

The
Black Stork
Charity



DNRC
REPAIRING
OUR SERIOUSLY
WOUNDED

THE BLACK STORK CHARITY (The DNRC Charity)

Trustees' Report and
Financial Statements for 2019

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Chairman's introduction

As reported last year, the Charity was proud to successfully hand over the Defence facility (the DMRC) at the Stanford Hall Rehabilitation Estate to the Ministry of Defence (MoD) in 2018. The DMRC became fully operational in 2019 and members of the armed forces are now being treated in its state-of-the-art facilities and the surrounding 360 acres of rolling parkland. The facilities include the Gait Laboratory and CAREN (a multi-sensory virtual reality system), swimming and hydrotherapy pools, gyms, neurological support, horticultural therapy gardens, golf course, and hand cycle and running tracks through the grounds.

Around 7,000 patients with a variety of service related injuries were treated at the DMRC between April 2019 and April 2020. Also in the facility, the Academic Department of Military Rehabilitation (ADMR) has continued its long history of research into rehabilitation medicine. Significantly, the ADMR is part of the major longitudinal study into the long-term outcomes for a cohort of up to 600 members of the armed forces wounded in Afghanistan. Known as the ADVANCE Study, it is being delivered over 20 years by Imperial, Kings College and the MoD. Funding for the first 10 years is in place and much of the practical work is being done at Stanford Hall. Already preliminary findings are emerging which may benefit rehabilitation research more widely.

Such expertise is highly relevant to the next stage of the Estate's ambitions. The charity is working closely with the NHS and academic partners to create the National Rehabilitation Centre on the same site. The plans include a regional clinical facility run by Nottingham University Hospital Trust (NUH) and an academic hub to deliver the national ambition of promoting rehabilitation research, innovation, education and training. The charity's goal is for the MoD, NHS and Academic partners to work in partnership to share facilities and learning and promote rehabilitation research and training. Creating the National Rehabilitation Centre was always regarded by the 6th Duke of Westminster as the 'big prize' for Stanford Hall and despite the time the NHS approval process takes its realisation will be the true legacy of his initiative begun a decade ago.

Detailed NHS business planning and approvals processes ran through the whole of 2019 enabled by the charity and a public consultation is planned in the summer of 2020. The Academic partners have been selected – a consortium led by Nottingham and Loughborough Universities which will establish the region as a national leader in rehabilitation. The NHS consultation process will have taken 22 months (taking into account 4 months delay due to the pandemic) if it ends in October 2020 as hoped. Early in 2021 it should be possible to have a firm indication of approval for the NRC's construction to begin. The charity has begun site preparation for the construction work so that the build (by NUH) can start in time to meet the 2024 target for completion.

In 2019 the DNRC fundraising campaign came to an end when the £300m appeal total was reached. This outcome derives from the generosity of the Duke and the Grosvenor family, whose gift amounts to over £100m, and many major donors to whom we are indebted. In the final stages, the Headley Court Charity donated £10m following its sale of the Headley Court site.

With an eye to the Charity's future, a Chief Executive, Janet Morrison, joined the Black Stork Charity in 2019. After an extensive programme of external research the Charity is exploring how it will operate against a vision that everyone has access to excellent rehabilitation so that they can lead their best possible lives. To do this the Charity will continue to enable the creation of the NRC, whilst finalising its future activities associated with defining excellence, promoting new approaches and making the case for better rehabilitation support for everyone.



Steve Holliday (Chairman of Trustees)

20 August 2020

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 2019.

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



The DMRC

Officers and professional advisers

Trustees and directors

Steven Holliday (Chairman)
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
Director of the DNRC 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
1 New Street Square
London
United Kingdom
EC4A 3HQ

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 excellence in rehabilitation and making it possible for everyone.

Over the last 10 years we have been implementing our charitable objects through the DNRC Programme. This Programme has so far delivered a bespoke clinical rehabilitation capability for the armed forces (replacing the previous establishment in Surrey) which is fully operational and treating serving members of the armed forces. It is known as the Defence Medical Rehabilitation Centre or 'DMRC Stanford Hall' and is the 'D' in the DNRC Programme. The Programme continues and is enabling the opportunity for NHS patients to be treated in a specialist facility on the same site – the 'N' in the DNRC Programme. This facility will be known as the 'National Rehabilitation Centre' or NRC and is now a matter of formal NHS business in the shape of the NRC Programme. Both establishments are, or will be, located on the Stanford Hall Rehabilitation Estate (SHRE) near Loughborough.

Following the completion of the Defence facility in 2019 the Charity redefined its strategy in 2020. Our vision is that everyone has access to excellent rehabilitation so that they can lead their best possible lives.

To do this we need to:

- Enable the development of the NRC - a regional clinical rehabilitation facility and a national centre for research, innovation, training and education in rehabilitation.
- Define excellence in rehabilitation, promote 'best practice' and develop new thinking and models where gaps exist.
- Influence – make the case for rehabilitation, promoting the take up 'what works', spinning out new models, regional centres, and culture change.

Achievements in 2019

The Defence Facility

The DMRC admitted its first patients in the autumn of 2018, and in the 12 month period between April 2019 and April 2020 it treated about 7,000 serving members of the armed forces. Such patients have benefitted from sophisticated facilities such as: the Computer Aided Rehabilitation Environment (CAREN) and the gait laboratory; the gyms; swimming pools; horticultural therapy; neurological support; and the grounds of the 360 acre estate which include trim trails, a golf course, and handcycle tracks designed to extend the rehab experience. The Academic Department of Military Rehabilitation (ADMIR) is located in the DMRC and, amongst other research activity, is in partnership with Imperial and Kings College London in conducting the ADVANCE Study. This longitudinal 20-year study is monitoring the long term physical and psycho-social impact of battlefield injuries acquired by members of the armed forces in Afghanistan between 2003 -2014. It will follow the lives of 600 injured ex-Servicemen and women and funding for the first decade of the work is in place. Much of the practical monitoring is being conducted on the DMRC premises. Preliminary outcomes are already emerging and are being shared with the NHS, but it is expected that in time the learning will cover a very wide range of associated conditions which will benefit the understanding of rehabilitative care across the Defence Medical Services and the NHS.

From March 2020 the Defence facility imposed restrictions on access and use of the facility to protect patients and staff in line with Government requirements. Most recently it has been running short rehab courses for those recovering from COVID-19 and has shared its syllabus and experience with the NHS.

The National Opportunity

From the outset the DNRC concept has always envisaged both a Defence and NHS facility on the same site, sharing facilities and expertise. Since the opening of the Defence facility in autumn 2018, the Programme has been centred around the 'N' in the DNRC and 'enabling' the NRC began in earnest in January 2019. It is manifest in supporting the Nottingham University Hospitals NHS Trust (NUH) to

Achievements in 2019 (continued)

prepare the business case and make progress through the many stages of NHS approval required – at this stage with the Clinical Commissioning Groups (CCGs).

