene and raise awareness. For 2016, this was £4.3m, representing 80% of total expenditure.

The Royal Foundation's staff costs increased by 29%, largely reflecting the campaign nature of Heads Together which is predominately a labour cost. This differs to the grant-making aspects of other work of The Royal Foundation.

Whilst the average number of employees in the year was 33 full time equivalents (FTE), compared with 25 in the prior year, the number of staff at the end of 2017 of 26 FTE was lower than at the start of the year when there were 31 FTE. This reflects the number of staff who had joined The Royal Foundation on fixed term contracts to support the Heads Together campaign throughout the 2017 Marathon.

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

A breakdown of the expenditure is shown below:



Charitable activities, which includes grant funding, raising awareness and convening, represents 85% of total expenditure in 2017. Grant funding represents the largest category of charitable spend, with £4.3m (52% of charitable activities) being granted in 2017, up from £1.9m in 2016.

The Royal Foundation's charitable activities were spread across its four core areas, as shown on the following page. The Royal Foundation's support of its **mental health** programmes increased significantly in 2017 to £4.5m, of which £2.0m related to grant funding of its workplace, schools, digital, cyberbullying and other mental health programmes.

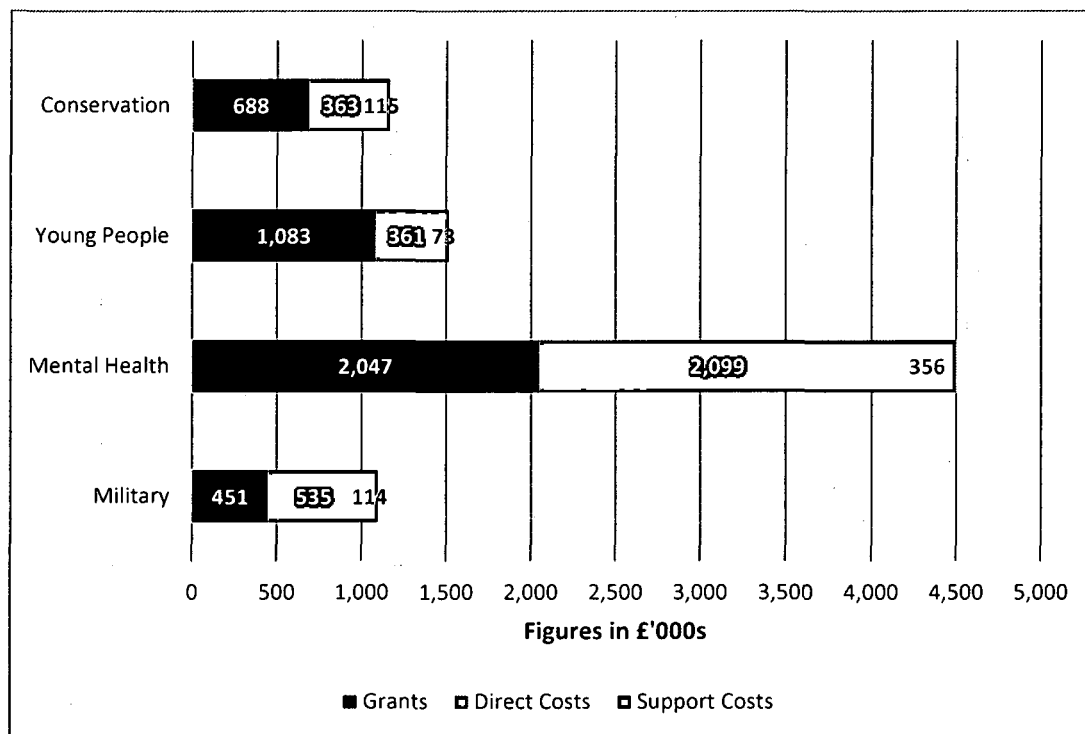
Its support of **young people's** programmes increased to £1.5m, of which £1.2m related to grant funding of Coach Core and Nottingham Youth Violence Prevention Initiative, as well as two programmes which The Royal Foundation exited in 2017 - Prevention of Addiction and Supporting Families of Children with Life Limiting Conditions.

The Royal Foundation's support for **conservation** and sustainable development remained at a similar level as 2016, at £1.2m, of which £688k related to grants. Work focussed on its five core commitments, amplified through 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 grew by 61% to £1.1m in 2017. The grants total of £451k funded 25 separate endeavours through its Endeavour Fund and continued its 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 four core areas, with the military and mental health programmes requiring an equal amount of funds to support convening and raising awareness as for their grant making. In mental health specifically, the awareness campaigns of Heads Together and cyberbullying's Stop Speak Support are predominately a people and communications cost. By contrast, the young people and conservation programmes had a greater need for capital reflecting the grant making aspects of these areas of The Royal Foundation's work.

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



The costs of raising funds rose to £1.4m from £1.1m in 2016, predominately due to costs associated with the Heads Together campaign. However, the cost of fundraising as a percentage of total expenditure fell from 20% to 15% during the year.

