

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

Trustees' Report and Financial Statements for 2018



DNRC

**REPAIRING
OUR SERIOUSLY
WOUNDED**

Contents

Chairman's introduction1

Trustees' annual report (including strategic report) 2

Officers and professional advisers 3

Who we are and what we do 4

Achievements in 2018 4

Plans for 2019 and beyond 5

Timeline 6

Financial review 7

Structure, governance and management 9

Financial statements 14

Independent auditor's report 15

Consolidated statement of financial activities 18

Balance sheets 19

Consolidated cashflow statement 20

Notes to the financial statements 21

Acknowledgements38

Chairman's introduction

2018 was a significant year for the Charity and saw the achievement of the first element of the Defence and National Rehabilitation Centre (DNRC) Programme. Following a three year period of construction the Defence establishment began treating patients in October, and all staff and patients had been transferred from Headley Court by Christmas. I am extremely grateful to our Programme Director, Tim Granville-Chapman, and the staff team for achieving the completion of the first milestone of the DNRC Programme.

An event, at which both the Patron and the Prime Minister were present, was held in June 2018 to mark what was described on the day as 'a truly remarkable gift' to the nation. The main part of the event, which was attended by 300 people, was held in the clinical core of the new facility which houses remarkable rehab capabilities which will define the Defence establishment's success. The gift, which was handed over by the 7th Duke of Westminster, was received on behalf of the nation by the Prime Minister, and a statue to the father of rehabilitation Major General Sir Robert Jones was unveiled, all in the presence of the DNRC Patron the Duke of Cambridge.

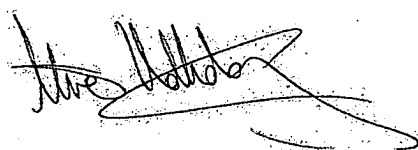
Reference was made at the June 2018 event to the National ('N') opportunity which has been a core element of the DNRC concept from the outset in 2009 and remains a major prize in terms of fulfilment of what the 6th Duke of Westminster set out to achieve. The first steps in terms of NHS process were undertaken in 2018 with the production of a preliminary operational business case, conducted by Nottingham University Hospitals NHS Trust (NUH). In October the Treasury announced a pledge in the budget of £70m towards a 63 bed civilian facility. In the same year the Charity undertook to convert the existing outline planning permission for the 'N' into detailed permission in readiness for development of the 'N' opportunity.

Towards the end of 2018 there was high level engagement with the NHS and the relevant Government departments, and an important milestone was reached when assurance was obtained from the Medical Director of NHS England that the NHS would appoint a clinical sponsor for the 'N' and planned to prove the business case model in 2019. This year will therefore be the defining year for the 'N' but its achievement will have to be seen in the context of the uncertainties surrounding Government business this year.

2019 is the year the fundraising campaign for the Defence establishment will be brought to a close, following what will be the successful realisation of the £300m appeal total. This has been possible due to the enormous generosity of a large number of supporters over the last few years and we are grateful to all who have contributed. We are especially grateful to the Grosvenor family which has given over £100m. Although 2019 will mark the formal close of the fundraising campaign, stewardship of the major donor population will remain in place.

During 2018 the Board reviewed the future role of the Charity and whilst re-enforcing their commitment to the current programme they decided that the Charity should develop a longer term strategy to transform rehabilitation and recovery in the UK. To that end a new Chief Executive, Janet Morrison, joined the Black Stork Charity in the summer of 2019 to start the next exciting phase of development.

In 2019 we said goodbye to Peter Doyle, as Chairman, and Robin Broadhurst, Sir Keith O'Nions and Jane Sandars as trustees - all of whom contributed to the achievement of the first ambitious stage of our programme. We are indebted to them for their hard work and commitment. As the new Chairman I am delighted to join such a successful and exciting organisation. Our board has also been strengthened by the addition of a wealth of expertise in Simon Harding-Roots, Lesley Knox, Paul Loft and Heather Tierney-Moore. We look forward to the challenges ahead.



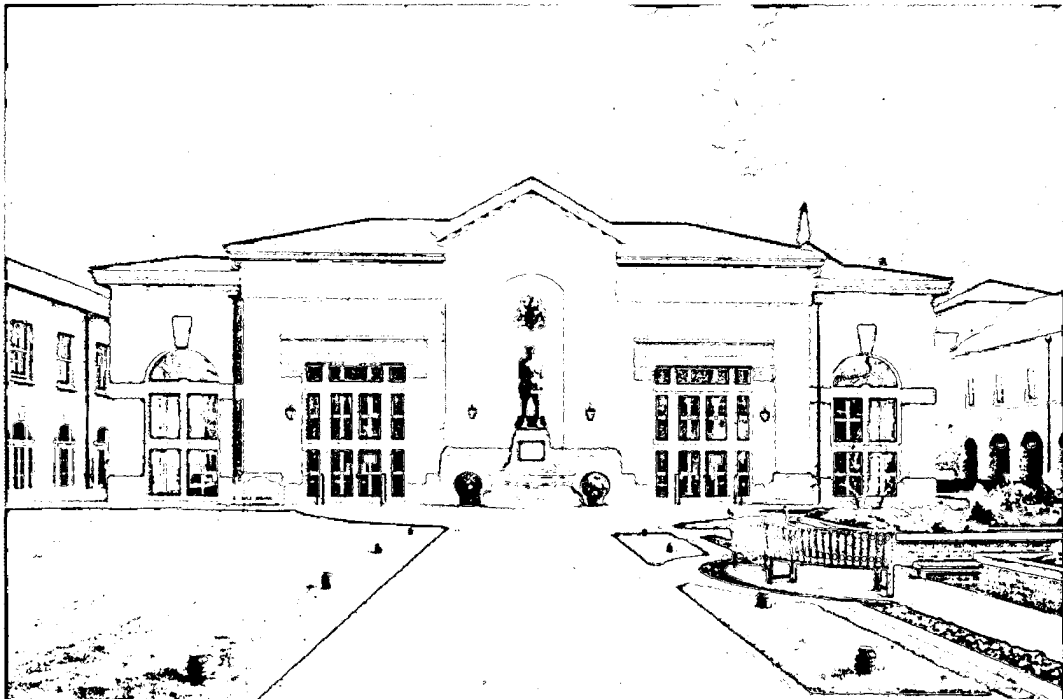
Steve Holliday (Chairman of Trustees)

19 September 2019

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 2018.

