

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

Trustees' Report and
Financial Statements for 2017



DNRC

**REPAIRING
OUR SERIOUSLY
WOUNDED**

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Chairman's introduction

This year, the seventh in the life of the Charity, has seen great strides forward both for the creation of the Defence Establishment which remains on time and budget, and the emerging potential for a National Centre for which detailed preparatory work is now well underway.

2017 marked the second full year of construction of the Defence Establishment and the work has progressed at an encouraging pace. 2018 will witness the transition from a construction site to a Ministry of Defence clinical facility treating patients in 21st century facilities by the end of the year.

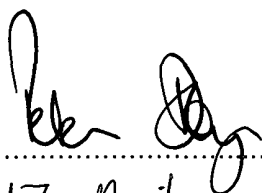
We continue to work with great purpose towards our appeal total of £300m but have ensured that facilities are in place to meet all our commitments as our fundraising continues apace. We are deeply grateful to all those who have given so generously to help fund the DNRC programme, and also for the very considerable efforts of our ambassadors and those who have given of their time to arrange or take part in fundraising events on our behalf. About 150 supporters took part in the 2017 Prudential RideLondon cycling challenge and it was magnificent for the Charity to have such a presence at this popular event. We are also enormously thankful to our Patron, HRH The Duke of Cambridge, for his consistent and fulsome support over the last year.

Significant headway was made on the National Opportunity during 2017. An Operational Business Case is currently underway in close co-operation with the Nottingham University Health Trust. 2018 will be a critical year in determining the nature of the National Centre and we continue to work towards enabling a facility which could provide exceptional service to civilians while benefiting richly from the expertise that will be available within the Defence Establishment.

The completion of the Defence Establishment will realise the 6th Duke of Westminster's initiative to create somewhere that would provide the best possible support for members of the armed forces with the potential to benefit the nation too. 2018 will therefore be the year to acknowledge and celebrate this. Events are planned to recognise this remarkable achievement in the middle of the year.

I am immensely grateful both to my fellow Trustees whose wise counsel has been, as ever, invaluable, and to the small hugely dedicated executive team, led by our Programme Director, Tim Granville-Chapman.

As construction of the Defence Facility approaches completion and the work on the National Centre gathers momentum, the Charity will inevitably change; we look forward to those challenges, and we are absolutely committed to doing whatever we can to secure the foundation of the National Centre on the Stanford Hall Estate. That, for 2018 and into 2019 will be our resolute focus.


.....
17 April

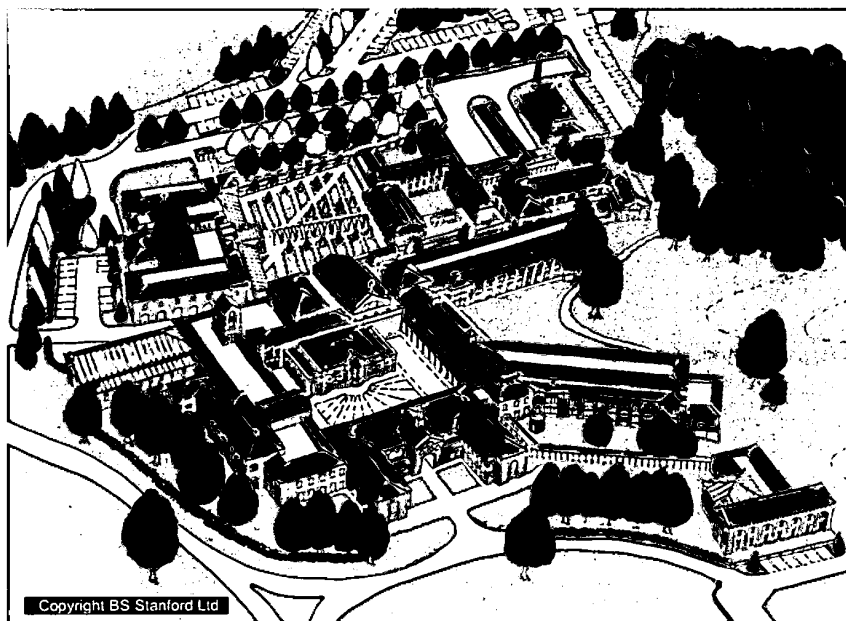
Peter Doyle (Chairman of Trustees)

2018

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 2017.