Funds of The Royal Foundation

The funds of the charity fall into three categories: Restricted funds (£5.3m) are donations received for defined projects that will be spent in future years; unrestricted funds (£3.7m) 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. The endowment will be held until the end of 2018 at which time it can be used as unrestricted funds.

Reserves Policy

The level of reserves is calculated monthly and is reviewed by the Trustees at each of their quarterly Trustee meetings. The Trustees target a level of free reserves of 12 months of 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.

The total funds of the charity currently stand at £9.3m (2016: £9.8m). The free reserves of the charity are £3.4m (2016: £2.5m). The adjustments to determine the free reserves of the charity are set out below:

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

	2017 £'000s	2016 £'000s
Total Funds of The Royal Foundation	9,250	9,844
Deduct		
Restricted Funds	5,258	6,542
Endowment Fund	250	250
Tangible Fixed Assets	62	75
Approved grants, not funded by Restricted Funds ²	269	518
	<hr/>	<hr/>
Free Reserves	3,411	2,460
	<hr/>	<hr/>

At the end of 2017 free reserves stood at 13 ½ months, slightly above the target. The Trustees are satisfied with this level and intend to increase the reserves to £4.4m during 2018, to support the growing organisation and to continue being 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, governed by the Church of England's Ethical Investment Policy, which is revisited regularly by the Finance Committee.

The portfolio produced a positive performance return of 7.7% (2016: 12.2%) during the year, after excluding investment management fees. This compared with a CPI + 3% return of 6.1%.

The investment portfolio stood at a value of £2.34m as at 31 December 2017 (2016: £2.18m), including cash held for investment purposes. The value and composition of investments are summarised in note 13 to the financial statements.

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.

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.

² 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.

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

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

The Trustees are committed to maintaining a strong risk management framework and ensure that The Royal Foundation makes every effort to manage risk appropriately by maximising potential opportunities whilst minimising the adverse effects of risks.

The Trustees, the Finance Committee and the senior management team believe that sound risk management is integral to both good management and good governance practice.

A strategic risk register, dashboard and risk matrix are reviewed regularly by the Senior Management Team, Finance Committee and Trustees, taking into consideration three measures: impact, likelihood and level of mitigation.

More detailed operational risk registers are maintained in aspects where this is considered appropriate, for example, for specific programmes or operational activities, taking account of the impact of potential risk and the cost benefit of the exercise.

Each quarter reports are made to the Finance Committee and Trustee board of continuing and emerging high-concern risks and those where priority action is needed to affect better control. This includes key strategic risks and major risks identified from the operational risk registers.

Each risk is assigned to a senior member of staff who is 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 are those which without effective mitigation would have a serious impact on the work of The Royal Foundation, its reputation and its ability to achieve its ambitions. The principal risks are summarised below:

- Lacking direction, strategy and forward planning: during the past year, the charity has been developing and implementing new systems to ensure that priorities, plans and objectives are clear and robust. This rigour in planning and decision making will continue as The Royal Foundation develops its next 3-5 year strategic plan over the coming year.
- Lower than anticipated levels of income: this risk is taken into consideration when calculating the Charity's target level of reserves. The charity has reviewed and refined its fundraising strategy to ensure it is more diversified and where appropriate programme-based. Over the coming year, the charity is investing in its fundraising team and recruiting additional skills and expertise to further mitigate this risk.
- Adverse publicity, following receipt of 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.
- Project failure or limited impact: the innovative and complex nature of a number of the charity's programmes implies an increased risk of limited impact. This risk is mitigated through taking a rigorous approach to decision-making, recruiting sector expertise and seeking external knowledge where needed, and maintaining strong financial control. The recruitment of a Director of Insight and Innovation and a Director of Programmes and Partnership, together with the formation of a Programme Committee will help to reduce this risk further.

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 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.

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
Tessa Green, CBE
Edward Harley, OBE, DL
Miguel Head, LVO (appointed 9 May 2017)
Jamie Lowther-Pinkerton, LVO, MBE, DL
Sir David Manning, GCMG, KCVO (resigned 30 March 2017)
Charles Mindenhall
Guy Monson
Simon Patterson
Lady Pinsent
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

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

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. In 2017, the Trustees reviewed the latest edition of the Charity Governance Code to ensure the charity complies with best practice.

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 Trustees have appointed a Finance sub-committee to help with the execution of its responsibilities, the members of which are appointed by the Trustees. The Finance Committee comprises two Trustees and three external advisory members: Ben Moorhead, DL, Solicitor; Claire Brown FCA; and Catherine Biscoe FCA (appointed 1 January 2018). Gilbert Holbourn FCA, FCCA, DChA resigned from the committee in May 2018 and the Trustees, committee members and staff are hugely grateful for his support over the last six years. The Finance Committee, chaired by Edward Harley, OBE, DL, meets quarterly to consider financial matters and reports to the Trustees accordingly. The Chief Executive and Director of Finance & Operations attend this meeting.

