

Registered Charity in England and Wales no. 1141934
Registered Company in England and Wales no. 07619703

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

**Trustees' Report and
Financial Statements for 2016**



DNRC

**REPAIRING
OUR SERIOUSLY
WOUNDED**

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Chairman's introduction

This has been a momentous year in the life of our charity. It is momentous because of the all-too-early death of our founder and guiding light, Gerald, Sixth Duke of Westminster, in August of last year; I will return to this later.

It has also been momentous because this is the year that has seen excavations at Stanford Hall turn into near-complete buildings. The scale of our ambition is now very apparent, and the physical manifestation of the Defence buildings clear to see – with a site visible from many miles away. We are on track to complete as scheduled during 2018. The main building complex, very largely new build, is on time and on budget; the works to restore The Hall itself will take a little longer than planned due to the discovery of additional asbestos and extra repairs required to the external fabric of the building. We continue to enjoy a positive and constructive relationship with Interserve Construction, our main contractors.

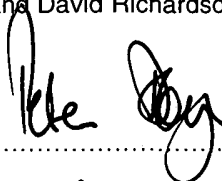
We look forward to the handover of the Defence Establishment in 2018 with confidence. But as great a prize – for the nation – would be to see a National Clinical Rehabilitation Centre, for which we have outline planning permission, fully rooted with detailed work underway. We have made progress this year, in particular in working with our partners in the Nottingham University Hospitals NHS Trust to refine and develop the proposition. We are encouraged by conversations thus far, though there is much work to be done to bring a National Centre to fruition. 2017 is the critical year for this key element of the complete facility.

As at the date of our report, we have committed giving (including money actually received) of £257m. This compares with our appeal total of £300m, so leaving a shortfall of £43m. On behalf of my fellow Trustees I extend profound gratitude to all those who have given, or who have undertaken to do so. What is particularly touching is to see the increasing number of smaller gifts following the widening of our public campaign, which reflects a groundswell of interest and growing support from many individuals who have been inspired by this remarkable project. I want to pay tribute especially to our amazing ambassadors, all of whom give generously of their time. Perhaps the most unusual fund-raising activity has been the completion of the World Marathon Challenge by two of the ambassadors, Luke Wigman and Ibi Ali, featuring seven marathons on seven continents in seven days.

I referred earlier to the sad and untimely loss of our founder, Gerald Grosvenor, 6th Duke of Westminster. Having served for over 40 years in the British Reserve Army he witnessed the high personal price paid by many members of the armed forces in terms of serious wounding during their service. He knew that rehabilitation medicine was developing fast in terms of technology and science and felt strongly that we owed those who volunteer to fight for this country the best possible care if they are injured during training or in conflict. That belief was developed further when the then Secretary of State for Defence asked him to consider 'doing something for the nation too' by sharing Defence's expertise in this field with civilians, with opportunities on the site, in R&D and training and education. So was born the 'DNRC' (Defence and National Rehabilitation Centre). Following the death of the 6th Duke the Grosvenor family has committed to continue its support for the project and will be working with the Trustees on a number of major donor fundraising initiatives in 2017. I am also delighted to record with much gratitude the support given by our Patron, The Duke of Cambridge.

Looking ahead, there are two key priorities for the remainder of 2017 and into 2018: firmly establishing the 'N' project, and continuing our fundraising activity to reach the appeal total for the Defence facility. Our ambition is to complete both tasks by the handover date in 2018. Further ahead, we will this year start to plan for the transition of the Charity to the next phase in our life.

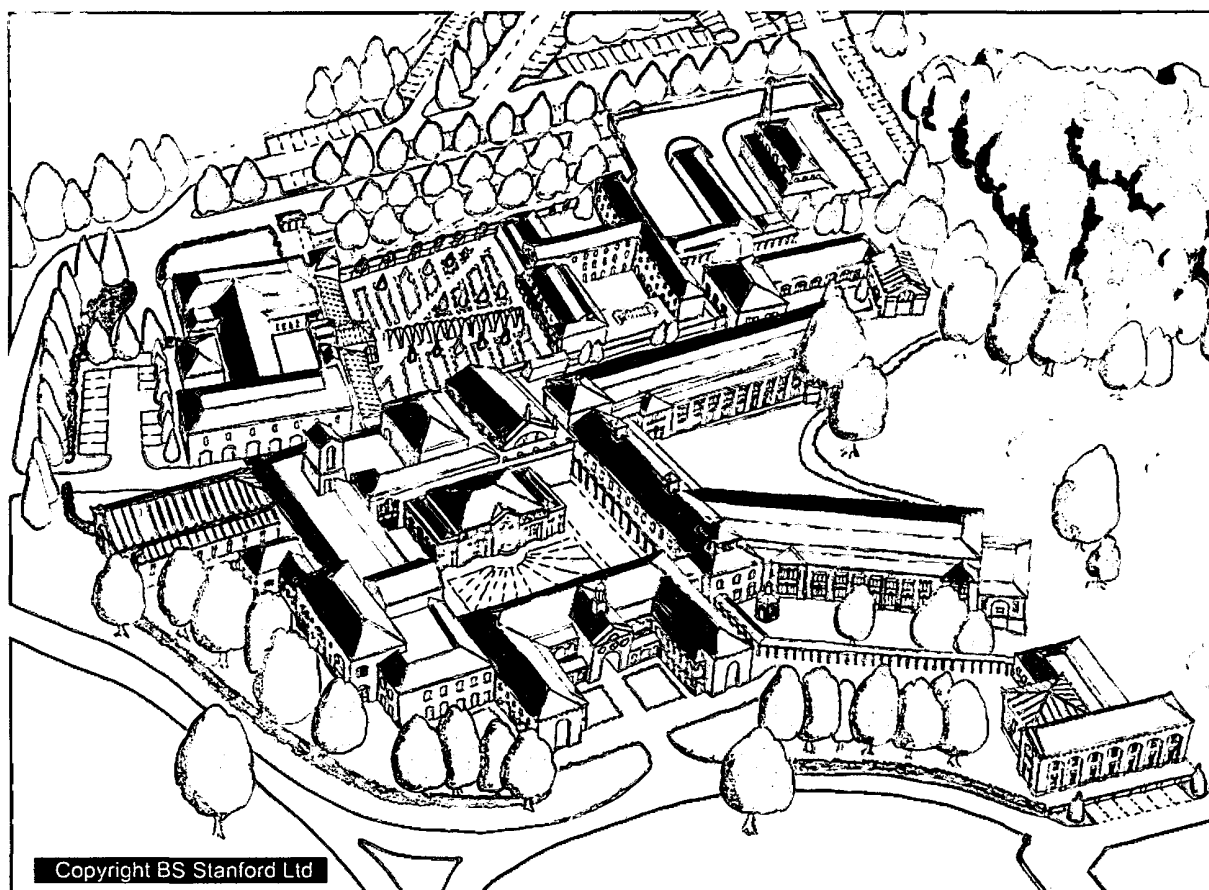
I am immensely grateful to our donors and the many others who have supported this great endeavour, to our committed staff team – in London and at Stanford Hall. I am also grateful to my fellow Trustees, who were joined this year by Sir Keith O'Nions and David Richardson, for their insight, constructive challenge, and practical help.


