

THE ROYAL AIR FORCES ASSOCIATION - CORPORATE BODY

England & Wales · Charity number 226686

Details

Other names	RAFA, THE RAF ASSOCIATION
Status	Registered
Legal form	Other
Registered	1963-11-01
Register	View on the Charity Commission register

Contact

Address	Atlas House 41 Wembley Road Leicester LE3 1UT
Phone	0800 018 2361
Email	enquiries@rafa.org.uk
Website	www.rafa.org.uk

Activities

Objects: TO PROMOTE, THROUGH THE COMRADESHIP ENGENDERED BY ITS MEMBERS, THE WELFARE BY CHARITABLE MEANS OF ALL SERVING OR FORMER MEMBERS OF OUR AIR FORCES, THEIR SPOUSES AND DEPENDANTS, TOGETHER WITH THE WIDOWS AND WIDOWERS AND DEPENDANTS OF THOSE WHO DIED WHILE SERVING OR SUBSEQUENTLY.

Activities: The provision of welfare support to members of the Royal Air Forces community. The Association's welfare activities include the operation of three respite care homes, provision of sheltered housing, assistance for individuals in welfare need, support to the serving RAF through contributions to Contact Houses and Internet Cafes.

Classification

- **How:** Provides Human Resources, Provides Services
- **What:** The Advancement Of Health Or Saving Of Lives, Disability, Accommodation/housing
- **Who:** Children/young People, Elderly/old People, People With Disabilities, Other Defined Groups

Geography

- **Area of benefit:** NATIONAL
- Australia
- Barbados
- Belgium
- Cyprus
- Falkland Islands
- France
- Germany
- Gibraltar
- Greece
- Guernsey
- Hong Kong
- Ireland
- Isle Of Man
- Jersey
- Luxembourg
- Malta
- Netherlands
- New Zealand
- Northern Ireland
- Norway
- Scotland
- South Africa
- Spain
- Switzerland
- United States
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£21,646,000	£22,178,000	£27,787,000	573
2023-12-31	£16,231,000	£17,695,000	£27,074,000	395
2022-12-31	£12,558,000	£15,913,000	£27,387,000	157
2021-12-31	£12,506,000	£14,354,000	£33,571,000	157
2020-12-31	£13,922,000	£17,240,000	£32,005,000	313

Trustees

Name	Role	Appointed
Air Vice Marshal Alastair Reid	Chair	2022-10-23
Air Cdre Lee Turner		2024-10-19
Air Marshal Sir Barry Mark North		2016-05-14
Lucinda Eggleton		2025-05-21
MARK NEAL		2018-02-21
Marion Frances Wells		2025-10-19
Raymond Hall MBE		2025-10-19
Sally Munday		2023-10-14
Sheila Bailey		2024-02-21
Simon Arnett		2023-10-14
Sqn Ldr Micah Aopare		2024-02-21
WO Murugesvaran Subramaniam		2025-10-19
Wg Cdr Richard Anthony Youngs		2026-02-18
Wilbert Mulders		2026-02-18

Linked charities

- LADY PECK BEQUEST (226686-1)

THE ROYAL AIR FORCES ASSOCIATION - CORPORATE BODY

England & Wales - Charity number 226686

Accounts

REGISTERED CHARITY 226686 (England and Wales)
SC037673 (Scotland)



THE ROYAL AIR FORCES ASSOCIATION

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2024**

THE ROYAL AIR FORCES ASSOCIATION LIMITED

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**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS
YEAR ENDED 31 DECEMBER 2024**

REGISTERED CHARITY NUMBERS	226686 (England and Wales), SC037673 (Scotland)
PRINCIPAL OFFICE	Atlas House, 41 Wembley Road, Leicester, LE3 1UT
PATRON	His Majesty The King
LIFE VICE-PRESIDENTS	Marshal of the Royal Air Force The Lord Stirrup KG GCB AFC FRAeS FCMI Air Chief Marshal Sir Stephen Dalton KCB ADC BSc FRAeS CCMI Air Chief Marshal Sir Joseph Gilbert KCB CBE LLD (hc) Air Chief Marshal Sir Glenn Torpy GCB CBE DSO ADC BSc (Eng) FRAeS Air Chief Marshal Sir Andrew Pulford GCB CBE ADC Air Chief Marshal Sir Stephen Hillier GCB CBE DFC ADC MA Air Marshal Sir Dusty Miller KBE Air Marshal P O Sturley CB MBE BSc FRAeS Air Vice-Marshal J Cliffe CB OBE Air Vice-Marshal P Liddell CB BSc CEng FIET FRAeS Air Vice-Marshal N Bairsto CB MBE Air Commodore A H Vaughan OBE BA FIMgt Air Commodore G A Opie CBE MDA MA BSc FCIPD RAF Dr B Pattison, OBE (deceased November 2024) Mr J Tisbury MBE MRAeS MCMI
TRUSTEE MEMBERS OF THE COUNCIL	
President	Air Marshal Sir Baz North KCB OBE MA FRAeS
Chair	Air Vice-Marshal A N C Reid CB OSTJ MBChB MSc DRCOG DAvMed FFOM
Vice Chair	Air Vice-Marshal M Neal OBE
Honorary Treasurer	Mrs S Munday FCA
Area Elected Members	Flt Lt S Arnett RAF (Wales, Midlands and South-West) Mr R Blunden (South-East and Eastern) Sqn Ldr M Greer RAFAC (Scotland, Northern Ireland and Northern England) Mr G Overton (European and Overseas, to February 2024) Mrs B Dennett Stannard (European and Overseas, February – October 2024) Mr D Forsyth (European and Overseas, from October 2024) Mr M Watkins (Central)

THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

Members Appointed by The Royal Air Force Air Commodore G A Opie CBE MDA MA BSc FCIPD RAF (to October 2024)
Air Commodore L Turner BEng (Hons) (from October 2024)
Squadron Leader M Aopare RAF (from February 2024)
Warrant Officer M Rees-Martin

Appointed Members Mrs S Bailey (from February 2024)
Ms F Barber
Mrs P Bearblock

SENIOR MANAGEMENT TEAM

Secretary General Mr N Bunting OBE CDir FIOD CMgr FCMI

Deputy CEO Ms R Huxford MBE BA

Charity Director Mr R O'Connor MA

Chief Finance Officer Mrs K Parkin JP BSc (Hons) ACMA CGMA MCIPP

Chief Information Officer Mr P Sherwin BSc (Hons) MBCS

Group Company Secretary Mrs R Brutnall BA (Hons) ACG

PROFESSIONAL ADVISORS

Auditors UHY Hacker Young LLP, 14 Park Row, Nottingham, NG1 6GR

Solicitors Freeths LLP, One Colton Square, Leicester, LE1 1QH
Bates Wells & Braithwaite London LLP, 10 Queen Street Place,
London, EC4R 1BE

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT
YEAR ENDED 31 DECEMBER 2024

The Trustees of The Royal Air Forces Association (the Association) are pleased to present this report and the consolidated financial statements of the Association for the year ended 31 December 2024. The financial statements have been prepared based on the accounting policies set out in Note 2 to the financial statements and comply with the Royal Charter, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) (effective 1 January 2019).