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
- Development Board – this board, consisting of Trustees and senior industry leaders, helps advocate the work of The Royal Foundation and expand the organisation's network in support of its programmes.

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 Partnerships, the Director of Insight and Innovation, 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'.

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

The Royal Foundation has embedded a simple pay framework during the last couple of years and continues to review its position through external benchmarking.

Data Protection

An internal working group was established to prepare the charity for meeting the new General Data Protection Regulation (GDPR) changes which came into effect in May 2018. This group examines guidance and best practice issued by the Information Commissioner's Office, the Fundraising Regulator and others to ensure the charity maintains compliance.

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 works with corporate partners (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.

The Royal Foundation is 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.

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 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 *27th June* 2018 and signed on its behalf by



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

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS AND TRUSTEES OF THE ROYAL
FOUNDATION OF THE DUKE AND DUCHESS OF CAMBRIDGE AND THE DUKE AND DUCHESS
OF SUSSEX**

Opinion

We have audited the financial statements of The Royal Foundation of The Duke and Duchess of Cambridge and The Duke and Duchess of Sussex ("the Parent Charitable Company") and its subsidiary ("the Group") for the year ended 31 December 2017 which comprise the consolidated and charity statement of financial activities, the consolidated and charity balance sheet, the consolidated and charity cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 December 2017 and of the Group's incoming resources and application of resources and the Parent Charitable Company's incoming resources and application of resources 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon. The other information comprises the Chairman's Statement, the Chief Executive Officer's Statement and the Trustees' Report. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report, which are included in the Trustees' Report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Trustee's report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, 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, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Julia Poulter (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

Date: *27 June 2018*

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

Company Registration No. 7033553

Consolidated statement of financial activities
(including the income and expenditure account)
For the year ended 31 December 2017

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 2017 £	Total 2016 £
Income:						
Donations and Legacies	2	3,340,570	5,511,624	-	8,852,194	9,889,277
Trading activities	3	53,992	-	-	53,992	20,000
Investment income	4	62,878	5,769	-	68,647	77,166
Other income	4	12,060	300	-	12,360	75,134
Total		3,469,500	5,517,693	-	8,987,193	10,061,577
Expenditure:						
Raising funds	5	(1,425,767)	(130)	-	(1,425,897)	(1,095,455)
Charitable activities	5,6	(861,844)	(7,422,598)	-	(8,284,442)	(4,320,927)
Total		(2,287,611)	(7,422,728)	-	(9,710,339)	(5,416,382)
Net income/(expenditure) before investment gains		1,181,889	(1,905,035)	-	(723,146)	4,645,195
Net gains on investment	13	128,866	-	-	128,866	191,427
Net income/(expenditure)		1,310,755	(1,905,035)	-	(594,280)	4,836,622
Transfers between funds	18	(620,923)	620,923	-	-	-
Net movement in funds		689,832	(1,284,112)	-	(594,280)	4,836,622
Reconciliation of funds:						
Fund balances brought forward at 1 January 2017		3,052,333	6,542,143	250,000	9,844,476	5,007,854
Funds balances carried forward at 31 December 2017	17,18,19	3,742,165	5,258,031	250,000	9,250,196	9,844,476

All results are from continuing operations.

There were no other recognised gains or losses.

The notes on pages 33 to 44 also form part of these financial statements.

Company Registration No. 7033553

Charity statement of financial activities
(including the income and expenditure account)
For the year ended 31 December 2017

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 2017 £	Total 2016 £
Income:						
Donations and Legacies	2	3,387,671	5,511,624	-	8,899,295	9,906,209
Investment income	4	62,878	5,769	-	68,647	77,166
Other income	4	13,140	300	-	13,440	76,234
Total		3,463,689	5,517,693	-	8,981,382	10,059,609
Expenditure:						
Raising funds	5	(1,419,956)	(130)	-	(1,420,086)	(1,093,487)
Charitable activities	5,6	(861,844)	(7,422,598)	-	(8,284,442)	(4,320,927)
Total		(2,281,800)	(7,422,728)	-	(9,704,528)	(5,414,414)
Net income/(expenditure) before investment gains		1,181,889	(1,905,035)	-	(723,146)	4,645,195
Net gains on investment	13	128,866	-	-	128,866	191,427
Net income/(expenditure)		1,310,755	(1,905,035)	-	(594,280)	4,836,622
Transfers between funds	17	(620,923)	620,923	-	-	-
Net movement in funds		689,832	(1,284,112)	-	(594,280)	4,836,622
Reconciliation of funds:						
Fund balances brought forward at 1 January 2017		3,034,776	6,559,699	250,000	9,844,475	5,007,853
Funds balances carried forward at 31 December 2017	17,18,19	3,724,608	5,275,587	250,000	9,250,195	9,844,475

All results are from continuing operations.

There were no other recognised gains or losses.

The notes on pages 33 to 44 also form part of these financial statements.

