

Company Registration No: 08418367 (England and Wales)
Charity Registration No. 1154822

RAFA KIDZONE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

RAFA KIDZONE LIMITED

**REFERENCE AND ADMINISTRATIVE DETAILS
YEAR ENDED 31 DECEMBER 2020**

Registered charity number	1154822 (England and Wales)
Registered company number	08418367 (England and Wales)
OFSTED registered number	EY475959
Registered office	Atlas House Wembley Road Leicester LE3 1UT England
Trustees	N J Bunting OBE R P O'Connor K Parkin
Principal Office	86C & 87 Wellesby Way RAF College Cranwell Sleaford Lincolnshire NG34 8HB
Auditor	RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham West Midlands B2 5AF
Bankers	Barclays Barclays Business Park Leicester LE87 2BD

RAFA KIDZONE LIMITED

TRUSTEES' REPORT YEAR ENDED 31 DECEMBER 2020

The Trustees of RAFA Kidzone Limited (the Charity) present this report and the financial statements of the Charity for the year ended 31 December 2020. The financial statements have been prepared based on the accounting policies set out in note 2 to the financial statements.

Aims and Objects

The object of the Charity is to enhance the development and education of children and provide for their individual needs. This is done by offering inclusive and appropriate play and learning facilities that meet the needs of all children regardless of family status, disability, colour, ethnic origin, religion and belief.

Activities

The Charity provides full and part time childcare for children aged between 6 months to 12 years old, between 07:30 – 17:30 five days a week for 50 weeks a year. The Charity delivers its service via a nursery, toddler room and two preschool rooms where it follows the Early Years Foundation Stage framework.

The Charity provides funded early education for two-, three- and four-year-old children. The Charity also operates as a breakfast, afterschool and holiday club for school age children. The Charity operates on a site leased from the Ministry of Defence comprising two buildings; the nursery building which can accommodate up to 70 children and the wrap-around care building which can accommodate up to 40 children.

Achievements

The Early Years Foundation Stage Framework enables all young children to have access to an integrated learning and care experience that will ensure they achieve the best outcomes. This is a learning through play curriculum and the Charity provides a range of adult directed and child initiated activities within a rich and enabling environment. In addition, the Charity supports the families of children with a comprehensive parent events program throughout the year, providing a range of activities and events to promote parent partnerships. The Charity provides a flexible care setting for local families by providing a wrap-around and holiday club service for school age children. The Charity operates a minibus enabling it to provide transport to and from the local primary school.

Following the Government's decision to close schools and nurseries in response to the COVID-19 pandemic, the Charity continued to operate the nursery for the children of critical workers and supported the national emergency by welcoming children of key workers in the locality whose usual nurseries had closed, including children from RAF Digby. The Charity made appropriate use of the Government's Coronavirus Job Retention Scheme and furloughed a number of its employees to manage the Charity's cost base whilst ensuring employee: child ratios are met. Measures were implemented to ensure that the premises were COVID-secure for children, parents and employees. Occupancy levels have started to increase since September 2020 and the wraparound service is at full capacity.

Public benefit

Whilst the Charity primarily caters for the children of serving personnel, civil servants and contractors working at RAF Cranwell, its services are available to families in the wider community as well. In setting fees, Trustees have considered the Charity Commission's guidance on charging for services and balanced the need to ensure the long-term sustainability of the Charity with the maintenance of affordable high-quality early years and childcare provision. The Charity accepts childcare vouchers and early years funding from the local authority.

In drafting the above statements, the Trustees have complied with the duty in the Charities Act 2011, to have due regard to public benefit guidance published by the Charity Commission.

TRUSTEES' REPORT (continued)
YEAR ENDED 31 DECEMBER 2020

Financial Review

In the twelve months to 31 December 2020, the Charity's income was £670,947 (9 months income to 31 December 2019 was £449,831). The Charity's expenditure was £617,187 (9 months expenditure to 31 December 2019 was £461,048), resulting in a surplus of £53,760 (compared to a 9 months deficit as at 31 December 2019 of £11,217).

The total funds of the Charity at the end of the year were £179,055 (31 December 2019 - £125,295).

In May 2020, the assets of Maple Leaf Day Care, a registered charity, were transferred to the Charity. Maple Leaf Day Care previously operated the nursery at RAF Digby which is now operated by the Charity's parent company, RAFA Kidz Limited. The assets transferred are restricted to support activities at RAFA Kidz Digby. The assets included £107,504 in cash together with all nursery equipment owned by Maple Leaf Day Care. The assets transferred from Maple Leaf Day Care do not have a value to the Charity and so have been included at nil value within the financial statements.