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



Officers and professional advisers

Trustees and directors

Steven Holliday (Chairman)
Simon Harding-Roots
Lesley Knox
Paul Loft
Kate Philp
David Richardson
Heather Tierney-Moore

Registered office

70 Grosvenor Street
London
W1K 3JP

Registered company number

07619703

Registered charity number

1141934

Senior management

Chief Executive Officer
Programme Director of the Defence and National
Rehabilitation Centre Programme
Construction Executive
Finance and Administrative Director

Janet Morrison (appointed 1/7/19)

General Sir Timothy Granville-Chapman
Stephen Brewer
Catherine Fradley

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London EC4A 3BZ

Legal advisor

Boodle Hatfield
240 Blackfriars Road
London SE1 8NW

Bankers

Royal Bank of Scotland
London Corporate Service Centre
250 Bishopsgate
London
EC2M 4AA

Who we are and what we do

The Charity is fundamentally concerned with rehabilitation. Over the last 8 years we have been implementing our charitable objects through the DNRC Programme. This programme has delivered a specialist clinical rehabilitation capability for the Armed Forces (replacing the previous establishment in Surrey) and is enabling the opportunity for NHS patients to be treated in a specialist facility on the same site – the Stanford Hall Rehabilitation Estate (SHRE) near Loughborough.

Achievements in 2018

The Defence Facility

The first element of the DNRC Programme, the new Defence establishment, neared completion during 2018, with only small isolated pockets of incomplete works and snagging remaining by year end. The MoD became tenants in August, and a phased transition enabled the first patients to be treated in October as planned. All staff and patients had been moved from Headley Court to the new Defence facility soon afterwards.

A significant event took place in June 2018 to mark the handover of the gift of the Defence facility to the Nation. The event, attended by the Patron, the Prime Minister, the Duke of Westminster, major donors and senior people across Government and other institutions, was an excellent occasion and an opportunity for attendees to view first hand the remarkable achievement.

The National Opportunity

The possibility of an NHS facility on the same site as the Defence establishment was part of the DNRC concept from the outset, in 2009, and has been 'enabled' by the Charity ever since, not least in terms of acquiring an estate of an appropriate size and acquiring the associated planning permissions. Once construction of the Defence establishment was underway, the Charity promoted serious consideration of the 'N' in conjunction with the relevant departments in Government, and has resourced much of this work. By mid-2017 the issue of the 'N' was lodged in NHS process space and during 2018 took the form of an outline business case conducted by Nottingham University Hospitals NHS Trust (NUH). Whilst that work collated much of the essential information to prove the National case, notably clinically, it was inconclusive in terms of how the operating cost model terms could be developed. The study ended in October and in the remaining months of 2018 there was significant engagement at high level with NHS Improvement (the regulator), the Exchequer Secretary in the Treasury, the Chancellor, the new Secretary of State for Health and Social Care, and a variety of other significant senior clinicians. Assurance was obtained from the new Medical Director of NHS England (NHSE), Stephen Powis, that the NHS would formally appoint a clinical sponsor and that there was a determination to prove the business case model in 2019. At the same time engagement with the Treasury resulted in a pledge in the budget of £70m (non-index-linked) to cover the construction costs of the patient care element of a new civilian rehabilitation establishment. The R&D and training and education elements of the civilian facility were not funded at this stage and amount to perhaps £25m which is not an immediate matter for the Charity.

Such assurance and Government support was necessary so that the Charity could be clear that a specific piece of land bought for the 'N' stood a good chance of being used for that purpose.

Fundraising

The £300m fundraising campaign, started in 2011, was to ensure the construction of the new Defence facility and appropriate enablement of the 'N'. 2018 was the last full year of fundraising

Achievements in 2018 (continued)

and the campaign will be brought to a close in the course of 2019. Significant donor engagement took place during the year, featuring a number of events and visits to the Stanford Hall Rehabilitation Estate. New prospects were approached and considerable successes were achieved. Before the year end a very significant donation of over £25.3m was pledged by INEOS. This has been the second largest contribution of the campaign, the largest being the Grosvenor family gift in excess of £100m.

Plans for 2019 and beyond

The Defence Facility

Ensuring that the Defence establishment was ready for patients by October was a major task in 2018. Although there remained a few non-critical construction items to be completed in early 2019 the Defence Establishment was delivered on time and to cost.

2019 will be the first year of the 50 year lease to the MoD and it will be essential to establish a sound basis for the landlord/tenant arrangements encapsulated already in a very comprehensive lease, which is at a peppercorn rent. It will include ensuring that the facilities on the SHRE are entirely fit for purpose, not least as the MoD pays an annual maintenance fee for their use. A similar lease arrangement is likely to apply to any NHS establishment on the site.

The National Opportunity

This year the DNRC Programme is enabling the NHS process required to make the business case for the civilian facility which, if successful, will result in NHS construction of a clinical facility on the site (the Charity is the freehold owner of the entire SHRE). Whilst it was expected that the operating cost model would be clear by the end of 2019, current uncertainties in Government may delay this until mid-2020.

So 2019 will be the defining year for the National element of the DNRC Programme. In practical terms, there is now a National Rehabilitation Centre (NRC) Programme Board in place chaired by a senior official in NHS Improvement. It meets monthly and there is respectable progress. The NRC Programme Board operates in parallel with the DNRC Programme Board which will remain in being until a satisfactory outcome on the National element has been achieved.