The Royal Foundation of The Duke and Duchess of Cambridge and The Duke and Duchess of Sussex

Company Registration No. 7033553

Consolidated and Charity balance sheet
As at 31 December 2017

	Notes	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Fixed assets					
Tangible fixed assets	12	61,824	75,130	61,824	75,130
Investments	13	2,344,996	2,175,036	2,344,997	2,175,037
		2,406,820	2,250,166	2,406,821	2,250,167
Current assets					
Debtors	14	600,395	110,085	648,493	127,417
Cash at bank and in hand	24	7,577,746	7,991,626	7,520,859	7,968,397
		8,178,141	8,101,711	8,169,352	8,095,814
Creditors: amounts falling due within one year	15	(1,334,765)	(507,401)	(1,325,978)	(501,506)
Net current assets		6,843,376	7,594,310	6,843,374	7,594,308
Net assets		9,250,196	9,844,476	9,250,195	9,844,475
The funds of the charity					
Unrestricted funds	17	3,742,165	3,052,333	3,724,608	3,034,776
Restricted funds	18	5,258,031	6,542,143	5,275,587	6,559,699
Endowment fund	19	250,000	250,000	250,000	250,000
Total charity funds		9,250,196	9,844,476	9,250,195	9,844,475

The notes on pages 33 to 44 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 The Duke and Duchess of Sussex (registered number 7033553) were approved by the Board of Trustees on 27th June 2018 and signed on its behalf by:



Edward Harley, OBE, DL – Trustee
Kensington Palace
Palace Green
London
W8 4PU

Company Registration No. 7033553

Consolidated and Charity Cash Flow Statement
For the year ended 31 December 2017

	Notes	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Cash (used in)/provided by operating activities:					
Net cash (used in)/provided by operating activities	22	(408,337)	4,700,728	(441,995)	4,688,637
Cash flows from investing activities:					
Dividends, interest from investments	4	68,647	77,166	68,647	77,166
Purchase of investments	13	(443,267)	(515,459)	(443,267)	(515,459)
Proceeds from sale of investments	13	382,298	464,705	382,298	464,705
Purchase of tangible fixed assets	12	(33,096)	(24,687)	(33,096)	(24,687)
Net cash (used in)/provided by investing activities		(25,418)	1,725	(25,418)	1,725
Change in cash and cash equivalents in the year	23	(433,755)	4,702,453	(467,413)	4,690,362
Cash and cash equivalents at the beginning of the year		8,230,687	3,528,234	8,207,458	3,517,096
Total cash and cash equivalents at the end of the year	23,24	7,796,932	8,230,687	7,740,045	8,207,458

The notes on pages 33 to 44 also form part of these financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2017

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 Financial 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 Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) - (Charities SORP (FRS102)) and the Companies Act 2006.

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.

With effect from 1 April 2013, The Royal Foundation assumed legal control of The Diana, Princess of Wales Memorial Fund to safeguard both the Fund's name and any future income donated to the Fund once its operations had ceased. 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 31 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 2018, 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 2017 was £2,344,996 (2017: £2,175,036.)

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 corporate entities. 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 receivable by The Royal Foundation from individuals, trusts and corporate entities. Income is recognised when there is entitlement to the grant, receipt is probable and its amount can be measured reliably.

Notes to the consolidated financial statements
Year ended 31 December 2017

1 Accounting policies (continued)

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.

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

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 The Duke and Duchess of Sussex. 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.

Notes to the consolidated financial statements
Year ended 31 December 2017

1 Accounting policies (continued)

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.

o) Debtors

Debtors are recognised at the settlement amount due at the end of the period.

p) Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

2 Income from donations and legacies

Group	2017			2016		
	Unrestricted funds £	Restricted funds £	Total 2017 £	Unrestricted funds £	Restricted funds £	Total 2016 £
Donations	2,933,265	3,702,430	6,635,695	1,503,914	6,634,267	8,138,181
Grants	371,169	1,608,994	1,980,163	371,840	1,123,709	1,495,549
Legacies	1,636	-	1,636	1,131	-	1,131
Donated services	34,500	200,200	234,700	6,600	247,816	254,416
Total	3,340,570	5,511,624	8,852,194	1,883,485	8,005,792	9,889,277

In 2017, The Royal Foundation received £23,302 (2016: £11,221) from The Diana, Princess of Wales Memorial Fund.

Donated services of £234,700 (2016: £254,416) relate to gifts of services, including seconded staff and professional fees, in support of the charity's programmes relating to Mental Health, Military, Conservation and palliative care.

