

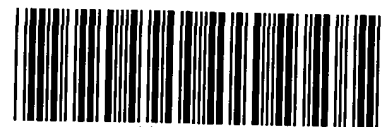
THE BLACK STORK CHARITY **(The DNRC Charity)**

Trustees' Report and
Financial Statements for 2015

DNRC

**REPAIRING
OUR SERIOUSLY
WOUNDED**

FRIDAY



A5B9T5PF

A21

15/07/2016

#181

COMPANIES HOUSE

Contents

Chairman's introduction	1
Trustees' annual report (including strategic report)	2
Officers and professional advisers	3
Who we are and what we do	4
Achievements in 2015	5
Plans for 2016	6
Timeline	8
Financial review	9
Structure, governance and management	11
Financial statements	16
Independent auditor's report	17
Consolidated statement of financial activities	19
Balance sheets	20
Consolidated cashflow statement	21
Notes to the financial statements	22
Acknowledgements	35

Chairman's introduction

I am delighted to introduce this, our fifth annual report of The Black Stork Charity, the Charitable Foundation which exists to support the development of the Defence and National Rehabilitation Centre.

2015 has been a very significant year for us. Following a period of intense activity in the first half of the year, involving the final stages of tendering and then securing bridging finance, construction started on site at Stanford Hall in August. Our main contractors, Interserve Construction, are proving to be worthy partners and we have been impressed with their commitment and enthusiasm, as well as their undoubted professionalism which is also a hallmark of the many professional advisers and sub-contractors who are integral to progress on site. Construction of the Defence establishment, now 10 months into the 32 months of the contract, is on time and remains on budget.

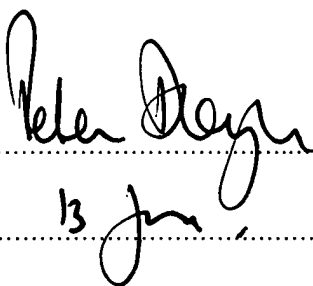
We have also launched a public fundraising campaign this year. It features eye-catching images of some of our 'ambassadors' who have suffered life-changing injuries and have been greatly helped at Headley Court, presently home to the Defence Rehabilitation Centre.

But none of this would have happened without years of planning, since the germ of the idea in 2009 when the Duke of Westminster, our Founder and Lead Benefactor, identified the need for a clinical rehabilitation centre fit for the 21st Century. This vision was for a centre that would provide the very best facilities for those badly injured in armed conflict.

We could not have achieved what we have so far without the profound generosity of our many donors, some of whom are listed on page 35; I want therefore to express, on behalf of the Trustees, an enormous 'thank you' to all those who have contributed, in whatever way. We also have a growing number who have responded positively to the public campaign which is now in evidence on television, in the press, and on billboards across the country. Much of this advertising space has either been donated, or provided at rates much reduced from normal, by generous sponsors.

The next 18 months will be a period of further challenge for us. Our funding is far from complete, and so fundraising continues with no less energy. The Government is committed to considering in 2016 the National opportunities on the site and more widely. This will include the possibility of a specialist clinical rehabilitation facility on the site itself and we are engaged with the Nottingham University Hospitals NHS Trust to explore such a possibility on an East Midlands Region basis. Such an outcome would, I believe, make a profound difference to what is currently available, and materially enhance the recovery prospects of those who have suffered life-changing injuries.

This is a moment to thank also the many others who have been a part of the journey on this remarkable enterprise: other military charities, with whom we have partnered, my fellow Trustees who have given of their time and wisdom, the small but exceptionally committed staff team based in London and in the East Midlands and our ambassadors who have brought colour to our mission.

The image shows a handwritten signature in black ink. The signature is written in a cursive style and appears to read 'Peter Doyle'. Below the signature, there is a date '13 Jan' written in a similar cursive style.

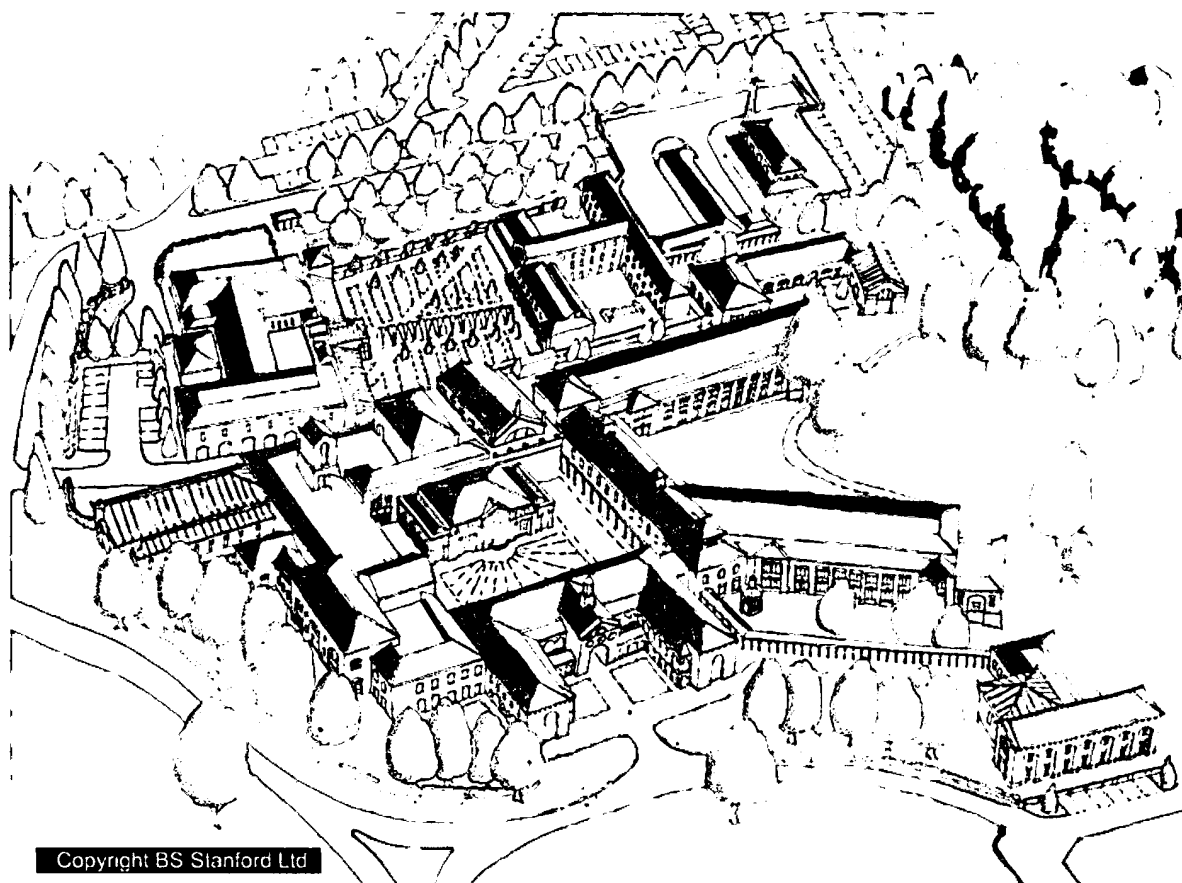
Peter Doyle (Chairman of Trustees)

2016

Trustees' annual report

The Trustees are pleased to present their annual report and the audited consolidated financial statements of The Black Stork Charity (also known as The DNRC Charity) for the year ended 31 December 2015.

The Trustees' report also satisfies the requirement for a strategic report.



Officers and professional advisers

Trustees and directors

Peter Doyle (Chairman)

Robin Broadhurst CVO CBE

Jeremy Newsum DL

Kate Philp

Appointed 9 September 2015

Jane Sandars

Sir John Scarlett KCMG OBE

Resigned 31 July 2015

Registered office

70 Grosvenor Street

London

W1K 3JP

Registered company number 07619703

Registered charity number 1141934

Senior management team

Programme Director

General Sir Timothy Granville-Chapman GBE KCB

Director of Fundraising

Holly Butcher

Construction Executive

Stephen Brewer

Finance and Administrative Director

Catherine Fradley

Auditor

Deloitte LLP

Chartered Accountants and

Statutory Auditor

2 New Street Square

London EC4A 3BZ

Legal advisers

Boodle Hatfield

240 Blackfriars Road

London SE1 8NW

Bankers

The Royal Bank of Scotland plc

London Corporate Service Centre

PO Box 39952

2½ Devonshire Square

London EC2M 4XJ

Who we are and what we do

In a sentence

We are a Charity concerned with repairing people who are seriously injured and getting them back to work, and we are doing this by creating a 21st century clinical facility which is bespoke, unique in some respects and long term in nature in order to ensure the future of clinical rehabilitation for the armed forces and, potentially, also offering long term improvements in clinical rehabilitation for the nation.