The benefits of creating the NRC are many and wide-ranging. The NRC will extend the success of acute services (and Major Trauma Centres) by providing a national centre of excellence in patient care, but also in training and research. Collaboration with the Defence Medical Services and the sharing of expertise and some facilities will make innovation and the adoption of new approaches quicker and more successful. New ways of treating patients and aiding recovery will lead to a step change in rehabilitation and far improved outcomes for patients. In terms of innovation and enterprise, the NRC offers a real opportunity to drive new rehabilitation products and technologies on an international basis. The NRC will be an exciting space where R&D in the rehabilitation field can take effect very quickly. Already, the Defence facility is acquiring new knowledge not least through its advanced facilities such as the CAREN. The cohort of patients treated at both the NRC and the Defence facility presents an opportunity for some very effective clinical research. Alongside the MoD, the university sector and business enterprise and by virtue of its design, the NRC facility itself will provide a unique place to test and develop tomorrow's new treatments and techniques.



Computer generated impression of the NRC

In educational terms, the NRC will have a strong learning environment and culture, acting as a centre of teaching excellence allowing rehabilitation practitioners to refine skills or upskill. This will establish the reputation of rehabilitation as an NHS discipline. It will have a profound effect on rehabilitation outcomes at the NRC itself or by taking that expertise to other locations. NUH, which is home to the East Midlands Major Trauma Centre, is the NHS clinical sponsor. The Trust provides the acute regional service of neuroscience, complex lower limb trauma and major trauma, where many patients subsequently require rehabilitation. In the near term, the NRC will have an immediate impact and make a meaningful difference. In the long term, once the NRC concept has proved its worth, it could be transformative if other such Centres are established across England as was always envisaged.

Achievements in 2019 (continued)

Fundraising

The £300m fundraising campaign, started in 2011, was to fund the DNRC Programme covering: purchase of an estate; planning permission and construction of the Defence facility; development of the estate for rehab purposes; and enablement of a national facility on the same site both in terms of provision of a suitable site and the associated planning permission. 2018 was the last full year of fundraising and the campaign was brought to a close in 2019. Significant donor engagement took place during 2019, featuring a number of events and visits to the SHRE. There were some successful outcomes, notably a very significant donation of £25m by INEOS in early 2019 and a contribution in late 2019 by the Headley Court Charity of £10m towards to the DNRC Programme. The largest single gift remains that of the Grosvenor family amounting to over £100m.

Our fundraising practices

As mentioned above the Charity's fundraising campaign relating to the Defence facility was brought to a close in 2019. Events held during 2019 provided opportunity for major donors who had contributed throughout the campaign to visit the facility. The Black Stork Charity did not use professional fundraisers during 2019 and does not involve commercial participators. There were no complaints about fundraising activity during the year. Although significant fundraising activity is not currently being carried out the Charity remains signed up to the Fundraising Regulator's Code of Fundraising Practice and it has fundraising policies and protocols in place to protect donor data and steward relationships. Charity newsletters, which are distributed electronically, are sent only to individuals who have donated to the Charity and who have consented to be contacted by the Charity in this way. Such correspondence contains clear instructions on how a person can be removed from the Charity's mailing lists.

Plans for 2020 and beyond

The Defence Facility



The Walled Garden at the DMRC, used for horticultural therapy

Plans for 2020 and beyond (continued)

The Defence Facility (continued)

2020 will be the second year of the 50-year lease to the MoD and it will be characterised by consolidating the landlord/tenant arrangements as defined in the lease and reviewing the comprehensive costed plan for long term maintenance. In addition, in 2020 it will be a priority to establish the opportunities and terms for sharing of the estate, facilities and learning between the MoD, the NHS, academic partners and the Black Stork Charity to ensure that, once plans for the NRC are realised, the estate adds up to more than the sum of its parts in advancing knowledge and best practice in rehabilitation.

The National Opportunity

In 2020 the NRC Programme Board will continue with the NHS business case process, ideally switching from the CCG and public consultation stage (which is likely to have taken 22 months to achieve including a 4 month delay due to COVID-19) to the actual business case which is the domain of the regulator and the Department. It is hoped to start the Outline Business Case (which is already well-developed) in the autumn which should ensure that in the first quarter of 2021 the case will be in the realm of the Department and Ministers which could lead to it being evident that the NRC will happen. If that is so, building will start in 2021 (the enabling works are planned to start this year) and at that stage the Charity will grant a short term construction lease to NUH for it to undertake construction (the architect has already been selected). The DNRC Programme will then have fulfilled its remit. If that timetable is achieved the target of first NHS patients being treated in the new NRC could be met. That is the time that NUH will be granted a long term lease of, say, 60 years to operate the facility on the site (rent free, mirroring the arrangement already in place with the MoD).

The Charity's wider strategy

In 2020 the Charity redefined its strategy. Our vision is that everyone has access to excellent rehabilitation so that they can lead their best possible lives.

In addition to enabling the development of the NRC the Charity's goals are to advance the case for excellent rehabilitation for everyone, researching 'what good looks like' from a patient perspective and supporting the adoption of best practice and the development of new approaches that can 'plug in' to existing health and care services. In order to do this the Charity will need to build relationships with experts to develop a better understanding of the benefits of enhanced rehabilitation and 'what good looks like'. This means that the Charity does not need to wait for the NRC to be fully operational to seek to improve the rehabilitation experience for patients not just in acute care but at home in the community. To do this the Charity will use its unique independent position at the heart of a partnership between the MoD, NHS and academia to:

- Convene experts on a range of key aspects of rehabilitation to advance the case for improvements
- Develop programmes for further development and sharing of best practice in less developed areas of support.

At this stage the Trustees have identified a number of themes to be explored through its programmes which include vocational rehabilitation; psychological approaches to recovery; self-management and digital innovation; education and training.

During 2020 it became apparent that the COVID-19 pandemic raised significant issues for the rehabilitation of COVID-19 patients which the Charity considers may have resonance for the wider case of rehabilitation for everyone.

Section 172 statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and broader matters when performing their duty to promote the success of the Company under S172. This S172 statement, which is reported for the first time, explains how the Black Stork Charity, as a charitable company, complies with these regulations. Although the Charity falls within the definition of a large company because of the scale of its income, the majority of that income was applied to the construction of the DMRC, rather than spent on wider operations and services. Consequently the Charity maintains a small team of just 5 permanent staff, supported by a number of freelance consultants providing specialist support.

S172(1) (A) "The likely consequences of any decision in the long term"

The Charity is mindful of its long-term responsibilities as the landlord of the Stanford Hall Rehabilitation Estate and has plans in place to deliver those responsibilities. With the MoD, the tenant of the new Defence facility, we have planned for long term maintenance and replacement of facilities and equipment over a 50-year period supported by the Life Cycle Charge (payment required by the tenant under the lease towards the upkeep of the facility) which ensures the works will be effectively resourced. We also have rigorous plans in place for the maintenance and inspection of the other properties in the Charity's ownership on the Estate and in Stanford on Soar and prepare and plan for the long term environmental needs of the natural environment on the Estate. In 2019 we completed an Energy Savings Opportunity Scheme (ESOS) assessment to evaluate environmental management requirements.

In 2019 the Charity's work enabling plans for the NRC on the same site began in earnest with a new NRC Programme Board, which provides external governance and oversight of the programme for the approval of a clinical centre and an academic research, training and education establishment. As these plans develop the Charity plans to create, with its MoD, NHS and Academic partners, a protocol which will set out the terms of partnership – and the means for sharing research, workforce planning, training, facilities and learning across the institutions.

More widely in 2019 the Charity carried out a Strategy review to look at the long-term role of the Charity, engaging with multiple stakeholders in the armed forces, healthcare and education sectors and with those charities and community organisations representing patients. Their insights have been used to inform the Charity's strategic plans and identify potential future partners.