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



A view similar to the axonometric (above) taken in April 2018

Officers and professional advisers

Trustees and directors

Peter Doyle (Chairman)
Robin Broadhurst CVO CBE
Sir Keith O'Nions
Kate Philp
David Richardson
Jane Sandars

Appointed 18 May 2017

Registered office

70 Grosvenor Street
London
W1K 3JP

Registered company number 07619703

Registered charity number 1141934

Senior management

Programme Director
Construction Executive
Finance and Administrative Director
Senior Fundraising Advisors

General Sir Timothy Granville-Chapman GBE KCB
Stephen Brewer
Catherine Fradley
Nicholas Booth (appointed 15/1/18), Holly Butcher

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

We are a charity concerned with repairing people who are seriously injured and getting them back to work. 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 2017

The Defence Facility

2017 marked the second full year of construction of the Defence facility. Most elements of the new build are on track to meet the 2018 transition dates agreed with the MoD. Some elements of the new build however, most notably the Prosthetics Department and the Garden Pavilion, encountered delay and incurred additional costs due to redesign requirements. Stanford Hall itself, a Grade II* listed building, has also been problematic as reported last year, mainly due to asbestos issues. Additional costs have been well within the planned contingencies, and the delays should not prejudice the ability of the MoD to be treating patients by the end of 2018. Work also started in the year to ensure that the estate itself is an integral part of the rehabilitation process with facilities such as running trails and hand cycle tracks.

The National Opportunity

A governance framework was developed in early 2016 to facilitate detailed understanding of how the National (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 the 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 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 the strategic outline case was undertaken by the Nottingham University Hospital NHS Trust (NUH) in 2016. This convincingly established the need, scope and the method of operating involving systemic change in the provision of rehabilitation services in the region to add a specialist civilian rehabilitation centre on the Stanford Hall Estate into the capability mix.

Following 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 which was finalised in March 2017. 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).

Achievements in 2017 (continued)

The decision on how to realize the opportunities relating to patient care in the East Midlands (revealed in the strategic outline case and the KPMG report), R & D and training and education will need to be determined by Government. The proposal put to Government was 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 in the decades to come. It was determined that an Operational Business Case (OBC) should be undertaken in 2017 under the hand of the Nottingham University Health Trust (NUH), drawing on the evidence gathered in 2016 (the NUH strategic outline case and the KPMG report).

Fundraising

The Charity continued to work towards the appeal total of £300m, with the focus remaining on major individual, foundation and corporate support. Events were held throughout the year, both at the Stanford Hall Estate and elsewhere - a substantial site visit to the Estate took place in June and was attended by the Patron. The most significant contribution received during the year was a grant from the LIBOR fund of £20m.

Plans for 2018

The Defence Facility

The construction programme continues apace and efforts are focused on achieving the dates for transition of the site, staggered throughout the year and agreed with the MoD, with the anticipated date of signing the 50 year lease in the summer. The delays noted above should not impact the ability of the MoD to have appropriate access to the site (to install equipment and train personnel), as they are incorporated into the staged dates and the majority of the site remains on schedule.

Details of the progress (and the DNRC programme as a whole) can be followed at www.thednrc.org.uk.

The National Opportunity

2018 is a critical year for enabling the N opportunities and determining the future focus of the Charity.