..... Peter Doyle (Chairman of Trustees)
14 June 2017

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 2016.

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	Resigned 31 December 2016
Sir Keith O'Nions	Appointed 13 July 2016
Kate Philp	
David Richardson	Appointed 18 May 2017
Jane Sandars	

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
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.

Achievements in 2016

As the Chairman's Statement makes clear, the DNRC Programme has from the outset been both a Defence (D) and National (N) undertaking and both aspects are covered in this report. The Stanford Hall (SH) estate was bought both for its location (central and rural) and its size (over 4 times larger than the site occupied by Headley Court in order to permit the possibility of national facilities on the same site). The Charity is funding the creation of the D establishment for occupation by the MoD as a tenant paying the full operating costs. The Charity has always 'enabled' the N opportunity (not least by obtaining outline planning permission for the N on the site) following the Secretary of State's request to 'do something for the nation'. It continues to do so, but it is not committed to funding either the capital or operating costs of any civilian facility on the SH estate.

The Defence Facility

Construction of the Defence establishment (started in August 2015) proceeded apace throughout 2016. There have been no significant construction difficulties, although the refurbishment of the old house (Stanford Hall [SH] itself) has, as predicted, proved highly problematic. Whilst financial contingency was allowed for this, this state of affairs has caused some delay to that element of the build. Nevertheless, the construction programme related to the new build (which provides the 21st century sophisticated clinical capability) is still on course to allow handover of the new establishment to the MoD, as the tenant on a 50 year lease, in April 2018 – as indicated to Parliament. This should allow the MoD to complete fitting out etc ready for the new D establishment to be operational and receiving its first patients in October 2018.

The National Opportunity

As foretold in the last report, a governance framework was developed in early 2016 to facilitate detailed understanding of how the N opportunities associated with the creation of the Defence establishment could be realised to the fullest extent – thereby giving true meaning to the 'N' element of the DNRC. The principal governance body created to achieve this was National Workstream Steering Group (NWSG), chaired by Sir Alan Langlands, a former chief executive of the NHS for 6 years in a period of rapid change and now Vice Chancellor of Leeds University. The group included very senior representation from government (Department of Health, NHS England and the Department of Work and Pensions principally), the Midlands universities and health trusts. The NWSG, enabled by the DNRC Programme, directed and oversaw the work including that of the 3 principal workstreams involving patient care, R & D and education and training.

The first stage of its work centred on the East Midlands trauma region where a strategic outline case (SOC) was undertaken by the Nottingham University Hospital NHS Trust (NUH) to determine the East Midlands requirement and specifically the scope and purpose of any new specialist rehab facility for civilians on the SH site. It established convincingly the need, scope (63 beds) and the method of operating involving systemic change in the provision of rehab services in the region to add a specialist civilian rehabilitation centre on the SH site into the capability mix. Given this favourable outcome, the NWSG embarked on a second stage to extrapolate the evidence from the East Midlands across England. That work was undertaken independently by KPMG which has considerable experience of working with government in this field. KPMG consulted widely in the course of preparing its report and its draft was submitted to the Charity at the end of 2016. Meanwhile, the R & D and training and education workstreams proceeded in parallel with the prospect of similarly promising opportunities.

Achievements in 2016 (continued)

Fundraising

In the first half of 2016 the fundraising campaign capitalized on the previous year's investment in TV advertising, posters and a burgeoning presence on social media with a view to inviting the public to be involved, if they wished, in supporting the creation of the Defence establishment. Nevertheless, the emphasis on major donor fundraising remains at the core of meeting the target of £300m and continued throughout the year. In October a LIBOR grant of £20m was made by the Treasury which has been received in 2017. The fundraising total at the end of 2016 stood at £257m. In order to ensure that construction continues at the necessary rate, the trustees successfully concluded the necessary bridging finance facility in mid-2015.