As part of its ongoing governance oversight the Charity's trustees regularly review risk management and carry out Health and Safety reviews to ensure that the Charity continues to plan and mitigate for major risks. In 2020 in response to COVID-19 the Trustee Board reviewed the consequences of the pandemic and the provisions put in place to minimise its impact.

S172(1) (B) "The interests of the company's employees"

The Trustees recognise that the Charity's employees are fundamental and core to our delivery of our strategic ambitions. In 2019 the Trustees recruited a new Chief Executive to determine the Charity's future direction. Despite having a very small staff team of five full time employees we ensure that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, and we factor the implications of decisions on employees where relevant and feasible in line with our charitable objectives. Staff worked from home during the COVID-19 pandemic in line with government guidelines, and no staff were furloughed.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with a range of stakeholder bodies from the NHS, to Government, to academic institutions, to suppliers of professional services and to charitable bodies and partners who share our goals and aspirations. As a Charity that raised very significant funds from major donors to construct the Defence facility at Stanford Hall we recognise a high

Section 172 statement (continued)

level of accountability to those donors – and we ensure that we keep them informed of the restricted application of their donations and continue to keep them updated on plans and developments. The Charity has a donor stewardship plan and tracker which ensures effective reporting and communications. The NRC Programme Board provides the governance framework for the programme's plans and decision-making and makes clear relevant accountabilities. The partnership protocol will set out the terms of the relationships between the Charity, MoD, NHS and academic partners at the Estate. In developing future plans the Charity is mindful of constructing positive and supportive relationships with potential partners and those that we might seek to influence in promoting excellence in rehabilitation. Our primary consideration is to ensure that all decisions are focused on the health and bio-psycho-social outcomes for patients.

S172(1) (D) “The impact of the company’s operations on the community and the environment”

As the landlord, the Stanford Hall Rehabilitation Estate was procured and is managed with recovery and wellbeing in mind, this aspect is inherent in our strategic ambitions. In developing the site the Charity led consultations with the local community. The NHS approval process also includes a vital element of statutory public consultation on plans for the creation of the clinical facility in the NRC. The Charity continues to place a high priority on maintaining the Estate in line with community considerations. During the construction phase for the Defence facility and in the planned forthcoming construction of the NRC facility the Charity will ensure, as landlord that all due care is taken to minimise the impact on the community and the environment. Plans for the NRC site are being reviewed in line with the Government's Net Carbon Footprint ambition, and our Board receives regular Safety & Environment Performance Updates.

S172(1) (E) “The desirability of the company maintaining a reputation for high standards of business conduct”

As a registered charity integrity and ethics are core to our purposes and activities. This is reflected in the way in which we induct and train Trustees and Staff and the codes that govern our conduct. We recognise that the integrity of our accountability to funders, donors, stakeholders and partners is core to everything that we do.

S172(1) (F) “The need to act fairly as between members of the company”

After weighing up all relevant factors, the Trustees consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. The Board recognises that it has an important role in setting the standards of conduct expected in the Charity and that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships.

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 facility and the enablement of the NRC. The construction of the Defence facility, which was completed in 2019, was a capital project spanning a number of years and so our annual review of financial performance should be read in that 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 facility which is recognised as a social investment as it is used by the MoD for purposes in furtherance of the Charity's objects.

The completion of the Defence facility in 2019 triggered the start of MoD (tenant) payments to the Charity under the lease. These annual contractual payments, recognised by the Charity as restricted income from charitable activities, was spent on maintaining the Defence facility and SHRE grounds to ensure they remain in excellent condition for use by patients at the facility, as required by the lease.

Total income for the year was £61.2m (2018: £45.1m) which included gifts from 17 major donors (2018: 36) and wider public campaign donations totalling £0.1m (2018: £0.3m).

The cost of the fundraising activity decreased this year, as anticipated, to £0.1m (2018: £0.4m) as the fundraising campaign was brought to a close. The ratio of the cost of fundraising activity to income was 0.2% (2018: 0.9%). Expenditure on charitable activities of £2.0m (2018: £6.7m) also decreased this year due to costs incurred of £4.4m in 2018 on consumables to equip the Defence facility prior to it becoming operational. Costs were also incurred in 2018 in connection with securing detailed planning permission for an NRC and the significant event in June which marked the gift of the Defence facility to the Nation. During 2019 enablement of the NRC continued and the Charity worked to define its wider strategy and established its vision that everyone should have access to excellent rehabilitation so that they can lead their best possible lives.

Capital expenditure on charitable activities of £3.8m (2018: £36.3m) reflects the investment in the construction activity on both the Defence facility and the wider Stanford Hall Rehabilitation Estate grounds which are utilised by patients 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. Capital expenditure has decreased this year because the Defence facility was completed, and much of the year's income was applied against repayment of bridging facilities in respect of the Defence facility.

The consolidated balance sheet shows net assets of £254.0m (2018: £195.1m) representing the investment in fixed assets and the reserves necessary to continue the delivery of the DNRC Programme and work towards the Charity's wider vision.

Reserves policy

The Charity reviews its reserves policy each year, taking into account its planned activities and the financial requirements forecast for the forthcoming period. The policy ensures that reserves are held in order to make sure that the Charity can deliver on its main financial objectives. These objectives include funding the remaining construction commitments (and repayment of bridging facilities), working with the MoD as the tenant to ensure the DNRC is able to operate with continued success, working with NUH to enable the NRC, and pursuing the Charity's wider strategy and vision of excellent rehabilitation for those who need it.

The general reserve held of £10.0m (2018: £34.0m), together with anticipated donation pledges, will be used to deliver these objectives and associated overhead costs. The general reserve balance is lower than the 2018 balance because at that year end the Defence facility was not complete and significant construction commitments remained; the Trustees therefore ensured that reserves were sufficient to meet those commitments at that time.

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

Financial review (continued)

Reserves policy (continued)

Further work is being undertaken by the Trustees to determine the Charity's future strategy and operating model and its requirements for sustainability in the longer term. As a baseline this will ensure that the Charity can fulfil all of its obligations as a responsible landlord as well as evaluating its ambitions for further development.

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 2021, assessing each area of income and expenditure in light of the COVID-19 pandemic. The fundraising campaign for the Defence facility has been completed and reliance on income from donations is low. A four month delay has been identified affecting the NHS business case process relating to the NRC, but this will not lead to significant extra costs for the Charity.

The Trustees have considered the level of unrestricted funds and facilities available and the financial commitments expected, and 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.

Post balance sheet events

Since the start of 2020 global financial markets have experienced and may continue to experience significant volatility, resulting from the spread of the COVID-19 coronavirus. The effects of COVID-19 have and may continue to adversely affect the global economy and the economies of certain nations.

The Trustees have assessed the Charity's future cashflows in light of COVID-19 and have evaluated all subsequent events or transactions for potential recognition or disclosure. The Trustees have determined that there were no subsequent events requiring adjustment to or disclosure in these financial statements.

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 2019, the details of which are given in note 14 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 Chief Executive Officer and the Programme Director. The Board meets at least five 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. A new Trustee may be appointed by a resolution of the other Trustees, and that appointment must be approved at the next Annual General Meeting.