The Context – from 2009 to 2014

The Defence and National Rehabilitation Centre (DNRC) Programme is a personal initiative started in mid-2009 by the Duke of Westminster. He served for over 40 years in the British Reserve Army and towards the end of his career witnessed the high personal price paid by many members of the armed forces during their service. Many more Servicemen and women are surviving the battlefield than would have been the case even 10 years ago. Rehabilitation medicine is now developing fast in terms of technology and science. Knowing this, the Duke felt strongly that we owed those who volunteer to fight for this country, alongside forces from other nations, the best possible care if they are injured during strenuous training or in conflict. The result is the concept of a DNRC.

Although the Duke's starting point in 2009 was the armed forces, it became evident very early on that such an initiative could have wider application. When told about the Duke's intention, the then Secretary of State for Defence, though welcoming the Duke's proposal, asked if at the same time *'we could do something for the Nation?'* His reasoning was:

- He knew that Defence has the national expertise in *clinical* rehabilitation. This is because conflict drives progress in this field of medicine (and has done so since after the 1st World War when the term 'rehabilitation' came into being) and because the armed forces have to get their people back to work as soon as they can (because there are no replacements to be had in the marketplace).
- And he also knew that, outside Defence, the UK does not do clinical rehabilitation particularly well. In fact, it is amongst the worst in Europe and this truth had been revealed to the Government in Dame Carol Black's report in 2008¹ where she drew attention to the high figure for working days lost through injury, a proportion of which was repairable.

The Duke agreed to do what the Secretary of State asked, and the notion of a DNRC was born. This fact was then put into the government and parliamentary domain in a written ministerial statement (WMS) in June 2009 with the announcement of a feasibility study. The project (and now the Programme) has been undertaken from the outset in conjunction with Government and is led by General Sir Timothy Granville-Chapman (a former Vice Chief of the Defence Staff) as the Programme Director. The Duke subsequently sponsored the major year-long feasibility study in 2010 to see what could be done. It was undertaken at very senior level across the 4 principal UK Government Departments concerned (Defence, Health, Work & Pensions and Culture, Media & Sport) and concluded that there was real merit in establishing a DNRC to serve the clinical rehabilitation needs of the armed forces and civilians. In particular, the feasibility study found:

- There was a consistent view that the whole field of rehabilitation medicine could benefit from the co-location on one site of National (N) and Defence (D) establishments.
- It was recommended that the D establishment should be designed to combine neurological, complex trauma and a full suite of rehabilitative facilities which would bring benefits that could make the establishment unique in the world in many respects.
- The range of N opportunities to be explored further could include: research and development (R&D) in what is now a fast-moving field of science and technology; the creation of a specialist clinical rehabilitation facility for civilian patients on the site sharing facilities with the D; the whole realm of disability sport; training and education; and involvement with the Commonwealth principally in the form of 'train the trainer' schemes.

¹. Dame Carol Black's Review of the health of Britain's working age population: *'Working for a Healthier Tomorrow'* – 17 March 2008.

The Context – from 2009 to 2014 (continued)

- The project capital cost was estimated to be in the region of £300m to cover the acquisition of a Midlands site (to accommodate both the D and N facilities), the full cost of construction of the D establishment, the cost of making all this happen in terms of planning, project management etc and the cost of obtaining planning permission for an N facility. The £300m estimate did not cover the running costs of the D establishment nor the capital and running costs of the N facility, all of which were to fall to Government.

The feasibility study's conclusions were endorsed by UK Ministers who announced in the autumn of 2011 that the next stage would be to explore the viability of the site that had been acquired for this purpose by the Duke (the Stanford Hall estate in Nottinghamshire) and to raise the necessary capital through a major donor fundraising campaign.

Subsequently, in mid-2012 planning permission was obtained to develop both the D (detailed permission) and the N (outline permission) facilities on the Stanford Hall site. By the end of 2013 the major donor fundraising campaign had reached the stage where £200m (two thirds of the total sum required of £300m) had been raised from major donations in cash or pledges by individuals, charitable foundations and companies, both in the UK and overseas. The Duke of Westminster had pledged £50m. The Programme Director therefore returned to Government in January 2014 to seek authority to proceed with the construction of the D establishment and to investigate the N opportunities further.

On 10 July 2014 the Government announced that construction of the Defence establishment would start in 2015 and that the existing Defence facility at Headley Court would move to the Stanford Hall estate when construction was completed in 2018. It also announced that the opportunities relating to the National aspects of the DNRC would formally be explored in 2016.

The Defence capacity will be 200 patients with provision for 80 complex trauma and 20 neurological patients and a further 100 whose injuries are more likely to be repairable in a shorter time frame (known as 'force generation' patients, principally presenting musculo skeletal and spinal injury). The facilities include pools (conventional, whirlpool and hydrotherapy), specialist gyms (complex trauma, lower limbs, cardiac etc), simulation, mental health and outpatients. The establishment is fully residential. The staff will be about 200 military and civilian, clinical and non-clinical. The total floor area of the new build is 43,000m².

Achievements in 2015

Following Government agreement in 2014 a competitive tender process was undertaken in order to identify a preferred bidder for the Main Works Contract (MWC). This resulted in offers being received in early 2015 and, following a rigorous negotiation and value engineering exercise, the MWC was awarded for £212m. This price was consistent with the estimate included in the feasibility study and therefore the total project capital cost remains as originally budgeted.

Due to the proposed level of value engineering required further consultation was required with the planning authorities and Historic England resulting in revised planning applications being submitted. These applications regularised the changes and all planning conditions precedent to the start of the construction works were discharged prior to the award of the MWC.

The Stanford Hall estate was gifted to the Charity in June 2015 by the Duke of Westminster and in August the Agreement for Lease (a 50 year lease) was signed with the Secretary of State for Defence. Charity Commission authority to enter into this agreement was received in advance.

Construction of the Defence establishment started in August 2015 and continued throughout the rest of the year with key activities being installation and occupation of the temporary on-site office accommodation and welfare facilities, intrusive surveys, opening up works, groundworks, and commencement of the piling and substructure works.

Although the major donor fundraising campaign was progressing well the Trustees were aware that additional funding would be required. Negotiations were therefore successfully concluded in the summer for the necessary bridging finance facility.

Achievements in 2015 (continued)

In October 2015 the fundraising campaign was widened and included establishment of the DNRC brand through a logo, TV advertising and posters in newspapers, a special composition by Classic fm and a presence on social media. The purpose of this wider campaign is to invite the public to be involved, if they wish, in supporting the creation of the Defence establishment. It will continue through the next two years, much of it through the generosity of partners and supporters. An example of one of the campaign's posters used in the regional newspaper advertisements is reproduced on page 36.

By the end of 2015 £209m had been pledged or given which compares with the £200m referred to earlier when the Secretary of State confirmed Government approval in 2014. The major donor campaign remains key to the achievement of the £300m target by the end of 2017.

Towards the end of the year we established a governance framework to assist the Government with developing the work to enable the N opportunity to be realised.

Plans for 2016

By the end of June 2016 the project will be almost a third of the way through the 138 week construction contract and is on track to be handed over to the Ministry of Defence, as tenant, in the second quarter of 2018 – with a view to being operational in mid-2018 (as declared to Parliament).

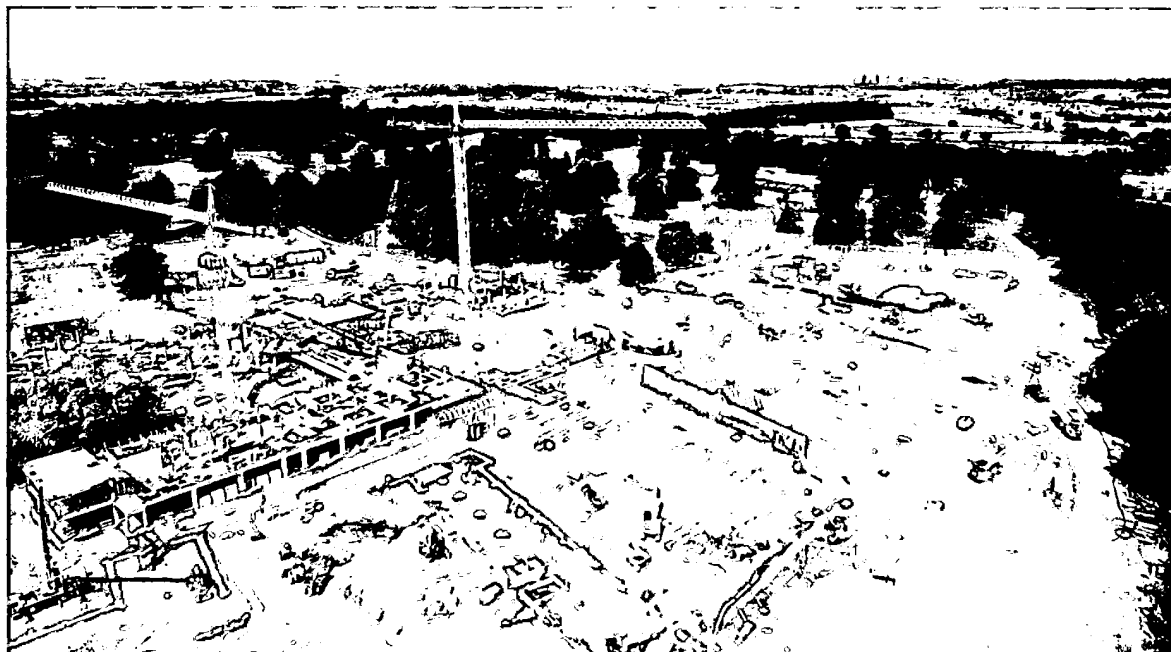


Image taken by aerial drone – May 2016

Construction works for all new buildings have continued throughout the year and by mid 2016 we expect completion of substructure ground works, foundations, drainage installation, ground floor slabs, the erection of 6 tower cranes, ongoing concrete and steel frame structures including suspended floor slabs, and the off-site manufacture of prefabricated modules such as bedroom toilet pods.