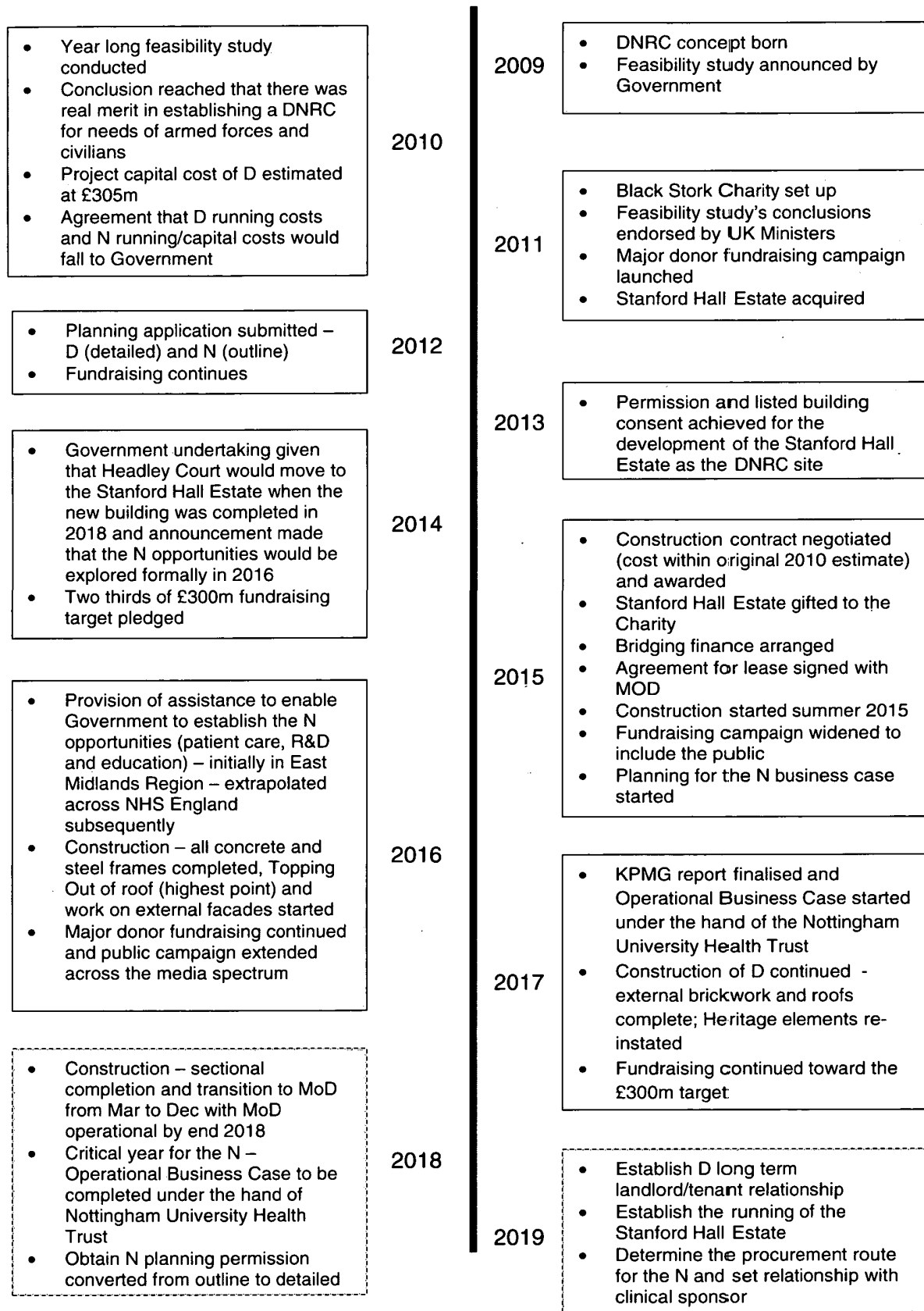
The OBC remains on track and an indication of whether the clinical case has been made is expected in the spring. Work to convert the outline planning permission relating to the 'N' site to a detailed application is also progressing well and this will ensure that the opportunities in relation to patient care on the Stanford Hall Estate will not expire when the existing outline planning permission expires in October.

Fundraising

As we enter the last year of the capital raising campaign all efforts are concentrated on reaching the appeal total. Additional resource has been brought in to assist in achieving this; significant donor engagement is planned with a series of events and visits to the Stanford Hall Estate planned throughout the year, with a strategy of engaging new prospects as well as securing support from those who have shown interest but are yet to donate. Momentum for the final push is gathering and we remain confident of significant further fundraising successes as the DNRC programme draws towards its conclusion.

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 £37.8m (2016: £45.7m) which included gifts from 32 major donors (2016: 25) and wider public campaign donations totalling £0.6m (2016: £0.2m).

The cost of the fundraising activity reduced this year, as anticipated, to £0.4m (2016: £2.3m) because the widening of the fundraising campaign in 2016 resulted in significant costs in that year. £1.2m of the expenditure incurred in 2016 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 1.0% (2016: 4.9%).

Expenditure on charitable activities of £1.5m (2016: £1.1m) increased this year due to costs incurred in connection with the National Opportunity. The Charity started work in 2017 to facilitate changing the existing outline planning permission for a National facility on the Stanford Hall Estate to a detailed one.

Capital expenditure on charitable activities of £118.2m (2016: £63.8m) reflects the investment in the construction activity described in the 'Achievements in 2017' section above. Assets in the course of construction stood at £219.7m at the year end (2016: £101.5m).

The consolidated balance sheet shows net assets of £157.0m, compared to £121.1m in 2016, 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 throughout 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 (£37m at the end of December 2017) can be honoured as they fall due. £101m 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 reserves are represented by unrestricted funds.