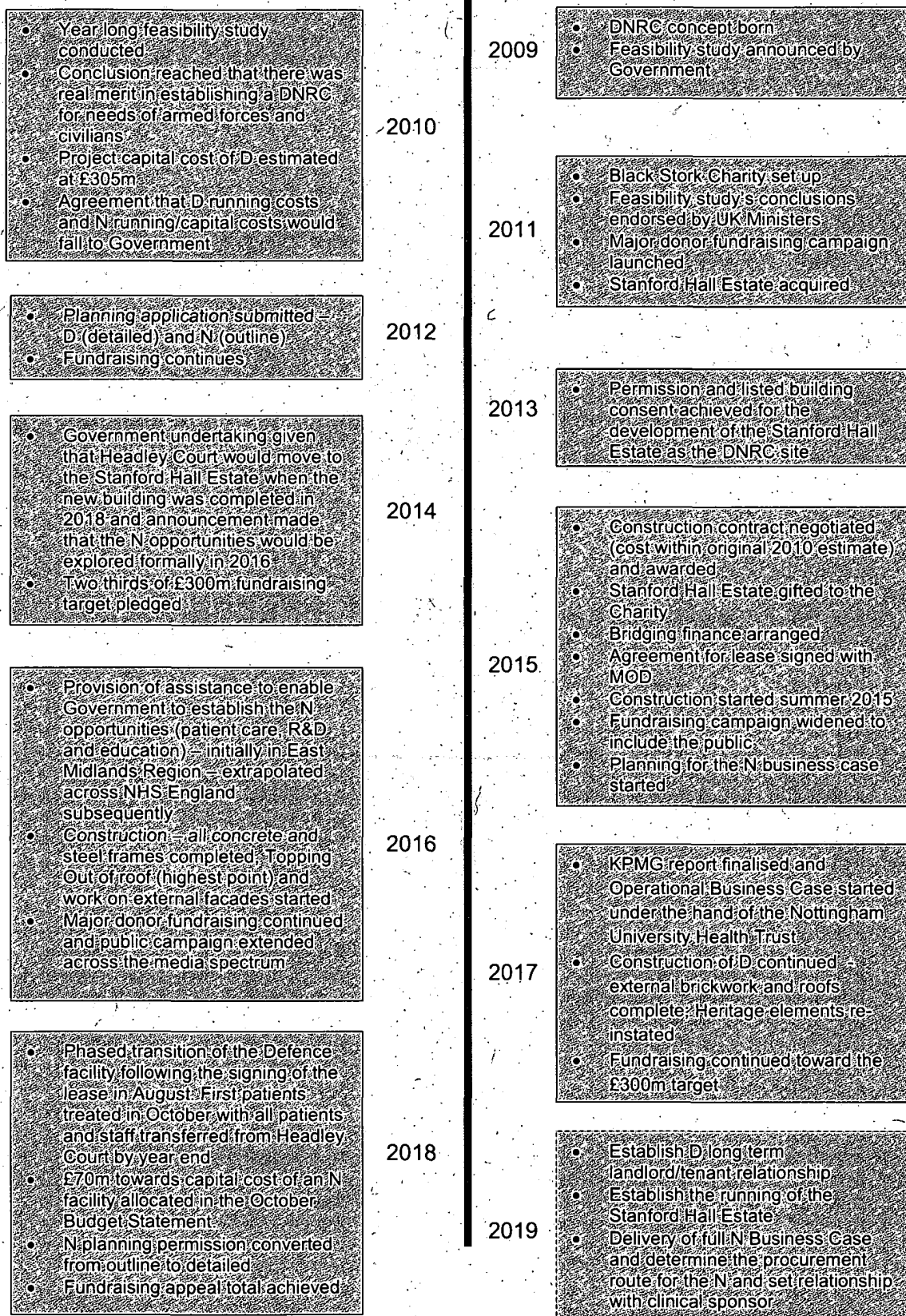
From 2020 onwards the Charity will look to see how it moves on in terms of its charitable objects, in all probability related to research, training and education and possibly distinct health provision. It is likely to explore partnerships with other charities and institutions in the Midlands region, notably building on its close association with Loughborough University and the National Sports Centre. Such possibilities are to be examined in the 6 months following the date of this report, and will fall to the newly appointed CEO of the Charity.

Fundraising

The current fundraising campaign will be brought to a close this year as outlined in the 'Achievements in 2018' section above. It is the intention to continue stewardship of the many donors in order that if in future it is necessary for the Charity to resume its fundraising activities they remain engaged in what continues to be achieved.

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 has been to raise the necessary funds to meet the Charity's objectives through the design, development and construction of the Defence establishment and the enablement of the 'N'. The construction of the Defence establishment is a capital project spanning a number of years and so 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 which is recognised as a social investment as it is used by the Ministry of Defence for activities that contribute to the Charity's objects.

Total income for the year was £45.1m (2017: £37.8m) which included gifts from 36 major donors (2017: 32) and wider public campaign donations totalling £0.3m (2017: £0.6m).

The cost of the fundraising activity remained similar this year, as anticipated, at £0.4m (2017: £0.4m). The ratio of the cost of fundraising activity to income is 0.9% (2017: 1.0%). Expenditure on charitable activities of £6.7m (2017: £1.5m) increased this year due to costs incurred of £4.4m on consumables to equip the Defence establishment prior to it becoming operational. Costs were also incurred in connection with securing detailed planning permission for an NHS facility and the significant event in June which marked the gift of the Defence establishment to the Nation.

Capital expenditure on charitable activities of £36.3m (2017: £118.2m) reflects the investment in the construction activity on both the Defence establishment and the wider Stanford Hall Rehabilitation Estate grounds which are utilised by patients of the Defence establishment during their recovery process. These assets on the wider Stanford Hall Rehabilitation Estate, which are used by the Ministry of Defence to undertake activities which contribute to the Charity's objects, are also recognised as social investments within Fixed Assets. Extensive refurbishment works were carried out on one of the lodges on the Stanford Hall Rehabilitation Estate with the intention of future letting, and the Estate Office, on which work started in 2017, was completed and provides office and storage facilities for the Charity.

The consolidated balance sheet shows net assets of £195.1m, compared to £157.0m in 2017, representing the above investment in fixed assets and the reserves necessary to continue the delivery of the DNRC 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 objectives. 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. Capital commitments of £3.3m (2017: £37.4m) existed at the end of December 2018, and bridge financing arrangements were in place to ensure that these could be honoured. £107m had been drawn on these facilities at December 2018, with £60m being repaid since the year end. Pledges in respect of the capital fundraising campaign for the Defence establishment will continue to be collected throughout 2019 and beyond.

Maintenance of the completed Defence establishment as well as ongoing management of the wider Stanford Hall Rehabilitation Estate will be required from 2019, and charges are to be paid by the MoD towards these costs.

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 remainder of construction of the Defence establishment, and enablement of the 'N', are sufficient and the Trustees are satisfied with the policy and reserves of the Charity.

Financial review (continued)

Reserves policy – funds

The Group's total reserves of £195.1m (2017: £157.0m) are represented by restricted and unrestricted funds.

The group had £194.9m (2017: £157.0m) of unrestricted funds at the end of 2018. However, £160.9m (2017: £129.7m) representing the investment in fixed assets less the bridging facilities utilised, is held in a separate designated unrestricted reserve. The general reserve of £34.0m (2017: £27.4m), together with anticipated donation pledges, will be used to fund the remaining construction commitments, repayment of bridging facilities, and ongoing charitable objectives.

Restricted funds of £4.1m (2017: £22.1m) were received in 2018 towards the DNRC Programme. Of this £3.9m was expended on the construction activity, as required by the donors, and £0.2m remained at the end of 2018 to be expended during 2019 on charitable activities.

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 to the end of 2020 and, having considered the level of unrestricted funds and facilities available and the financial commitments expected, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the accounts have been prepared on the basis that the Group 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 2018, the details of which are given in note 13 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 newly appointed Chief Executive Officer and 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. One third of the Trustees must retire at each Annual General Meeting and are eligible for re-election.

The Trustees and directors who served during the year and since the year end are noted below

Steven Holliday (Chairman)	Appointed 14 May 2019
Peter Doyle (previous Chairman)	Resigned 23 July 2019
Robin Broadhurst	Resigned 31 March 2019
Simon Harding-Roots	Appointed 29 November 2018
Lesley Knox	Appointed 29 November 2018
Paul Loft	Appointed 23 July 2019
Sir Keith O'Nions	Resigned 31 January 2019
Kate Philp	
David Richardson	
Jane Sandars	Resigned 28 February 2019
Heather Tierney-Moore	Appointed 23 July 2019

Structure, governance and management (continued)

Board of Trustees (continued)

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.