The Trustees and directors who served during the year and since the year end are noted below. The changes in the year reflect the transition in the Charity's focus following the completion of the Defence facility and redefining of the Charity's strategy.

| | |
|---------------------------------|---------------------------|
| Steven Holliday (Chairman) | Appointed 14 May 2019 |
| Peter Doyle (previous Chairman) | Resigned 23 July 2019 |
| Robin Broadhurst | Resigned 31 March 2019 |
| Simon Harding-Roots | Resigned 31 May 2020 |
| Lesley Knox | |
| 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 and 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".

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, 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;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 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.

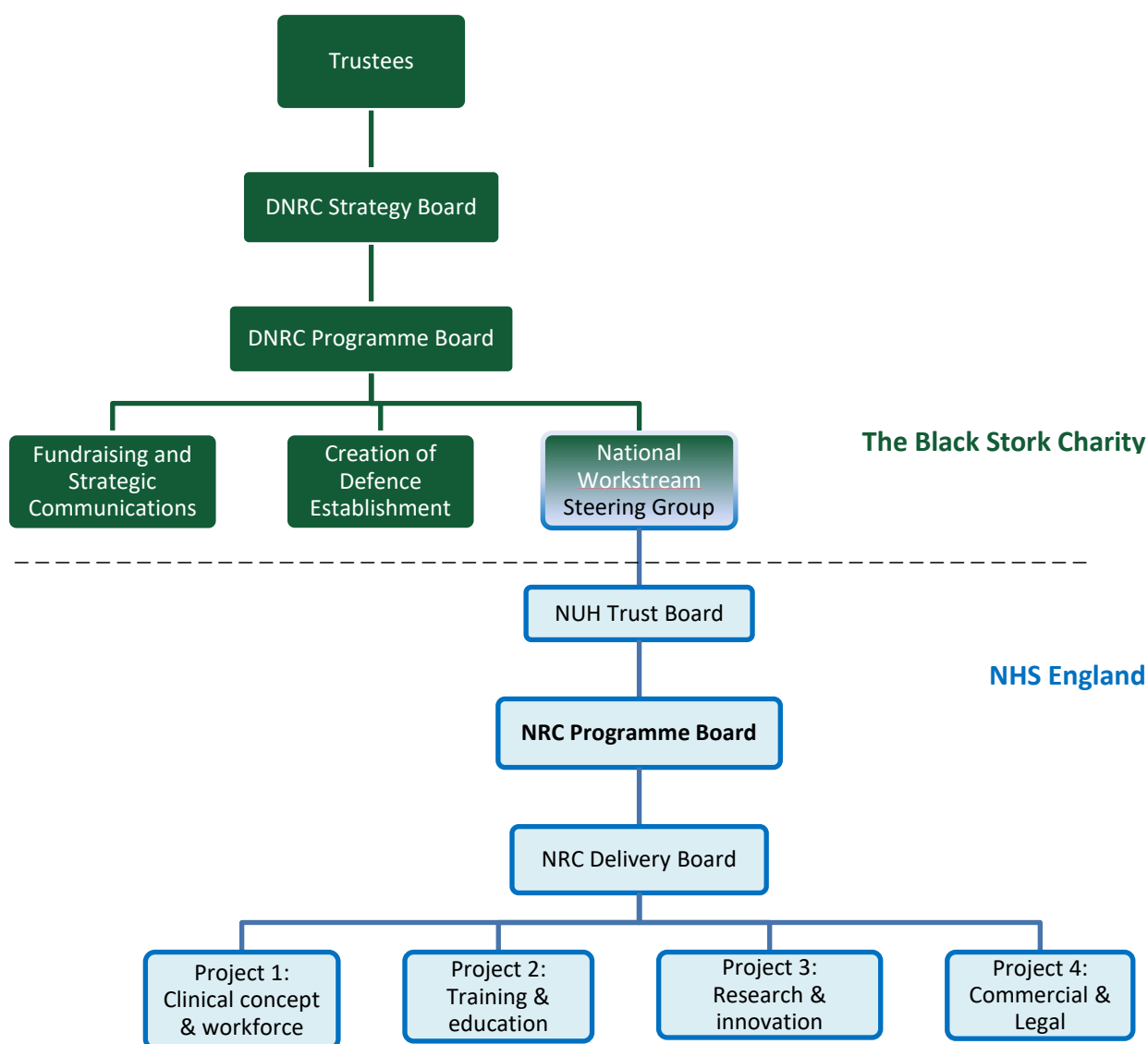
The DNRC Programme is unusual in that it involves a charity working in conjunction with Government and it is run on OGC (The Office of Government Commerce) lines to make the interaction as straightforward as possible.

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 Rushcliffe 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 DNRC Programme Director with Trustee and senior Government representation at the table. Execution is achieved through the DNRC Programme Board. The National Workstream Steering Group is independently chaired by Sir Alan Langlands and has had an oversight role in relation to the creation of the NHS facility since 2016.

The direct interest of the MoD (as the tenants of the D establishment) is via the relevant 2 star officer (a Major General) in the Defence Medical Services Headquarters at Lichfield who is also the Senior Responsible Owner (SRO) in relation to the DNRC Programme. That officer also sits on the National Rehabilitation Centre (NRC) Programme and Delivery Boards and is the principal conduit for developing the 'sharing' arrangements between the existing DMRC facility and the future NRC equivalent.

The NRC Programme is led and has been set up by Nottingham University Hospitals NHS Trust (NUH) with key Government departments, including the MoD, involved. The Programme is directed by a Programme Director from NUH (Miriam Duffy). The Programme Board meets every 2 months and a new Delivery Board sits monthly to oversee progress on the various projects. There are four reference groups

Structure, governance and management (continued)

Programme governance (continued)

which meet regularly beneath the Delivery Board whose role is to shape the NRC and what it will deliver. The process of writing the business case and the preliminaries to it is determined by NHS England and it is complex and subject to considerable scrutiny.

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 key high level strategic risk in this reporting period has been:

- 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 – but so far to very little effect as far as the NHSE processes are concerned. 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 2020 milestone for a high degree of certainty that the NRC will come into being. 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 remains 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 and very real risk. The onset of the COVID-19 pandemic has added to the delay but is more likely to reinforce the case for an NRC than to detract from it.

Senior management remuneration policy

Two of the four members of the senior management team were employed by the Charity during the year. The Chief Executive Officer joined the Charity in July 2019 and the other employed member of the senior management team became an employee during the year, having previously been seconded to the Programme by a third party. The services of the third and fourth members of the senior management team were provided free of charge.

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

Structure, governance and management (continued)

Investment policy

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 2019.

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

Public benefit

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

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

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

Disclosure of information to the auditor

The Trustees who held office at the date of approval of the Trustees' Report confirm that, in so far as they are each aware, there is no relevant audit information of which the Charity's auditor is unaware, and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Charity's auditor is aware of that information. This information 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 20 August 2020 and signed on its behalf by:



Steve Holliday (Chairman of Trustees)

20 August 2020

Financial statements for the year ended 31 December 2019

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 subsidiary (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 2019 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 consolidated statement of financial activities;
- the balance sheets;
- the consolidated cashflow statement; and
- the related notes 1 to 25.