Reserves policy

Trustees have reviewed the Reserves Policy and have affirmed the designated funds as set out in note 12, which exist to ensure that the Charity is able to refresh and renew the setting from time to time and to enable business continuity in the event of unforeseen occurrence. A designated fund of £115,215 has been created to deal with such an unforeseen event and this ensure the setting continues to be a going concern, and a further £18,000 has been set aside to ensure that essential equipment can be replaced or maintained as and when required.

As at 31 December 2020 total funds are £179,055 of which unrestricted reserves are £61,664 in deficit.

Structure and Governance

The Charity is a company limited by guarantee and a registered charity governed by its Articles of Association. The Charity is registered with the Charity Commission and with Ofsted.

The Charity is a wholly owned subsidiary of RAFA Kidz Limited, which is a wholly owned subsidiary of the Royal Air Forces Association (registered charity number 226686 and SC037673).

The Board of Trustees is collectively accountable for the long-term success of the Charity and Trustees act in accordance with their duties under charity law. Trustees are also company directors and subject to the directors' duties set out in sections 170-177 Companies Act 2006

The Board is responsible for the Charity's compliance with all relevant legislative and regulatory requirements. It is responsible for determining the strategy and values of the Charity, its performance, standards of conduct and corporate governance. The Board reviews the position of the Charity and receives reports from the Management Team led by the Manager. The Board is responsible for approving the annual business plan and a range of supporting strategies. The Board believes that good governance is key to the ongoing success of the organisation. In terms of maintaining high standards of governance and has adopted of the Charity Governance Code for smaller charities.

RAFA KIDZONE LIMITED

TRUSTEES' REPORT (continued) YEAR ENDED 31 DECEMBER 2020

Structure and Governance (continued)

Composition of the Board of Trustees

The Trustees who served in the year to 31 December 2020 and up to the date of signature of the financial statements are listed below.

R P O'Connor
N J Bunting OBE
A Wilkinson-Sharpe (resigned 19 March 2021)

K Parkin was appointed as a trustee on 19 April 2021.

All Trustees give their time voluntarily and receive no benefits from the Charity. No expenses were reclaimed from the Charity. N. Bunting, R. O'Connor, A. Wilkinson-Sharpe and K Parkin are employees of the Royal Air Forces Association and directors of RAFA Kidz Limited.

In accordance with the Charity's Articles of Association, Trustees are appointed by the Charity's sole member, RAFA Kidz Limited. When recruiting new Trustees appropriate due diligence is carried out to ensure that candidates have a valid DBS check, are eligible to act as charity trustees and company directors in accordance with the Articles of Association, Charities Act 2011 (as amended by Charities (Protection and Social Investment) Act 2016) and Companies Act 2006 and are fit and proper persons as defined under the management condition in Finance Act 2010.

Each Trustee is provided with a briefing pack and an individual induction programme is agreed and implemented covering all aspects of the role and the work of the Charity as required. Trustees also receive ongoing briefings and training from subject-matter experts and external advisers in critical areas such as Ofsted regulation, safeguarding, health and safety, data protection, risk management and reserves.

Risk Management

The Trustees have overall responsibility for ensuring that the Charity has an appropriate system of controls, financial and otherwise, to provide reasonable assurance that its assets are safeguarded against unauthorised use or disposal, that proper records are maintained and information is reliable and that relevant laws and regulations are complied with.

As a member of the Royal Air Forces Association group, the Charity is subject to the Association's Risk Management Policy and Trustees have reviewed their risk appetite during the year. In terms of priorities, Trustees have agreed that the need to avoid reputational, compliance and excessive financial risk will take priority over other factors, whilst recognising a balanced assessment has to be taken as, in many cases, there are risks attached to both doing something and doing nothing.

The risk management process set out in the policy is designed to identify and assess risks and so that appropriate risk management strategies are implemented, and their effectiveness monitored. Trustees have identified the following as its key risks.

- Regulatory compliance. Mitigation includes employment of professionally qualified staff and mandatory training, the support of relevant subject matter experts employed by other group companies and regular reviews of policies.