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.

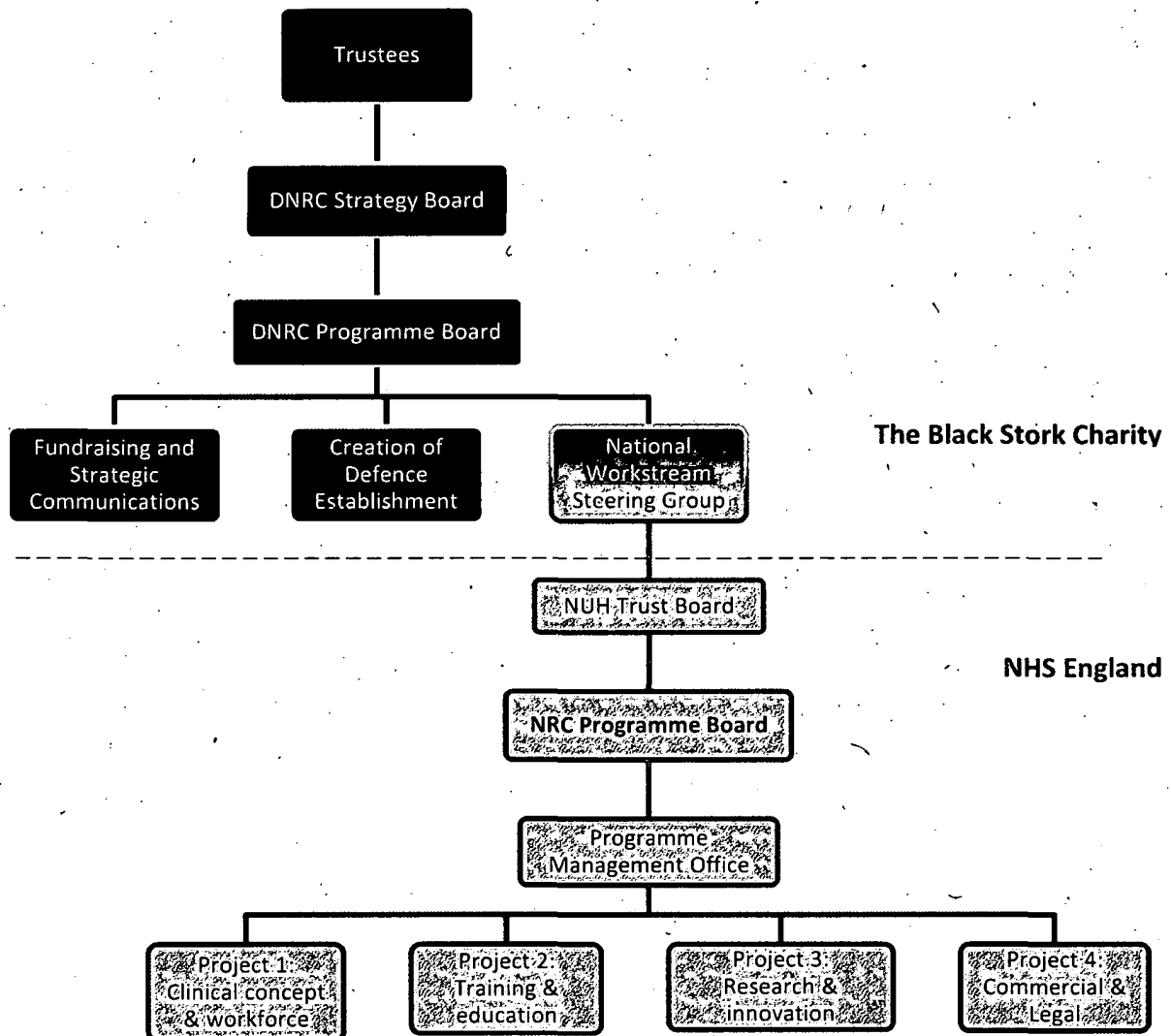
The DNRC Programme is unusual in that it involves a charity working in conjunction with Government and it is being run on OGC (The Office of Government Commerce) lines.

The interface with Government principally involves the Ministry of Defence, Department of Health and Social Care, NHS England, Department for Work and Pensions and the 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 Rehabilitation Estate, and with the NHS in so far as the 'N' is concerned.

Structure, governance and management (continued)

Programme governance (continued)



The DNRC 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 tenants of the D establishment) is via the newly appointed Director General of Defence Medicine. A 2 star officer (a Rear Admiral) is the Senior Responsible Owner (SRO) in relation to the DNRC Programme and also sits on the National Rehabilitation Centre (NRC) Programme Board.

The NRC Programme is led by and has been set up by Nottingham University Hospitals NHS Trust (NUH) with key Government departments, including the MoD, involved. The Programme Board meets every month and oversees progress of the various projects. There are four reference groups which meet regularly beneath the NRC Programme Board whose role it is to shape the NRC and what it will deliver. The process of writing the business case which will go through the NHS capital business case approvals route is the purpose of the project management team.

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 monitors a number of high level strategic risks, which in this reporting period have included:

oConstruction

The actual construction risk, which over the past 5 years has been very significant, has now passed. Nevertheless, the Charity is responsible for implementing the lease to ensure that the buildings and the landscape are satisfactorily maintained by the MoD. It should be added that the completion of construction and the Programme as a whole was on time and to budget with the assurance to Parliament that patients would be being treated in 2018 also being delivered. There was delay in completing non-critical elements of the build. The cost of this overrun has been offset by contractor liquidated damages so there has been no net deficit to the Charity. Nevertheless, the risk to reputation was very evident throughout this period but fortunately did not materialize.

o The National opportunity

The greatest risk on the 'N' is its non-achievement. Developing the National opportunity is highly complex, novel in the extreme and controversial in some respects. In these circumstances, maintenance of momentum is key. Progress is helped by the fact that the NHS transformation programme is now launched. On one hand, this National opportunity is being viewed as a flagship project in transformation terms. On the other, the degree of realignment of functions and elements in NHSE happening at the same time bears on maintenance of momentum to meet the significant end of the year milestone. Support for a successful outcome is evident at the highest level and includes the Chancellor, the Exchequer Secretary, the Health Secretary, the Medical Director of NHSE and a variety of significant senior clinicians at Royal Colleges level. Nevertheless, it will be necessary to ensure that those involved in the system of 'commissioning' currently in place, which is largely driven from the bottom upwards, support the operating cost model – and therein lies the principal risk.