The group had £157.0m (2016: £121.1m) of unrestricted funds at the end of 2017. However, £230.7m (2016: £112.4m) of these funds had been invested in fixed assets by the year end and £101m of bridging facilities had been utilised to acquire these fixed assets. Capital funds of £129.7m, representing the investment in fixed assets less the bridging facilities utilised, are held in a separate designated unrestricted reserve. The general reserve remaining of £27.4m (2016: £8.7m) will be used to fund the ongoing construction commitments, together with anticipated donation pledges and the agreed borrowing facilities.

Restricted funds of £22.1m (2016: £3.5m) were received in 2017 towards the DNRC Programme. Of this £0.1m was expended on raising funds and £22m was expended 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 2017, 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 at least 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 2017 the Charity had six Trustees. See full list of Trustees and directors on page 3. The Board appointed an additional member during the year bringing in experience and relevant skills previously identified by the Trustees. During the year two (2016: 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.

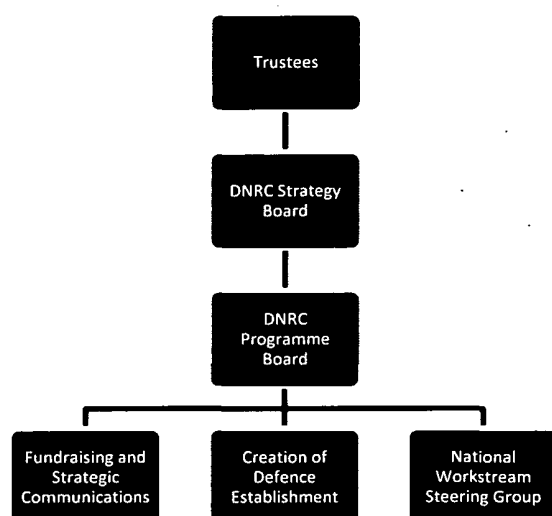
The DNRC Programme is unusual in that it involves a charity working in conjunction with Government and it is being run on OGC (The Office of Government Commerce) lines.

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 future 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.

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:

- 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 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.

- 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.

Structure, governance and management (continued)

Principal risks and uncertainties (continued)

- 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

Four out of the five members of the senior management team are not employed by the Charity. The services of two of these individuals are provided free of charge, the third is seconded to the Programme by a third party and the fourth is a consultant. The Trustees were therefore only responsible for considering the remuneration for one member of the senior team during the year.

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.

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 2017.

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.

Structure, governance and management (continued)

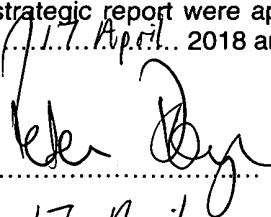
Disclosure of information to the auditor

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 17 April 2018 and signed on its behalf by:


..... Peter Doyle (Chairman of Trustees)
..... 17 April 2018

**Financial statements
for the year ended 31 December 2017**

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Black Stork Charity (the 'charitable company') and its subsidiary (the 'group') which comprise:

- the group statement of financial activities;
- the group and parent charitable company balance sheets;
- the group cash flow statement;
- 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and of the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in respect of these matters.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' 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 or the directors' report included within the trustees' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



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

.....23 April..... 2018

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES **(including consolidated income and expenditure account)** **Year ended 31 December 2017**

	Notes	Unrestricted funds £	Restricted funds £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:					
Donations	3	15,700,688	22,075,000	37,775,688	45,557,374
Investment income - bank interest		2,328	-	2,328	58,556
Other trading activities - rental income		45,835	-	45,835	45,734
TOTAL INCOME		15,748,851	22,075,000	37,823,851	45,661,664
EXPENDITURE ON:					
Raising funds	4	(319,344)	(75,000)	(394,344)	(2,251,059)
Charitable activities	5	(1,523,765)	-	(1,523,765)	(1,130,908)
TOTAL EXPENDITURE		(1,843,109)	(75,000)	(1,918,109)	(3,381,967)
Net income for the year	7	13,905,742	22,000,000	35,905,742	42,279,697
Transfer between funds	18,19	22,000,000	(22,000,000)	-	-
NET MOVEMENT IN FUNDS		35,905,742	-	35,905,742	42,279,697
Total funds brought forward		121,134,696	-	121,134,696	78,854,999
Total funds carried forward	18	157,040,438	-	157,040,438	121,134,696

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.

See note 16 for comparative consolidated statement of financial activities analysed by funds.