Plans for 2017

The Defence Facility

Construction of the Defence facility has continued successfully in 2017 and has extended to the wider aspects of the estate including, for example, the construction of the hand cycle tracks which are part of the rehabilitation activity available to patients. The final judgement on whether the handover date in April 2018 can be met will be made in October 2017 with the MoD being notified as the prospective tenant. At the date of this report there is no reason to consider that it will not be met. Details of the progress (and the DNRC programme as a whole) can be followed at www.thednrc.org.uk

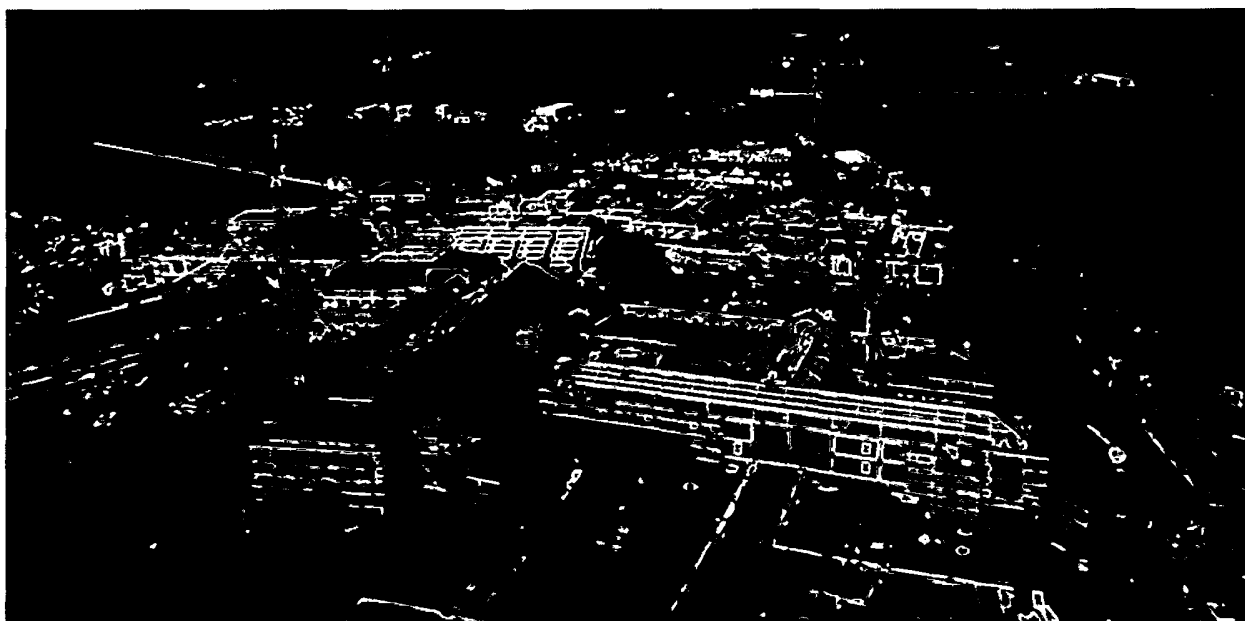


Image taken by aerial drone – Jan 2017

Fundraising

The major donor fundraising campaign continues, with the emphasis being on those major donors who have shown definite interest in donating but have yet to do so. To that end a series of major donor events is planned for 2017.

Plans for 2017 (continued)

The National Opportunity

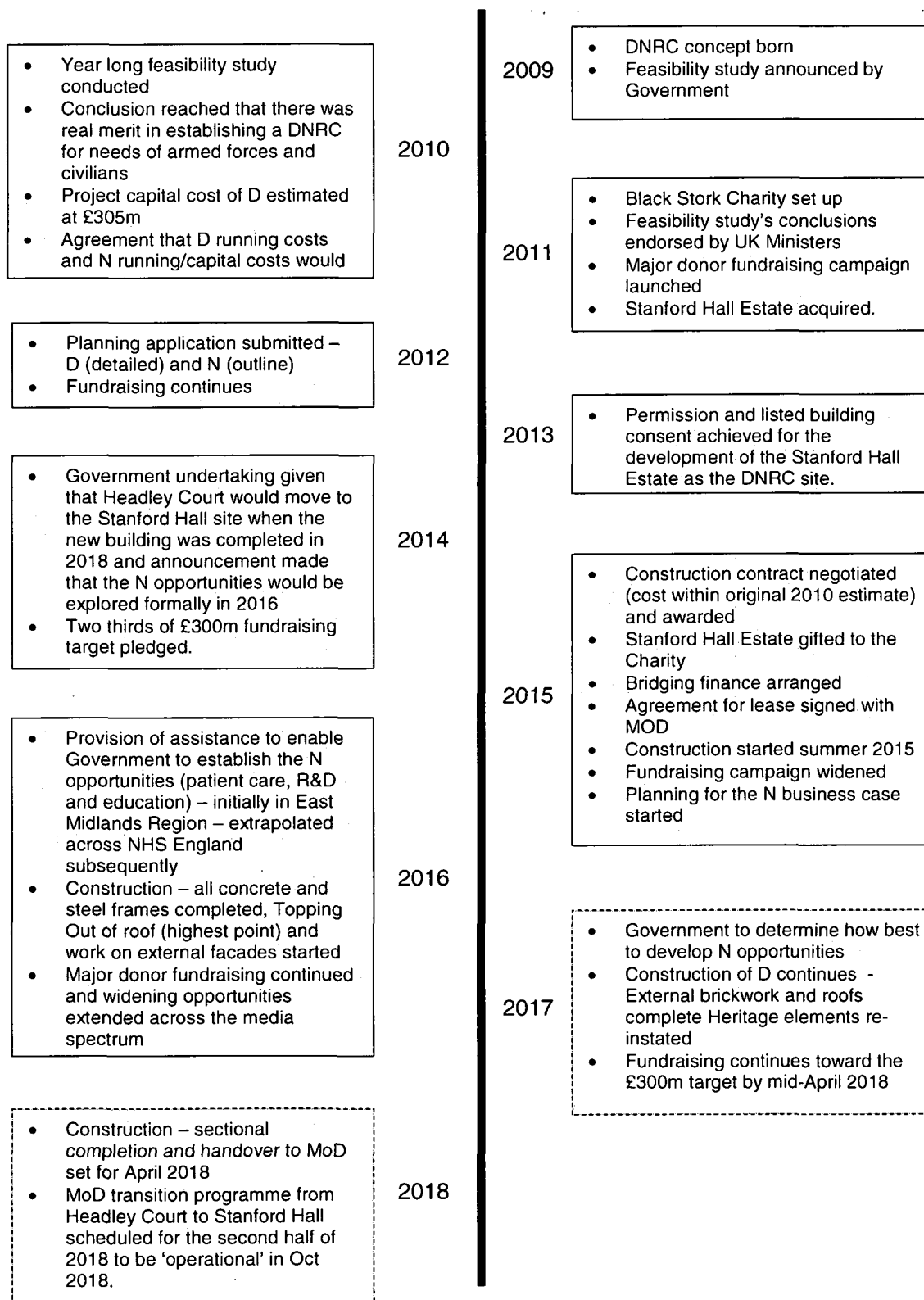
The KPMG report was finalised in March 2017. In essence, it set out that such a change could yield benefits in two main areas: increased return to work rates and reduction in ongoing costs of care. The economic benefits over 30 years could be high with the current forecast indicating that the project could deliver net economic benefits in the first decade (the assumption is non-NHS funding for the capital build of £50m). Furthermore, the benefits could generate positive cash returns to the whole of government, primarily across DWP (via reduced benefit payments), local government (via reduced care costs) and HMRC (via increased tax revenues).