Senior management remuneration policy

None of the four members of the senior management team were employed by the Charity during the year. The services of two of these individuals were provided free of charge, the third was seconded to the Programme by a third party but became an employee of the Charity during 2019, and the fourth (the Chief Executive Officer) was recruited as an employee of the Charity in 2019. The Trustees were therefore not responsible for considering the remuneration of any member of the senior team during the year.

The remuneration policy covers all employees. 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

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 2018.

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.

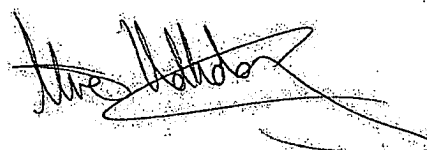
Disclosure of information to the auditor

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 19 September 2019 and signed on its behalf by:



Steve Holliday (Chairman of Trustees)

19 September 2019

**Financial statements
for the year ended 31 December 2018**

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 of The Black Stork Charity (the 'charitable company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2018 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 which comprise:

- the group statement of financial activities;
- the group and parent charitable company balance sheets;
- the group cash flow statement; and
- the related notes 1 to 24.

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 Financial Reporting Council's (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

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

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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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:

- 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.

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

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.

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.



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

24 September 2019

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES **(including consolidated income and expenditure account)** **Year ended 31 December 2018**

	Notes	Unrestricted funds £	Restricted funds £	Total funds 2018 £	Total funds 2017 £
INCOME FROM:					
Donations	3	41,004,828	4,090,000	45,094,828	37,775,688
Investment income - bank interest		9,540	-	9,540	2,328
Other trading activities - rental income		40,338	-	40,338	45,835
TOTAL INCOME		<u>41,054,706</u>	<u>4,090,000</u>	<u>45,144,706</u>	<u>37,823,851</u>
EXPENDITURE ON:					
Raising funds	4	(408,585)	-	(408,585)	(394,344)
Charitable activities	5	(6,742,966)	-	(6,742,966)	(1,523,765)
TOTAL EXPENDITURE		<u>(7,151,551)</u>	<u>-</u>	<u>(7,151,551)</u>	<u>(1,918,109)</u>
Net income before net gains on investments		33,903,155	-	37,993,155	35,905,742
Net gains on investments	12	70,000	-	70,000	-
Net income for the year	7	<u>33,973,155</u>	<u>4,090,000</u>	<u>38,063,155</u>	<u>35,905,742</u>
Transfer between funds	20,21	3,940,000	(3,940,000)	-	-
NET MOVEMENT IN FUNDS		<u>37,913,155</u>	<u>150,000</u>	<u>38,063,155</u>	<u>35,905,742</u>
Total funds brought forward		<u>157,040,438</u>	<u>-</u>	<u>157,040,438</u>	<u>121,134,696</u>
Total funds carried forward	22	<u>194,953,593</u>	<u>150,000</u>	<u>195,103,593</u>	<u>157,040,438</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.

See note 18 for comparative consolidated statement of financial activities analysed by funds.

BALANCE SHEETS

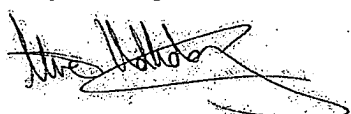
At 31 December 2018

		2018		2017	
	Notes	Group	Charity	Group – as restated note 1(j)	Charity – as restated note 1(j)
		£	£	£	£
Fixed assets					
Tangible assets	10	1,815,787	1,773,658	919,835	919,835
Investments – social investments	11	265,583,861	273,130,927	229,262,305	235,811,683
Investments – investment property	12	550,000	550,000	480,000	480,000
Investments – subsidiary undertakings	13	-	120,000	-	120,000
		<u>267,949,648</u>	<u>275,574,585</u>	<u>230,662,140</u>	<u>237,331,518</u>
Current assets					
Debtors: amounts falling due within one year	14	31,391,375	31,146,898	3,371,705	18,034,417
Cash at bank and in hand	15	5,583,794	3,910,882	26,132,144	10,230,630
		<u>36,975,169</u>	<u>35,057,780</u>	<u>29,503,849</u>	<u>28,265,047</u>
Creditors: amounts falling due within one year	16	(2,821,224)	(981,705)	(2,125,551)	(1,006,750)
NET CURRENT ASSETS		<u>34,153,945</u>	<u>34,076,075</u>	<u>27,378,298</u>	<u>27,258,297</u>
Creditors: amounts falling due after one year	17	(107,000,000)	(107,000,000)	(101,000,000)	(101,000,000)
NET ASSETS		<u>195,103,593</u>	<u>202,650,660</u>	<u>157,040,438</u>	<u>163,589,815</u>
FUNDS					
Unrestricted funds					
General funds		34,003,945	33,926,075	27,378,298	27,258,297
Designated funds		160,879,648	168,504,585	129,662,140	136,331,518
Unrealised investment gain		70,000	70,000	-	-
Total unrestricted funds	20	<u>194,953,593</u>	<u>202,500,660</u>	<u>157,040,438</u>	<u>163,589,815</u>
Restricted funds	21	<u>150,000</u>	<u>150,000</u>	-	-
TOTAL FUNDS		<u>195,103,593</u>	<u>202,650,660</u>	<u>157,040,438</u>	<u>163,589,815</u>

The surplus of the parent charity for the year for Companies Act purposes is £39,193,492 (2017: £39,390,657). 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 19 September 2019.

They were signed on its behalf by:



Steve Holliday (Chairman of Trustees) on 19 September 2019

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 December 2018

	Note	Unrestricted Funds £	Restricted Funds £	Total funds 2018 £	Total funds 2017 £
Net cash flow from operating activities	19	6,610,963	3,790,000	10,400,963	34,794,559
Cash flows from investing activities					
Interest received		9,540	-	9,540	2,328
Purchase of fixed assets		(33,318,853)	(3,640,000)	(36,958,853)	(117,737,446)
Net cash used in investing activities		(33,309,313)	(3,640,000)	(36,949,313)	(117,735,118)
Cash flows from financing activities					
Cash inflows from new borrowing		6,000,000	-	6,000,000	77,831,145
Net cash provided by financing activities		6,000,000	-	6,000,000	77,831,145
Net increase/(decrease) in cash and cash equivalents		(20,698,350)	150,000	(20,548,350)	(5,109,414)
Cash and cash equivalents at beginning of year		26,132,144	-	26,132,144	31,241,558
Cash and cash equivalents at end of year	15	5,433,794	150,000	5,583,794	26,132,144

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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 eight Trustees who were 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 modified to include certain items at fair value, 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 2020. 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 13. 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.

Unrealised investment gains are unrestricted funds resulting from fair value movements on investment properties.

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 2018

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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(j) Tangible Fixed Assets (continued)

Freehold buildings: residential lodges – 2% per annum

Freehold buildings: Stanford Hall Rehabilitation Estate office – 2.5% per annum

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.