Income from donations and legacies for the charity alone, includes £47,101 unrestricted (2016: £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 The Duke and Duchess of Sussex. A summary of its results extracted from its full audited accounts is shown below:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Turnover	53,992	20,000
Gross profit	53,992	20,000
Administrative expenses	(6,866)	(2,338)
Operating profit	47,126	17,662
Finance charges	(25)	(730)
Profit on ordinary activities before taxation	47,101	16,932
Tax on profit on ordinary activities	-	-
Profit on ordinary activities after taxation	47,101	16,932
Charitable donation to parent	(47,101)	(16,932)
Retained profit for the year	-	-
Assets, liabilities and shareholders' funds		
Assets	56,968	23,229
Liabilities	(56,967)	(23,228)
Funds surplus including 1 ordinary share of £1	1	1

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

4 Investment income and other income – Group and Charity

	Unrestricted funds £	Restricted funds £	Total 2017 £	Unrestricted funds £	Restricted funds £	Total 2016 £
Investment Income:	62,878	5,769	68,647	66,563	10,603	77,166
Other Income:						
Foreign exchange gains	-	-	-	55,161	-	55,161
Rent and associated charges	12,060	-	12,060	18,532	-	18,532
Other	-	300	300	349	1,092	1,441
Total other income	12,060	300	12,360	74,042	1,092	75,134

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 was surplus to the charity's operational requirements.

Other income for the charity alone derives from income received from PWPH Trading Limited, consisting of interest receivable of £nil (2016: £700) from a loan from The Royal Foundation, and £1,080 (2016: £400) relating to a resource sharing agreement recharge.

5 Summary analysis of total expenditure - Charity

	Unrestricted funds £	Restricted funds £	Total 2017 £	Unrestricted funds £	Restricted funds £	Total 2016 £
Raising funds	1,419,956	130	1,420,086	1,039,848	55,607	1,095,455
Charitable activities	861,844	7,422,598	8,284,442	723,943	3,596,984	4,320,927
	2,281,800	7,422,728	9,704,528	1,763,791	3,652,591	5,416,382

Included within Raising Funds are Investment management costs of £20,022 (2016: £17,444). Expenditure on Raising Funds for the charity alone excludes £5,811 (2016: £1,968) of non-intercompany expenses incurred by PWPH Trading Limited.

6 Analysis of expenditure on charitable activities

Activity	Grant funding of activities £	Direct costs £	Support costs £	Governance costs £	Total 2017 £	Restated Total 2016 £
Military	450,943	534,692	96,823	17,520	1,099,978	683,031
Mental Health	2,047,162	2,098,572	301,226	54,506	4,501,466	1,168,940
Young People	1,083,069	361,510	62,397	11,291	1,518,267	1,320,954
Conservation	687,555	362,833	96,823	17,520	1,164,731	1,148,002
	4,268,729	3,357,607	557,269	100,837	8,284,442	4,320,927

The comparative figures have been restated to disclose 'Mental Health' as a separate activity. This was previously included within 'Young People'.

7 Analysis of support costs and governance costs

	Raising funds £	Military £	Mental Health £	Young People £	Conservation £	Total £	Basis of allocation
Premises	97,832	31,017	96,497	19,989	31,017	276,352	Headcount
General Management	140,560	29,404	91,481	18,950	29,404	309,799	Headcount/salary
Finance	79,546	13,821	42,998	8,907	13,821	159,093	Salary
IT	27,062	9,902	30,806	6,381	9,902	84,053	Headcount/salary
HR	28,956	9,625	29,943	6,202	9,625	84,351	Headcount/salary
Office supplies	9,633	3,054	9,502	1,968	3,054	27,211	Headcount
Governance	55,261	17,520	54,506	11,291	17,520	156,098	Various
	438,850	114,343	355,733	73,688	114,343	1,096,957	

Raising Funds totals £1,425,896 which consists of £987,046 of direct fundraising costs and £438,850 of support and governance costs.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

8 Analysis of grants

	Military £	Mental Health £	Young People £	Conservation £	Total £
The Endeavour Fund					
65 Degrees North	25,810				25,810
Alabare Christian Care & Support	10,000				10,000
Armed Forces Para-Snowsport Team	10,000				10,000
Climb 2 Recovery	29,000				29,000
Combat Stress	4,412				4,412
Dean Stott, in relation to John O'Groats to Land's End Challenge	2,000				2,000
Team Fortitude - Sweden	10,548				10,548
Flying for Freedom	15,000				15,000
Help for Heroes, in relation to Invictus Games 2017	50,000				50,000
Help for Heroes, in relation to Op Surf UK	11,134				11,134
Jubilee Sailing Trust	35,000				35,000
Mission Motorsport	14,400				14,400
Supporting Wounded Veterans	40,030				40,030
Team Endeavour Racing - 2017 Powerboat season	20,050				20,050
Team Endeavour Omani	21,307				21,307
The Sir Oswald Stoll Foundation	5,965				5,965
Turn to Starboard	36,372				36,372
Walking With The Wounded	41,076				41,076
Veterans Employment					
NHS Confederation/NHS Employers (Step Into Health)	20,000				20,000
Walking With The Wounded (UK Border Force pilot)	8,000				8,000
The CASEVAC club	15,839				15,839
Military Mental Health					
Help for Heroes, in relation to Contact	25,000				25,000
Nottingham Youth Violence Prevention Initiative					
EPIC Partners			264,200		264,200
Coach Core					
Devon County Council (on behalf of Active Devon)			39,000		39,000
Birmingham Sport and Physical Activity Trust			117,000		117,000
Culture & Sport Glasgow			53,500		53,500
Essex County Council (on behalf of Active Essex)			102,500		102,500
Fulham Football Club Foundation			76,500		76,500
Manchester City FC in the Community Foundation			130,000		130,000
Middlesbrough FC Foundation			22,500		22,500
Notts County Football in the Community			67,500		67,500
Welsh Rugby Union			40,000		40,000
WeSport			23,100		23,100
Supporting Families of Children with Life Limiting Conditions					
Together for Short Lives			65,234		65,234
Prevention of Addiction					
Place2Be			82,035		82,035
Mental Health					
<i>Workplace wellbeing</i>					
Mind		420,251			420,251
<i>Support for primary schools teachers</i>					
Anna Freud Centre		167,337			167,337
Young Minds		52,134			52,134
Place2Be		94,653			94,653
<i>Digital mental health</i>					
The Mix		30,755			30,755
Samaritans		15,000			15,000
NSPCC		15,000			15,000
Mental Health Innovations		692,218			692,218
<i>Cyberbullying</i>					
NSPCC		34,118			34,118