Our charitable object and activities for the public benefit

The Association is a Royal Charter Body and public benefit entity. The Trustees have given due consideration to the Charity Commission's published guidance on the operation of the Public Benefit requirement, and confirm that the object of the Association, as established and incorporated, is to promote, through the comradeship engendered by its members, the welfare by charitable means of all serving and former members of Our Air Forces, their spouses and dependants, together with the widows and widowers and dependants of those who died whilst serving or subsequently.

This has been distilled into our vision: an RAF community which is connected, empowered and resilient. To achieve our vision, we are committed to a simple yet important mission: to support and enable the RAF community to meet the challenges of everyday life. There are only two criteria for assistance: eligibility and need.

We believe that we are at our strongest when we work together. Crucial to the successful delivery of all our charitable activities is our committed global network of over 66,000 members, supporters, volunteers and employees, all committed to making lives better. It is impossible to definitively quantify the value of their contribution in monetary terms, and therefore this is not recorded in the financial statements.

Delivering against our 2024 aims and objectives

Throughout our history we have brought people and communities together who share the goal of improving the lives of those serving and who have served, and their families and loved ones. Our welfare and wellbeing programmes (designed to meet the specific needs of RAF community) and our membership network formed the core of our outputs and outcomes. Our activities and outcomes are structured around the themes identified in our vision: Connected; Empowered; Resilient.

The Association's 213 branches play a unique role, providing a link between the charity and local RAF communities around the world. Throughout 2024 they provided vital support to the RAF community through outreach and wellbeing support, volunteering, fund raising and support for local commemorative events. They are each charities in their own right, managed by their branch committees but subject to the Association's Royal Charter, Rules, Byelaws and Standard Regulations.

Connected

We support all generations to sustain strong relationships and remain connected with the RAF.

Our members have always been at the heart of all we do. At the end of 2024, we had 64,478 members (of whom, nearly 3,000 joined during the year).

Our global outreach programme, supported by branches, volunteers and corporate partners, called over 8,000 individual members of the RAF community during 2024 to check on their wellbeing. Over 1,000 calls resulted in referrals to our welfare and wellbeing services, providing essential support.

During 2024 over 1,880 individuals were supported by our RAFA Connections for Life befriending service, made possible by nearly 800 volunteers.

Our retirement living accommodation, at locations in Dumfriesshire, Leicestershire, Northumbria and West Sussex provided over 100 individuals with the opportunity to live independent lives as part of a supportive community. We continue to explore opportunities to develop and expand this provision.

Empowered

We empower our community by giving them the tools they need to live dignified, fulfilled, and independent lives.

In 2024 the Association continued to play a leading role in supporting the welfare needs of the RAF community, as the primary provider of casework. In 2024 we managed nearly 40% of all RAF cases recorded on the military charity sector-wide case management system. We supported 2,669 people, through over 3,700 cases.

The average number of needs per beneficiary increased to 2.9, from 2.8 in 2023. This is an indication of the continued increase in the complexity of the cases we supported. This work was only possible due to our field-force of highly trained, knowledgeable and experienced casework volunteers.

We were also proud of the specialist support we provided to serving, recently medically discharged and veteran personnel and family members to secure awards under the War Pensions and Armed Forces Compensation Scheme. In 2024 we supported 338 beneficiaries to secure £1.38 million in lifetime awards.

Resilient

We help our RAF community to overcome the challenges of everyday life by increasing resilience and wellbeing.

Being part of the RAF community can present unique challenges arising from military life. We help our RAF community to overcome the challenges of everyday life by increasing resilience and wellbeing.

Being able to access affordable, high-quality childcare is vital to serving families and is one of the eight core workstreams in the UK Armed Forces Families Strategy 2022-32. We are delighted to be able to support this work, which is vital to serving families. In 2024 RAFAKidz enlarged its provision to 17 registered settings (2023: 10), on 16 establishments allowing us to support 2,238 children in the course of the year.

In 2024 we ran over 70 'Finding It Tough' courses (our bespoke wellbeing course, tailored to recognise the unique challenges of military service). These were attended by 479 members of the wider RAF community (family members of serving personnel, contractors, veterans and their families). The course recognises the unique challenges which being part of the RAF community can present, and that everyone may struggle with mental health from time to time. Of those attending, 93 per cent reported that they felt they had an improved knowledge of mental health issues and 88 per cent felt their confidence to talk about mental health had improved.

Our Veterans' Resilience Programme, a holistic programme designed to support veterans who may be experiencing mental health and wellbeing challenges arising from their military service and which run in partnership with Loughborough University, ran again in 2024 supporting seven veterans.

In 2024 we increased the provision of our established Navigating Dementia course on RAF stations, providing 16 courses to serving personnel and three to veteran groups. These increased their understanding of dementia and how they may support loved ones and family members living with the condition.

We recognise the importance of time away from the usual pressures of life in supporting families to increase their resilience and wellbeing. In 2024, 442 people (2023: 292) stayed in our holiday accommodation in Scotland (Dunbar), Norfolk (Hemsby) and West Sussex (Selsey), enjoying time with family and friends and 69 beneficiaries benefitted from respite breaks.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

Resources

We are only able to provide the support we do through the commitment and time given by our committed force of volunteers. The Association remains the only military charity to train its volunteers to nationally-accredited standards. Course subjects include Safeguarding, Casework, Equality, Diversity and Inclusion, Prevent and Grief Awareness, as well as those aimed at supporting branch Trustees with their governance responsibilities. In 2024, over 2,013 of our volunteers completed training courses, equipping them with the skills and support they needed.

The Association also relies on fundraising to support its activities now and in the years to come, ensuring that it can continue to support future generations of the RAF community.

We are committed to the highest possible standards of fundraising. During 2024 we continued to work to ensure that all our activities were compliant with legislative, regulatory and best practice standards. We have been registered with the Fundraising Regulator since its inception in 2016, demonstrating our commitment to the Code of Fundraising Practice and the Fundraising Promise.

In 2024 the main sources of fundraised income were donations and fundraising by individuals, branches and RAF stations, gifts in wills and donations from trusts and corporate partners. The Association is grateful for the support given to its work by all those who funded it during 2024. Some trusts, foundations, corporate partners and individuals who supported us with major gifts wish to remain anonymous; others included:

2Excel	KBR
AeroSuperBatics Ltd	Leonardo UK
Amrik Sandhu	LifeJacket Skin Protection
Anne Jane Green Trust	Little Brown
April Fools Club	Lockheed Martin Corporation
Armed Forces Covenant Fund Trust	Lockheed Martin UK
Aviation Focus Group	Lonestar Analysis
Babcock	Lotus
BAE Systems plc	Lord Naseby
Baron Davenport's Charity	Maud Elkington Charitable Trust
Beryl Doreen (BD) Thomas Charitable Trust	MBDA Missile Systems
Boeing	Ministry of Defence
CAE	Moondance Foundation
CGI	Musketeer Solutions
City Bridge Foundation	Office for Veterans' Affairs
Clare Milne Trust	Plexys
Clarion Events Ltd	Plowright Charitable Trust
Collins Aerospace	QinetiQ
The Digital Line	Queen Mary's Roehampton Trust
dot2dot	RAF Club
Duncan Barber OBE	The Rare Tea Company
Englefield Charitable Trust	Raytheon
Erdinger	Red Arrows Trust
Fujitsu	Roger Raymond Charitable Trust
Gale Family Charity Trust	Schroders Personal Wealth
Gerald Bentall Charitable Trust	Serco RAF Brize Norton
Hobson Charity Ltd	Sir Donald and Lady Edna Wilson Charitable Trust
IMLD Forde Charitable Settlement	Todd and Kathy Ganos
Inzpire	Top Aces
James Weir Foundation	Verizon
John James Bristol Foundation	Wilkin & Sons
John James Leon Varney Will Trust	Wolf Brewery
Liz and Terry Bramall Foundation	ZVM Rangoonwala Foundation

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

During 2024, all our interactions with the general public were carried out by our employees and volunteers, except for one supplier whose services we employed to interact directly with the public to administer our Wings Lotto. We ensured that the contract with the supplier included fundraising compliance clauses. As part of our work to ensure compliance with fundraising regulation and best practice, we monitor our supplier to ensure they continue to meet the same high standards we expected of our own fundraisers. In a similar vein, we also have contracts in place with all corporate partners who raised funds or donated to us.