No depreciation is provided for on assets under the course of construction.

Tangible fixed assets have been restated to reclassify certain assets as social investments and investment property to more appropriately represent the use of those assets.

The impact of the restatement is as follows:

Group	Tangible Fixed Assets		Fixed Asset Investments		Total £
	Freehold land and buildings £	Assets in course of construction £	Social investments £	Investment property £	
As previously reported at 31 December 2017	10,980,000	219,682,140	-	-	230,662,140
Reclassification	(10,256,700)	(219,485,605)	229,262,305	480,000	-
As restated at 31 December 2017	723,300	196,535	229,262,305	480,000	230,662,140

(k) Fixed Asset Investments

Social investment

Social investments include programme related investments which are held specifically to enable a third party to undertake particular activities using the asset that contribute to the investing charity's charitable purposes. The Charity holds a social investment property to fulfil its charitable objectives. The social investment property is stated at cost net of depreciation and any provisions for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life. Residual value represents the estimated fair value of the asset expected at the end of its useful life. No depreciation is provided for on the social investment due to the anticipated high residual value which would result in immaterial depreciation for the asset. An impairment review is carried out annually.

Investment properties

Investment properties are held to earn rental income or for capital appreciation and are measured at fair value annually with any change recognised in the Statement of Financial Activities. The fair values is based on valuations estimated in 2015 and 2017 by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the of the investment property being valued. The current rental income set by the same valuer is also taken into account when estimating the fair value.

Investment in subsidiary

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(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.

3. ANALYSIS OF INCOME FROM DONATIONS

2018	Unrestricted funds £	Restricted funds £	Total funds 2018 £
Donations	40,711,304	4,090,000	44,801,304
Donated services	293,524	-	293,524
	<u>41,004,828</u>	<u>4,090,000</u>	<u>45,094,828</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. ANALYSIS OF INCOME FROM DONATIONS (continued)

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>

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.

	2018 £	2017 £
Advertising and awareness raising costs	2,580	37,041
Support costs (see note 6)	37,588	31,032
Other fundraising costs	368,417	326,271
	<u>408,585</u>	<u>394,344</u>

Advertising and awareness raising costs were lower in 2018 because of the reduced public campaign activity in 2018.

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

The above support costs include £6k (2017: £6k) of donated services.

The cost ratio to income for the year is 0.9% (2017: 1.0%).

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.

	2018 £	2017 £
Direct charitable costs	6,541,197	1,364,007
Support costs (see note 6)	201,769	159,758
	<u>6,742,966</u>	<u>1,523,765</u>

Included in these costs are donated services of £288k (2017: £314k), £33k (2017: £33k) of which are support costs.

Direct charitable costs increased in 2018, mainly due to costs incurred of £4.4m on consumables to furnish all buildings within the Defence establishment prior to it becoming operational. Costs were also incurred on the handover event in June, a national poetry competition, and increased spend in relation to converting the outline planning permission to detailed for a National facility.

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

6. ANALYSIS OF SUPPORT COSTS

2018	Raising funds £	Direct charitable £	Total 2018 £	Basis of allocation
Governance	-	58,989	58,989	In line with activity
Finance	2,004	103,524	105,528	Allocated on time
Office, secretarial and HR	35,584	39,256	74,840	Allocated on time
37,588		201,769	239,357	

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
31,032		159,758	190,790	

Included in the above support costs are donated services of £39k (2017: £39k).

7. NET INCOME FOR THE YEAR

Net income is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets - owned	37,164	275
Auditor's remuneration:		
Fees payable to the Charity's auditor for the audit of the Charity's annual financial statements	17,280	7,980
Fees payable to the Charity's auditor for other services to the Group: the audit of the Charity's subsidiary	2,650	2,550

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	2018 No.	2017 No.
Raising funds	1	2
Charitable activities	1	1
Support	2	2
	4	5

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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

Their aggregate remuneration comprised:

Group and Charity	2018 £	2017 £
Wages and salaries	217,826	278,059
Social security costs	22,955	31,255
	<u>240,781</u>	<u>309,314</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:

	2018 No.	2017 No.
£60,000 - £70,000	1	1
£90,000 - £100,000	<u>-</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 £532k (2017: £660k), all £532k (2017: £567k) of which (2017: £567k) 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 £nil (2017: £104) were paid to Trustees (2017: one Trustee).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9. TAX ON PROFIT OF TRADING SUBSIDIARY

	2018 £	2017 £
Analysis of tax charge on current activities		
UK corporation tax at 19% (2017: 19.25%) based on profit for the year	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before tax	1,129,135	3,482,485
Current tax charge for the year:		
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	214,536	670,378
Expenses not deductible for tax purposes	2,668	53
Other items attracting no tax relief or liability	-	-
Tax relief for gift aid donation	(217,204)	(670,431)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A current tax rate of 19%, being the UK corporation tax rate throughout the period, has been applied to the year ended 31 December 2018. From 1 April 2020, the UK corporation tax rate will reduce to 17% (Finance Act 2016).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Assets in course of construction £	Plant and Equipment £	Total £
Cost				
At 1 January 2018 – as restated (see note 1(j))	723,300	196,535	41,468	961,303
Additions	43,663	833,281	56,172	933,116
Transfers	1,029,816	(1,029,816)	-	-
At 31 December 2018	<u>1,796,779</u>	<u>-</u>	<u>97,640</u>	<u>1,894,419</u>
Depreciation				
At 1 January 2018	-	-	41,468	41,468
Charge for year	23,121	-	14,043	37,164
At 31 December 2018	<u>23,121</u>	<u>-</u>	<u>55,511</u>	<u>78,632</u>
Net book value				
31 December 2018	<u>1,773,658</u>	<u>-</u>	<u>42,129</u>	<u>1,815,787</u>
31 December 2017 – as restated (see note 1(j))	<u>723,300</u>	<u>196,535</u>	<u>-</u>	<u>919,835</u>
Charity				
Cost				
At 1 January 2018 – as restated (see note 1(j))	723,300	196,535		919,835
Additions	43,663	833,281		876,944
Transfers	1,029,816	(1,029,816)		-
At 31 December 2018	<u>1,796,779</u>	<u>-</u>		<u>1,796,779</u>
Depreciation				
At 1 January 2018	-	-		-
Charge for year	23,121	-		23,121
At 31 December 2018	<u>23,121</u>	<u>-</u>		<u>23,121</u>
Net book value				
31 December 2018	<u>1,773,658</u>	<u>-</u>		<u>1,773,658</u>
31 December 2017 – as restated (see note 1(j))	<u>723,300</u>	<u>196,535</u>		<u>919,835</u>