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

8 Analysis of grants (continued)

	Military	Mental Health	Young People	Conservation	Total
	£	£	£	£	£
<i>Capacity Building</i>					
Mind		50,025			50,025
Best Beginnings		82,521			82,521
Calm		48,560			48,560
Anna Freud Centre		49,590			49,590
Young Minds		50,825			50,825
Place2Be		50,000			50,000
The Mix		54,175			54,175
<i>Other</i>					
Mind		20,000			20,000
Calm		20,000			20,000
Best Beginnings		20,000			20,000
The Mix		20,000			20,000
Anna Freud Centre		20,000			20,000
Young Minds		20,000			20,000
Place2Be		20,000			20,000
Conservation					
Fauna & Flora International				147,555	147,555
Lowveld Rhino Trust				150,000	150,000
Southern African Wildlife College				100,000	100,000
University of Groningen				130,000	130,000
Wildlife Conservation Society				100,000	100,000
Zoological Society of London				60,000	60,000
Charitable Grants 2017	450,943	2,047,162	1,083,069	687,555	4,268,729
Charitable Grants 2016 (restated)	378,304	70,610	916,402	509,445	1,874,761

The comparative figures have been restated to disclose 'Mental Health' as a separate activity. This was previously included within 'Young People'.

9 Total expenditure

The following have been charged within total expenditure:

	2017	2016
	£	£
Auditor remuneration:		
Fees payable for the audit of The Royal Foundation and subsidiary annual accounts	24,000	24,000
Fees payable for tax advisory services for The Royal Foundation and its subsidiary	7,640	1,938
Depreciation of tangible fixed assets	46,402	34,536
Operating lease payments	188,371	188,304
Exchange losses/(gains)	9,372	(55,161)
Defined contribution pension costs	160,385	128,850

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

	2017	2016
	£	£
Total staff costs comprised:		
Gross wages and salaries	1,609,233	1,247,386
Social security costs	168,879	127,167
Pension costs: defined contribution	160,385	128,850
Other benefits (including medical insurance)	15,556	10,729
	1,954,053	1,514,132

All employees are employed by the charity. The average number of employees in the year was 33 (2016: 25). The average number of staff in the year was 26 full time (2016: 20) and 7 part time (2016: 6), with the part time staff representing an average of 4 FTEs (2016: 4)

For 2017, the key management personnel of the charity comprised 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 £522,269 (2016: £445,170), including pension costs of £52,657 (2016: £54,980).

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

10 Analysis of staff costs and the cost of key management personnel (continued)

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

	2017	2016
£60,000 - £70,000	5	1
£70,001 - £80,000	1	-
£80,001 - £90,000	1	1
£110,001 - £120,000	1	-
£150,001 - £160,000	-	1

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 £80,647 (2016: £44,147). The pension costs for the year totalled £160,385 (2016: £128,850). As at 31 December 2017, £333 was outstanding (2016: £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 (2016: £nil).

Expenses

During the year the Trustees incurred expenses in the UK totalling £2,064 (2016: £335) for subsistence and other expenses.

Related Party transactions - Trustees

During the year, The Royal Foundation received aggregate donations from Trustees and their charitable foundations of £362,625 (2016: £310,000), in addition to gifts in kind of £nil (2016: £3,000).

Charles Mindenhall, is a Trustee of The Royal Foundation and also a Director of AVADO. During the year, £25,000 of services were purchased from AVADO by the Royal Foundation (2016: £nil). In 2016, AVADO donated Gifts in Kind to The Royal Foundation with a value of £50,000 (2017: £nil).

Jamie Lowther-Pinkerton, LVO, MBE, DL is a Trustee of both The Royal Foundation and The Varkey Foundation, which donated £300,000 to The Royal Foundation during the year (2016: £350,000), of which £150,000 was outstanding as at 31 December 2017.

Edward Harley, OBE, DL, is a Trustee of both The Royal Foundation and The Cazenove Charitable Trust, which donated £4,000 to the Royal Foundation during 2016 (2017: £nil).