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

27 August 2020

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account) Year ended 31 December 2019

| | Notes | Unrestricted funds £ | Restricted funds £ | Total funds 2019 £ | Total funds 2018 £ |
|---|-------|-------------------------|-----------------------|--------------------------|--------------------------|
| INCOME FROM: | | | | | |
| Donations | 3 | 52,050,462 | 8,373,766 | 60,424,228 | 45,094,828 |
| Income from charitable activities | 4 | - | 645,944 | 645,944 | - |
| Investments - bank interest | | 82,177 | 550 | 82,727 | 9,540 |
| Other trading activities - rental income | | 24,931 | - | 24,931 | 40,338 |
| TOTAL INCOME | | 52,157,570 | 9,020,260 | 61,177,830 | 45,144,706 |
| EXPENDITURE ON: | | | | | |
| Raising funds | 5 | (94,040) | - | (94,040) | (408,585) |
| Charitable activities | 6 | (1,308,705) | (663,639) | (1,972,344) | (6,742,966) |
| TOTAL EXPENDITURE | | (1,402,745) | (663,639) | (2,066,384) | (7,151,551) |
| Net income before net gains on investments | | 50,754,825 | 8,356,621 | 59,111,446 | 37,993,155 |
| Net (losses)/gains on investments | 13 | (208,388) | - | (208,388) | 70,000 |
| Net income for the year | 8 | 50,546,437 | 8,356,621 | 58,903,058 | 38,063,155 |
| Transfer between funds | 21,22 | 8,000,000 | (8,000,000) | - | - |
| NET MOVEMENT IN FUNDS | | 58,546,437 | 356,621 | 58,903,058 | 38,063,155 |
| Total funds brought forward | | 194,953,593 | 150,000 | 195,103,593 | 157,040,438 |
| Total funds carried forward | 23 | 253,500,030 | 506,621 | 254,006,651 | 195,103,593 |

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 19 for comparative consolidated statement of financial activities analysed by funds.

BALANCE SHEETS

At 31 December 2019

| | | 2019 | | 2018 | |
|--|-------|--------------|--------------|---------------|---------------|
| | Notes | Group £ | Charity £ | Group £ | Charity £ |
| Fixed assets | | | | | |
| Tangible assets | 11 | 1,089,567 | 1,090,001 | 1,815,787 | 1,773,658 |
| Investments – social investments | 12 | 269,358,865 | 276,996,120 | 265,583,861 | 273,130,927 |
| Investments – investment property | 13 | 1,130,000 | 1,130,000 | 550,000 | 550,000 |
| Investments – subsidiary undertakings | 14 | - | 120,000 | - | 120,000 |
| | | 271,578,432 | 279,336,121 | 267,949,648 | 275,574,585 |
| Current assets | | | | | |
| Debtors: amounts falling due within one year | 15 | 231,388 | 160,699 | 31,391,375 | 31,146,898 |
| Cash at bank and in hand | 16 | 12,294,917 | 12,105,914 | 5,583,794 | 3,910,882 |
| | | 12,526,305 | 12,266,613 | 36,975,169 | 35,057,780 |
| Creditors: amounts falling due within one year | 17 | (1,453,670) | (1,313,977) | (2,821,224) | (981,705) |
| NET CURRENT ASSETS | | 11,072,635 | 10,952,636 | 34,153,945 | 34,076,075 |
| Creditors: amounts falling due after one year | 18 | (28,644,416) | (28,644,416) | (107,000,000) | (107,000,000) |
| NET ASSETS | | 254,006,651 | 261,644,341 | 195,103,593 | 202,650,660 |
| FUNDS | | | | | |
| Unrestricted funds | | | | | |
| General funds | | 9,973,033 | 9,853,034 | 34,003,945 | 33,926,075 |
| Designated funds | | 243,526,997 | 251,284,686 | 160,879,648 | 168,504,585 |
| Unrealised investment gain | | - | - | 70,000 | 70,000 |
| Total unrestricted funds | 21 | 253,500,030 | 261,137,720 | 194,953,593 | 202,500,660 |
| Restricted funds | 22 | 506,621 | 506,621 | 150,000 | 150,000 |
| TOTAL FUNDS | | 254,006,651 | 261,644,341 | 195,103,593 | 202,650,660 |

The surplus of the parent charity for the year for Companies Act purposes is £58,993,680 (2018: £39,193,492). 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 20 August 2020.

They were signed on its behalf by:



Steve Holliday (Chairman of Trustees) on 20 August 2020

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 December 2019

| | Note | Unrestricted funds £ | Restricted funds £ | Total funds 2019 £ | Total funds 2018 £ |
|---|------|----------------------------|--------------------------|--------------------------|--------------------------|
| Net cash flow from operating activities | 20 | 81,851,968 | 8,305,186 | 90,157,154 | 10,400,963 |
| Cash flows from investing activities | | | | | |
| Interest received | | 82,727 | - | 82,727 | 9,540 |
| Purchase of fixed assets | | (4,528,758) | - | (4,528,758) | (36,958,853) |
| Net cash used in investing activities | | (4,446,031) | - | (4,446,031) | (36,949,313) |
| Cash flows from financing activities | | | | | |
| Cash (outflows)/inflows from loans (repaid)/drawn | | (71,000,000) | (8,000,000) | (79,000,000) | 6,000,000 |
| Net cash (used)/provided by financing activities | | (71,000,000) | (8,000,000) | (79,000,000) | 6,000,000 |
| Net increase/(decrease) in cash and cash equivalents | | 6,405,937 | 305,186 | 6,711,123 | (20,548,350) |
| Cash and cash equivalents at beginning of year | | 5,433,794 | 150,000 | 5,583,794 | 26,132,144 |
| Cash and cash equivalents at end of year | 16 | 11,839,731 | 455,186 | 12,294,917 | 5,583,794 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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 2019)" 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 2021, with any impact from the COVID-19 pandemic assessed. The fundraising campaign has been completed and reliance on donations is low. Bridge financing arrangements remain in place to ensure that 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 14. 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. Funds received from the use of Social Investment assets also have restrictions applied to them and are therefore accounted for as restricted funds.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(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:

Donations 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.

Income from charitable activities represents two charges payable by the MoD under the lease of the Defence facility. The Estate Service Charge, which represents a contribution towards the costs of maintaining the Stanford Hall Rehabilitation Estate grounds, is accounted for when receivable. The Life Cycle Charge, which relates to the maintenance of the Defence facility buildings, is accounted for when the Charity is entitled to the income which occurs when the corresponding expenditure is incurred. Payments in advance of entitlement to the income are included as a restricted fund creditor.

Investment income in the form of bank interest 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 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 7. Governance costs include audit fees, insurance premiums and an allocation of staff costs.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(i) Taxation (continued)

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:

Freehold buildings: residential lodges – 2% per annum

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

Vehicles, 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.

(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.

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 2019

1. ACCOUNTING POLICIES (continued)

(l) Foreign Currency

The functional currency of the Charity and Group is pound sterling. 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

| 2019 | Unrestricted funds | Restricted funds | Total funds |
|------------------|--------------------|------------------|-------------------|
| | £ | £ | 2019 £ |
| Donations | 51,744,975 | 8,305,186 | 60,050,161 |
| Gift in kind | - | 68,580 | 68,580 |
| Donated services | 305,487 | - | 305,487 |
| | <u>52,050,462</u> | <u>8,373,766</u> | <u>60,424,228</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. ANALYSIS OF INCOME FROM DONATIONS (continued)

| 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> |

The donated services reflect the provision of professional services and facilities by organisations keen to support the Charity.