BALANCE SHEETS

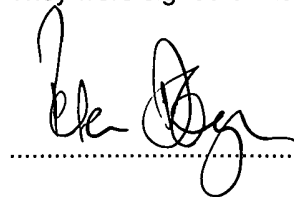
At 31 December 2017

	Note	2017		2016	
		Group	Charity	Group	Charity
		£	£	£	£
Fixed assets					
Tangible assets	10	230,662,140	237,211,518	112,430,261	115,494,448
Investments	11		120,000	-	120,000
		<u>230,662,140</u>	<u>237,331,518</u>	<u>112,430,261</u>	<u>115,614,448</u>
Current assets					
Debtors: amounts falling due within one year	12	3,371,705	18,034,417	1,630,427	22,845,091
Cash at bank and in hand	13	26,132,144	10,230,630	31,241,558	9,086,563
		<u>29,503,849</u>	<u>28,265,047</u>	<u>32,871,985</u>	<u>31,931,654</u>
Creditors: amounts falling due within one year	14	(2,125,551)	(1,006,750)	(1,126,530)	(305,924)
NET CURRENT ASSETS		<u>27,378,298</u>	<u>27,258,297</u>	<u>31,745,455</u>	<u>31,625,730</u>
Creditors: amounts falling due after one year	15	(101,000,000)	(101,000,000)	(23,041,020)	(23,041,020)
NET ASSETS		<u><u>157,040,438</u></u>	<u><u>163,589,815</u></u>	<u><u>121,134,696</u></u>	<u><u>124,199,158</u></u>
FUNDS					
Unrestricted funds – general	18	27,378,298	27,258,297	8,704,435	8,584,710
Unrestricted funds – designated	18	129,662,140	136,331,518	112,430,261	115,614,448
Restricted funds	19	-	-	-	-
TOTAL FUNDS		<u><u>157,040,438</u></u>	<u><u>163,589,815</u></u>	<u><u>121,134,696</u></u>	<u><u>124,199,158</u></u>

The surplus of the parent charity for the year for Companies Act purposes is £39,390,657 (2016: £44,214,169). As permitted by Section 408 of the Companies Act, no separate statement of financial activities is presented in respect of the parent charity.

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 17 April 2018.

They were signed on its behalf by:



Peter Doyle (Chairman of Trustees)

17 April 2018

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 December 2017

	Note	Unrestricted Funds £	Restricted Funds £	Total funds 2017 £	Total funds 2016 £
Net cash flow from operating activities	17	12,794,559	22,000,000	34,794,559	42,554,186
Cash flows from investing activities					
Restricted cash		8,369,910	-	8,369,910	(12,610,000)
Interest received		2,328	-	2,328	58,556
Purchase of fixed assets		(95,737,446)	(22,000,000)	(117,737,446)	(63,676,899)
Net cash used in investing activities		(87,365,208)	(22,000,000)	(109,365,208)	(76,228,343)
Cash flows from financing activities					
Cash inflows from new borrowing		77,831,145	-	77,831,145	23,000,000
Net cash provided by financing activities		77,831,145	-	77,831,145	23,000,000
Net increase/(decrease) in cash and cash equivalents		3,260,496	-	3,260,496	(10,674,157)
Cash and cash equivalents at beginning of year		11,131,558	-	11,131,558	21,805,715
Cash and cash equivalents at end of year		14,392,054	-	14,392,054	11,131,558
Reconciliation to cash at bank and in hand					
Cash and cash equivalents at end of year		14,392,054	-	14,392,054	11,131,558
Restricted cash	13	11,740,090	-	11,740,090	20,110,000
Cash at bank and in hand		26,132,144	-	26,132,144	31,241,558

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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 six 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 2019. 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

The 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. The consolidated entity is referred to as 'the Group'. The Charity has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual statement of financial activities.

(e) Statement of cash flows

The Charity has taken advantage of the exemption in FRS 102 from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Group statement of cash flows included in these financial statements includes the cash flows of the Charity.

(f) 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.

(g) 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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

(g) Income (continued)

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.

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.

(h) 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.

(i) 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.

(j) 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

(j) Tangible Fixed Assets (continued)

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.

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.

(k) Fixed Asset Investments

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

(l) Foreign Currency

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

(m) 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.

(n) 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 2017

3. ANALYSIS OF INCOME FROM DONATIONS

2017	Unrestricted funds £	Restricted funds £	Total funds 2017 £
Donations	15,376,897	22,075,000	37,451,897
Donated services	323,791	-	323,791
	<u>15,700,688</u>	<u>22,075,000</u>	<u>37,775,688</u>

2016	Unrestricted funds £	Restricted funds £	Total funds 2016 £
Donations	40,499,661	3,500,000	43,999,661
Donated services	1,557,713	-	1,557,713
	<u>42,057,374</u>	<u>3,500,000</u>	<u>45,557,374</u>

The donated services reflect the provision of professional services and facilities 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.