It is expected that by the end of 2016 all concrete and steel frame structures will have been completed and work on the external facades started.

Plans for 2016 (continued)

The major donor fundraising campaign will continue and the widening opportunities will be extended through national and regional coverage across the media spectrum. A major social media event is planned for the autumn.

The National opportunity

In July 2014, the Government announced that opportunities relating to the National aspects of the DNRC would be explored in 2016. The opportunities lie principally in the following areas:

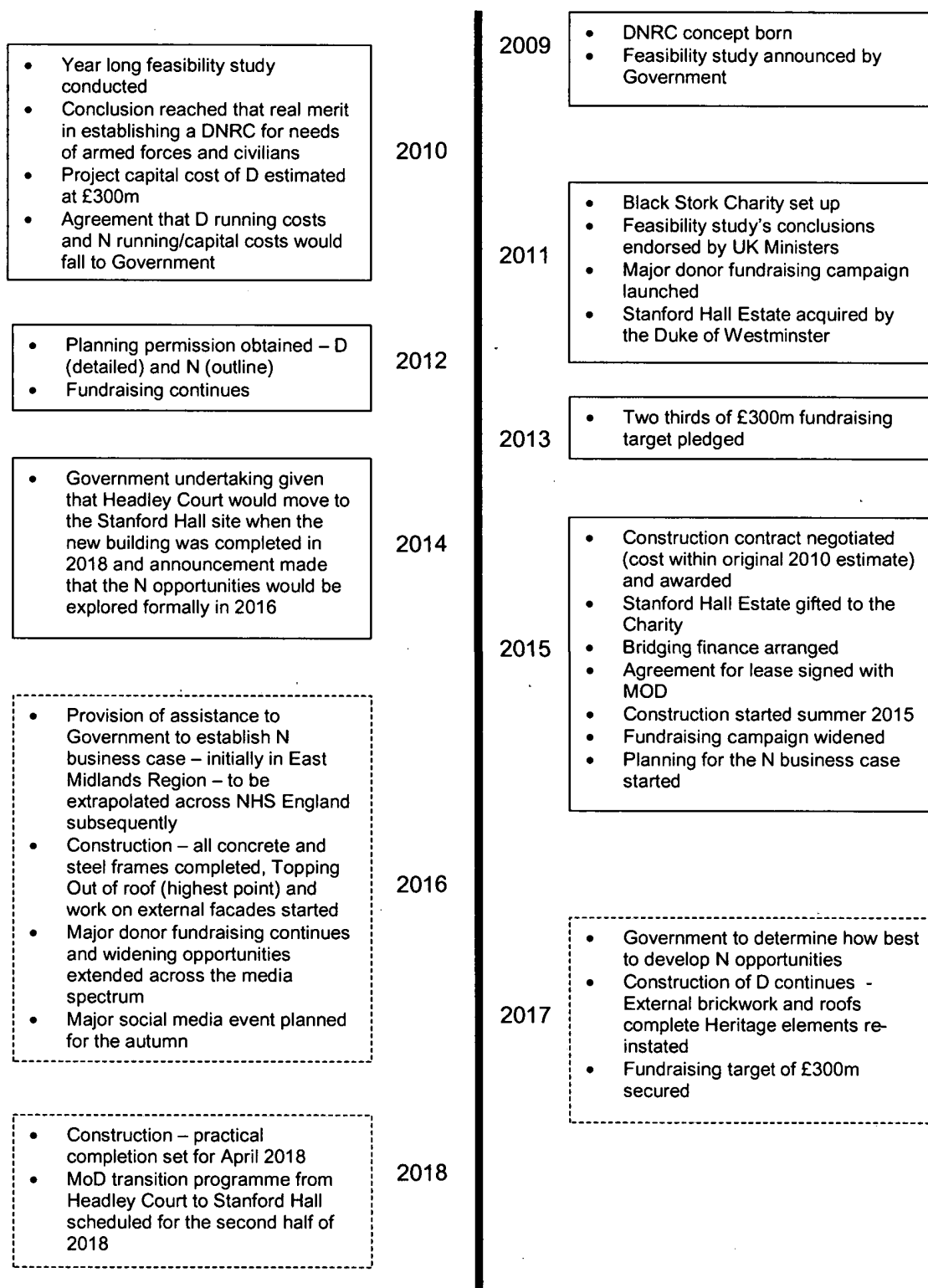
- Patient care which could involve the construction of the first National clinical rehabilitation centre (perhaps 70 beds) on the part of the Stanford Hall estate reserved for this purpose, and sharing the expertise and facilities in the Defence establishment close by – to mutual advantage.
- R&D associated with the DNRC cohort of seriously wounded members of the armed forces with the likelihood of the early research themes (pan-UK and international as appropriate) being:
 - Neurocognitive assessment and intervention;
 - Frailty and trauma; and
 - Neuromuscular and musculo-skeletal injuries.
- Training and education of practitioners in this field of medicine based on the expertise that resides in Defence.

The responsibility for developing a business case for the National opportunity lies with the Government but is being enabled by the DNRC Programme. The early stage strategic work has centred on the major trauma centre in the East Midlands, and will be extrapolated to look at the case across NHS England during 2016. The decision on how the opportunities will be best used should be determined by the Government in early 2017 – which could lead to a National facility opening on the Stanford Hall site in 2019/20.

Details of the DNRC and its progress (including the construction) are available at www.thednrc.org.uk.

Timeline

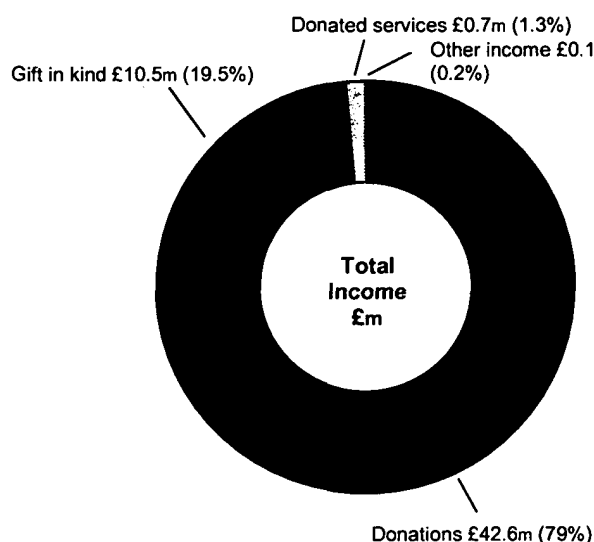
The key milestones (achieved to date and planned for the future) can be summarised as follows:



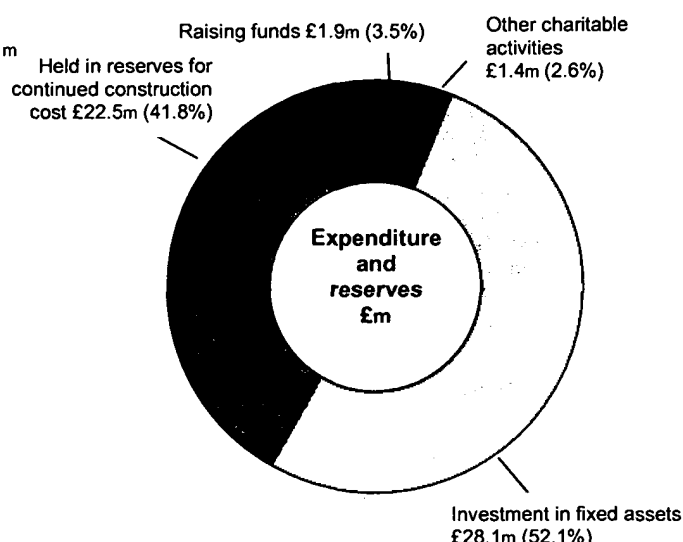
Financial review

The main financial aim of the Charity is to raise funds to enable the Trustees to meet the Charity's objectives through the design, development and construction of the DNRC. As this is a capital project spanning a number of years our annual review of financial performance should be read in this context. As demonstrated below most of the funds raised will either be spent on, or accumulated to reserves for, the execution of the DNRC Programme and significantly, the fixed asset investment in the Defence establishment.