Public benefit

When reviewing the Association's aims and objectives and in planning activities and policies, the Trustees have considered the Charity Commission's general guidance on public benefit and to its supplementary guidance on public benefit and fee charging. All services provided by the parent charity are either free or heavily subsidised. Where fees are charged, for occupying a residential property, the beneficiary's means are always considered so that no eligible member of the RAF community is prevented from accessing the services of the Association because they cannot afford the full cost. The Association also provides a public benefit as it promotes efficiency in the RAF, by underpinning a spirit of pride and mutual loyalty, and so contributing to the defence of the United Kingdom and its interests.

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.

FINANCIAL REVIEW

Income

During the year, the consolidated income raised from members, volunteers, the general public and investments was £21,646k (2023: £16,234k). This includes legacy income of £3,371k (2023: £1,358k).

Investment income contributed £602k to the Association's overall income (2023: £564k).

Expenditure

In 2024, expenditure was £22,178k, an increase of 25 per cent from £17,698k spent in 2023. This reflects the Trustee's commitment to increase services for our beneficiaries in terms of welfare, activities and services. In 2024, £19,714k (£15,608k in 2023) was spent on charitable activities. 89p of every pound raised was spent on welfare activities.

Investment policy and performance

The Trustees have the power to invest any of the Association's funds not immediately required for the purposes of the charity in accordance with the provisions of the Trustee Act 2000. The Trustee-appointed investment managers, Rathbones Investment Management Limited and Rothschild & Co, are managed by the Council's Finance and Audit Committee, assisted with independent oversight provided by Asset Risk Consultants.

The Association's investments were reviewed at quarterly committee meetings in 2024 and performance reported to Council. The Association's investment portfolio was valued at £21,520k at the close of 2024 (2023: £21,152k).

Trustees agreed a strategy to draw on the Association's investment reserves in a managed way to ensure continued provision of welfare services. In addition, the Association receives the dividend income from some of its investments to support its charitable activities. The charity's Medium Term Financial Plan (a rolling plan looking forward five years) takes both factors into account. A net £766k of capital was withdrawn from investments to support the operation of the charity.

Reserves policy

The reserves policy was reviewed by the Council (Board of Trustees) in November 2024. Trustees have adopted an approach to ensure that the Association holds sufficient reserves to respond to current and future welfare needs quickly and effectively. Reserves planning is a key component of the Association's strategic planning process, the Council regularly review the level of reserves to ensure that funds are available to deliver our welfare services and programmes and to secure the long-term sustainability of the Association. As a result of research which it has undertaken in recent years, the Association is aware of a growing need among all generations and this is likely to grow. Linked to this uncertainty is a trend of cuts in social welfare budgets across the UK and there is evidence of increasing levels of social isolation and loneliness amongst all ages – all of which was considered when reviewing the policy.

The Association adopts a forward-looking strategic risk-based outlook on the needs of the RAF community and consequently does not use short-term measures focusing on a limited number of months' operating costs. The Finance and Audit Committee reviews the Medium-Term Financial Plan at each of its meetings and makes recommendations to the Council on the management of financial risks.

The Association is heavily reliant on voluntary income from fundraising, legacies and donations, which is not guaranteed. The increased cost of living continues to affect voluntary income generation. The Trustees have therefore agreed to aim for a level of unrestricted general free reserves of £13.2m to cover the costs associated with normal operations over a 12-month period to address the risks to our services and programmes to beneficiaries, members and employees. A Medium-Term Financial Plan expects this to be achieved in 2027 following a strategic, planned and actively managed investment of reserves into the welfare provision for beneficiaries.

At the end of December 2024, consolidated unrestricted general reserves totalled £13,334k (2023: £13,304k). In addition, designated reserves are held of £12,264k (2023: £12,151k) which are intended to maintain welfare services, reaching more of the RAF community, and support plans to increase and diversify income in the long-term.

The closing balance of the restricted reserves, funds received for specific activity, increased to £2,189k (2023: £1,619k).

Pensions

The value of the defined benefit pension scheme on 31 December 2024 has been calculated in accordance with FRS102 regulations. The valuation resulted in an increase in value to a surplus of £623k in 2024, against a surplus of £149k at the end of 2023. The Association continued to make payments into the Scheme in 2024 of £100k, as agreed with the pension Trustees. In accordance with FRS 102, the surplus is not included in the balance sheet as it contributes towards an existing unrecognised surplus.

Risk Management

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

The Association does not generally have a high-risk appetite; nevertheless, the Trustees recognise that delivering the ambitious strategic aims and objectives established in its strategic plan will involve a degree of risk-taking and uncertainty. In terms of priorities, Trustees have agreed that the need to avoid safeguarding, reputational, compliance and excessive financial risk will take priority over other factors, recognising that balanced assessments must be made and that some risk must be accepted when introducing change or new ways of working.

The Association's risk management and assurance processes are designed to identify and assess risks such that appropriate risk management and mitigation strategies are implemented, and their effectiveness monitored. Trustees are supported in this by the Council Committees, which each scrutinise relevant operational risks, mitigations and

Risk Management (continued)

performance against linked KPIs at every meeting. These assessments inform the strategic risk report presented to Council each quarterly. Trustees have identified the following as the Association's key risks:

- *Failure to deliver quality and safe services.* Ensuring the safety of those who access our services is fundamental to the work of the Association. The Council is supported in its management of this risk by the Safeguarding Committee. The committee reviews progress against a comprehensive action plan, and a specific safeguarding risk register, quarterly. The Independent Safeguarding Chair provides constructive challenge to the work of the Association. The committee oversees the review and development of the Safeguarding Policy, which is reviewed annually.
- *Long term financial sustainability and short-term cash flow failure.* The Association continues to see a recovery in fundraising, following the impact of both the COVID-19 pandemic and cost-of-living increases. The Council has agreed to a planned use of reserves to support the maintenance and expansion of vital welfare and wellbeing support to the RAF community, while income recovers. This is set out in the Medium-Term Financial Plan which is reviewed quarterly by the Finance and Audit Committee and approved each year by the Council, when considering budgets.
- *Branch and Club governance and compliance failure.* The Council has identified regulatory compliance at branch level as a strategic risk, arising from our decentralised structure where branches are separate charities but operate under a shared name and constitution. Considerable progress has been made by branches in meeting the compliance requirements established under charity law and the Association's own constitution. The Association continues to provide dedicated support from subject matter experts on branch governance and wider regulatory matters such as fundraising, safeguarding and property.
- *Failure to sustain a large and engaged membership.* Membership numbers are monitored and reported to the Council quarterly. Mitigating actions include member recruitment, retention and reengagement activities and work by the charity and branches to engage with members.
- *Loss of operational capability.* Mitigation includes business continuity plans, which are tested regularly, provision to work remotely in the event of disruption to our ability to access key premises or systems, cyber security, and a range of measures to ensure that the charity is able to recruit and retain appropriately qualified and trained employees and volunteers.
- *External threats.* Mitigation plans include collaboration with other charities and organisations, the use of research to inform our ability to anticipate the changing needs of the RAF community, informing the development of policy, developing unique service propositions and the diversification of service provision.
- *Significant change management projects.* The Council recognises the need for change and adaptation of services and ways of working to ensure that services remain relevant to the changing needs of the RAF community we serve. Mitigation plans include the implementation of defined project management methodology and documentation.
- *Information risk.* Data and information are recognised as a strategic asset and protected accordingly. The Association employs professionally-qualified staff who regularly review cyber and data policies and processes. During 2024 it maintained its Cyber Essentials Plus certification.
- *Corporate governance failure and group legislative / regulatory failure.* Mitigation includes regular reviews of policies, Council, Committee and / or subsidiary Board oversight, employment of professionally qualified staff and mandatory training.

The Council is satisfied that all risks are being appropriately addressed.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Air Forces Association, which was established in 1930, was incorporated by Royal Charter in 1953. The Association is a registered charity governed by the Royal Charter, its Rules and Byelaws. The charity is also known as the RAF Association and RAFA. The Association is registered with the Charity Commission and with the Office of the Scottish Charity Regulator. It is also registered with the Fundraising Regulator and Information Commissioner's Office (ICO). The Association is a democratic, non-sectarian non-political organisation with no affiliation to any party or party organisation or trade union. The Association is a member of the Confederation of British Service and Ex-service Organisations (Cobseo).

The Association is an international organisation with over 64,400 members and 213 (at end of 2024) branches in the UK and overseas. It is also the ultimate parent undertaking of five trading subsidiaries (RAFATRAD Limited, Royal Air Forces Association Housing Limited, RAFAKidz Limited, RAFA Kidzone Limited and RAFA Events Limited) and two non-active companies (RAFAKidz Wings Limited and RAFA Wellbeing Limited).

The Board of Trustees (The Council)

The Council is the Association's Board of Trustees and is collectively accountable to the Association's members, beneficiaries and other stakeholders for the long-term success of the Association. Members of the Council are elected or appointed for a three-year term, in accordance with its Rules and Byelaws, after which they are eligible to stand for re-election on a further two occasions; they may not hold office for a continuous period exceeding nine years. The Council is responsible for the Association's compliance with all relevant legislative and regulatory requirements. It is responsible for determining the strategy and values of the Association, approving the annual business plan, supporting strategies and the associated budget, holding the Secretary General (who is responsible for the day-to-day management of the Association's affairs) and Senior Management Team to account for the Association's performance, standards of conduct and corporate governance.

The Council recognises that good governance is fundamental to the success of the charity and is committed to continuous improvement in terms of its own effectiveness, the governance of all group companies and branch governance. The Council has adopted the Charity Governance Code for larger charities and assesses annually how it meets the principles, outcomes and recommended practice. In 2024 it also undertook a review of its own performance. An action plan has been developed to ensure that the opportunities for continued improvement identified are acted upon.

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in Note 9 to the accounts.

When new Trustees are elected or appointed, an induction on the work of the Association and Trustees' roles and responsibilities is provided. The Council, either as a whole or through its sub-committees, also receives ongoing briefings and training from senior management and external advisors in key areas such as risk management, safeguarding, data protection, fundraising, and financial management. Further training and development are provided to meet specific needs and Trustees receive annual (online) refresher training on matters including health and safety, equality and diversity and cyber security.

The Council has appointed designated lead Trustees for Health and Safety (Mr M Watkins), Safeguarding (Air Commodore G A Opie CBE RAF to October 2024; Air Cdre Lee Turner from October 2024), and Whistleblowing (Ms F Barber to October 2024; Mrs S Munday from October 2024).

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

Council Meetings

The powers of the Council are set out in the Royal Charter, Rules, and Byelaws which are supplemented by the Standard Regulations governing the Areas, Branches and Branch Clubs (collectively the 'Governance Handbook'). The Council may exercise all powers conferred on it by the Governance Handbook and in accordance with the Charities Act 2011 and other applicable legislation. The Council usually holds five face-face meetings each year. The Council has also adopted a procedure for making decisions ex-committee. All ex-committee decisions are subject to ratification at the next Council meeting.

Trustee	Total Meetings	Total Attended	Attendance %
Air Marshal Sir Baz North	5	5	100%
Air Vice-Marshal Alastair Reid	5	5	100%
Air Vice-Marshal Mark Neal	5	5	100%
Mrs Sally Munday	5	5	100%
Air Commodore Alan Opie	3	3	100%
Mrs Beryl Dennett Stannard	2	2	100%
Mr David Forsyth	2	2	100%
Ms Fiona Barber	5	5	100%
Air Commodore Lee Turner	2	2	100%
Ms Margaret Greer	5	5	100%
Mr Martin Watkins	5	5	100%
Squadron Leader Micah Apoare	5	3	60%
Warrant Officer Michelle Rees-Martin	5	5	100%
Ms Pauline Bearblock	5	3	60%
Mr Ray Blunden	5	5	100%
Mrs Sheila Bailey	5	5	100%
Flight Lieutenant Simon Arnett RAF	5	5	100%

Committee Structure

Throughout the year the work of the Council was supported by Committees. Each Committee has written terms of reference approved by the Council. The Terms of Reference were each reviewed and approved by Council in 2024. Members of the committees are a combination of Association Trustees and independent members co-opted as determined by the Council. This allows Council to ensure an appropriate balance of skills on each committee. Each committee is supported by the subject matter expert staff.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2024**

Committee Structure (continued)

The Committees in effect in 2024 were as follows:

Committee	Chair	Number of members	Number of meetings
Branch and Membership	AVM M Neal	11	4
Finance and Audit	Mrs S Munday	5	4
Information	AVM M Neal	5	4
Safeguarding	Ms M Jones (to September 2024) Mr K Gibson MBE RN QH (from September 2024)	7	4
Welfare	Ms F Barber	7	4
Annual Conference	Mr A Rees (to October 2024) Mr D Rowlands (from October 2024)	5	4
Remuneration	AVM A Reid	4	1
Nominations	AVM A Reid	3	3

Committees generally meet in advance of Council meetings, with minutes of meetings being provided to the Council, together with any recommendations. Council and its Committees are also supported, from time to time, by Task and Finish Working Groups who are charged with reviewing specific tasks or activities and make recommendations to Council and / or its Committees.