	2017 £	2016 £
Advertising and awareness raising costs	37,041	2,008,828
Support costs (see note 6)	31,032	30,843
Other fundraising costs	<u>326,271</u>	<u>211,388</u>
	<u>394,344</u>	<u>2,251,059</u>

Advertising and awareness raising costs were significantly lower in 2017 because the widening of the fundraising campaign and establishment of the DNRC brand occurred principally in 2016 and costs were incurred in that year.

Other fundraising costs include staff costs, fundraising events and professional fees. 2017 spend includes the cost of DNRC ambassadors participating in the Triple 7 World Marathon Challenge. A donation of £75k was received to fund this activity and is included in restricted funds (see note 19).

The above costs include £6k (2016: £1,178k) of donated services, of which £nil (2016: £1,172k) relates to the widening of the fundraising campaign. As mentioned above significant spend was incurred in 2016 during the widening of the fundraising campaign and the establishment of the DNRC brand.

The cost ratio to income for the year is 1.0% (2016: 4.9%).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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.

	2017 £	2016 £
Direct charitable costs	1,364,007	945,700
Support costs (see note 6)	159,758	185,208
	<u>1,523,765</u>	<u>1,130,908</u>

Included in these costs are donated services of £314k (2016: £380k).

6. ANALYSIS OF SUPPORT COSTS

2017	Raising funds £	Direct charitable £	Total 2017 £	Basis of allocation
Governance	-	27,420	27,420	In line with activity
Finance	1,805	100,348	102,153	Allocated on time
Office, secretarial and HR	29,227	31,990	61,217	Allocated on time
	<u>31,032</u>	<u>159,758</u>	<u>190,790</u>	

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>	

Included in the above support costs are donated services of £39k (2016: £59k).

7. NET INCOME FOR THE YEAR

Net income is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets - owned	275	7,742
Auditor's remuneration:		
Fees payable to the Charity's auditor for the audit of the Charity's annual financial statements	7,980	7,200
Fees payable to the Charity's auditor for other services to the Group: the audit of the Charity's subsidiary	<u>2,550</u>	<u>2,500</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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	2017 No.	2016 No.
Raising funds	2	3
Charitable activities	1	1
Support	2	2
	<u>5</u>	<u>6</u>

Their aggregate remuneration comprised:

Group and Charity	2017 £	2016 £
Wages and salaries	278,059	283,814
Social security costs	31,255	31,513
	<u>309,314</u>	<u>315,327</u>

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

	2017 No.	2016 No.
£60,000 - £70,000	1	-
£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 £660k (2016: £667k), of which £567k (2016: £575k) 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 £104 (2016: £117) were paid to one Trustee (2016: one Trustee).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

9. TAX ON PROFIT OF TRADING SUBSIDIARY

	2017 £	2016 £
Analysis of tax charge on current activities		
UK corporation tax at 19.25% (2016: 20%) based on profit for the year	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit before tax	3,482,485	1,932,293
Current tax charge for the year:		
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	670,378	386,459
Expenses not deductible for tax purposes	53	1,548
Other items attracting no tax relief or liability	-	-
Tax relief for gift aid donation	(670,431)	(388,007)
	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 1 April 2017, the UK corporate tax rate was reduced from 20% to 19%. From 1 April 2020, the UK corporate tax rate will reduce further to 17% (Finance Act 2016). A current tax rate of 19.25% has been applied to the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

10. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Assets in course of construction £	Plant and Equipment £	Total £
Cost or valuation				
At 1 January 2017	10,980,000	101,449,986	41,468	112,471,454
Additions	-	118,232,154	-	118,232,154
At 31 December 2017	<u>10,980,000</u>	<u>219,682,140</u>	<u>41,468</u>	<u>230,703,608</u>
Depreciation				
At 1 January 2017	-	-	41,193	41,193
Charge for year	-	-	275	275
As at 31 December 2016	<u>-</u>	<u>-</u>	<u>41,468</u>	<u>41,468</u>
Net book value				
31 December 2017	<u>10,980,000</u>	<u>219,682,140</u>	<u>-</u>	<u>230,662,140</u>
31 December 2016	<u>10,980,000</u>	<u>101,449,986</u>	<u>275</u>	<u>112,430,261</u>
Charity		Freehold land and buildings £	Assets in course of construction £	Total £
Cost or valuation				
As at 1 January 2017		10,980,000	104,514,448	115,494,448
Additions		-	121,717,070	121,717,070
As at 31 December 2017		<u>10,980,000</u>	<u>226,231,518</u>	<u>237,211,518</u>
Depreciation				
As at 1 January 2017 and at 31 December 2017		<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
31 December 2017		<u>10,980,000</u>	<u>226,231,518</u>	<u>237,211,518</u>
31 December 2016		<u>10,980,000</u>	<u>104,514,448</u>	<u>115,494,448</u>