Where our income came from in 2015:



How we allocated it:



Income has increased this year to £53.9m (2014: £12.5m) with significant pledges being realised from a small number of major donors. Funds received from corporates, individual donors and other charitable foundations also increased during 2015. The gift in kind reflects the valuation of the Stanford Hall estate, which was donated during the year.

The capital investment of £28.1m reflects the introduction of the above property into the asset base of the Charity and also includes costs incurred on the construction activity that commenced during 2015.

Expenditure on charitable activities of £1.4m (2014: £0.5m) increased this year due to one off costs incurred as a result of entering contractual arrangements in connection with starting construction, agreeing the proposed lease with the MoD, negotiating the bridging finance arrangements and also dealing with the tax authorities in relation to VAT.

As anticipated, the cost of the fundraising activity has also increased this year in line with the step change in activity, particularly in respect of the public campaign. The team has also been strengthened to support this change and to ensure there is no detractor from the ongoing major donor campaign, which remains a key strategy. The Trustees believe that the increased cost is commensurate with the scale and timing of the fundraising requirement. The ratio of the cost of fundraising activity to income is 3.6% (2014: 1.2%).

The total income and costs stated above include £0.7m (2014: £0.3m) donated by organisations who support the Charity through the provision of professional services at discounted prices or by the secondment of staff at no charge.

The consolidated balance sheet shows net assets of £78.9m, compared to £28.2m in 2014, representing the above investment in the fixed assets under development and the reserves necessary to continue the delivery of the Programme.

Financial review (continued)

Reserves policy – cash

The Charity reviews its reserves policy each year, taking into account its planned activities and the financial requirements forecast for the forthcoming period.

Reserves are held in order to make sure that the Charity can deliver on its main financial objective. This is a significant capital project and as such the fundraising is anticipated to continue until the end of 2017. Construction and related contracts were entered into during 2015 which committed the Trustees to various obligations, including ensuring that funds are available to meet all liabilities as they fall due.

While the fundraising is continuing, bridge financing arrangements have been put in place to ensure that all such capital commitments (£206m at the end of December 2015) can be honoured as they fall due. A policy has also been established to ensure that any future drawdown of facilities will be made in advance such that the level of cash reserves held are sufficient to cover at least two month's forecast cash outflow.

The Trustees have reviewed the entire project budget and the cashflow forecast and considered the risk related to funding, cash holding and cash needs. Reserves and arrangements for funding the entire construction are sufficient and the Trustees are satisfied with the policy and reserves of the Charity.

Reserves policy – funds

The Charity's total funds are represented by unrestricted funds.

The group had £78.9m (2014: £28.2m) of unrestricted funds at the end of 2015. However £48.7m (2014: £20.6m) of these funds had been invested in fixed assets by the year end. The Trustees have therefore created a separate designated unrestricted reserve to hold these capital funds which reflects the fact that these funds are not readily realisable. The general reserve remaining of £30.2m (2014: £28.2m) will be used to fund the ongoing construction commitments, together with anticipated donation pledges and the agreed borrowing facilities.

Restricted funds of £4.0m (2014: £2.0m) were received in 2015 towards the DNRC Programme and expended during the year on the construction activity, as required by the donors.

Going concern

We have set out a review of the financial performance and the general reserves position. The Trustees have also reviewed the forecast cashflows and, having considered the level of unrestricted funds and facilities available and the financial commitments expected, have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the accounts have been prepared on the basis that the Charity is a going concern.

Structure, governance and management

Charity governance

The Black Stork Charity is a UK company limited by guarantee (not having share capital) and a registered charity in England and Wales, governed by its Articles of Association dated 3 May 2011. It is registered with Companies House and the Charity Commission and must comply with the Companies Act 2006 and the Charities Act 2011.

The Charity has one wholly owned subsidiary at 31 December 2015, the details of which are given in note 11 of the financial statements.

The Charity is also known as The DNRC Charity.

Charitable objects

The objects of the Charity, as set out in the Articles of Association, are the advancement of health through:

- the provision of assistance in the treatment and care of persons who are currently serving in the Armed Forces of the Crown and Commonwealth and who have been wounded or injured or suffered illness while serving in the Armed Forces by the provision of facilities, equipment or services for their rehabilitation;
- the promotion generally of rehabilitation medicine (being defined as the application of medical skill to the diagnosis and management of disabling disease and injury of whatever cause and affecting any system of the body) including research into rehabilitation medicine and the publication of the useful results thereof;
- the provision of facilities, equipment or services to restore persons (regardless of profession) who have experienced a disabling disease or injury to optimum physical and psychological function and to promote their vocational rehabilitation (that is to provide assistance (of whatever kind) to enable such persons to return to and remain in appropriate work); and
- the promotion of such purposes as shall be charitable for public benefit.

Board of Trustees

The Board of Trustees is responsible for the governance of the DNRC and ensuring that its activities are within UK law and its agreed charitable objects. It sets the strategy for the Charity, the responsibility for the execution of which is currently delegated to the senior management team of the Charity through the Programme Director. The Board meets six times a year and receives reports from this team covering all financial and Programme governance matters.

The Memorandum and Articles of Association provide that the Charity has a minimum of three and a maximum of twelve Trustees and that the Trustees must also be members. One third of the Trustees must retire at each Annual General Meeting and are eligible for re-election.

At the end of December 2015 the Charity had five Trustees. The Board appointed an additional member during the year, bringing in the experience and relevant skills previously identified by the Trustees. Recruitment of further Trustees is a key action of the Board for 2016. Three of the Trustees are employed by a Grosvenor Trust.

All new Trustees undertake a comprehensive induction process designed to enable them to contribute effectively as soon as possible. The induction covers all aspects of the role and the organisation and also includes information required to fulfil their legal duties.

Structure, governance and management (continued)

Statement of Trustees' responsibilities

The Trustees (who are also Directors of The Black Stork Charity for the purposes of company law) are responsible for preparing the Trustees' annual report, including the strategic 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. Under that law the Trustees have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Charitable Company and the Group and of the surplus or deficit of the Charitable Group 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company 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 Charitable Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Programme governance

The Trustees currently achieve their charitable objects through the execution of the DNRC Programme.

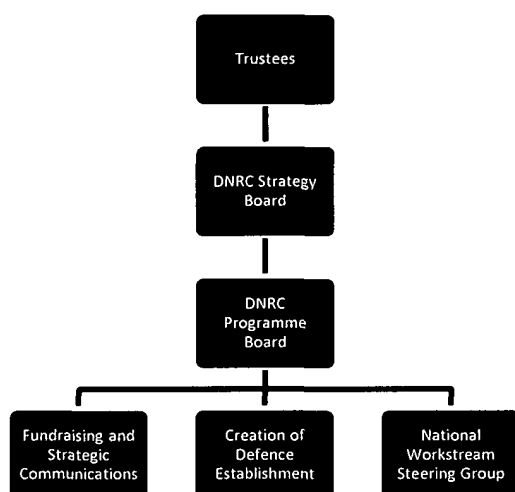
The Programme is unusual in that it involves a Charity working in conjunction with Government. It is being run on OGC (The Office of Government Commerce) lines and has been subject to OGC review.

The interface with government principally involves the Ministry of Defence (as the lead department), Department of Health and NHS England, Department for Work and Pensions and Department for Culture Media and Sport.

There is also engagement with the appropriate local government in the East Midlands Region, notably the planning authority and Nottinghamshire County Council relating to the development of the Stanford Hall estate, and with the NHS in so far as the N opportunities are concerned.

Structure, governance and management (continued)

Programme governance (continued)



The Programme is steered at strategic level by the DNRC Strategy Board, which is chaired by the Programme Director with Trustee and senior Government representation at the table.

Execution is achieved through the DNRC Programme Board.

The direct interest of the MoD (as the lead government department and the tenants of the D establishment) is via the Surgeon General. The Surgeon General is the MoD's Senior Responsible Owner (SRO) and exercises his responsibility through parallel MoD governance.

Integration between the DNRC and MoD occurs at the specific project level:

- Project 1 – Fundraising and strategic communications on which the Director of Fundraising sits.
- Project 2 – Creation of the Defence establishment which is sub-divided into:
 - Construction. This is led by the Programme's Construction Executive.
 - Tenancy and Business Change. This is led by the MoD SRO's delegated leads.