TRUSTEES' REPORT (continued)
YEAR ENDED 31 DECEMBER 2020

Risk Management (continued)

- Long-term financial sustainability and short-term cash flow failure. Mitigation plans include financial planning and performance monitoring, both in terms of annual budgets and reserves and investments,
- Loss of operational capability. Plans include a range of processes to ensure recruitment and retention of appropriately qualified and trained employees.

Plans for the future

The Trustees are committed to delivering affordable and nurturing early years' childcare in a welcoming and safe environment and ensuring the long-term sustainability of the Charity. The Charity is seeking to consolidate its financial position by increasing occupancy levels and carefully managing its expenditure whilst continuing to provide high quality childcare.

The Trustees have considered the Charity's performance during 2020 and have reviewed the 2021 full year forecast and the assumptions on which the forecasts were based and are satisfied that the Charity remains a going concern, is financially viable for at least the next twelve months and has a charitable purpose to meet which it is able to deliver.

Trustees' responsibilities in relation to financial statements

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the Trustees to prepare financial statements for each financial period, which give a true and fair view of the Charity and of the incoming resources and application of resources, including the income and expenditure of the Charity 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 Statement of Recommended Practice
- Make judgments and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity 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 Charity 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 Association and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the Charity's auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

This report was approved by the Trustees on 21/12/21 and signed on its behalf by:


N J Bunting OBE - Trustee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAFA KIDZONE LIMITED

Opinion

We have audited the financial statements of RAFA Kidzone Limited (the 'charitable company') for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a year of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAFA KIDZONE LIMITED
(continued)

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 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 Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report in preparing the Trustees' Report.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 5, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAFA KIDZONE LIMITED
(continued)**

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the charitable company operates in and how the charitable company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities Act 2011, the charitable company's governing document, tax legislation and Charities (Protection and Social Investment) Act 2016. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents, inspecting correspondence with local tax authorities and evaluating advice received from internal/external advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are Keeping Children Safe in Education under section 175 of the Education Act 2002, the Childcare Act 2006 and the UK General Data Protection Regulation (UK GDPR). We performed audit procedures to inquire of whether the charitable company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, and unusual transactions and transactions entered into outside the normal course of business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAFA KIDZONE LIMITED
(continued)

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.

RSM UK Audit LLP

Keith Ward (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
West Midlands
B2 5AF

Date 21st September 2021

RAFA KIDZONE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

				Year ended 31 December 2020	Period ended 31 December 2019
	Notes	Unrestricted Funds £	Restricted Funds £	Total £	Total £
INCOME FROM					
Donations		-	107,504	107,504	10
Charitable activities					
Fees		381,379	-	381,379	367,415
Grants	3	181,104	-	181,104	78,633
Miscellaneous		882	-	882	3,039
Activities for fund raising	4	-	-	-	343
Investment income		78	-	78	391
TOTAL		<u>563,443</u>	<u>107,504</u>	<u>670,947</u>	<u>449,831</u>
EXPENDITURE ON					
Raising funds	5	-	-	-	(243)
Charitable activities	6	(617,187)	-	(617,187)	(460,805)
TOTAL		<u>(617,187)</u>	<u>-</u>	<u>(617,187)</u>	<u>(461,048)</u>
NET INCOME/(EXPENDITURE)		<u>(53,744)</u>	<u>107,504</u>	<u>53,760</u>	<u>(11,217)</u>
NET MOVEMENT IN FUNDS		(53,744)	107,504	53,760	(11,217)
Reconciliation of funds					
Total funds balances brought forward		<u>125,295</u>	-	<u>125,295</u>	<u>136,512</u>
Total funds balances carried forward		<u>71,551</u>	<u>107,504</u>	<u>179,055</u>	<u>125,295</u>

All amounts relate to continuing operations.

RAFA KIDZONE LIMITED

**BALANCE SHEET
AT 31 DECEMBER 2020**

	Notes	£	2020 £	£	2019 £
FIXED ASSETS					
Tangible fixed assets	9		3,635		4,846
CURRENT ASSETS					
Debtors	10	54,926		2,952	
Cash at bank and in hand		149,328		155,934	
		204,254		158,886	
CREDITORS					
Amounts falling due within one year	11	(28,834)		(38,437)	
NET CURRENT ASSETS			175,420		120,449
TOTAL ASSETS LESS CURRENT LIABILITIES			179,055		125,295
FUNDS					
Restricted funds			107,504		-
Unrestricted funds:	12				
Designated			133,215		133,215
General			(61,664)		(7,920)
TOTAL FUNDS			179,055		125,295