Sir Keith Mills, GBE, DL and Guy Monson, are Trustees of The Royal Foundation, and also Directors of the Invictus Games Foundation. The Royal Foundation received £12,060 during the year (2016: £18,532) from the Invictus Games Foundation in relation to rent and associated charges. No amounts were outstanding at the end of the year (2016: £nil).

Edward Harley, OBE, DL, is a Trustee of The Royal Foundation and Chair of the Finance Committee, and is also a Senior Advisor to Cazenove Capital Management, the wealth management and charity investment business of Schroder & Co. Guy Monson chairs meetings held with Cazenove Capital Management when reviewing The Royal Foundation's investment portfolio managed by Cazenove Capital Management. During the year, Cazenove Capital Management charged £20,022 (2016: £17,444) for managing the portfolio.

Edward Harley, OBE, DL is a director of The Goldsmiths' Company Trustee which is the sole corporate trustee of the Goldsmiths' Company Charity. During the year the Royal Foundation received £1,000 (2016: £nil) from the Goldsmiths' Company Charity.

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 The Duke and Duchess of Sussex. At the year end, PWPH Trading Limited owed £48,181 (2016: £17,332) to The Royal Foundation, comprised of management charges of £1,080 (2016: £400) and a gift aid donation of £47,101 (2016: £16,932).

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 31 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.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

12 Tangible fixed assets – Group and Charity

	Equipment	Fixtures & Fittings	Leasehold Improvements	Total
	£	£	£	£
Cost:				
Balance brought forward 1 January 2017	58,009	15,933	86,462	160,404
Additions	14,002	5,090	14,004	33,096
Balance carried forward 31 December 2017	<u>72,011</u>	<u>21,023</u>	<u>100,466</u>	<u>193,500</u>
Depreciation:				
Balance brought forward 1 January 2017	37,970	8,113	39,191	85,274
Charge for the period	18,734	5,525	22,143	46,402
Balance carried forward 31 December 2017	<u>56,704</u>	<u>13,638</u>	<u>61,334</u>	<u>131,676</u>
Net book value:				
Brought forward 1 January 2017	20,039	7,820	47,271	75,130
Carried forward 31 December 2017	<u>15,307</u>	<u>7,385</u>	<u>39,132</u>	<u>61,824</u>

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 2017. All funds invested with Cazenove Capital Management are unrestricted funds.

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Fund investments:				
Market value (including cash) at 1 January	2,175,036	1,938,321	2,175,036	1,938,321
Additions at cost	443,267	515,459	443,267	515,459
Proceeds on disposal	(382,298)	(464,705)	(382,298)	(464,705)
Net gains on revaluation	128,866	191,427	128,866	191,427
Movement in cash	(19,875)	(5,466)	(19,875)	(5,466)
Market Value at 31 December	<u>2,344,996</u>	<u>2,175,036</u>	<u>2,344,996</u>	<u>2,175,036</u>
Investment in Subsidiary	-	-	1	1
Total	<u>2,344,996</u>	<u>2,175,036</u>	<u>2,344,997</u>	<u>2,175,037</u>

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Fund investments:				
Equities	1,400,317	1,316,088	1,400,317	1,316,088
Bonds	221,050	231,691	221,050	231,691
Multi Asset funds	225,322	172,437	225,322	172,437
Alternatives	279,121	215,759	279,121	215,759
Cash	219,186	239,061	219,186	239,061
Total	<u>2,344,996</u>	<u>2,175,036</u>	<u>2,344,996</u>	<u>2,175,036</u>

The charity also holds 1 ordinary share of £1 in PWPH Trading Limited, a company registered in England and Wales no. 7506603. The company carries out trading activities to raise funds for the charity (see note 3).

14 Debtors

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Amounts owed by subsidiary	-	-	48,181	17,332
Prepayments and accrued income	598,491	107,898	598,408	107,898
Other debtors	1,904	2,187	1,904	2,187
Total	<u>600,395</u>	<u>110,085</u>	<u>648,493</u>	<u>127,417</u>

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

15 Creditors: amounts falling due within one year

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Trade creditors	93,702	209,782	93,702	209,782
Charitable grants	864,982	42,330	864,982	42,330
Taxation and social security	45,425	50,606	45,425	46,606
Accruals and deferred income	322,301	199,003	313,514	197,108
Other creditors	8,355	5,680	8,355	5,680
	1,334,765	507,401	1,325,978	501,506

Included within other creditors is an amount of £5,048 received on behalf of Dean Stott for his Pan-American Highway challenge in 2018, which the Foundation is holding as agent and which will be disbursed to various charities in due course.

16 Contingent liabilities

At the year end, the Foundation has approved but not paid grants to third parties amounting to £2,980,257 (2016: £996,873).