Whilst the National element of the DNRC Programme is officially government business, it has always been understood that it would be facilitated by the Programme as an implied task involving a specific workstream in the Programme. This has been so from the outset when the N elements were included in the feasibility study and then formed part of the planning application for the development of the Stanford Hall estate. In 2015 the Programme Director established a system of governance to assist Government in its 2016 task of developing a business case relating to the N opportunities (to which it was committed in its 2014 Written Ministerial Statement). That governance has subsequently been adopted by Government as the governance with facilitation being undertaken by the Programme until completion. It consists of:

- A National Workstream Steering Group (NWSG). This is chaired by Sir Alan Langlands (a former Chief Executive of the NHS and now Vice Chancellor of Leeds University) with the tasks of co-ordination, direction and resourcing the work, developing a joint narrative and the economic case for the N and facilitating cross-departmental working.
- Working Groups. There are three of these charged with developing the model in each case and chaired by senior experts in the fields of:
 - Clinical, which includes the possibility of a clinical rehabilitation facility on the Stanford Hall site.
 - Training and Education, where the possibility of developing the Nation's clinical rehabilitation workforce drawing on the expertise in Defence is the principal consideration.
 - R&D, where the opportunity to develop specific research related to the Defence (and subsequently National) patient cohorts is being pursued in the first instance pan-Midlands.

Structure, governance and management (continued)

Risk management

Significant risks to which the Trustees believe the Charity is exposed have been reviewed and systems and procedures established to identify, evaluate and manage those risks. The senior team who lead on the assessment and management of risk have developed an assurance framework for reporting to the Board. Risk registers are updated on a quarterly basis with a formal review undertaken by the Board annually. The Programme Director's report considered at each Trustee meeting includes an update on the significant risks actively being managed by the team. The Trustees have designed this cascading approach to ensure that risks are managed as effectively as possible.

Principal risks and uncertainties

The Charity has a number of high level strategic risks but the main ones fall into the following two categories:

- Fundraising

Meeting both the fundraising target and the timelines for the DNRC project as a whole are critical to its success. Risks surrounding this are mitigated by ongoing monitoring and the development of detailed fundraising strategies, as explained above, for the short and long term.

The risk of interim shortfalls and a delay in the fundraising effort has been addressed in the near term by the negotiation of finance facilities to ensure that all contractual commitments can be met.

- Construction

Due to the scale and complexity of the build being undertaken the Construction Executive has designed, together with the supporting professional team, a separate risk management process that provides Trustees with assurance that all short, medium and long term risks are being assessed and that all project deliverables can be achieved on time, to cost and high quality.

The process consists of four stages: detailed risk identification, analysis, quantification and management. The resulting risk mitigation action plan allocates a risk owner who is responsible for taking the prevention, reduction or contingency actions required and a date is set by which the mitigation action must be completed. Weekly operational meetings are held on site to manage this process with quarterly reviews being undertaken by the professional team.

The budget for the construction cost, which was agreed by the Trustees, included a contingency allowance that reflected the Quantitative Risk Assessment (QRA) carried out during the planning phase. The QRA continues to be reviewed and updated on a quarterly basis so that the cost impact of the known risks can also be managed.

Senior management remuneration policy

Three out of the four members of the senior management team are not employed by the Charity. The services of two of these individuals are provided free of charge and the third is seconded to the Programme by a third party. The Trustees are therefore only responsible for considering the remuneration for one member of the senior team.

The remuneration policy covers all employees, including the one member of the senior team. It is discharged by the full Trustee Board and takes into account factors such as performance and salaries paid in comparable organisations.

Structure, governance and management (continued)

Investment policy

Due to the stage of development of the Programme, the investment policy is confined to the management of short term liquid funds. The investment principle is to achieve the secure investment of excess cash resources of a short term nature, diversified to ensure limited concentration of investment. The principle has been achieved during 2015.

Assets are safeguarded by investing with approved counterparties. Investments are risk averse and non-speculative and the Charity places no income reliance on interest earned. The Charity has met its investment return objective which is to ensure that investments earn a market rate of interest consistent with its investment principle.

Public benefit

The Trustees confirm that they have paid due regard to the public benefit guidance published by the Charity Commission and have referred to this guidance when reviewing their aims and objectives and in planning future activities.

In preparing this report and the accounts, the Trustees have demonstrated their compliance with the requirements set out in the guidance by:

- providing a review of the significant activities undertaken by the Charity to carry out its purposes for the public benefit;
- providing details of purposes and objectives;
- providing details of the strategies adopted and activities undertaken to achieve the purposes and objectives; and
- providing details of the achievements by reference to the purposes and objectives set.

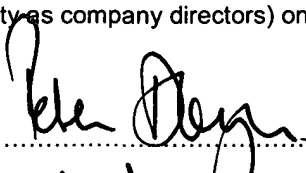
Disclosure of information to the auditor

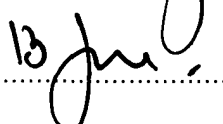
The Trustees who held office at the date of approval of the Trustees' Report confirm that, in so far as they are each aware, there is no relevant audit information of which the Charity's auditor is unaware, and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Charity's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Deloitte LLP has indicated their willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The Trustees' annual report including strategic report were approved by the Board of Trustees (in their capacity as company directors) on 31 May 2016 and signed on its behalf by:


..... Peter Doyle (Chairman of Trustees)


..... 2016

Financial statements for the year ended 31 December 2015

2015



INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BLACK STORK CHARITY

We have audited the financial statements of The Black Stork Charity for the year ended 31 December 2015, which comprise the consolidated statement of financial activities (including an income and expenditure account), the consolidated and charity balance sheets, the consolidated cashflow statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2015, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BLACK STORK CHARITY (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Jayne Rowe

Jayne Rowe FCCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

.....15. June..... 2016

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES **(including consolidated income and expenditure account)** **Year ended 31 December 2015**

	Notes	Unrestricted funds £	Restricted funds £	Total funds 2015 £	Total funds As restated 2014 £
INCOME FROM:					
Donations	3	49,793,890	4,000,000	53,793,890	12,469,398
Investment income - bank interest		54,469	-	54,469	27,761
Other trading activities - Rental income		35,955	-	35,955	16,500
TOTAL INCOME		49,884,314	4,000,000	53,884,314	12,513,659
EXPENDITURE ON:					
Raising funds	4	(1,914,172)	-	(1,914,172)	(149,359)
Charitable activities	5	(1,354,408)	-	(1,354,408)	(537,642)
TOTAL EXPENDITURE		(3,268,580)	-	(3,268,580)	(687,001)
Net income for the year	7	46,615,734	4,000,000	50,615,734	11,826,658
Transfer between funds	17, 18	4,000,000	(4,000,000)	-	-
NET MOVEMENT IN FUNDS		50,615,734	-	50,615,734	11,826,658
Total funds brought forward		28,239,265	-	28,239,265	16,412,607
Total funds carried forward	17	78,854,999	-	78,854,999	28,239,265

There were no other recognised gains or losses other than those listed above and the net income for the year. All income and expenditure derives from continuing operations.

The surplus of the parent charity for the year for Companies Act purposes is £51,172,432 (2014: £12,057,443). As permitted by Section 408 of the Companies Act, no separate statement of financial activities is presented in respect of the parent charity.

See note 15 for comparative consolidated statement of financial activities analysed by funds.

See note 22 for details of restatement.

BALANCE SHEETS

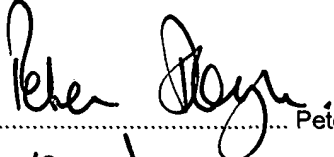
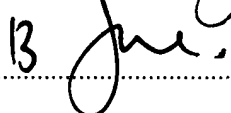
At 31 December 2015

	Note	2015 Group £	Charity £	2014 – As restated Group £	Charity £
Fixed assets					
Tangible assets	10	48,679,191	49,801,165	20,620,640	21,175,549
Investments	11	-	120,000	-	120,000
		<u>48,679,191</u>	<u>49,921,165</u>	<u>20,620,640</u>	<u>21,295,549</u>
Current assets					
Debtors: amounts falling due within one year	12	3,786,297	11,270,701	114,028	487,255
Cash at bank and in hand	13	29,305,715	19,095,976	8,148,120	7,080,887
		<u>33,092,012</u>	<u>30,366,677</u>	<u>8,262,148</u>	<u>7,568,142</u>
Creditors: amounts falling due within one year	14	(2,916,204)	(302,853)	(643,523)	(51,133)
NET CURRENT ASSETS		<u>30,175,808</u>	<u>30,063,824</u>	<u>7,618,625</u>	<u>7,517,009</u>
NET ASSETS		<u><u>78,854,999</u></u>	<u><u>79,984,989</u></u>	<u><u>28,239,265</u></u>	<u><u>28,812,558</u></u>
FUNDS					
Unrestricted funds	17	30,175,808	30,063,824	28,239,265	28,812,558
Designated funds	17	48,679,191	49,921,165	-	-
Restricted funds	18	-	-	-	-
TOTAL FUNDS		<u><u>78,854,999</u></u>	<u><u>79,984,989</u></u>	<u><u>28,239,265</u></u>	<u><u>28,812,558</u></u>

See note 22 for details of restatement.