Approved by the Trustees and signed on their behalf on 8 SEPTEMBER 2021


N J Bunting OBE
Trustee

RAFA KIDZONE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Cash flows from operating activities:		
Net cash used in operating activities	<u>(6,684)</u>	<u>(15,473)</u>
Cash flows from investing activities:		
Interest received	78	391
Purchase of fixed assets	-	(4,846)
Net cash from/(used in) investing activities	<u>78</u>	<u>(4,455)</u>
Change in cash and cash equivalents in the year	(6,606)	(19,928)
Cash and cash equivalents at the beginning of the year	155,934	175,862
Cash and cash equivalents at the end of the year	<u>149,328</u>	<u>155,934</u>

Reconciliation of net movements in funds to net cashflow from operating activities

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Net movement in funds for the reporting period	53,760	(11,217)
Adjustments for:		
Interest received	(78)	(391)
Depreciation on tangible fixed assets	1,211	-
Increase in debtors	(51,974)	(172)
Decrease in creditors	(9,603)	(3,693)
Net cash used in operating activities	<u>(6,684)</u>	<u>(15,473)</u>

Analysis of cash and cash equivalents

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Cash in hand	141	685
Bank accounts	149,187	155,249
Total cash and cash equivalents	<u>149,328</u>	<u>155,934</u>

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical accounting estimates and areas of judgement to note.

2. PRINCIPAL ACCOUNTING POLICIES

General information

RAFA Kidzone Limited is an incorporated private company (registered number 08418367) and a registered charity at the Charity Commission (charity registration no. 1154822) in England and Wales. The charity is a company limited by guarantee.

The address of the charity's registered office is Atlas House, Wembley Road, Leicester LE3 1UT. The nature of the charity's activities are set out in the Trustees Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland including the adoption of the amendments issued in December 2017 (FRS102), the Charities Act 2011 and the requirements of the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 April 2015.

RAFA Kidzone Limited meets the definition of a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

Monetary amounts in the financial statements are rounded to the nearest £1. The financial statements are presented in sterling which is also the functional currency of the Charity.

Going concern

Based on the company's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the company's cashflows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting Council.

In assessing the going concern the Directors have given careful consideration to the potential impact of the COVID-19 pandemic on the cashflows and liquidity over the next 12-month period. Despite income forecasts reducing against our pre-COVID-19 targets, measures we have taken to reduce costs allow us to offset the impact of COVID-19.

The Company's accounts and cashflow forecasts take all the above factors into account and indicate that the Company will have sufficient funds to operate as a going concern for the foreseeable future.

Reporting period

The current financial statements are for the year ended 31 December 2020. The comparative financial statements are for the period from 1 April 2019 to 31 December 2019. As the current and prior periods are different lengths, the comparative figures are not entirely comparable.

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the objectives of the Charity and which have not been designated for other purposes.

Designated funds are unrestricted funds that have been set aside by the Trustees for particular purposes. These funds are reviewed annually.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. Expenditure is charged to the Statement of Financial Activities when incurred.

Income

All income is included in the Statement of Financial Activities when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received, and the amount can be measured reliably. The following specific policies are applied to particular categories of income.

Income in the form of donations is included when receivable.

Fundraising income is included in income in the period in which the Charity becomes entitled to receipt.

Investment income is included when receivable.

Income from charitable activities including grants receivable is included in income in the period in which the charity becomes entitled to receipt.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Expenditure

All expenditure is accounted for on an accruals basis as a liability is incurred or when the Charity is deemed to have a legal or constructive obligation which will result in a probable transfer of economic benefits. Expenditure has been classified under headings that aggregate all costs related to the category. Expenditure includes irrecoverable VAT.

Costs of raising funds include fundraising trading costs. These costs are regarded as necessary to generate funds that are needed to finance charitable activities.

Charitable activities expenditure enables the Charity to meet its charitable aims and objectives and include both direct and support costs relating to the activity.

Support costs have been allocated to cost of raising funds and charitable activities on the most appropriate basis.

Tangible fixed assets

It is RAFA Kidzone Limited policy that all items either purchased by or donated to RAFA Kidzone Limited for use within the childcare sessions shall not be capitalised due to the heavy use and unusually high wear and tear expected within such an environment. These items shall be treated as immediate expenditure with no depreciation. The capitalisation limit for all other items is set at £500.