Freehold land and buildings consist of properties occupied by the Charity for its own purposes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

11. SOCIAL INVESTMENTS

Group	Defence Establishment £	Stanford Hall Rehabilitation Estate £	Assets in course of construction £	Total £
Cost				
At 1 January 2018 – as restated (see note 1(j))	6,602,000	3,174,700	219,485,605	229,262,305
Additions	-	183,131	36,138,425	36,321,556
Transfers	246,007,190	883,496	(246,890,686)	-
At 31 December 2018	<u>252,609,190</u>	<u>4,241,327</u>	<u>8,733,344</u>	<u>265,583,861</u>
Depreciation				
At 1 January 2018 and at 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
31 December 2018	<u>252,609,190</u>	<u>4,241,327</u>	<u>8,733,344</u>	<u>265,583,861</u>
31 December 2017 – as restated (see note 1(j))	<u>6,602,000</u>	<u>3,174,700</u>	<u>219,485,605</u>	<u>229,262,305</u>
Charity				
Cost				
At 1 January 2018 – as restated (see note 1(j))	6,602,000	3,174,700	226,034,983	235,811,683
Additions	-	184,388	37,134,856	37,319,244
Transfers	253,275,220	910,001	(254,185,221)	-
At 31 December 2018	<u>259,877,220</u>	<u>4,269,089</u>	<u>8,984,618</u>	<u>273,130,927</u>
Depreciation				
At 1 January 2018 and at 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
31 December 2018	<u>259,877,220</u>	<u>4,269,089</u>	<u>8,984,618</u>	<u>273,130,927</u>
31 December 2017 – as restated (see note 1(j))	<u>6,602,000</u>	<u>3,174,700</u>	<u>226,034,983</u>	<u>235,811,683</u>

The Defence establishment asset, which is leased to the Ministry of Defence under an operating lease with peppercorn annual rent, was almost complete at year end, with areas not yet complete recognised as assets in the course of construction. Borrowing costs amounting to £1,780k (2017: £1,210k) have been included in the cost of the Defence establishment. The Stanford Hall Rehabilitation Estate asset comprises the remainder of the estate on which the Defence establishment is situated. This land includes running tracks and outdoor exercise areas on varied terrain and is an important element in the treatment process for Defence establishment patients.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

12. INVESTMENT PROPERTY

	Group	Charity
Valuation	£	£
At 1 January 2018 (see note 1(j))	480,000	480,000
Movement in fair value	70,000	70,000
At 31 December 2018	<u>550,000</u>	<u>550,000</u>

Investment property consists of one property on which rental income is earned.

13. SUBSIDIARY UNDERTAKING

	2018	2017
Charity	£	£
Subsidiary undertaking	<u>120,000</u>	<u>120,000</u>

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 2018 is shown below.

Profit and loss account	2018	2017
	£	£
Turnover	40,485,165	120,463,735
Cost of sales	(39,354,828)	(116,978,820)
Gross profit	<u>1,130,337</u>	<u>3,484,915</u>
Administrative expenses	(2,713)	(2,615)
Operating profit	<u>1,127,624</u>	<u>3,482,300</u>
Net interest receivable	1,511	185
Amounts donated to the Charity	<u>(1,129,135)</u>	<u>(3,482,485)</u>
Retained profit on ordinary activities	-	-
Balance brought forward	-	-
Balance carried forward	<u>-</u>	<u>-</u>

Balance sheet as at 31 December 2018:

	2018	2017
	£	£
Tangible fixed assets	42,129	-
Current assets	4,317,409	15,986,856
Creditors: Amounts falling due within one year	<u>(4,239,538)</u>	<u>(15,866,856)</u>
Net assets	<u>120,000</u>	<u>120,000</u>
Share Capital	120,000	120,000
Profit and loss account	-	-
Shareholder's funds	<u>120,000</u>	<u>120,000</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018		2017	
	Group £	Charity £	Group £	Charity £
Prepayments and accrued income	31,094,495	28,512,349	1,179,600	1,094,258
Taxation and social security	296,880	234,530	2,192,105	2,274,769
Amounts owed by subsidiary undertaking	-	2,400,019	-	14,665,390
	<u>31,391,375</u>	<u>31,146,898</u>	<u>3,371,705</u>	<u>18,034,417</u>

Amount owed by subsidiary undertaking is repayable on demand with no interest being charged on the balance.

15. RESTRICTIONS ON CASH AND CASH EQUIVALENTS

Group

Total cash and cash equivalents included cash amounting to £1.0m (2017: £11.7m) which was held in a secured account and was therefore not available for immediate use by the group.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018		2017	
	Group £	Charity £	Group £	Charity £
Trade creditors	1,613,991	-	773,880	-
Accruals and deferred income	1,201,031	975,503	1,337,078	992,157
Taxation and social security	6,202	6,202	14,593	14,593
	<u>2,821,224</u>	<u>981,705</u>	<u>2,125,551</u>	<u>1,006,750</u>

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

	2018		2017	
	Group £	Charity £	Group £	Charity £
Other loans: repayable between one and five years	<u>107,000,000</u>	<u>107,000,000</u>	<u>101,000,000</u>	<u>101,000,000</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 has been repaid since the year end. The other loan is interest free, non-recourse and for a period to 6 July 2022.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18. COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	Note	Unrestricted funds	Restricted funds	Total funds 2017
		£	£	£
INCOME FROM:				
Donations	3	15,700,688	22,075,000	37,775,688
Bank interest		2,328	-	2,328
Rental income		45,835	-	45,835
TOTAL INCOME		15,748,851	22,075,000	37,823,851
EXPENDITURE ON:				
Raising funds	4	(319,344)	(75,000)	(394,344)
Charitable activities	5	(1,523,765)	-	(1,523,765)
TOTAL EXPENDITURE		(1,843,109)	(75,000)	(1,918,109)
Net income for the year	7	13,905,742	22,000,000	35,905,742
Transfer between funds		22,000,000	(22,000,000)	-
NET MOVEMENT IN FUNDS		35,905,742	-	35,905,742
Total funds brought forward		121,134,696	-	121,134,696
Total funds carried forward		157,040,438	-	157,040,438

19. CASHFLOW STATEMENT

Reconciliation of net income to cash generated by operations:

	2018	2017
	£	£
Net income for the year	38,063,155	35,905,742
Adjustments for:		
Interest receivable	(9,540)	(2,328)
(Gains) / losses on investments	(70,000)	-
Depreciation and impairment charges	37,164	275
Operating cashflow before movement in working capital	38,020,779	34,903,689
(Increase) / Decrease in debtors	(28,019,669)	(1,741,280)
Increase / (Decrease) in creditors	399,853	632,150
Cash generated by operating activities	10,400,963	34,794,559
Restricted funds	3,790,000	22,000,000
Unrestricted funds	6,610,963	12,794,559
Cash generated by operating activities	10,400,963	34,794,559