Borrowing costs amounting to £1,210k (2016: £555k) have been included in the cost of tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

11. FIXED ASSET INVESTMENTS

Charity	2017 £	2016 £
Subsidiary undertakings	120,000	120,000

The investment relates to the entire ordinary 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 2017 is shown below.

Profit and loss account	2017 £	2016 £
Turnover	120,463,735	65,138,556
Cost of sales	(116,978,820)	(63,204,085)
Gross profit	3,484,915	1,934,471
Administrative expenses	(2,615)	(2,593)
Operating profit	3,482,300	1,931,878
Net interest receivable	185	415
Amounts donated to the Charity	(3,482,485)	(1,932,293)
Retained profit on ordinary activities	-	-
Balance brought forward	-	-
Balance carried forward	-	-

Balance sheet as at 31 December 2017:

	2017 £	2016 £
Tangible fixed assets	-	275
Current assets	15,986,856	22,227,603
Creditors: Amounts falling due within one year	(15,866,856)	(22,107,878)
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

	2017		2016	
	Group £	Charity £	Group £	Charity £
Prepayments and accrued income	1,179,600	1,094,258	230,532	157,924
Taxation and social security	2,192,105	2,274,769	1,399,895	1,407,446
Amounts owed by subsidiary undertaking	-	14,665,390	-	21,279,721
	3,371,705	18,034,417	1,630,427	22,845,091

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

13. RESTRICTIONS ON CASH AND CASH EQUIVALENTS

Group

Total cash and cash equivalents included cash amounting to £11.7m (2016: £20.1m) 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

	2017		2016	
	Group	Charity	Group	Charity
	£	£	£	£
Trade creditors	773,880	-	461,325	-
Accruals and deferred income	1,337,078	992,157	665,205	305,924
Taxation and social security	14,593	14,593	-	-
	<u>2,125,551</u>	<u>1,006,750</u>	<u>1,126,530</u>	<u>305,924</u>

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

	2017		2016	
	Group	Charity	Group	Charity
	£	£	£	£
Other loans: repayable between two and five years	<u>101,000,000</u>	<u>101,000,000</u>	<u>23,041,020</u>	<u>23,041,020</u>

Creditors falling due after more than one year includes two loans, which are both unsecured. Interest on one loan is payable at a variable rate of LIBOR plus 2% and this loan is repayable in 2020. The other loan is interest free.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

16. COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	Note	Unrestricted funds	Restricted funds	Total funds 2016
		£	£	£
INCOME FROM:				
Donations	3	42,057,374	3,500,000	45,557,374
Bank interest		58,556	-	58,556
Rental income		45,734	-	45,734
TOTAL INCOME		42,161,664	3,500,000	45,661,664
EXPENDITURE ON:				
Raising funds	4	(2,251,059)	-	(2,251,059)
Charitable activities	5	(1,130,908)	-	(1,130,908)
TOTAL EXPENDITURE		(3,381,967)	-	(3,381,967)
Net income for the year	7	38,779,697	3,500,000	42,279,697
Transfer between funds		3,500,000	(3,500,000)	-
NET MOVEMENT IN FUNDS		42,279,697	-	42,279,697
Total funds brought forward		78,854,999	-	78,854,999
Total funds carried forward		121,134,696	-	121,134,696

17. CASHFLOW STATEMENT

Reconciliation of net income to cash generated by operations:

	2017	2016
	£	£
Net income for the year	35,905,742	42,279,697
Adjustments for:		
Interest receivable	(2,328)	(58,556)
Depreciation and impairment charges	275	7,742
Operating cashflow before movement in working capital	34,903,689	42,228,883
(Increase) / Decrease in debtors	(1,741,280)	2,155,870
Increase / (Decrease) in creditors	632,150	(1,830,567)
Cash generated by operating activities	34,794,559	42,554,186