4. ANALYSIS OF INCOME FROM CHARITABLE ACTIVITIES

| 2019 | Unrestricted funds £ | Restricted funds £ | Total funds 2019 £ |
|-----------------------|-------------------------|-----------------------|--------------------------|
| Life Cycle Charge | - | 347,965 | 347,965 |
| Estate Service Charge | - | 297,979 | 297,979 |
| | <u>-</u> | <u>645,944</u> | <u>645,944</u> |

The provision of the DMRC to the MoD satisfied the Charity's objects with the lease agreement facilitating charitable activities at the site. The lease also generates income from charitable activities for the Charity in the form of charges payable by the MoD. In 2019 the above charges were receivable and are restricted as required under the lease. The Life Cycle Charge was applied against maintenance costs at the Defence facility and the Charity recognises this income as costs are incurred. The Estate Service Charge was receivable towards the upkeep of the Stanford Hall Rehabilitation Estate grounds which provide an important part of the treatment process for Defence facility patients. There was £nil income from charitable activities in 2018.

5. 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.

| | 2019 £ | 2018 £ |
|---|---------------|----------------|
| Advertising and awareness raising costs | 1,128 | 2,580 |
| Support costs (see note 7) | 14,544 | 37,588 |
| Other fundraising costs | 78,368 | 368,417 |
| | <u>94,040</u> | <u>408,585</u> |

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

The above support costs include £3k (2018: £6k) of donated services.

The cost ratio to income for the year is 0.2% (2018: 0.9%).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

6. 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.

| | 2019 £ | 2018 £ |
|----------------------------|------------------|------------------|
| Direct charitable costs | 1,747,640 | 6,541,197 |
| Support costs (see note 7) | 224,704 | 201,769 |
| | <u>1,972,344</u> | <u>6,742,966</u> |

Included in these costs are donated services of £303k (2018: £288k), £48k (2018: £33k) of which are support costs.

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

7. ANALYSIS OF SUPPORT COSTS

| 2019 | Raising funds £ | Direct charitable £ | Total 2019 £ | Basis of allocation |
|----------------------------|-----------------------|---------------------------|--------------------|-------------------------|
| Governance | - | 59,911 | 59,911 | In line with activity |
| Finance | 1,837 | 108,540 | 110,377 | Allocated on time |
| Office, secretarial and HR | 12,707 | 56,253 | 68,960 | Allocated on time |
| | <u>14,544</u> | <u>224,704</u> | <u>239,248</u> | |
| 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 |
| | <u>37,588</u> | <u>201,769</u> | <u>239,357</u> | |

Included in the above support costs are donated services of £51k (2018: £39k).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

8. NET INCOME FOR THE YEAR

Net income is stated after charging:

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Depreciation of tangible fixed assets – owned | 62,553 | 37,164 |
| Auditor's remuneration: | | |
| Fees payable to the Charity's auditor for the audit of the Charity's annual financial statements | 12,000 | 17,280 |
| Fees payable to the Charity's auditor for other services to the Group: the audit of the Charity's subsidiary | 2,750 | 2,650 |
| | <u>14,750</u> | <u>19,930</u> |

9. 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 | 2019 No. | 2018 No. |
|-----------------------|-------------|-------------|
| Raising funds | - | 1 |
| Charitable activities | 2 | 1 |
| Support | 2 | 2 |
| | <u>4</u> | <u>4</u> |

Their aggregate remuneration comprised:

| Group and Charity | 2019 £ | 2018 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 252,889 | 217,826 |
| Social security costs | 26,731 | 22,955 |
| | <u>279,620</u> | <u>240,781</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:

| | 2019 No. | 2018 No. |
|--------------------|-------------|-------------|
| £60,000 - £70,000 | 2 | 1 |
| £90,000 - £100,000 | - | - |
| | <u>-</u> | <u>-</u> |

The senior management personnel of the Group and Charity are listed on page 3. The total remuneration of those individuals totalled £502k (2018: £532k), £399k (2018: £532k) of which 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 £1k (2018: £nil) were paid to 2 Trustees (2018: no Trustees).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10. TAX ON PROFIT OF TRADING SUBSIDIARY

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| Analysis of tax charge on current activities | | |
| UK corporation tax at 19% (2018: 19%) based on profit for the year | - | - |
| | <u> </u> | <u> </u> |

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| Profit before tax | 94,070 | 1,129,135 |
| Current tax charge for the year: | <u> </u> | <u> </u> |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%) | 17,873 | 214,536 |
| Expenses not deductible for tax purposes | - | 2,668 |
| Tax relief for gift aid donation | (17,873) | (217,204) |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |

A current tax rate of 19%, being the UK corporation tax rate throughout the period, has been applied to the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

11. TANGIBLE FIXED ASSETS

| Group | Freehold land and buildings £ | Vehicles / Plant and Equipment £ | Total £ |
|--|-------------------------------------|---|------------|
| Cost | | | |
| At 1 January 2019 | 1,796,779 | 97,640 | 1,894,419 |
| Additions | 14,442 | 98,580 | 113,022 |
| Transfer to investment property (note 13) | (776,689) | - | (776,689) |
| At 31 December 2019 | 1,034,532 | 196,220 | 1,230,752 |
| Depreciation | | | |
| At 1 January 2019 | 23,121 | 55,511 | 78,632 |
| Charge for year | 23,864 | 38,689 | 62,553 |
| At 31 December 2019 | 46,985 | 94,200 | 141,185 |
| Net book value | | | |
| 31 December 2019 | 987,547 | 102,020 | 1,089,567 |
| 31 December 2018 | 1,773,658 | 42,129 | 1,815,787 |
| Charity | | | |
| Cost | £ | £ | £ |
| At 1 January 2019 | 1,796,779 | - | 1,796,779 |
| Additions | 14,876 | 98,580 | 113,456 |
| Transfer to investment property (note 13) | (776,689) | - | (776,689) |
| Transfer from subsidiary | - | 42,129 | 42,129 |
| At 31 December 2019 | 1,034,966 | 140,709 | 1,175,675 |
| Depreciation | | | |
| At 1 January 2019 | 23,121 | - | 23,121 |
| Charge for year | 23,864 | 38,689 | 62,553 |
| At 31 December 2019 | 46,985 | 38,689 | 85,674 |
| Net book value | | | |
| 31 December 2019 | 987,981 | 102,020 | 1,090,001 |
| 31 December 2018 | 1,773,658 | - | 1,773,658 |

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

12. SOCIAL INVESTMENTS

| Group | Defence Establishment £ | Stanford Hall Rehabilitation Estate £ | Assets in course of construction £ | Total £ |
|--|-------------------------------|--|---|--------------------|
| Cost | | | | |
| At 1 January 2019 | 252,609,190 | 4,241,327 | 8,733,344 | 265,583,861 |
| Additions | - | 79,843 | 3,695,161 | 3,775,004 |
| Transfers | 12,428,505 | - | (12,428,505) | - |
| At 31 December 2019 | <u>265,037,695</u> | <u>4,321,170</u> | <u>-</u> | <u>269,358,865</u> |
| Depreciation | | | | |
| At 1 January 2019 and at 31 December 2019 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net book value | | | | |
| 31 December 2019 | <u>265,037,695</u> | <u>4,321,170</u> | <u>-</u> | <u>269,358,865</u> |
| 31 December 2018 | <u>252,609,190</u> | <u>4,241,327</u> | <u>8,733,344</u> | <u>265,583,861</u> |
| Charity | | | | |
| Cost | | | | |
| At 1 January 2019 | 259,877,220 | 4,269,089 | 8,984,618 | 273,130,927 |
| Additions | - | 79,843 | 3,785,350 | 3,865,193 |
| Transfers | 12,769,968 | - | (12,769,968) | - |
| At 31 December 2019 | <u>272,647,188</u> | <u>4,348,932</u> | <u>-</u> | <u>276,996,120</u> |
| Depreciation | | | | |
| At 1 January 2019 and at 31 December 2019 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net book value | | | | |
| 31 December 2019 | <u>272,647,188</u> | <u>4,348,932</u> | <u>-</u> | <u>276,996,120</u> |
| 31 December 2018 | <u>259,877,220</u> | <u>4,269,089</u> | <u>8,984,618</u> | <u>273,130,927</u> |