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Tangible fixed assets (continued)

Tangible fixed assets are initially recorded at cost and subsequently measure at cost or valuation net of depreciation and any impairment loss. Depreciation is provided for on all tangible fixed assets at rates calculated to write each asset down to its estimated value evenly over its expected useful economic lives as follows:

- | | |
|------------------------|-------------------|
| - Office equipment | 25% straight line |
| - Furniture & fixtures | 25% straight line |

Impairment reviews are carried out where there are indications that recoverable amounts of fixed assets are below their carrying values.

Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairment losses in the Statement of Financial Activities.

Donations of good and services

Kidzone received donated goods and services during the year which has enabled it to operate at the present scale. These donations are not valued in the accounts.

Financial instruments

The Charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Charity becomes a party to the contractual provisions of the instrument and are offset only when the Charity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors

Trade debtors, which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Financial Activities.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Charity after deducting all of its liabilities.

Trade and other creditors and accruals

Trade and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities

At financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Retirement benefits

For defined contribution schemes the amount charged to the Statement of Financial Activities is the contribution payable in the year. Difference between contributions payable in the year and contributions actually paid are shown as either accruals or pre prepayments.

3. GRANTS

	Year ended 31 December 2020	Period ended 31 December 2019
	Total £	Total £
Local authority	113,354	78,633
UK Government coronavirus job retention scheme	67,714	-
Welfare	36	-
	<u>181,104</u>	<u>78,633</u>

All grant income is unrestricted in the current year and prior period.

4. ACTIVITIES FOR FUNDRAISING

	Year ended 31 December 2020	Period ended 31 December 2019
	Total £	Total £
Income		
Summer gathering	-	83
Christmas market	-	260
	<u>-</u>	<u>343</u>

All income from raising funds was unrestricted in the prior period.

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

5. RAISING FUNDS

	Year ended 31 December 2020	Period ended 31 December 2019
	Total £	Total £
Expenditure:		
Summer gathering	-	70
Christmas market	-	173
	<u>-</u>	<u>243</u>

All expenditure for raising funds was unrestricted in the prior period.

6. CHARITABLE ACTIVITIES

	Year ended 31 December 2020		Period ended 31 December 2019	
	Employee & related costs £	Depreciation £	Other costs £	Total £
Direct costs	381,620	-	27,896	409,516
Allocated support costs	109,034	1,211	97,426	207,671
	<u>490,654</u>	<u>1,211</u>	<u>125,322</u>	<u>617,187</u>
				<u>460,805</u>

Audit fees for the period ended 31 December 2019 and for the year ended 31 December 2020 have been paid by the ultimate parent undertaking, The Royal Air Force Association.

Allocated support costs

	2020	2019
Other site costs	14,124	7,613
Advertising and promotion	3,314	66
Printing and stationery	1,193	1,320
Insurance	2,245	3,812
Repairs	2,609	877
Depreciation	1,211	-
Management fee	52,689	-
Other expenditure	21,252	17,315
Staff costs	109,034	84,928
Governance costs	-	1,530
	<u>207,671</u>	<u>117,461</u>

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

7. STAFF COSTS

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Total staff costs for the charity comprised:		
Gross salaries	454,324	360,146
Employer's National Insurance	28,492	19,323
Employer's pension	7,838	6,592
	<u>490,654</u>	<u>386,061</u>

The average number of staff employed by the charity during the year ended 31 December 2020 was 35 (period ended 31 December 2019 – 35).

All key management personnel are paid through the parent charity and disclosed in their financial statements.

No employees was paid £60,000 or more in the current year or prior period.

8. TRUSTEES REMUNERATION

No remuneration or expenses were paid to the Trustees during the year and prior period. Professional indemnity insurance to cover the Trustees was paid by the charity during the year.

9. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Office Equipment £	Total £
Cost			
At 1 January 2020 and 31 December 2020	<u>12,670</u>	<u>7,836</u>	<u>20,506</u>
Depreciation			
At 1 January 2020	12,670	2,990	15,660
Charge for the year	-	1,211	1,211
At 31 December 2020	<u>12,670</u>	<u>4,201</u>	<u>16,871</u>
Net book value			
At 31 December 2020	-	3,635	3,635
At 31 December 2019	-	4,846	4,846

10. DEBTORS

	2020 £	2019 £
Trade debtors	-	606
Other debtors	185	-
Amounts owed from group undertakings	54,741	-
Prepayments	-	2,346
	<u>54,926</u>	<u>2,952</u>

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

11. CREDITORS

	2020	2019
	£	£
Amounts falling due within one year		
Trade creditors	1,203	2,521
Accruals	-	13,935
Other taxation and social security	4,517	4,258
Other creditors	23,114	17,723
	<u>28,834</u>	<u>38,437</u>

Included within other creditors are pension contributions payable of £3,164 (2019: £1,472).