The financial statements of The Black Stork Charity, Charity number 1141934, Company number 07619703, were approved by the Board of Trustees and authorised for issue on 31 May 2016.

They were signed on its behalf by:


 Peter Doyle (Chairman of Trustees)

 2016

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 December 2015

	Note	Unrestricted Funds £	Restricted Funds £	Total funds 2015 £	Total funds As restated 2014 £
Net cash flow from operating activities	16	34,672,044	4,000,000	38,672,044	12,103,561
Cash flows from investing activities					
Restricted cash		(7,500,000)	-	(7,500,000)	-
Interest received		54,469	-	54,469	27,761
Purchase of fixed assets		(13,568,918)	(4,000,000)	(17,568,918)	(7,871,104)
Net cash flows from investing activities		(21,014,449)	(4,000,000)	(25,014,449)	(7,843,343)
Net increase in cash and cash equivalents		13,657,595	-	13,657,595	4,260,218
Cash and cash equivalents at beginning of year (as restated)		8,148,120	-	8,148,120	3,887,902
Cash and cash equivalents at end of year		21,805,715	-	21,805,715	8,148,120
Reconciliation to cash at bank and in hand					
Cash and cash equivalents at end of year		21,805,715	-	21,805,715	8,148,120
Restricted cash		7,500,000	-	7,500,000	-
Cash at bank and in hand		29,305,715	-	29,305,715	8,148,120

See note 22 for details of restatement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1. ACCOUNTING POLICIES

(a) Company and charitable status

The Black Stork Charity, a public benefit entity, is incorporated in the United Kingdom and registered in England and Wales as a company limited by guarantee not having a share capital. There are currently five Trustees who are also the members of the company. Each member has undertaken to contribute to the assets in the event of winding up a sum not exceeding £1. The Charity is a registered charity. The registered office is given on page 3.

(b) Basis of accounting

The financial statements are prepared under the historical cost convention, in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities (SORP 2015)" applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2015; and the Companies Act 2006.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. The transition date was 1 January 2014. For more information see note 22.

The principal accounting policies are set out below.

(c) Preparation of financial statements – going concern basis

The Trustees have reviewed the entire project budget and cashflow forecast for the period to 2018. Whilst fundraising is continuing, bridge financing arrangements have been put in place to ensure that all capital commitments can be honoured when they fall due. Having considered the level of unrestricted funds, the facilities available and the financial commitments expected, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the accounts have been prepared on the basis that the Charity is a going concern.

(d) Basis of consolidation

Group financial statements have been prepared in respect of the Charity and its wholly owned subsidiary undertaking BS Stanford Limited, a company incorporated and registered in England and Wales. These financial statements have been consolidated on a line by line basis and the results of the subsidiary undertaking are disclosed in note 11.

(e) Fund accounting

The Charity maintains restricted and unrestricted funds.

General reserves are unrestricted funds that are available for use at the Trustees' discretion in furtherance of the objectives of the Charity.

Designated funds are set aside at the discretion of the Trustees for specific purposes.

Restricted funds represent grants and donations received which are to be used in accordance with specific restrictions imposed by the donor.

(f) Income

Income is recognised when the Group and the Charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

The following accounting policies are applied to income:

Donations, gifts and all other receipts from fundraising are included in income when these are receivable.

Gifts in kind – properties, investments and other fixed assets donated to the Charity are included in income from donations at market value at the time of receipt.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

(f) Income (continued)

Donated services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the Charity of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the Charity which is the amount the Charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Investment income is accounted for when receivable.

(g) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Expenditure on raising funds includes the costs incurred in generating fundraising income.

Expenditure on charitable activities includes direct costs related to the objectives of the Charity.

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include finance, personnel, payroll and governance costs which support the Charity's activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 6.

(h) Taxation

The parent company is a registered charity and has no liability to corporation tax on its charitable activities under the Corporation Tax Act 2010 (chapters 2 and 3 of part ii, section 466 onwards) or Section 256 of the Taxation for Chargeable Gains Act 1992, to the extent surpluses are applied to its charitable purposes.

Current tax for the subsidiary company, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

(i) Tangible Fixed Assets

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Plant and equipment - 25% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

(i) Tangible Fixed Assets (continued)

Section 35.10(d) of FRS 102 allows first time adopters of FRS 102 to use fixed assets' revaluation amounts as their deemed cost at the transition date of 1 January 2014. The Charity has taken advantage of this to re-base the 'cost' of its operational property and change the accounting policy to cease revaluing them going forward and instead hold them at deemed cost.

No depreciation is provided for on:

- o assets under the course of construction; and
- o freehold buildings due to the anticipated high residual value which would result in immaterial depreciation for each asset and in aggregate. An impairment review is carried out annually and, where the recoverable amount is materially less than the historic cost, the assets are impaired to that amount.

(j) Fixed Asset Investments

In the parent charity balance sheet, investments in subsidiary undertakings are measured at cost less impairment.

(k) Foreign Currency

Transactions denominated in foreign currencies are recorded at the exchange rate ruling on the date of the transaction.

(l) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Charity and Group only have financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Creditors and provisions 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(m) Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Trustees do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. ANALYSIS OF INCOME FROM DONATIONS

	Unrestricted funds £	Restricted funds £	Total funds 2015 £	Total funds 2014 £
Donations	38,586,132	4,000,000	42,586,132	12,197,407
Gift in kind (see note 10)	10,500,000	-	10,500,000	-
Donated services	707,758	-	707,758	271,991
	<u>49,793,890</u>	<u>4,000,000</u>	<u>53,793,890</u>	<u>12,469,398</u>

4. ANALYSIS OF EXPENDITURE ON RAISING FUNDS

The following expenditure has been incurred with the aim of raising funds for the DNRC Programme and the construction of the Defence establishment.

	2015 £	As restated 2014 £
Advertising and awareness raising costs	1,644,247	21,945
Support costs (see note 6)	29,670	21,296
Other fundraising costs	240,255	106,118
	<u>1,914,172</u>	<u>149,359</u>

The 2014 amounts have been restated to better reflect the current activities. Advertising and awareness raising costs reflect the widening of the fundraising campaign and establishment of the DNRC brand through a logo, TV advertising and posters, a special composition by Classic FM and a presence on social media. The purpose of this wider campaign is to raise awareness and invite the public to get involved in supporting the creation of the Defence establishment.

Other fundraising costs include staff costs, fundraising events and professional fees.

The above costs include £372k (2014: £nil) of donated services, of which £367k (2014: £nil) relates to the widening of the fundraising campaign.

The cost ratio to income for the year is 3.6% (2014: 1.2%).

5. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

Charitable activities relate to the furtherance of the Charity's objectives through the execution of the DNRC Programme, as explained in the Trustees Annual report.

	2015 £	As restated 2014 £
Direct charitable costs	1,150,829	455,899
Support costs (see note 6)	203,579	81,743
	<u>1,354,408</u>	<u>537,642</u>

Direct charitable costs have increased this year mainly due to one off legal and professional fees being incurred as a result of entering into contractual arrangements in connection with commencing construction, agreeing the lease with the MoD, negotiating the bridging finance arrangements and dealing with VAT matters. This level of cost will not be incurred next year. Included in these costs are donated services of £336k (2014: £272k).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6. ANALYSIS OF SUPPORT COSTS

2015	Raising funds £	Direct charitable £	Total 2015 £	Basis of allocation
Governance	-	32,638	32,638	In line with activity
Finance	1,342	140,510	141,852	Allocated on time
Office, secretarial and HR	28,328	30,431	58,759	Allocated on time
	<u>29,670</u>	<u>203,579</u>	<u>233,249</u>	

2014 comparatives As restated	Raising funds £	Direct charitable £	Total 2014 £	Basis of allocation
Governance	-	27,391	27,391	In line with activity
Finance	-	32,780	32,780	Allocated on time
Office, secretarial and HR	21,296	21,572	42,868	Allocated on time
	<u>21,296</u>	<u>81,743</u>	<u>103,039</u>	

Included in the above support costs are donated services of £79k (2014: £33k).