The Defence establishment asset, which is leased to the Ministry of Defence under an operating lease with peppercorn annual rent, was completed in the year and no areas were recognised as in the course of construction at the year end. Borrowing costs amounting to £4.4m (2018: £3.7m) 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 facility 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 2019

13. INVESTMENT PROPERTY

| | Group | Charity |
|--------------------------------------|------------------|------------------|
| Valuation | £ | £ |
| At 1 January 2019 | 550,000 | 550,000 |
| Transfer from Fixed Assets (note 11) | 776,689 | 776,689 |
| Additions | 11,699 | 11,699 |
| Movement in fair value | (208,388) | (208,388) |
| At 31 December 2019 | <u>1,130,000</u> | <u>1,130,000</u> |

Investment property consists of three properties (2018: one property) on which rental income is earned.

All investment properties were valued as at 31 December 2019 by independent external valuers. The valuations were carried out on the basis of market value for existing use in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2017 and were performed by Strutt & Parker.

14. SUBSIDIARY UNDERTAKING

| Charity | 2019 £ | 2018 £ |
|------------------------|----------------|----------------|
| 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 DMRC. 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 2019 are shown below.

| Profit and loss account | 2019 £ | 2018 £ |
|--|--------------------|---------------------|
| Turnover | 3,317,416 | 40,485,165 |
| Cost of sales | <u>(3,220,820)</u> | <u>(39,354,828)</u> |
| Gross profit | 96,596 | 1,130,337 |
| Administrative expenses | <u>(2,750)</u> | <u>(2,713)</u> |
| Operating profit | 93,846 | 1,127,624 |
| Net interest receivable | 224 | 1,511 |
| Amounts donated to the Charity | <u>(94,070)</u> | <u>(1,129,135)</u> |
| Retained profit on ordinary activities | - | - |
| Balance brought forward | - | - |
| Balance carried forward | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

14. SUBSIDIARY UNDERTAKING (continued)

Balance sheet as at 31 December 2019:

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Tangible fixed assets | - | 42,129 |
| Current assets | 265,818 | 4,317,409 |
| Creditors: Amounts falling due within one year | (145,818) | (4,239,538) |
| Net assets | 120,000 | 120,000 |
| Share Capital | 120,000 | 120,000 |
| Profit and loss account | - | - |
| Shareholder's funds | 120,000 | 120,000 |

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | | 2018 | |
|---------------------------------------|----------------|----------------|-------------------|-------------------|
| | Group £ | Charity £ | Group £ | Charity £ |
| Prepayments and accrued income | 213,803 | 136,989 | 31,094,495 | 28,512,349 |
| Taxation and social security | 17,585 | 23,703 | 296,880 | 234,530 |
| Amount owed by subsidiary undertaking | - | 7 | - | 2,400,019 |
| | 231,388 | 160,699 | 31,391,375 | 31,146,898 |

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

16. RESTRICTIONS ON CASH AND CASH EQUIVALENTS

Total cash and cash equivalents included cash amounting to £1.8m (2018: £nil) which was held in restricted accounts under the lease with the MoD to be spent on maintenance of the Defence facility and the Stanford Hall Rehabilitation Estate.

2018 total cash balances included a balance of £1m which was held in a secured account and was therefore not available for immediate use by the group. This money was returned to the Group during 2019.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | | 2018 | |
|------------------------------|------------------|------------------|------------------|----------------|
| | Group £ | Charity £ | Group £ | Charity £ |
| Trade creditors | 115,424 | - | 1,613,991 | - |
| Accruals and deferred income | 650,134 | 625,865 | 1,201,031 | 975,503 |
| Life Cycle Charge creditor | 677,672 | 677,672 | - | - |
| Taxation and social security | 10,440 | 10,440 | 6,202 | 6,202 |
| | 1,453,670 | 1,313,977 | 2,821,224 | 981,705 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

The Life Cycle Charge creditor represents restricted funds held by the Charity to be applied against future expenditure, estimated to be falling due within one year, in relation to the Defence facility as required under the lease with the MoD.

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

| | 2019 | | 2018 | |
|---|-------------------|-------------------|--------------------|--------------------|
| | Group £ | Charity £ | Group £ | Charity £ |
| Other loans: repayable between one and five years | 28,000,000 | 28,000,000 | 107,000,000 | 107,000,000 |
| Life Cycle Charge creditor | 644,416 | 644,416 | - | - |
| | <u>28,644,416</u> | <u>28,644,416</u> | <u>107,000,000</u> | <u>107,000,000</u> |

Creditors falling due after more than one year includes one loan (2018: two loans), which is unsecured (2018: both were unsecured). Interest on one loan was payable at a variable rate of LIBOR plus 2% and this loan was repaid in the year. The loan on which a balance remained at year end is interest free, non-recourse and for a period to 6 July 2022.

The Life Cycle Charge creditor represents restricted funds held by the Charity to be applied against future expenditure, estimated to be falling due after more than one year, in relation to the Defence facility as required under the lease with the MoD.

19. COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

| | Note | Unrestricted funds £ | Restricted funds £ | Total funds 2018 £ |
|--|------|-------------------------|-----------------------|--------------------------|
| INCOME FROM: | | | | |
| Donations | 3 | 41,004,828 | 4,090,000 | 45,094,828 |
| Investment income - bank interest | | 9,540 | - | 9,540 |
| Other trading activities - rental income | | 40,338 | - | 40,338 |
| TOTAL INCOME | | <u>41,054,706</u> | <u>4,090,000</u> | <u>45,144,706</u> |
| EXPENDITURE ON: | | | | |
| Raising funds | 5 | (408,585) | - | (408,585) |
| Charitable activities | 6 | (6,742,966) | - | (6,742,966) |
| TOTAL EXPENDITURE | | <u>(7,151,551)</u> | <u>-</u> | <u>(7,151,551)</u> |
| Net income before net gains on investments | | 33,903,155 | 4,090,000 | 37,993,155 |
| Net gains on investments | | 70,000 | - | 70,000 |
| Net income for the year | 8 | <u>33,973,155</u> | <u>4,090,000</u> | <u>38,063,155</u> |
| Transfer between funds | | 3,940,000 | (3,940,000) | - |
| NET MOVEMENT IN FUNDS | | <u>37,913,155</u> | <u>150,000</u> | <u>38,063,155</u> |
| Total funds brought forward | | <u>157,040,438</u> | <u>-</u> | <u>157,040,438</u> |
| Total funds carried forward | | <u>194,953,593</u> | <u>150,000</u> | <u>195,103,593</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