Delegated Authority

The Council has a formal schedule of matters specifically reserved for its approval which cannot be delegated. Other specific matters have been delegated to its Committees and these are clearly defined within the relevant terms of reference. Day-to-day management of the Association is delegated to the Secretary General and his team and the Council reviews its scheme of delegated authority on an annual basis. Notwithstanding any delegation, the Council remains collectively accountable for the work of the Association.

Branches and Areas

Branches are separate organisations from the Association; branch accounts are not consolidated with those of the Association. Branches fundraise on their own behalf and on behalf of the Association (the annual Wings Appeal). The Association provides branches with an annual rebate to support branch membership and welfare activity. Branches share the same object and constitution as the Association though are individual charities in their own right and are required to register as charities in accordance with the relevant local jurisdiction.

Annual Conference

Annual Conference functions as the Association's Annual General Meeting. At Conference 2024, UHY Hacker Young LLP were re-elected as auditors of the Association. The reports by the Chair of Council and the Treasurer were presented, and branches were provided with an opportunity to raise questions with the Officers of the Association and the Secretary General following the presentations.

Following the presentation to Conference in 2024, Conference also considered resolutions proposing changes to the voting system adopted by Conference. These changes were adopted with the 75% majority required to make changes to our Royal Charter and Rules. This historic change will allow all members the right to make their views known by voting at the AGM, for the first time. In February 2025, HM The King approved the proposed changes to the Royal Charter and the Privy Council approved the changes to the Rules of the Association.

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. The law applicable to charities in England and Wales, Scotland and Northern Ireland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the Association and the group, and of the incoming resources and application of resources of the Association and the 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 Statement of Recommended Practice (SORP);
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable 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 Association will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and the group and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, The Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the Royal Charter. 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 Association'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.

The Council has given due regard to the continuing pressure on income streams and have concluded that the positive level of general reserves, a healthy cash and investments balance, the benefit of Government measures and support as well as the continued support of its regular contributors, means the going concern basis remains appropriate for the preparation of these financial statements.

Subsidiaries

RAFATRAD Limited is a wholly owned subsidiary of the Association, which sells commemorative items and memorabilia and undertakes fulfilment activity for the charity. RAFATRAD Limited is a company limited by shares incorporated under Companies Act 2006.

Royal Air Forces Association Housing Limited (RAFA Housing) is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, regulated by the Financial Conduct Authority (FCA). RAFA Housing is a registered provider of social housing regulated by the Regulator of Social Housing (formerly known as the Homes and Communities Agency).

RAFAKidz Limited is a wholly owned subsidiary company limited by shares incorporated under Companies Act 2006. During 2024 it operated pre-school nurseries in accordance with the Early Years Foundation Stage at RAF Boulmer, RAF Brize Norton (two settings), RAF Cosford, RAF Cranwell, RAF Digby, RAF High Wycombe (three settings), RAF Leeming, RAF Odiham, RAF Shawbury and RAF Valley, as well as at the tri-service facilities at MOD Abbey Wood, MOD Boscombe Down and MOD Worthy Down. It also operated wrap-around care at RAF Cranwell, RAF Digby and RAF Leeming.

RAFA Events is a wholly owned subsidiary company, limited by shares under the Companies Act 2006. In 2024 it operated events in support of the Association's fundraising and welfare activities.

RAFAKidz Wings Limited and RAFA Wellbeing Limited are companies limited by shares incorporated under Companies Act 2006. RAFAKidz Wings Limited is a subsidiary of RAFAKidz Limited. None of these three companies traded in 2024.

Remuneration Policy

The Association is committed to recruiting, retaining and developing people with the necessary skills and knowledge to make a positive contribution in helping deliver the organisation's objectives. Making effective decisions in relation to remuneration and reward is considered both central and crucial to the continued success of the Association's overall aims. The Association's Remuneration Policy is based on the following principles:

- Reward employees using processes that are fair, equitable, and transparent.
- Aim to pay competitively against our relevant comparators in the voluntary sector.
- Enhance the organisation's competitive positioning by promoting a total reward approach, recognising that other aspects of the employment package (e.g. benefits and development opportunities as well as the intrinsic moral value of working for a charity) are also valuable to employees.

Remuneration Review and Annual Pay Award

The Council, through the Remuneration Committee composed of three Trustees, sets pay and conditions for all Association employees, including the senior management team, and reviews the Remuneration Policy annually, ensuring that the principles outlined above are adhered to and remain appropriate within the wider economic context. Employee remuneration is reviewed annually in September and any changes are implemented from the following 1 January. Salary benchmarking is undertaken using data from the Office for National Statistics (ONS) and surveys by Croner. The Association has introduced the National Living Wage Foundation on a discretionary basis.

Employees earning over £60,000 per annum are shown at Note 10 of the accounts. Key management personnel are the Secretary General, Deputy Chief Executive and Charity Director. This remuneration policy and review applies to Association employees only. Employees of subsidiary companies are subject to separate arrangements set by the respective Boards of Directors.

Future Outlook

The Association has continued to adapt in response to the challenge of fulfilling emerging and changing welfare needs at a time where fundraising remains a challenge. Trustees have chosen to prioritise sustaining welfare support for those who need it and as such have chosen to draw on reserves where required to ensure that the needs of the RAF community continue to be met. The Council considers that the actions taken, including a continued focus on reducing operating costs whilst sustaining operational output, are appropriate and the charity continues to operate within the parameters agreed by Trustees as part of the Medium-Term Financial Plan.

Carbon Reporting

The Association is committed to reducing the environmental impact of its activities. In 2024 it voluntarily adopted carbon reporting. This incorporates the energy use and emissions for the Association's operational estate, including rented accommodation where the Association is responsible for the utilities.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2024**

Carbon Reporting (continued)

UK Greenhouse Gas emissions and energy use for the period 1 January 2024 to 31 December 2024:

Energy consumption used to calculate (kWh)	2024
Energy consumption breakdown (kWh)	
Electricity	456,985
Gas	1,039,043
Scope 1 emissions in metric tonnes CO2e	
Gas consumption	190
Owned transport – operational fleet (petrol and diesel)	21
Total Scope 1	211
Scope 2 emissions in metric tonnes CO2e	
Purchased Electricity	103
Scope 3 emissions in metric tonnes CO2e	
Business travel in employee-owned vehicles	66
Flights	6
Total Gross emissions in metric tonnes CO2e	386

The Association has followed the HM Government Environmental Reporting Guidelines. We have also used the UK Governments Conversion Factors for Company Reporting.

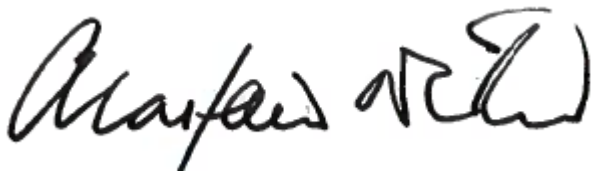
Measures taken to improve energy efficiency.

We are taking steps to move our operational fleet to electric vehicles where appropriate. In 2024, all cars operated by RAFAKidz were switched to electric vehicles. We make extensive use of video conferencing technology to reduce the need for travel, in particular the need for overseas travel, reducing the number of flights taken.

Auditor

In accordance with the Association's rules and byelaws, a resolution proposing that UHY Hacker Young be reappointed as auditor of the Association will be put at a General Meeting.