The decision on how to realize the opportunities relating to patient care in the East Midlands (revealed in the SOC and the KPMG report), R & D and training and education will need to be determined by Government. The proposal being put to Government (in the person of the CE of NHS England) is endorsement of the concept of a 10 year clinical rehabilitation pilot in the East Midlands region to prove the benefits that have become apparent in the 2016 work – with a view to subsequent adoption of this approach across NHS England sometime thereafter. This proposal was discussed recently with the CE and Medical Director of NHS England, and it was agreed that an Outline Business Case should be undertaken, subject to certain assurances being given by Nottingham University Hospitals NHS Trust. Nevertheless, in view of the fact that the remarkable national opportunities in relation to patient care on the SH site will effectively disappear in October 2018 when the existing outline (and non-renewable) planning permission will expire and the DNRC programme will come to an end, 3 precautions have been taken:

- The Charity has initiated low-cost preliminary work to facilitate changing the existing outline permission for a national facility on the site to a detailed one to ensure that the necessary work can be completed on time.
- NUH, in anticipation of the fact that it would be likely to be tasked to undertake the necessary outline business case (OBC) for the proposition outlined above, has already received the wholehearted support of its clinicians and is confident of being able to fund the development of OBC using its own resources.
- Whilst the Charity is not committed to funding the capital or operating costs of any N facility, as part of its enabling activity it is looking at how the £50m construction cost of the N facility might be achieved, either with the involvement of other relevant charities or in relation to the Midlands Growth Engine initiative in which the DNRC features.

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 the funds raised are spent on the execution of the DNRC Programme and significantly, the fixed asset investment in the Defence establishment.

Total income for the year was £45.7m (2015: £53.9m) and is less than 2015 as that year included a one-off gift in kind of £10.5m, being the Stanford Hall Estate upon which the DNRC is being constructed. Donations received from corporates, individuals and other charitable foundations increased during the year to £44.0m (2015: £42.6m).

The cost of the fundraising activity increased this year, as anticipated, to £2.3m (2015: £1.9m) because of the widening of the public campaign. £1.2m (2015: £0.4m) of this expenditure was donated by organisations that support the Charity through the provision of professional services and media space at discounted prices. The ratio of the cost of fundraising activity to income is therefore 4.9% (2015: 3.6%).

Expenditure on charitable activities of £1.1m (2015: £1.4m) decreased this year due to one off costs incurred in 2015 as a result of entering contractual arrangements in connection with starting construction, agreeing the proposed lease with the MoD, and negotiating the necessary bridging finance arrangements.

Capital expenditure on charitable activities of £63.8m (2015: £17.6m) reflects the investment in the construction activity described in the 'Achievements in 2016' section above. Assets in the course of construction stood at £101.5m at the year end (2015: £37.7m).

The consolidated balance sheet shows net assets of £121.1m, compared to £78.9m in 2015, representing the above investment in the fixed assets under development and the reserves necessary to continue the delivery of the Programme.

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 April 2018. 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 are in place to ensure that all such capital commitments (£147m at the end of December 2016) can be honoured as they fall due. £23m had been drawn on these facilities at the year end.

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.

Financial review (continued)

Reserves policy – funds

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

The group had £121.1m (2015: £78.9m) of unrestricted funds at the end of 2016. However, £112.4m (2015: £48.7m) of these funds had been invested in fixed assets by the year end. These capital funds are held in a separate designated unrestricted reserve which reflects the fact that these funds are not readily realisable. The general reserve remaining of £8.7m (2015: £30.2m) will be used to fund the ongoing construction commitments, together with anticipated donation pledges and the agreed borrowing facilities.

Restricted funds of £3.5m (2015: £4.0m) were received in 2016 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 2016, 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 2016 the Charity had five Trustees. The Board appointed an additional member during the year bringing in experience and relevant skills previously identified by the Trustees, and one member retired at the end of the year. Recruitment of further Trustees is a key action of the Board for 2017, and in May one further member was appointed. During the year three (2015: three) of the Trustees were 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.

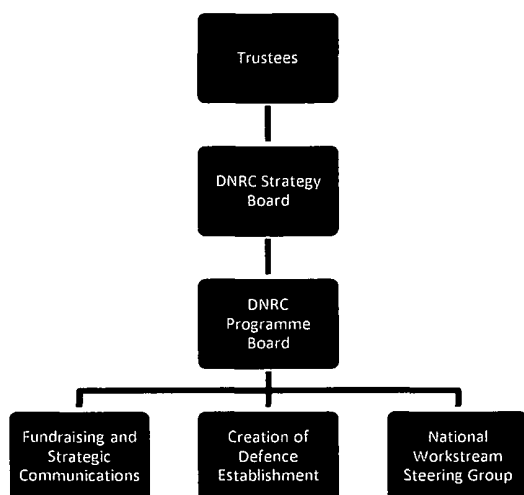
The Programme is unusual in that it involves a Charity working in conjunction with Government. It is being run on OGC (The Office of Government Commerce) lines and has been subject to OGC review.