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

18. MOVEMENT IN UNRESTRICTED FUNDS

2017

Group	At 1 January 2017 £	Income £	Expenditure £	Transfers £	At 31 December 2017 £
General reserves	8,704,435	15,748,851	(1,843,109)	4,768,121	27,378,298
Designated fund: fixed assets	112,430,261	-	-	17,231,879	129,662,140
Total unrestricted funds	121,134,696	15,748,851	(1,843,109)	22,000,000	157,040,438

Charity	At 1 January 2017 £	Income £	Expenditure £	Transfers £	At 31 December 2017 £
General reserves	8,584,710	19,231,151	(1,840,494)	1,282,930	27,258,297
Designated fund: fixed assets	115,614,448	-	-	20,717,070	136,331,518
Total unrestricted funds	124,199,158	19,231,151	(1,840,494)	22,000,000	163,589,815

Analysis of transfers:

	Group £	Charity £
Transfer from restricted fund (see note 19)	22,000,000	22,000,000
Transfer to designated fund	(17,231,879)	(20,717,070)
	4,768,121	1,282,930

2016

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	78,854,999	42,161,664	(3,381,967)	3,500,000	121,134,696

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

18. MOVEMENT IN UNRESTRICTED FUNDS (continued)

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	79,984,989	44,093,543	(3,379,374)	3,500,000	124,199,158

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	62,193,283
	63,751,070	65,693,283

The fixed asset fund is an unrestricted designated fund and represents net resources invested in tangible fixed assets and fixed asset investments, less the bridging facilities utilised to acquire those fixed assets and fixed asset investments. 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 2018.

19. MOVEMENT IN RESTRICTED FUNDS

2017

Group and Charity	At 1 January 2017 £	Income £	Expenditure £	Transfers £	At 31 December 2017 £
DNRC Programme	-	22,075,000	(75,000)	(22,000,000)	-

2016

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

19. MOVEMENT IN RESTRICTED FUNDS (continued)

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. One donation was expended on raising funds. As the asset (upon which three of the donations have been spent) is not held for a restricted purpose a transfer to unrestricted funds has been made (see note 18).

20. ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

2017

Group	Unrestricted funds		Restricted funds	Total
	General	Designated		
	£	£	£	£
Fixed assets	-	230,662,140	-	230,662,140
Current assets	29,503,849	-	-	29,503,849
Creditors: amounts due < 1 year	(2,125,551)	-	-	(2,125,551)
Creditors: amounts due > 1 year	-	(101,000,000)	-	(101,000,000)
At 31 December 2017	27,378,298	129,662,140	-	157,040,438

Charity	Unrestricted funds		Restricted funds	Total
	General	Designated		
	£	£	£	£
Fixed assets incl. investments	-	237,331,518	-	237,331,518
Current assets	28,265,047	-	-	28,265,047
Creditors: amounts due < 1 year	(1,006,750)	-	-	(1,006,750)
Creditors: amounts due > 1 year	-	(101,000,000)	-	(101,000,000)
At 31 December 2017	27,258,297	136,331,518	-	163,589,815

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

20. ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS (continued)

2016

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	<u>8,704,435</u>	<u>112,430,261</u>	<u>-</u>	<u>121,134,696</u>

Charity	Unrestricted funds	Designated funds	Restricted funds	Total
	£	£	£	£
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	<u>8,584,710</u>	<u>115,614,448</u>	<u>-</u>	<u>124,199,158</u>

21. FINANCIAL COMMITMENTS

Capital commitments are as follows:

Group and Charity	2017 £	2016 £
Contracted but not provided for	<u>37,432,543</u>	<u>146,594,141</u>

The above commitments reflect the contracts entered into during 2015, 2016 and 2017 (for the period to the end of 2019) 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 (2016: £nil).

Total donations (received and in kind) from the Trustees during the year were £3k (2016: £1.1k).

A Grosvenor Trust which had a Trustee in common during the previous year donated accommodation and other administrative services to the Charity of £57k.

ACKNOWLEDGEMENTS

The target for the capital campaign to build the Defence facility is £300m. 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 and the family has subsequently given a further £20m.

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
- Committed by HM Treasury from The LIBOR Fund
- HSBC Holdings Plc
- ICAP
- Iceland Foods Ltd
- Jeremy Newsum
- Knight Frank LLP
- Lloyds Banking Group
- The Loveday Charitable Trust
- Nuffield Trust for the Forces of the Crown
- Paul Orchard-Lisle
- 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
- The Samworth 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.

The first patients are to be treated at the Defence Establishment by the end of 2018.