17 Analysis of movements in unrestricted funds

Group	Balance at 1 January 2017 £	Income £	Expenditure £	Transfers between funds £	Gains & Losses £	Balance at 31 December 2017 £
Unrestricted funds:						
General funds	3,052,333	3,469,500	(2,287,611)	(620,923)	128,866	3,742,165
Charity						
	Balance at 1 January 2017 £	Income £	Expenditure £	Transfers between funds £	Gains & Losses £	Balance at 31 December 2017 £
Unrestricted funds:						
General funds	3,034,776	3,463,689	(2,281,800)	(620,923)	128,866	3,724,608

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

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

18 Analysis of movements in restricted funds

Group	Balance at 1 January 2017 £	Income £	Expenditure £	Transfers between funds £	Gains & Losses £	Balance at 31 December 2017 £
Restricted funds:						
Military	124,434	398,666	(445,616)	76,102	-	153,586
The Endeavour Fund	1,025,990	330,337	(504,620)	-	-	851,707
Young People	335,490	275,752	(495,279)	(95,963)	-	20,000
Mental Health	4,486,915	2,949,036	(4,035,735)	55,957	-	3,456,173
Coach Core	135,225	839,200	(926,488)	105,113	-	153,050
Conservation	425,895	693,428	(1,014,990)	519,182	-	623,515
Digital Technology	8,194	31,274	-	(39,468)	-	-
	6,542,143	5,517,693	(7,422,728)	620,923	-	5,258,031

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 £76,102 was made to cover a shortfall in military programmes. Included in the Military funds are funds received in relation to military mental health, veterans' employment and first responders.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017
18 Analysis of movements in restricted funds (continued)

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.

The transfer from the Young People fund of £95,963 represents £105,113 to cover a shortfall in the Coach core programme, net of a transfer of £9,150 from unrestricted funds.

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. During the year, a transfer of £55,957 was made from unrestricted funds to cover a shortfall on the Heads Together campaign.

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. During the year, there was a transfer of £105,113 from the Young People restricted fund to meet the costs of the Coach Core programme.

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 £519,182 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. During the year, a transfer of £39,468 was made to fund Conservation activities.

Group	Balance at 1 January 2016 £	Income £	Expenditure £	Transfers between funds £	Gains & Losses £	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>-</u>	<u>6,542,143</u>

19 Expendable Endowment Fund

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Balance brought forward at 1 January	250,000	250,000	250,000	250,000
Balance carried forward at 31 December	250,000	250,000	250,000	250,000

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 31 December 2018, at which time it can be used as unrestricted funds by The Royal Foundation.

20 Analysis of group net assets between funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	Balance at 31 December 2017 £
Fixed assets	61,824	-	-	61,824
Investments	2,344,996	-	-	2,344,996
Cash	1,352,995	5,974,751	250,000	7,577,746
Other net current liabilities	(17,650)	(716,720)	-	(734,370)
	<u>3,742,165</u>	<u>5,258,031</u>	<u>250,000</u>	<u>9,250,196</u>

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017
21 Operating leases - Group and Charity

The minimum lease payments due over the lease terms are:

	Property 2017 £	Other 2017 £	Total 2017 £	Property 2016 £	Other 2016 £	Total 2016 £
Within one year	191,712	3,052	194,764	191,712	4,263	195,975
Between two and 5 years	766,848	1,157	768,005	766,848	3,626	770,474
Greater than 5 years	314,088	-	314,088	505,800	-	505,800
	1,272,648	4,209	1,276,857	1,464,360	7,889	1,472,249

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 from January 2015 until July 2017.

In July 2017, The Royal Foundation leased an office in the Phoenix Brewery for 7 months to provide a hub for a number of charities supporting the community affected by the Grenfell fire. A peppercorn rent is payable.

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

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Net movement in funds	(594,280)	4,836,622	(594,280)	4,836,622
Adjustments for:				
Depreciation charge	46,402	34,536	46,402	34,536
Gains on investments	(128,866)	(191,427)	(128,866)	(191,427)
Dividends and interest included in investing activities	(68,647)	(77,166)	(68,647)	(77,166)
(Increase) in debtors	(490,310)	(35,483)	(521,076)	(43,353)
Increase in creditors	827,364	133,646	824,472	129,425
Net cash used in operating activities	(408,337)	4,700,728	(441,995)	4,688,637

23 Reconciliation of net cash flow to movement in net funds

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Decrease/(increase) in cash	(433,755)	4,702,453	(467,413)	4,690,362
Net funds at 1 January	8,230,687	3,528,234	8,207,458	3,517,096
Net funds at 31 December	7,796,932	8,230,687	7,740,045	8,207,458

24 Analysis of cash and cash equivalents

Group	At 1 January 2017 £	Cash flows £	At 31 December 2017 £
Cash at bank and in hand	7,991,626	(413,880)	7,577,746
Cash held in investment portfolio	239,061	(19,875)	219,186
	8,230,687	(433,755)	7,796,932
Charity	At 1 January 2017 £	Cash flows £	At 31 December 2017 £
Cash at bank and in hand	7,968,397	(447,538)	7,520,859
Cash held in investment portfolio	239,061	(19,875)	219,186
	8,207,458	(467,413)	7,740,045