This report was approved by the Trustees on 21 May 2025 and signed on their behalf by:



Air Vice-Marshal A N C Reid CB

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION FOR THE YEAR ENDED 31 DECEMBER 2024

Opinion

We have audited the financial statements of the Royal Air Forces Association (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the group and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements 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 group's and parent charity's affairs as at 31 December 2024 and of the group's and parent charity's incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 151 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

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 parent charity 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 group's or parent charity's ability to continue as a going concern for a period 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 annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, 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 TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION FOR THE YEAR ENDED 31 DECEMBER 2024

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper and sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out on page 15 the Trustees 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 and parent charity'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 parent charity 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charity and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the charity, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2011, the parent charity's governing document and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to legacy income recognition, fund accounting, valuation of investments and valuation of investment properties.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Care Act 2014. We performed audit procedures to inquire of management (and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with regulatory authorities).

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION FOR THE YEAR ENDED 31 DECEMBER 2024

Audit procedures performed by the engagement team included:

- reviewing the systems, controls and procedures of the charity relevant to the preparation of the financial statements to ensure these were in place throughout the year;
- evaluating management's controls designed to prevent and detect irregularities;
- review of the financial statement disclosures to underlying supporting documentation;
- review of correspondence with and reports to the regulators, including correspondence with OFSTED;
- enquiries of management in so far as they related to the financial statements;
- testing of journals in particular journal entries posted by unusual users, postings with unusual descriptions, postings with unusual dates and postings with unusual and material amounts;
- evaluating whether there was evidence of bias by the Trustees that represented a risk of material misstatement due to fraud;
- challenging assumptions and judgements made by management in their critical accounting estimates;
- reviewing the legacy income documentation to ensure that the legacy income is being recognised in line with the applicable financial reporting standards; and
- review the reasonableness and supporting documentation of the property valuations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's Trustees 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 charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Chris McKain

Chris McKain

Senior Statutory Auditor

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

21 MAY 2025

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2024 £'000	Total 2023 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	5,154	852	6,006	3,672
Donations – assets gifted from branches	28	875	-	875	1,688
Charitable Activities:	6	694	1,516	2,210	2,670
Other Trading Activities:					
Trading income		10,976	-	10,976	5,883
Lotto and other fundraising income		969	-	969	1,754
Investment Income and Interest	5	602	-	602	564
Net interest on Defined Benefit Pension	11	8	-	8	-
Total Income		19,278	2,368	21,646	16,231
EXPENDITURE:					
Cost of Raising Funds		2,450	-	2,450	2,075
Charitable Activities:					
Residential & Respite Care Home		1,306	111	1,417	1,341
Friendship & Welfare Support		15,130	1,549	16,679	12,673
Other Support Costs		1,486	132	1,618	1,594
Other Expenditure:					
Interest Paid on Branch Deposits		14	-	14	15
Net interest on Defined Benefit Pension	11	-	-	-	(3)
Total Expenditure	7	20,386	1,792	22,178	17,695

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)
(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2024 £'000	Total 2023 £'000
Net (expenditure)/income		(1,108)	576	(532)	(1,464)
Net gains on investment assets	14(b)	1,272	11	1,283	1,187
Net income/(expenditure)		164	587	751	(277)
Other recognised losses:					
Actuarial losses on defined benefit pension scheme	11	(38)	-	(38)	(36)
Net movement in funds		126	587	713	(313)
Reconciliation of Funds					
Total Funds Brought Forward		25,455	1,619	27,074	27,387
Transfer between funds		17	(17)	-	-
Total Funds Carried Forward		25,598	2,189	27,787	27,074

All income and expenditure derive from continuing activities.

The group Statement of Financial Activities includes all gains and losses recognised in the year.

**THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2024 £'000	Total 2023 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	5,356	610	5,966	3,445
Donations – assets gifted from branches	28	875	-	875	1,688
Charitable Activities:	6	956	1,516	2,472	2,737
Other Trading Activities:					
Lotto and other fundraising income		969	-	969	1,754
Investment Income and Interest	5	610	-	610	564
Net Interest on Defined Benefit Pension	11	8	-	8	-
Total Income		8,774	2,126	10,900	10,188
EXPENDITURE					
Cost of Raising Funds		1,083	-	1,083	991
Charitable Activities:					
Residential & Respite Care Home		1,125	111	1,236	1,171
Friendship & Welfare Support		6,255	1,389	7,644	7,932
Other Support Costs		1,730	132	1,862	1,847
Other Expenditure:					
Interest Paid on Branch Deposits		14	-	14	15
Net Interest on Defined Benefit Pension	11	-	-	-	(3)
Total Expenditure	7	10,207	1,632	11,839	11,953

**THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2024 £'000	Total 2023 £'000
Net (expenditure)/income		(1,433)	494	(939)	(1,765)
Net gains/(losses) on investment assets	14(b)	1,252	-	1,252	1,157
Net (expenditure)/income		(181)	494	313	(608)
Other recognised losses:					
Actuarial losses on defined benefit pension scheme	11	(38)	-	(38)	(36)
Net movement in funds		(219)	494	275	(644)
Reconciliation of Funds					
Total Funds Brought Forward		25,023	1,404	26,427	27,071
Transfer between funds		17	(17)	-	-
Total Funds Carried Forward		24,821	1,881	26,702	26,427

All income and expenditure derive from continuing activities.

The Association Statement of Financial Activities includes all gains and losses recognised in the year.

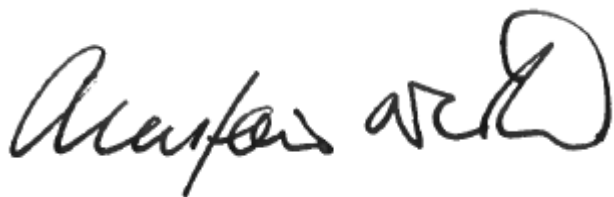
**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS
AT 31 DECEMBER 2024**

	Notes	Group		Association	
		2024 £'000	2023 £'000	2024 £'000	2023 £'000
Fixed assets:					
Intangible assets	12	349	689	330	680
Tangible assets:					
Properties	13	4,534	4,690	4,121	4,240
Equipment and furniture	13	668	501	255	287
		5,551	5,880	4,706	5,207
Investments:					
Investments	14	21,520	21,152	21,112	20,776
Programme related investments - loan to branches		120	124	120	124
Total fixed assets		27,191	27,156	25,938	26,107
Current assets:					
Assets held for resale	15	875	440	875	440
Stocks		486	449	-	-
Debtors	16	909	667	1,491	1,413
Cash at bank and in hand		3,237	2,951	2,211	2,262
Total current assets		5,507	4,507	4,577	4,115
Current liabilities:					
Creditors: amounts falling due within one year	17	(4,601)	(4,324)	(3,813)	(3,795)
Net current (liabilities)/assets		906	183	764	320
Total assets less current liabilities		28,097	27,339	26,702	26,427
Creditors: amounts falling due after more than one year	18	(310)	(265)	-	-
Net assets including pension scheme liability		27,787	27,074	26,702	26,427

**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (CONTINUED)
AT 31 DECEMBER 2024**

	Notes	Group		Association	
		2024 £'000	2023 £'000	2024 £'000	2023 £'000
Funds:					
Restricted funds	20	2,189	1,619	1,881	1,404
Unrestricted funds:					
Designated funds	21	12,264	12,151	12,225	12,113
General funds		13,334	13,304	12,596	12,910
Total funds		27,787	27,074	26,702	26,427