7. NET INCOME FOR THE YEAR

Net income is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets - owned	10,367	10,367
Provision for impairment	-	4,690
Auditor's remuneration:		
Fees payable to the Charity's auditor for the audit of the Charity's annual financial statements	7,800	5,040
Fees payable to the Charity's auditor for other services to the Group: the audit of the Charity's subsidiary	3,600	2,460

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

8. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

The average monthly number of employees was:

Group and Charity	2015 No.	2014 No.
Raising funds	2	1
Charitable activities	1	1
Support	2	1
	<u>5</u>	<u>3</u>

Their aggregate remuneration comprised:

Group and Charity	2015 £	2014 £
Wages and salaries	235,430	142,015
Social security costs	26,325	14,350
	<u>261,755</u>	<u>156,365</u>

The number of Group employees whose emoluments, including benefits in kind but excluding pension contributions, were in excess of £60,000 was:

	2015 No.	2014 No.
£70,000 - £80,000	-	1
£90,000 - £100,000	<u>1</u>	<u>-</u>

The senior management personnel of the Group and Charity are listed on page 3. The total remuneration of those individuals totalled £619k (2014: £525k), of which £526k (2014: £455k) was not directly incurred by the Charity due to their services being either donated or seconded directly to the subsidiary company by a third party.

Trustees' Remuneration

No Trustees received remuneration during the current or the prior year. Total travel and subsistence expenses of £118 (2014: £18) were paid to one Trustee (2014: one trustee).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

9. TAX ON PROFIT ON ORDINARY ACTIVITIES OF TRADING SUBSIDIARY

	2015 £	2014 £
Analysis of tax charge on current activities		
UK corporation tax at 20.25% (2014: 21.5%) based on profit for the year	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	536,783	207,045
Current tax charge for the year:		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	108,699	44,515
Expenses not deductible for tax purposes	2,099	1,992
Other items attracting no tax relief or liability	(1,340)	-
Tax on gift aid donation	(109,458)	(46,507)
	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 1 April 2015, the UK corporate tax rate was reduced from 21% to 20%. A further reduction to 19% from 1 April 2017 and then to 18% from 1 April 2020 was substantively enacted on 26 October 2015 (Finance (No.2) Act 2015). A current tax rate of 20.25% (3 months of the year at 21%, 9 months at 20%) has been applied to the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

10. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Assets in course of construction £	Plant and Equipment £	Total £
Cost or valuation				
At 1 January 2015	480,000	20,122,256	41,468	20,643,724
Additions	10,500,000	17,568,918	-	28,068,918
At 31 December 2015	<u>10,980,000</u>	<u>37,691,174</u>	<u>41,468</u>	<u>48,712,642</u>
Depreciation				
At 1 January 2015	-	-	23,084	23,084
Charge for year	-	-	10,367	10,367
As at 31 December 2015	<u>-</u>	<u>-</u>	<u>33,451</u>	<u>33,451</u>
Net book value				
31 December 2015	<u>10,980,000</u>	<u>37,691,174</u>	<u>8,017</u>	<u>48,679,191</u>
31 December 2014	<u>480,000</u>	<u>20,122,256</u>	<u>18,384</u>	<u>20,620,640</u>
Charity				
		Freehold land and buildings £	Assets in course of construction £	Total £
Cost or valuation				
As at 1 January 2015		480,000	20,695,549	21,175,549
Additions		10,500,000	18,125,616	28,625,616
As at 31 December 2015		<u>10,980,000</u>	<u>38,821,165</u>	<u>49,801,165</u>
Depreciation				
As at 1 January 2015 and at 31 December 2015		<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
31 December 2015		<u>10,980,000</u>	<u>38,821,165</u>	<u>49,801,165</u>
31 December 2014		<u>480,000</u>	<u>20,695,549</u>	<u>21,175,549</u>

Borrowing costs amounting to £192k (2014: £nil) have been included in the cost of tangible fixed assets.

The addition to freehold land and buildings is the Stanford Hall estate which was gifted by The Duke of Westminster during the year. The valuation of £10.5m was carried out on his behalf by independent professional valuers.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

11. FIXED ASSET INVESTMENTS

Charity	2015 £	2014 £
Subsidiary undertakings	120,000	120,000

The investment relates to the entire share capital of BS Stanford Limited, a company incorporated in the United Kingdom and registered in England and Wales. The principal activity of the company is to provide Managing Contractor services to the Charity in relation to the design, management and construction of the DNRC. BS Stanford Limited donates its distributable profits to The Black Stork Charity. A summary of the results of the trading company for the year ended 31 December 2015 is shown below.

Profit and loss account	2015 £	2014 £
Turnover	18,856,782	7,177,724
Cost of sales	(18,300,084)	(6,946,939)
Gross profit	556,698	230,785
Administrative expenses	(2,550)	(2,450)
Operating profit	554,148	228,335
Net interest payable	(17,365)	(21,290)
Amounts donated to the Charity	(536,783)	(207,045)
Retained profit on ordinary activities	-	-
Balance brought forward	-	-
Balance carried forward	-	-

Balance sheet as at 31 December 2015:

	2015 £	2014 £
Tangible fixed assets	8,017	18,384
Current assets	10,328,649	1,195,671
Creditors: Amounts falling due within one year	(10,216,666)	(1,094,055)
Net assets	120,000	120,000
Share Capital	120,000	120,000
Profit and loss account	-	-
Shareholder's funds	120,000	120,000

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015		2014	
	Group £	Charity £	Group £	Charity £
Prepayments and accrued income	393,092	274,180	68,574	6,198
Taxation and social security	3,393,205	7,662,837	45,454	-
Amounts owed by subsidiary undertaking	-	3,333,684	-	481,057
	3,786,297	11,270,701	114,028	487,255

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

13. RESTRICTIONS ON CASH AND CASH EQUIVALENTS

Group

Total cash and cash equivalents included cash amounting to £7.5m (2014: £nil) which was held in a secured account and was therefore not available for immediate use by the group.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015		2014	
	Group £	Charity £	Group £	Charity £
Trade creditors	2,304,090	-	466,123	-
Accruals and deferred income	598,193	288,932	169,351	43,084
Taxation and social security	13,921	13,921	6,117	6,117
Other creditors	-	-	1,932	1,932
	<u>2,916,204</u>	<u>302,853</u>	<u>643,523</u>	<u>51,133</u>

15. COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES – AS RESTATED

	Note	Unrestricted funds £	Restricted funds £	Total funds 2014 £
INCOME FROM:				
Donations	3	10,469,398	2,000,000	12,469,398
Bank interest		27,761	-	27,761
Rental income		16,500	-	16,500
TOTAL INCOME		<u>10,513,659</u>	<u>2,000,000</u>	<u>12,513,659</u>
EXPENDITURE ON:				
Raising funds	4	(149,359)	-	(149,359)
Charitable activities	5	(537,642)	-	(537,642)
TOTAL EXPENDITURE		<u>(687,001)</u>	<u>-</u>	<u>(687,001)</u>
Net income for the year	7	9,826,658	2,000,000	11,826,658
Transfer between funds		2,000,000	(2,000,000)	-
NET MOVEMENT IN FUNDS		<u>11,826,658</u>	<u>-</u>	<u>11,826,658</u>
Total funds brought forward		<u>16,412,607</u>	<u>-</u>	<u>16,412,607</u>
Total funds carried forward		<u>28,239,265</u>	<u>-</u>	<u>28,239,265</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

16. CASHFLOW STATEMENT

Reconciliation of net income to cash generated by operations:

	2015 £	As restated 2014 £
Net income for the year	50,615,734	11,826,658
Adjustments for:		
Interest receivable	(54,469)	(27,761)
Non-cash fixed asset donation	(10,500,000)	-
Depreciation and impairment charges	10,367	15,057
Operating cashflow before movement in working capital	40,071,632	11,813,954
Increase in debtors	(3,672,268)	170,946
Increase in creditors	2,272,680	118,661
Cash generated by operating activities	38,672,044	12,103,561

17. MOVEMENT IN UNRESTRICTED FUNDS

Group	At 1 January 2015 £	Income £	Expenditure £	Transfers £	At 31 December 2015 £
General reserves	28,239,265	49,884,314	(3,268,580)	(44,679,191)	30,175,808
Designated fund: fixed assets	-	-	-	48,679,191	48,679,191
Total unrestricted funds	28,239,265	49,884,314	(3,268,580)	4,000,000	78,854,999

Charity	At 1 January 2015 £	Income £	Expenditure £	Transfers £	At 31 December 2015 £
General reserves	28,812,558	50,438,462	(3,266,031)	(45,921,165)	30,063,824
Designated fund: fixed assets	-	-	-	49,921,165	49,921,165
Total unrestricted funds	28,812,558	50,438,462	(3,266,031)	4,000,000	79,984,989

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

17. MOVEMENT IN UNRESTRICTED FUNDS (continued)

The transfer to designated fund represents transfers from:

	Group £	Charity £
Restricted fund (see note 18)	4,000,000	4,000,000
Unrestricted general reserve	44,679,191	45,921,165
	<u>48,679,191</u>	<u>49,921,165</u>

The fixed asset fund is an unrestricted designated fund and represents resources invested in tangible fixed assets and fixed asset investments. It therefore reflects the construction cost of the Defence facility as at 31 December 2015 together with other assets held for functional purposes by the Group and Charity. The fund is therefore not readily available for other purposes.