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. Detailed risk registers are updated on a quarterly basis with a formal review of the main high level risks also undertaken by the Board quarterly. 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:

- o 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 presence of finance facilities to ensure that all contractual commitments can be met.

- o 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 2016.

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:

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

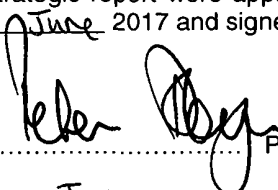
Disclosure of information to the auditor

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 14 June 2017 and signed on its behalf by:


..... Peter Doyle (Chairman of Trustees)
..... 14 June 2017

**Financial statements
for the year ended 31 December 2016**

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 2016, 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 2016, 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 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' Annual Report (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report (including the Strategic Report) have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Trustees' Annual Report.

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
Statutory Auditor
London
United Kingdom

22 June 2017

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES **(including consolidated income and expenditure account)** **Year ended 31 December 2016**

	Notes	Unrestricted funds £	Restricted funds £	Total funds 2016 £	Total funds 2015 £
INCOME FROM:					
Donations	3	42,057,374	3,500,000	45,557,374	53,793,890
Investment income - bank interest		58,556	-	58,556	54,469
Other trading activities - rental income		45,734	-	45,734	35,955
TOTAL INCOME		<u>42,161,664</u>	<u>3,500,000</u>	<u>45,661,664</u>	<u>53,884,314</u>
EXPENDITURE ON:					
Raising funds	4	(2,251,059)	-	(2,251,059)	(1,914,172)
Charitable activities	5	<u>(1,130,908)</u>	<u>-</u>	<u>(1,130,908)</u>	<u>(1,354,408)</u>
TOTAL EXPENDITURE		<u>(3,381,967)</u>	<u>-</u>	<u>(3,381,967)</u>	<u>(3,268,580)</u>
Net income for the year	7	38,779,697	3,500,000	42,279,697	50,615,734
Transfer between funds	18,19	3,500,000	(3,500,000)	-	-
NET MOVEMENT IN FUNDS		<u>42,279,697</u>	<u>-</u>	<u>42,279,697</u>	<u>50,615,734</u>
Total funds brought forward		<u>78,854,999</u>	<u>-</u>	<u>78,854,999</u>	<u>28,239,265</u>
Total funds carried forward	18	<u>121,134,696</u>	<u>-</u>	<u>121,134,696</u>	<u>78,854,999</u>

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 £44,214,169 (2015: £51,172,432). 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 16 for comparative consolidated statement of financial activities analysed by funds.

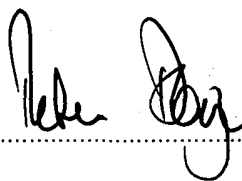
BALANCE SHEETS

At 31 December 2016

	Note	2016		2015	
		Group	Charity	Group	Charity
		£	£	£	£
Fixed assets					
Tangible assets	10	112,430,261	115,494,448	48,679,191	49,801,165
Investments	11	-	120,000	-	120,000
		<u>112,430,261</u>	<u>115,614,448</u>	<u>48,679,191</u>	<u>49,921,165</u>
Current assets					
Debtors: amounts falling due within one year	12	1,630,427	22,845,091	3,786,297	11,270,701
Cash at bank and in hand	13	31,241,558	9,086,563	29,305,715	19,095,976
		<u>32,871,985</u>	<u>31,931,654</u>	<u>33,092,012</u>	<u>30,366,677</u>
Creditors: amounts falling due within one year	14	(1,126,530)	(305,924)	(2,916,204)	(302,853)
NET CURRENT ASSETS		<u>31,745,455</u>	<u>31,625,730</u>	<u>30,175,808</u>	<u>30,063,824</u>
Creditors: amounts falling due after one year	15	(23,041,020)	(23,041,020)	-	-
NET ASSETS		<u><u>121,134,696</u></u>	<u><u>124,199,158</u></u>	<u><u>78,854,999</u></u>	<u><u>79,984,989</u></u>
FUNDS					
Unrestricted funds – general	18	8,704,435	8,584,710	30,175,808	30,063,824
Unrestricted funds – designated	18	112,430,261	115,614,448	48,679,191	49,921,165
Restricted funds	19	-	-	-	-
TOTAL FUNDS		<u><u>121,134,696</u></u>	<u><u>124,199,158</u></u>	<u><u>78,854,999</u></u>	<u><u>79,984,989</u></u>

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 14 June 2017.

They were signed on its behalf by:



Peter Doyle (Chairman of Trustees)

14 June 2017

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 December 2016

	note	Unrestricted Funds £	Restricted Funds £	Total funds 2016 £	Total funds 2015 £
Net cash flow from operating activities	17	39,054,186	3,500,000	42,554,186	38,672,044
Cash flows from investing activities					
Restricted cash		(12,610,000)	-	(12,610,000)	(7,500,000)
Interest received		58,556	-	58,556	54,469
Purchase of fixed assets		(60,176,899)	(3,500,000)	(63,676,899)	(17,568,918)
Net cash used in investing activities		(72,728,343)	(3,500,000)	(76,228,343)	(25,014,449)
Cash flows from financing activities					
Cash inflows from new borrowing		23,000,000	-	23,000,000	-
Net cash provided by financing activities		23,000,000	-	23,000,000	-
Net (decrease)/increase in cash and cash equivalents		(10,674,157)	-	(10,674,157)	13,657,595
Cash and cash equivalents at beginning of year		21,805,715	-	21,805,715	8,148,120
Cash and cash equivalents at end of year		11,131,558	-	11,131,558	21,805,715
Reconciliation to cash at bank and in hand					
Cash and cash equivalents at end of year		11,131,558	-	11,131,558	21,805,715
Restricted cash		20,110,000	-	20,110,000	7,500,000
Cash at bank and in hand		31,241,558	-	31,241,558	29,305,715

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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. At the end of the year there were 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); and the Companies Act 2006.