20. CASHFLOW STATEMENT

Reconciliation of net income to cash generated by operations:

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | £ | £ |
| Net income for the year | 58,903,058 | 38,063,155 |
| Adjustments for: | | |
| Interest receivable | (82,727) | (9,540) |
| Gift in kind – fixed assets | (68,580) | - |
| Fixtures, fittings and equipment | (5,975) | - |
| Losses/(gains) on investments | 208,388 | (70,000) |
| Depreciation and impairment charges | 62,553 | 37,164 |
| Operating cashflow before movement in working capital | 59,016,717 | 38,020,779 |
| Decrease/(Increase) in debtors | 31,159,989 | (28,019,669) |
| Increase in creditors | (19,552) | 399,853 |
| Cash generated by operating activities | 90,157,154 | 10,400,963 |
| Restricted funds | 8,305,186 | 3,790,000 |
| Unrestricted funds | 81,851,968 | 6,610,963 |
| Cash generated by operating activities | 90,157,154 | 10,400,963 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

21. MOVEMENT IN UNRESTRICTED FUNDS

2019

| Group | At 1 January 2019 £ | Income £ | Expenditure and losses £ | Transfers £ | At 31 December 2019 £ |
|----------------------------------|------------------------------|-------------|--------------------------------|----------------|--------------------------------|
| General reserves | 34,003,945 | 52,157,570 | (1,357,336) | (74,831,146) | 9,973,033 |
| Unrealised investment gain | 70,000 | - | (70,000) | - | - |
| Designated fund: Fixed assets | 160,879,648 | - | (183,797) | 82,831,146 | 243,526,997 |
| Total unrestricted funds | 194,953,593 | 52,157,570 | (1,611,133) | 8,000,000 | 253,500,030 |

| Charity | At 1 January 2019 £ | Income £ | Expenditure and losses £ | Transfers £ | At 31 December 2019 £ |
|-----------------------------------|------------------------------|-------------|--------------------------------|----------------|--------------------------------|
| General reserves | 33,926,076 | 52,251,416 | (1,360,559) | (74,963,899) | 9,853,034 |
| Unrealised investment gain | 70,000 | - | (70,000) | - | - |
| Designated funds: Fixed assets | 168,504,584 | - | (183,797) | 82,963,899 | 251,284,686 |
| Total unrestricted funds | 202,500,660 | 52,251,416 | (1,614,356) | 8,000,000 | 261,137,720 |

Analysis of transfers:

| | Group £ | Charity £ |
|---|--------------|--------------|
| Transfer from restricted fund (see note 22) | 8,000,000 | 8,000,000 |
| Transfer to designated fund | (82,831,146) | (82,963,899) |
| | (74,831,146) | (74,963,899) |

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 the Charity's wider strategy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

21. MOVEMENT IN UNRESTRICTED FUNDS (continued)

| 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 22) | 3,940,000 | 3,940,000 |
| Transfer to designated fund | (31,240,629) | (32,196,187) |
| | (27,300,629) | (28,256,187) |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

22. MOVEMENT IN RESTRICTED FUNDS

2019

| Group and Charity | At 1 January 2019 £ | Income £ | Expenditure £ | Transfers £ | At 31 December 2019 £ |
|------------------------|------------------------------|-------------|------------------|----------------|--------------------------------|
| DNRC Programme | 150,000 | 8,300,000 | - | (8,000,000) | 450,000 |
| Golf clubhouse | - | 5,186 | - | - | 5,186 |
| Donated fixed asset | - | 68,580 | (17,145) | - | 51,435 |
| Life Cycle Charge | - | 347,965 | (347,965) | - | - |
| Estate Service Charge | - | 298,529 | (298,529) | - | - |
| Total restricted funds | 150,000 | 9,020,260 | (663,639) | (8,000,000) | 506,621 |

During the year funds were received from three donors towards the DNRC Programme and, as required by the donors, these have been held as restricted funds until used. As the asset (upon which two of the donations totalling £8m were spent) was not held for a restricted purpose a transfer to unrestricted funds was made (see note 21). Donations of £300k from one donor towards educational provision in connection with the NHS facility had not been expended on its restricted purpose in the year and, in addition to £150k given by the same donor during 2018, was held as a restricted fund at the year end.

Donations amounting to £5k were provided by four donors during the year towards the creation of a golf clubhouse on the Stanford Hall Rehabilitation Estate. These funds were held as a restricted fund at the year end to be expended during 2020.

One donor contributed fixed assets to the Charity in the form of machinery to be utilised on the Stanford Hall Rehabilitation Estate. This has been depreciated in the year in line with the Charity's fixed asset depreciation policy, and the Net Book Value of the asset was held as a restricted fund at the end of the year.

The Life Cycle Charge fund and the Estate Service Charge fund represent charges payable by the MoD in respect of the Defence facility and the wider estate grounds, and are restricted as required by the lease.

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 |
| Total restricted funds | - | 4,090,000 | - | (3,940,000) | 150,000 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

23. ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

2019

| Group | Unrestricted funds | | Restricted funds | Total |
|---------------------------------|--------------------|-----------------|------------------|--------------|
| | General £ | Designated £ | £ | |
| Fixed assets | - | 271,526,997 | 51,435 | 271,578,432 |
| Current assets | 10,313,567 | - | 2,212,738 | 12,526,305 |
| Creditors: amounts due < 1 year | (340,534) | - | (1,113,136) | (1,453,670) |
| Creditors: amounts due > 1 year | - | (28,000,000) | (644,416) | (28,644,416) |
| At 31 December 2019 | 9,973,033 | 243,526,997 | 506,621 | 254,006,651 |

| Charity | Unrestricted funds | | Restricted funds | Total |
|---------------------------------|--------------------|-----------------|------------------|--------------|
| | General £ | Designated £ | £ | |
| Fixed assets | - | 279,284,686 | 51,435 | 279,336,121 |
| Current assets | 10,053,875 | - | 2,212,738 | 12,266,613 |
| Creditors: amounts due < 1 year | (200,841) | - | (1,113,136) | (1,313,977) |
| Creditors: amounts due > 1 year | - | (28,000,000) | (644,416) | (28,644,416) |
| At 31 December 2019 | 9,853,034 | 251,284,686 | 506,621 | 261,644,341 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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

2018

| Group | Unrestricted funds | | | Restricted funds | Total |
|---------------------------------|--------------------|---------------|----------------------------|------------------|---------------|
| | General | Designated | Unrealised investment gain | | |
| | £ | £ | £ | £ | £ |
| 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 | Total |
|---------------------------------|--------------------|---------------|----------------------------|------------------|---------------|
| | General | Designated | Unrealised investment gain | | |
| | £ | £ | £ | £ | £ |
| 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 |

24. FINANCIAL COMMITMENTS

Capital commitments are as follows:

| Group and Charity | 2019 | 2018 |
|---------------------------------|---------|-----------|
| | £ | £ |
| Contracted but not provided for | 602,123 | 3,288,032 |

The above commitments reflect the contracts entered into in order to deliver the construction of the Defence Establishment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25. 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 (2018: £nil).

Total donations (received and in kind) from the Trustees during the year were £nil (2018: £0.6k).

ACKNOWLEDGEMENTS

The target for the capital campaign to build the Defence facility was £300m, and this campaign was completed 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
- Headley Court Charity
- 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 Royal Navy And Royal Marines Charity
- 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.