The financial statements on pages 19 to 57 were approved and authorised for issue by the Trustees on 21 May 2025 and signed on their behalf by:



Air Vice-Marshal A N C Reid CB

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION STATEMENTS OF CASHFLOWS
AT 31 DECEMBER 2024

	Notes	Group		Association	
		2024 £'000	2023 £'000	2024 £'000	2023 £'000
Cash out flows from operating activities	23	(1,242)	(1,550)	(1,875)	(2,026)
Cash flows from investing activities					
Investment income		602	564	610	564
Interest payable		(14)	(15)	(14)	(15)
Payments to acquire intangible fixed assets		-	(3)	-	(3)
Payments to acquire tangible fixed assets		(384)	(183)	(88)	(64)
Assets for resale		450	440	450	440
Investment Property		124	400	124	400
Payments to acquire investments		(54)	(622)	(54)	(472)
Receipts from disposals of investments		900	1,335	900	1,335
Net cash provided by investing activities		1,624	366	1,928	159
Cash flows from financing activities					
(Decrease)/increase in loans to branches		(1)	1	(9)	1
Decrease in deposits by branches		(95)	(146)	(95)	(146)
Net cash from financing activities		(96)	(145)	(104)	(145)
Change in cash and cash equivalents in the year		286	221	(51)	14
Cash and cash equivalents at the beginning of the year	24	2,951	2,730	2,262	2,248
Cash and cash equivalents at the end of the year	24	3,237	2,951	2,211	2,262

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2024**

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.

Accounting Estimates

The Charity makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined benefit pension assumptions. The discount rate and inflation rate and the decision not to recognise the gain in excess of the reversing liability are considered to be key estimates in calculating the defined benefit liability and sensitivities have been disclosed within Note 11.

Investment properties are valued at their fair value based on an open market value for existing use of the properties. The valuations are made by a qualified Chartered Surveyor, using a variety of assumptions to determine the valuation of the investment's properties taking account of the fact that the properties are tenanted under lease and providing an income stream rather than being immediately available to occupy. Any changes in these assumptions would impact on the carrying value of these investment properties. Where there is a leasehold agreement in place or planned, then this will form the basis of the valuation, otherwise the open market value may be appropriate.

Critical area of judgement

The Trustees believe there is no critical area of judgment.

2. PRINCIPAL ACCOUNTING POLICIES

General information

The Royal Air Forces Association is incorporated by Royal Charter and is a registered charity at the Charity Commission in England and Wales (charity number 226686) and at the Scottish Charity Regulator (OSCR) in Scotland (charity number SC037673).

The address of the charity's registered office and principal place of business is Atlas House, Wembley Road, Leicester, LE3 1UT. The group consists of the Association and its subsidiaries as set out in Note 4. The nature of the group's operations is set out in the Trustees' Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and to include investment properties at fair value, 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, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102), the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

Basis of preparation (continued)

The financial statements of the Association comprise the funds of the Association but not the branches which are separate registered charities and do not share common Trustees with the Association.

The Royal Air Forces Association meets the definition of a public benefit entity under FRS 102 and have therefore applied the relevant public benefit requirements of FRS 102.

Monetary amounts in the financial statements are rounded to the nearest £1,000. Prior year figures are presented to accommodate historical rounding movements carried forward. The financial statements are presented in sterling which is also the functional currency of the Association.

Going Concern

As set out in the Trustees report, Council has given due regard to the increased pressure on income streams and have concluded that the positive general reserves, healthy cash and investment balances, grant opportunities and continued support of its regular contributors, means that the going concern basis remains appropriate for the preparation of these financial statements.

Based on the Association's forecasts, Council has adopted a going concern basis in preparing the Financial Statements. The Trustees have made this assessment after consideration of the Associations' cash flows and related assumptions and in accordance with the guidance published by UK Financial Reporting Council.

Consolidation

The group Statement of Financial Activities and group Balance Sheet consolidate the financial statements of the Association and its subsidiaries. The results of the subsidiaries are consolidated on a line-by-line basis. Intra group transactions, balances and unrealised gains are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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 Association 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 Association for particular purposes. Expenditure is charged to the Statement of Financial Activities when incurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income

All income is included in the Statement of Financial Activities (SOFA) when the Association 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 and subscriptions is included when receivable. Legacies are accounted for as soon as entitlement, probability and a monetary value can be reliably determined. The sums due under the contract from the MoD is included as income in the period it is earned.

Fundraising income is included in income in the period in which the Association becomes entitled to receipt. Trading income is recognised as earned.

Investment income is included when receivable.

Operating lease income is included income in the period in which the Association becomes entitled to receipt.

Income from charitable activities is included in income in the period in which the Association 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 Association 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.

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

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

Support costs, which include the secretariat, finance, information technology and human resources, have been allocated to cost of raising funds and charitable activities on the most appropriate basis. Secretariat and finance costs have been allocated on the basis of time spent. Information technology costs have been allocated on the basis of equipment usage. Human Resource costs have been allocated on the basis of staff numbers.

Grants

Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant or when the Trustees have agreed to pay the grant without condition.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets

Intangible assets are initially recorded at cost and subsequently measured at cost net of accumulated amortisation and any impairment loss. Amortisation is provided for on all intangible assets at rates calculated to write off the cost of each asset less its residual value evenly over its expected useful economic lives as follows:

- | | |
|---------------------------------|--------------|
| - Computer software and Website | over 5 years |
|---------------------------------|--------------|

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

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

Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently measured at cost or valuation net of depreciation and any impairment loss. The Association and each subsidiary will capitalise items over the value of £500. 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:

- | | |
|----------------------------------|---------------------------------------|
| - Freehold properties | 2% on cost |
| - Short leasehold properties | over the terms of the leases |
| - Computer equipment* | 25% on cost |
| - Other equipment and furniture* | between 15% and 25% on net book value |
| - Motor vehicles* | 25% on net book value/over 15 years |

*These fixed asset classes have been combined in Note 13

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.

Revaluation of Properties

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in Other Gains and Losses in the Statement of Financial Activities.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investments

Long term investments are classified as fixed assets. Short-term investments are classified as current assets.

Listed investments are stated at fair value at the balance sheet date. Unlisted investments are stated at cost less impairment at the balance sheet date. Both realised and unrealised gains and losses are shown in the Statement of Financial Activities. The fair value of the investments quoted on a recognised stock exchange is the quoted bid price.

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value in gains / losses in Investment Assets are recognised in the Statement of Financial Activities.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. A provision is made for obsolete and slow-moving items.

Financial instruments

The group 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.

Pension costs

The Association operates a defined benefit pension scheme that closed to new entrants in December 2000 and to future accrual on 31 December 2012.

Contributions are paid to the scheme in accordance with the recommendations of the scheme actuary.

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Financial Activities. The interest costs and the interest on assets are shown as a net amount of income or expenditure as appropriate. Other adjustments are included within employee costs.

As detailed in Note 11, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high-quality corporate bond of equivalent currency and term of the scheme liabilities. Full updated actuarial valuations are obtained triennially and are reviewed in the following two years at each balance sheet date. The defined benefit pension scheme asset or liability is presented separately after other net assets on the face of the balance sheet.