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 the end of 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 unrestricted funds that 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 2016

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 2016

1. ACCOUNTING POLICIES (continued)

(i) Tangible Fixed Assets (continued)

No depreciation is provided for on:

- assets under the course of construction; and
- 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 2016

3. ANALYSIS OF INCOME FROM DONATIONS

	Unrestricted funds	Restricted funds	Total funds 2016	Total funds 2015
	£	£	£	£
Donations	40,499,661	3,500,000	43,999,661	42,586,132
Gift in kind	-	-	-	10,500,000
Donated services	1,557,713	-	1,557,713	707,758
	<u>42,057,374</u>	<u>3,500,000</u>	<u>45,557,374</u>	<u>53,793,890</u>

The Gift in Kind represents the value of the Stanford Hall Estate gifted by the Sixth Duke of Westminster in 2015. The donated services reflect the provision of professional services and media space by organisations keen to support the Charity.

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.

	2016	2015
	£	£
Advertising and awareness raising costs	2,008,828	1,644,247
Support costs (see note 6)	30,843	29,670
Other fundraising costs	211,388	240,255
	<u>2,251,059</u>	<u>1,914,172</u>

Advertising and awareness raising costs reflect the widening of the fundraising campaign and establishment of the DNRC brand. 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 £1,178k (2015: £372k) of donated services, of which £1,172k (2015: £367k) relates to the widening of the fundraising campaign.

The cost ratio to income for the year is 4.9% (2015: 3.6%).

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.

	2016	2015
	£	£
Direct charitable costs	945,700	1,150,829
Support costs (see note 6)	185,208	203,579
	<u>1,130,908</u>	<u>1,354,408</u>

Included in these costs are donated services of £380k (2015: £336k).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

6. ANALYSIS OF SUPPORT COSTS

2016	Raising funds £	Direct charitable £	Total 2016 £	Basis of allocation
Governance	-	28,395	28,395	In line with activity
Finance	1,677	125,478	127,155	Allocated on time
Office, secretarial and HR	29,166	31,335	60,501	Allocated on time
	<u>30,843</u>	<u>185,208</u>	<u>216,051</u>	

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>	

Included in the above support costs are donated services of £59k (2015: £79k).

7. NET INCOME FOR THE YEAR

Net income is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets - owned	7,742	10,367
Auditor's remuneration:		
Fees payable to the Charity's auditor for the audit of the Charity's annual financial statements	7,200	7,800
Fees payable to the Charity's auditor for other services to the Group: the audit of the Charity's subsidiary	<u>2,500</u>	<u>3,600</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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	2016 No.	2015 No.
Raising funds	3	2
Charitable activities	1	1
Support	2	2
	<u>6</u>	<u>5</u>

Their aggregate remuneration comprised:

Group and Charity	2016 £	2015 £
Wages and salaries	283,814	235,430
Social security costs	31,513	26,325
	<u>315,327</u>	<u>261,755</u>

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

	2016 No.	2015 No.
£90,000 - £100,000	<u>1</u>	<u>1</u>

The senior management personnel of the Group and Charity are listed on page 3. The total remuneration of those individuals totalled £667k (2015: £619k), of which £575k (2015: £526k) 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 Trustee received remuneration during the current or the prior year. Total travel and subsistence expenses of £117 (2015: £118) were paid to one Trustee (2015: one trustee).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

9. TAX ON PROFIT ON ORDINARY ACTIVITIES OF TRADING SUBSIDIARY

	2016 £	2015 £
Analysis of tax charge on current activities		
UK corporation tax at 20% (2015: 20.25%) based on profit for the year	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	1,932,293	536,783
Current tax charge for the year:		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	386,459	108,699
Expenses not deductible for tax purposes	1,548	2,099
Other items attracting no tax relief or liability	-	(1,340)
Tax relief for gift aid donation	(388,007)	(109,458)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 1 April 2015, the UK corporate tax rate was reduced from 21% to 20%. It will reduce to 19% from 1 April 2017 and was due to reduce to 18% from 1 April 2020. However, a further reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016 (Finance Act 2016). A current tax rate of 20% has been applied to the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

10. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Assets in course of construction £	Plant and Equipment £	Total £
Cost or valuation				
At 1 January 2016	10,980,000	37,691,174	41,468	48,712,642
Additions	-	63,758,812	-	63,758,812
At 31 December 2016	<u>10,980,000</u>	<u>101,449,986</u>	<u>41,468</u>	<u>112,471,454</u>
Depreciation				
At 1 January 2016	-	-	33,451	33,451
Charge for year	-	-	7,742	7,742
As at 31 December 2016	<u>-</u>	<u>-</u>	<u>41,193</u>	<u>41,193</u>
Net book value				
31 December 2016	<u>10,980,000</u>	<u>101,449,986</u>	<u>275</u>	<u>112,430,261</u>
31 December 2015	<u>10,980,000</u>	<u>37,691,174</u>	<u>8,017</u>	<u>48,679,191</u>
Charity				
Cost or valuation				
As at 1 January 2016		10,980,000	38,821,165	49,801,165
Additions		-	65,693,283	65,693,283
As at 31 December 2016		<u>10,980,000</u>	<u>104,514,448</u>	<u>115,494,448</u>
Depreciation				
As at 1 January 2016 and at 31 December 2016		<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
31 December 2016		<u>10,980,000</u>	<u>104,514,448</u>	<u>115,494,448</u>
31 December 2015		<u>10,980,000</u>	<u>38,821,165</u>	<u>49,801,165</u>

Borrowing costs amounting to £555k (2015: £192k) have been included in the cost of tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

11. FIXED ASSET INVESTMENTS

Charity	2016 £	2015 £
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 (registration number 7489494). The registered office of BS Stanford Ltd is 70 Grosvenor Street, London, W1K 3JP. 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 2016 is shown below.