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

20. MOVEMENT IN UNRESTRICTED FUNDS

2018

Group	At 1 January 2018 £	Income and gains £	Expenditure £	Transfers £	At 31 December 2018 £
General reserves	27,378,298	41,054,706	(7,128,430)	(27,300,629)	34,003,945
Unrealised investment gain	-	70,000	-	-	70,000
Designated fund: Fixed assets	129,662,140	-	(23,121)	31,240,629	160,879,648
Total unrestricted funds	157,040,438	41,124,706	(7,151,551)	3,940,000	194,953,593

Charity	At 1 January 2018 £	Income £	Expenditure £	Transfers £	At 31 December 2018 £
General reserves	27,258,297	42,182,332	(7,258,366)	(28,256,187)	33,926,076
Unrealised investment gain	-	70,000	-	-	70,000
Designated funds: Fixed assets	136,331,518	-	(23,121)	32,196,187	168,504,584
Total unrestricted funds	163,589,815	42,252,332	(7,281,487)	3,940,000	202,500,660

Analysis of transfers:

	Group £	Charity £
Transfer from restricted fund (see note 21)	3,940,000	3,940,000
Transfer to designated fund	(31,240,629)	(32,196,187)
	(27,300,629)	(28,256,187)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

20. MOVEMENT IN UNRESTRICTED FUNDS (continued)

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

The transfer to designated fund represents transfers from:

	Group £	Charity £
Restricted fund (see note 21)	22,000,000	22,000,000
Unrestricted general reserve	(17,231,879)	(20,717,070)
	4,768,121	1,282,930

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 2019.

21. MOVEMENT IN RESTRICTED FUNDS

2018

Group and Charity	At 1 January 2018 £	Income £	Expenditure £	Transfers £	At 31 December 2018 £
DNRC Programme	-	4,090,000	-	(3,940,000)	150,000

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)	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21. MOVEMENT IN RESTRICTED FUNDS (continued)

During the year funds have been received from seven 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 six of the donations have been spent) is not held for a restricted purpose a transfer to unrestricted funds has been made (see note 20). One donation of £150k, towards educational provision in connection with the NHS facility, had not been expended on its restricted purpose in the year and was held as a restricted fund at the year end.

22. ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

2018

Group	Unrestricted funds			Restricted funds	
	General £	Designated £	Unrealised investment gain £	£	Total £
Fixed assets	-	267,879,648	70,000	-	267,949,648
Current assets	36,825,169	-	-	150,000	36,975,169
Creditors: amounts due < 1 year	(2,821,224)	-	-	-	(2,821,224)
Creditors: amounts due > 1 year	-	(107,000,000)	-	-	(107,000,000)
At 31 December 2018	34,003,945	160,879,648	70,000	150,000	195,103,593

Charity	Unrestricted funds			Restricted funds	
	General £	Designated £	Unrealised investment gain £	£	Total £
Fixed assets	-	275,504,585	70,000	-	275,574,585
Current assets	34,907,780	-	-	150,000	35,057,780
Creditors: amounts due < 1 year	(981,705)	-	-	-	(981,705)
Creditors: amounts due > 1 year	-	(107,000,000)	-	-	(107,000,000)
At 31 December 2018	33,926,075	168,504,585	70,000	150,000	202,650,660

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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

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	<u>27,378,298</u>	<u>129,662,140</u>	<u>-</u>	<u>157,040,438</u>

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	<u>27,258,297</u>	<u>136,331,518</u>	<u>-</u>	<u>163,589,815</u>

23. FINANCIAL COMMITMENTS

Capital commitments are as follows:

Group and Charity	2018	2017
	£	£
Contracted but not provided for	<u>3,288,032</u>	<u>37,432,543</u>

The above commitments reflect the contracts entered into during 2015 - 2018 (for the period to the end of 2019) in order to deliver the construction of the Defence Establishment.

24. 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 (2017: £nil).

Total donations (received and in kind) from the Trustees during the year were £0.6k (2017: £3k).

ACKNOWLEDGEMENTS

The target for the capital campaign to build the Defence facility is £300m, and it is now clear that this substantial target will be met in the course of 2019. This has been possible because of the exceptional generosity of many donors – individuals, charitable foundations and companies – both in the UK and overseas, and not least the Grosvenor family which has contributed over £100m.

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

- ABF The Soldiers' Charity
- His Majesty King Hamad bin Isa Al-Khalifa
- Anne Duchess of Westminster's Charity
- The Army Central Fund
- The Bacon Foundation
- BAE Systems
- The Bacon Foundation
- The Bamford Charitable Foundation
- The Barclay Foundation
- Bayfield Charitable Trust
- The Michael Bishop Foundation
- Bloomberg Philanthropy
- Brendan and Helen Bechtel
- The Blavatnik Family Foundation
- Boodle Hatfield LLP
- Anthony Buckingham
- Bunzl Plc
- Burberry
- Denis Burrell
- The Cadogan Charity
- The Cahn Family
- The Charles Wolfson Charitable Trust
- City Veterans' Network
- Compass Group PLC
- The Eranda Rothschild Foundation
- Experian
- Garfield Weston Foundation
- Goldman Sachs Gives
- The Mike Gooley Trailfinders Charity
- The David and Claudia Harding Foundation
- Peter and Rosemary Hargreaves
- David Herro and Jay Franke
- The Hintze Family Charitable Foundation
- Committed by HM Treasury from The LIBOR Fund
- The Hobson Charity
- HSBC Holdings Plc
- ICAP plc
- Iceland Foods Charitable Foundation
- INEOS
- Knight Frank LLP
- Lloyds Banking Group
- Linney
- Andrew and Zoe Law
- Andrew and Nicola Loftus
- Richard and Linda Loftus
- Lord Leverhulme's Charitable Trust
- The Loveday Charitable Trust
- Jeremy Newsum
- Nuffield Trust for the Armed Forces of the Crown
- Paul Orchard-Lisle
- Palantir Technologies
- Pears Foundation
- Sir John and Lady Peace
- The Julia and Hans Rausing Trust
- Alan Rind
- Don and Jennifer Robert
- John and Sally Roberts
- The Rothermere Foundation
- The Royal British Legion
- The Rumi Foundation
- The Sackler Foundation
- Lily Safra
- The Samworth Foundation
- Santander UK
- The Schroder Foundation
- Ellis and Eve Short
- Gordon and Jenny Singer
- The Sir Jules Thorn Charitable Trust
- The Stephen and Lucinda Bantoft Charitable Trust
- Barrie and Dena Webb
- The Westminster Foundation
- The Wolfson Foundation
- Jon Wood

And many other generous donors who wish to remain anonymous.