12. ANALYSIS OF FUNDS

	Balance at			Transfer	Balance at
	1 January	Income	Expenditure	Funds	31 December
	2020	£	£	£	2020
	£				£
Restricted funds:					
Digby Nursery fund	-	107,504	-	-	107,504
Unrestricted funds:					
Designated funds:					
Business continuity reserve	115,215	-	-	-	115,215
White goods reserve	4,000	-	-	-	4,000
Project reserve	10,000	-	-	-	10,000
IT reserve	2,000	-	-	-	2,000
Decoration reserve	2,000	-	-	-	2,000
	<u>133,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,215</u>
General reserve	(7,920)	563,443	(617,187)	-	(61,664)
	<u>125,295</u>	<u>563,443</u>	<u>(617,187)</u>	<u>-</u>	<u>71,551</u>
Total	<u>125,295</u>	<u>670,947</u>	<u>(617,187)</u>	<u>-</u>	<u>179,055</u>

Restricted funds

This restricted fund is to enable the future development of Digby Nursery.

Designated funds

The Trustees have established a number of designated funds designed to ensure that the setting can continue to provide a high quality and modern service whilst at the same time being able to continue to operate and provide an essential childcare service during a period of difficulty, created by either internal or external factors. To this end a Business Continuity Reserve of £115,215 has been created together with other reserves of £18,000 to cover the cost of either replacing or maintaining essential equipment and/or furnishings.

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Current year	Unrestricted funds £	Restricted funds £	Total £
Tangible fixed assets	3,635	-	3,635
Current assets	96,750	107,504	204,254
Current liabilities	(28,834)	-	(28,834)
Total net assets	71,551	107,504	179,055
Prior year	Unrestricted funds £	Restricted funds £	Total £
Tangible fixed assets	4,846	-	4,846
Current assets	158,886	-	158,886
Current liabilities	(38,437)	-	(38,437)
Total net assets	125,295	-	125,295

14. RELATED PARTY TRANSACTIONS

During the year the Charity made purchases of £22,834 (period ended 31 December 2019 : £nil) from, and paid management fees of £52,689 (period ended 31 December 2019: £nil) to RAFA Kidz Limited, the immediate parent undertaking. At the year end the Charity was owed £54,741 (2019: £nil) by RAFA Kidz Limited.

During the year the Charity made purchases of £411 (period ended 31 December 2019 : £nil) from Rafatrads Limited, a company owned by the ultimate parent undertaking, The Royal Air Forces Association.

15. PARENT COMPANY

RAFA Kidzone Limited is a wholly owned subsidiary of RAFA Kidz Limited (Company number 11927027, registered in England and Wales). This is the Charity's immediate parent undertaking. The registered office is the same as its ultimate parent undertaking. The principal activity of RAFA Kidz Limited is that of running a children's nursery.

RAFA Kidz Limited is a wholly owned subsidiary of The Royal Air Forces Association, a charity registered in England and Wales (registration number 226686) and Scotland (registered number SC037673). Purpose of Association is to promote the welfare by charitable means of all serving and former members of the Air Forces. This is the Charity's ultimate parent undertaking. The Charity is only included in the consolidated accounts of The Royal Air Force Association. Their accounts are available from the registered office being Atlas House, Wembley Road, Leicester LE3 1UT England.

RAFA KIDZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Unrestricted funds £	Restricted funds £	Total 2019 £
INCOME FROM			
Donations	10	-	10
CHARITABLE ACTIVITIES			
Fees	367,415	-	367,415
Grants	-	78,633	78,633
Miscellaneous	3,039	-	3,039
Activities for fundraising	343	-	343
Investment income	391	-	391
TOTAL	371,198	78,633	449,831
EXPENDITURE ON			
Raising funds	(243)	-	(243)
Charitable activities	(322,150)	(138,655)	(460,805)
TOTAL	(322,393)	(60,022)	(461,048)
Net income/(expenditure)	48,805	(60,022)	(11,217)
Transfers between funds	(60,022)	60,022	-
Net movement in funds	(11,217)	-	(11,217)