Profit and loss account	2016 £	2015 £
Turnover	65,138,556	18,856,782
Cost of sales	(63,204,085)	(18,300,084)
Gross profit	1,934,471	556,698
Administrative expenses	(2,593)	(2,550)
Operating profit	1,931,878	554,148
Net interest receivable	415	(17,365)
Amounts donated to the Charity	(1,932,293)	(536,783)
Retained profit on ordinary activities	-	-
Balance brought forward	-	-
Balance carried forward	-	-

Balance sheet as at 31 December 2016:

	2016 £	2015 £
Tangible fixed assets	275	8,017
Current assets	22,227,603	10,328,649
Creditors: Amounts falling due within one year	(22,107,878)	(10,216,666)
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

	2016		2015	
	Group £	Charity £	Group £	Charity £
Prepayments and accrued income	230,532	157,924	393,092	274,180
Taxation and social security	1,399,895	1,407,446	3,393,205	7,662,837
Amounts owed by subsidiary undertaking	-	21,279,721	-	3,333,684
	1,630,427	22,845,091	3,786,297	11,270,701

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

13. RESTRICTIONS ON CASH AND CASH EQUIVALENTS

Group

Total cash and cash equivalents included cash amounting to £20.1m (2015: £7.5m) 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

	2016		2015	
	Group	Charity	Group	Charity
	£	£	£	£
Trade creditors	461,325	-	2,304,090	-
Accruals and deferred income	665,205	305,924	598,193	288,932
Taxation and social security	-	-	13,921	13,921
	<u>1,126,530</u>	<u>305,924</u>	<u>2,916,204</u>	<u>302,853</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016		2015	
	Group	Charity	Group	Charity
	£	£	£	£
Other loan: repayable between two and five years	<u>23,041,020</u>	<u>23,041,020</u>	<u>-</u>	<u>-</u>

The loan is unsecured. Interest is payable at a variable rate of LIBOR plus 1.7%.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

16. COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	Note	Unrestricted funds £	Restricted funds £	Total funds 2015 £
INCOME FROM:				
Donations	3	49,793,890	4,000,000	53,793,890
Bank interest		54,469	-	54,469
Rental income		35,955	-	35,955
TOTAL INCOME		49,884,314	4,000,000	53,884,314
EXPENDITURE ON:				
Raising funds	4	(1,914,172)	-	(1,914,172)
Charitable activities	5	(1,354,408)	-	(1,354,408)
TOTAL EXPENDITURE		(3,268,580)	-	(3,268,580)
Net income for the year	7	46,615,734	4,000,000	50,615,734
Transfer between funds		4,000,000	(4,000,000)	-
NET MOVEMENT IN FUNDS		50,615,734	-	50,615,734
Total funds brought forward		28,239,265	-	28,239,265
Total funds carried forward		78,854,999	-	78,854,999

17. CASHFLOW STATEMENT

Reconciliation of net income to cash generated by operations:

	2016 £	2015 £
Net income for the year	42,279,697	50,615,734
Adjustments for:		
Interest receivable	(58,556)	(54,469)
Non-cash fixed asset donation	-	(10,500,000)
Depreciation and impairment charges	7,742	10,367
Operating cashflow before movement in working capital	42,228,883	40,071,632
Decrease / (Increase) in debtors	2,155,870	(3,672,268)
(Decrease) / Increase in creditors	(1,830,567)	2,272,680
Cash generated by operating activities	42,554,186	38,672,044

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

18. MOVEMENT IN UNRESTRICTED FUNDS

Group	At 1 January 2016 £	Income £	Expenditure £	Transfers £	At 31 December 2016 £
General reserves	30,175,808	42,161,664	(3,381,967)	(60,251,070)	8,704,435
Designated fund: fixed assets	48,679,191	-	-	63,751,070	112,430,261
Total unrestricted funds	<u>78,854,999</u>	<u>42,161,664</u>	<u>(3,381,967)</u>	<u>3,500,000</u>	<u>121,134,696</u>

Charity	At 1 January 2016 £	Income £	Expenditure £	Transfers £	At 31 December 2016 £
General reserves	30,063,824	44,093,543	(3,379,374)	(62,193,283)	8,584,710
Designated fund: fixed assets	49,921,165	-	-	65,693,283	115,614,448
Total unrestricted funds	<u>79,984,989</u>	<u>44,093,543</u>	<u>(3,379,374)</u>	<u>3,500,000</u>	<u>124,199,158</u>

The transfer to designated fund represents transfers from:

	Group £	Charity £
Restricted fund (see note 19)	3,500,000	3,500,000
Unrestricted general reserve	60,251,070	62,193,293
	<u>63,751,070</u>	<u>65,693,283</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 2016 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 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

19. MOVEMENT IN RESTRICTED FUNDS

Group and Charity	At 1 January 2016 £	Income £	Expenditure £	Transfers £	At 31 December 2016 £
DNRC Programme	-	3,500,000	-	(3,500,000)	-

During the year funds have been received from four 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 18).

20. ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

Group	Unrestricted funds		Restricted funds	Total
	General £	Designated £	£	£
Fixed assets	-	112,430,261	-	112,430,261
Current assets	32,871,985	-	-	32,871,985
Creditors: amounts due < 1 year	(1,126,530)	-	-	(1,126,530)
Creditors: amounts due > 1 year	(23,041,020)	-	-	(23,041,020)
At 31 December 2016	8,704,435	112,430,261	-	121,134,696

Charity	Unrestricted funds		Restricted funds	Total
	£	Designated funds £	£	£
Fixed assets incl. investments	-	115,614,448	-	115,614,448
Current assets	31,931,654	-	-	31,931,654
Creditors: amounts due < 1 year	(305,924)	-	-	(305,924)
Creditors: amounts due > 1 year	(23,041,020)	-	-	(23,041,020)
At 31 December 2016	8,584,710	115,614,448	-	124,199,158

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

21. FINANCIAL COMMITMENTS

Capital commitments are as follows:

Group and Charity	2016 £	2015 £
Contracted but not provided for	<u>146,594,141</u>	<u>206,037,865</u>

The above commitments reflect the contracts entered into during 2015 and 2016 (for the period to mid 2018) in order to deliver the construction of the Defence establishment.

22. 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 (2015: £nil).

Total donations (received and in kind) from the Trustees during the year were £1.1k (2015: £1.0k).

A Grosvenor Trust which had a Trustee in common during the year donated accommodation and other administrative services to the Charity. Donated services includes £57k (2015: £77k) in respect of this support.

ACKNOWLEDGEMENTS

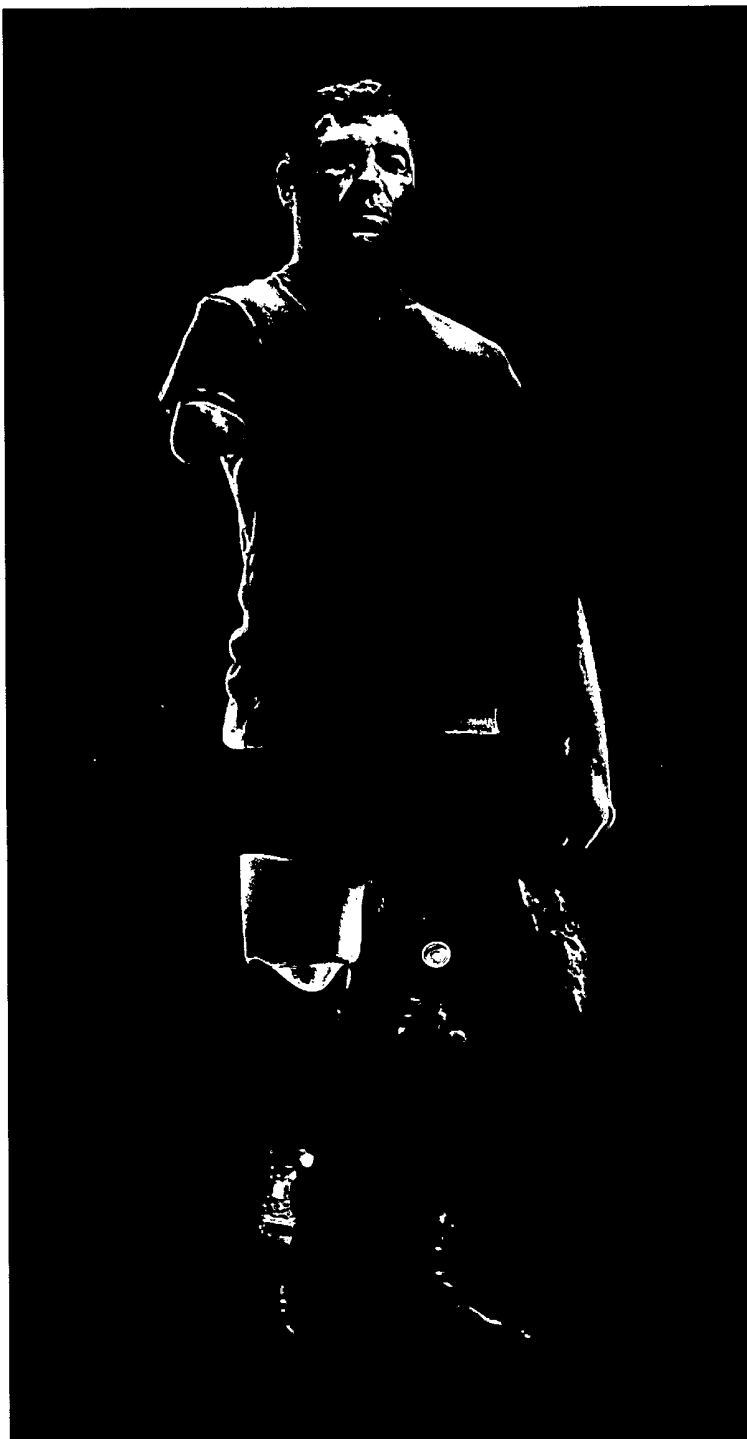
The target for the capital campaign to build the Defence facility is £300m by April 2018. To date over two thirds of the money has been raised from major donations by individuals, charitable foundations and companies, both in the UK and overseas. The 6th Duke of Westminster donated the initial £50m.

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

- Anne Duchess of Westminster's Charity
- BAE Systems
- The Bamford Charitable Foundation
- The Barclay Foundation
- Bayfield Charitable Trust
- Bunzl Plc
- The Michael Bishop Foundation
- Bloomberg Philanthropy
- Boodle Hatfield LLP
- Anthony Buckingham
- Burberry
- The Cadogan Charity
- The Charles Wolfson Charitable Trust
- Experian
- Garfield Weston Foundation
- Goldman Sachs Gives
- David and Claudia Harding Foundation
- David Herro
- The Hintze Family Charitable Foundation
- HSBC Holdings Plc
- ICAP
- Iceland Foods Ltd
- Lloyds Banking Group
- The Loveday Charitable Trust
- 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 Rumi Foundation
- 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:



**HELP
US LAY
FOUNDATIONS
FOR THE
FUTURE**

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
REPAIRING
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