The unrestricted general reserve represents surplus funds at the year end held for investment by the Trustees into the ongoing DNRC programme and construction costs for 2016.

18. MOVEMENT IN RESTRICTED FUNDS

Group and Charity	At 1 January 2015 £	Income £	Expenditure £	Transfers £	At 31 December 2015 £
DNRC Programme	-	4,000,000	-	(4,000,000)	-

During the year funds have been received from three donors towards the DNRC programme and, as required by the donors, these have been held as restricted funds until used. As the asset (upon which the funds have been spent) is not held for a restricted purpose a transfer to the unrestricted fixed asset fund has been made (see note 17).

19. ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

Group	Unrestricted funds		Restricted funds	Total
	General £	Designated £	£	£
Tangible fixed assets	-	48,679,191	-	48,679,191
Current assets	33,092,012	-	-	33,092,012
Current liabilities	(2,916,204)	-	-	(2,916,204)
At 31 December 2015	<u>30,175,808</u>	<u>48,679,191</u>	<u>-</u>	<u>78,854,999</u>

Charity	Unrestricted funds £	Designated funds £	Restricted funds £	Total £
Tangible fixed assets	-	49,921,165	-	49,921,165
Current assets	30,366,677	-	-	30,366,677
Current liabilities	(302,853)	-	-	(302,853)
At 31 December 2015	<u>30,063,824</u>	<u>49,921,165</u>	<u>-</u>	<u>79,984,989</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

20. FINANCIAL COMMITMENTS

Capital commitments are as follows:

Group and Charity	2015 £	2014 £
Contracted but not provided for	206,037,865	-

The above commitments reflect the contracts entered into during 2015 (for the period to mid 2018) in order to deliver the construction of the Defence establishment.

21. RELATED PARTY TRANSACTIONS

All transactions between the Charity and subsidiary, BS Stanford Limited, are eliminated on consolidation.

No Trustee received payment for professional or other services supplied to the Charity during the year (2014: £nil).

Total donations (received and in kind) from the Trustees during the year were £1k (2014: £1k).

A Grosvenor Trust which has a Trustee in common donates accommodation and other administrative services to the Charity. Donated services includes £77k (2014: £25k) in respect of this support.

22. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, the following accounting policies have changed to comply with that standard:

- o Governance costs are no longer separately identified in the statement of financial activities, but are included within support costs which are apportioned across the Charity's different charitable activities. The basis on which governance and other support costs have been apportioned is disclosed in note 6. Direct charitable activities were restated to include Governance costs of £27k bringing total charitable activities to £538k.
- o Short term deposits from prior year have been restated to cash at bank and in hand as these amounts are held to meet short-term cash commitments as they fall due rather than for investment purposes.
- o Section 35.10(d) of FRS 102 allows first time adopters of FRS 102 to use fixed assets' revaluation amounts as their deemed cost at the transition date. The Charity has taken advantage of this to re-base the 'cost' of its operational property and change the accounting policy to cease revaluing them going forward and instead hold them at deemed cost.

ACKNOWLEDGEMENTS

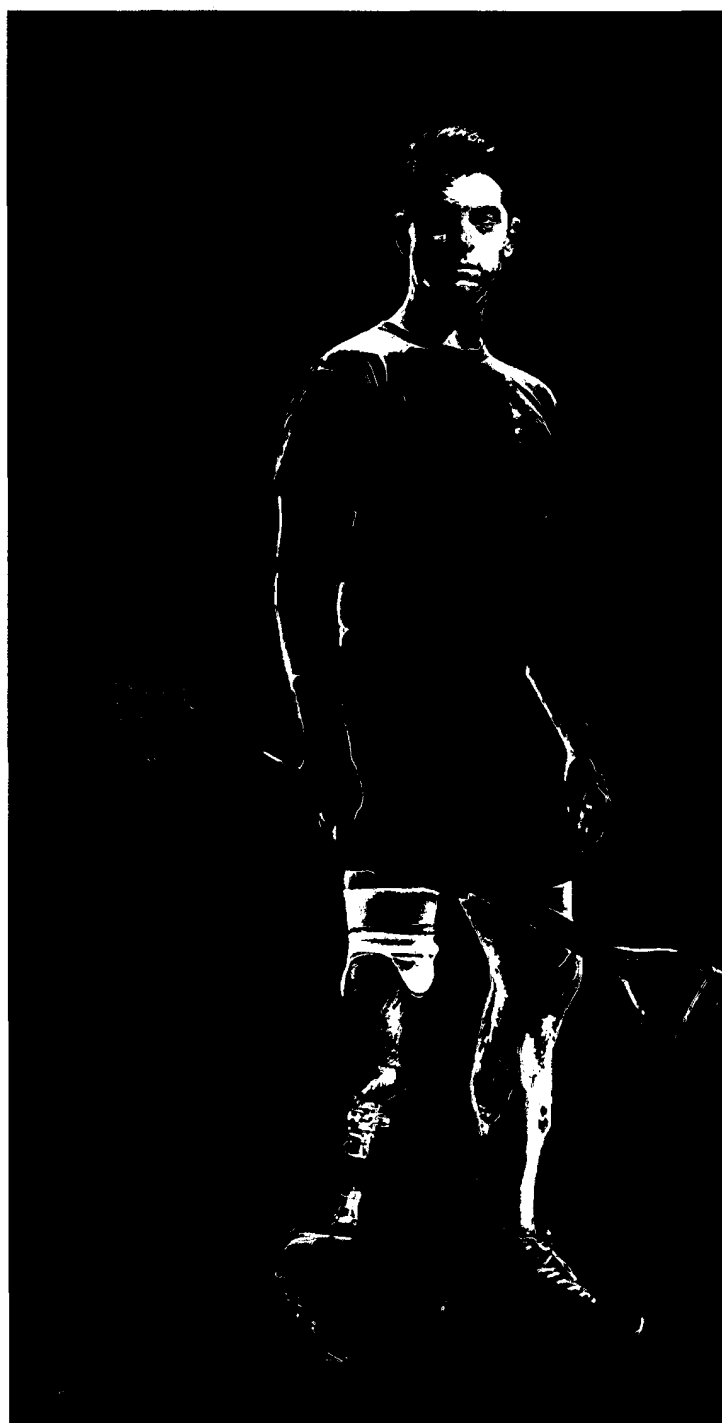
The target for the capital campaign to build the Defence facility is £300m by the end of 2017. To date over two thirds of the money has been pledged from major donations by individuals, charitable foundations and companies, both in the UK and overseas. The Duke of Westminster has pledged £50m.

We should like to thank the following donors and pledgers for their exceptional generosity:

- BAE Systems
- The Bamford Charitable Foundation
- The Barclay Foundation
- Bayfield Charitable Trust
- The Michael Bishop Foundation
- Bloomberg Philanthropy
- Boodle Hatfield LLP
- Anthony Buckingham
- Burberry
- The Cadogan Charity
- Experian
- Garfield Weston Foundation
- Goldman Sachs Gives
- David and Claudia Harding Foundation
- David Herro
- HSBC Holdings Plc
- Iceland Foods Ltd
- Lloyds Banking Group
- Nuffield Trust for the Forces of the Crown
- Pears Foundation
- The Hans K. Rausing Trust
- Mr and Mrs Don Robert
- The Rothermere Foundation
- The Royal British Legion
- The Sackler Foundation
- Santander UK
- The Schroder Foundation
- Ellis and Eve Short
- Sir Jules Thorn Charitable Trust
- The Mike Gooley Trailfinders Charity
- Barrie and Dena Webb
- The Westminster Foundation
- The Wolfson Foundation

and many other generous donors who wish to remain anonymous.

An example of one of the posters used in the regional newspaper advertisements:



**WITH
YOUR
HELP THE
REBUILDING
WILL
HAPPEN**

We are building what will be one of the world's best clinical rehabilitation centres for the armed forces, here in the Midlands.

But we can't start rebuilding lives until the building itself is finished. We need your help to complete the job. Please dig deep and donate today.

**PLEASE DONATE JUST £5
TEXT BUILD TO 70555
OR SEARCH DNRC**

DNRC
REBUILDING
OUR SERIOUSLY
WOUNDED

To donate by post, please send cheques and address your envelope to:
DNRC, PO Box 76, Rotherham, S63 9XY. For security reasons, please do not put cash in the post.
Black Stork Charity, registered charity England & Wales 1141934. Texts cost £5 + std rate. Obtain billpayer's permission.
Age 16+ UK mobiles. We get 100% of your donation. T&Cs: www.thednrc.org.uk/donation-terms.aspx