The assets relating to the pension scheme are held separately from those of the Association in separate Trustee administered funds.

The Association also contributes to individual employees' personal stakeholder pension arrangements, where employees are not members of the defined benefit scheme. Contributions payable are charged to the Statement Of Financial Activities as they become payable. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

Operating lease agreements

Rentals under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Volunteers

No amounts are included in the financial statements to reflect the value of work undertaken by volunteers.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

Group	Unrestricted Funds £'000	Restricted Funds £'000	Total 2024 £'000	Total 2023 £'000
Donations				
Armed Forces Covenant Fund Trust	74	242	316	300
Others	1,343	-	1,343	1,012
Legacies	2,761	610	3,371	1,358
Subscriptions	976	-	976	1,002
	<u>5,154</u>	<u>852</u>	<u>6,006</u>	<u>3,672</u>
Association	Unrestricted Funds £'000	Restricted Funds £'000	Total 2024 £'000	Total 2023 £'000
Donations				
Armed Forces Covenant Fund Trust	49	-	49	46
Others	1,570	-	1,570	1,039
Legacies	2,761	610	3,371	1,358
Subscriptions	976	-	976	1,002
	<u>5,356</u>	<u>610</u>	<u>5,966</u>	<u>3,445</u>

4. SUBSIDIARIES

During the year, the Association owned the whole of the share capital of RAFATRAD Limited, RAFA Housing Limited, RAFA Events Limited, RAFAKidz Limited and RAFA Wellbeing Limited.

The activity of RAFATRAD Limited (Company No. 03455255) is the sale of commemorative items and memorabilia and the provision of fundraising, membership and marketing products to the Association and its branches.

The activity of RAFA Housing Limited (Registered number IP17723R) is that of the provision of independent housing for retired members of the RAF family based in Storrington, West Sussex.

The activity of RAFA Events Limited (Company No. 11927089) is to hold events for the purpose of raising funds and the profile of the Royal Air Forces Association.

RAFA Wellbeing Limited has not traded for the year ended 31 December 2024 and has been dormant since incorporation.

The activity of RAFAKidz Limited (company number 11927027) is that of operating nurseries and out of school clubs, for the development and education of children.

RAFAKidz Limited owns RAFA Kidzone Limited (company number and 08418367 and charity registration number 1154822) which is an incorporated charity registered in England and Wales. The activity of RAFA Kidzone Limited is to enhance the development and education of children by funding inclusive and appropriate play and learning facilities. This is achieved by holding and investing funds for the benefit of children attending the nursery settings at specific RAF and MOD Stations.

RAFAKidz Limited owns RAFAKidz Wings Limited (company number 12372814), which is currently dormant.

The Trustees of the Association have agreed not to collect the amounts due until such time the subsidiary can pay.

The registered office of all subsidiaries is Atlas House, Wembley Road, Leicester LE3 1UT.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

4. SUBSIDIARIES (CONTINUED)

During the year RAFATRAD Limited charged the group £271k (2023: £286k) in respect of RAF Association branded goods. Also, during the year, the Association charged RAFATRAD Limited £51k (2023: £31k) in respect of premises recharges, RAF Association branded goods and accountant costs.

During the year the Association charged RAFA Housing Limited £31k (2023: £36k). A donation of profits of £45k was also made (2023: £Nil). At the year end the Association owed £33k (2023: £43k) to RAFA Housing Limited.

During the year, there have been recharges between the Association and RAFAKidz Limited for support provided, the net movement amounted to £210k (2023: £6k).

5. INVESTMENT INCOME AND INTEREST

Group and Association	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
UK listed investments	458	417	458	417
Branch and other loans	1	1	9	1
Properties	143	146	143	146
	602	564	610	564

6. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2024	2023
	£'000	£'000	£'000	£'000
Group				
Accommodation fees	600	-	600	456
Grants and fundraising income	94	1,516	1,610	2,214
	694	1,516	2,210	2,670
Association				
Accommodation fees	600	-	600	456
Grants and fundraising income	356	1,516	1,872	2,281
	956	1,516	2,472	2,737

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

7. TOTAL EXPENDITURE

Group

	Employee and related costs	Depreciation and amortisation	Other costs	Total 2024	Total 2023
	£'000	£'000	£'000	£'000	£'000
Costs of raising funds:					
Direct costs	1,112	-	1,338	2,450	2,075
Charity's charitable activities					
Direct costs	10,329	-	5,126	15,455	11,351
Allocated support costs	2,180	741	1,338	4,259	4,257
Other expenditure					
Interest Paid on Branch Deposits	-	-	14	14	15
Net Interest on Defined Benefit Pension	-	-	-	-	(3)
	<u>13,621</u>	<u>741</u>	<u>7,816</u>	<u>22,178</u>	<u>17,695</u>

	2024	2023
	£'000	£'000
Allocated support costs:		
Other site costs	76	63
Advertising and promotions	143	89
Printing and stationery	179	151
Telephone	48	59
Insurance	134	130
Repairs and maintenance	38	36
Depreciation and amortisation	741	570
Management fee	177	619
Other expenditure	16	21
Other equipment	2,180	2,085
Staff costs	527	434
	<u>4,259</u>	<u>4,257</u>

Included within total expenditure are payments under operating leases as follows:

- Land and buildings payments of £13k (2023: £16k)
- Equipment payments of £58k (2023: £18k)

The costs of raising funds includes Wings Appeal rebates allocated to branches totalling £75k (2023: £83k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

7. TOTAL EXPENDITURE (CONTINUED)

Support costs include £100k (2023: £100k) in respect of additional payments into the defined benefit pension scheme.

Expenditure includes a loss on disposal of intangible assets £10k (2023: gain on tangible assets of £33k).

Total expenditure includes auditors' remuneration of £43k (2023: £32k), with additional fees of £6k (2023: £10k) for non-audit work.

Association

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2024 £'000	Total 2023 £'000
Costs of raising funds:					
Direct costs	794	-	289	1,083	991
Charity's charitable activities					
Direct costs	2,914	-	3,416	6,330	6,739
Allocated support costs	2,180	634	1,598	4,412	4,211
Other expenditure					
Interest Paid on Branch Deposits	-	-	14	14	15
Net Interest on Defined Benefit Pension	-	-	-	-	(3)
	5,888	634	5,317	11,839	11,953

	2024 £'000	2023 £'000
Allocated support costs:		
Other site costs	76	63
Advertising and promotions	143	89
Printing and stationery	179	151
Telephone	48	59
Insurance	134	130
Repairs and maintenance	38	36
Depreciation and amortisation	634	523
Other expenditure	437	619
Other equipment	16	21
Staff costs	2,180	2,086
Governance costs	527	434
	4,412	4,211

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

8. GRANTS PAYABLE

Group and Association	2024	2023
	£'000	£'000
Welfare grants to individuals	77	84
Association property grants to branches	29	56
	106	140

9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2023: £nil). Trustees' expenses of £21k (2023: £18k) were reimbursed for directly incurred travel, accommodation and subsistence expenses to 8 Trustees (2023: 8 Trustees).

10. STAFF COSTS

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Wages and salaries	12,240	8,441	5,220	4,646
Social security costs	1,048	716	540	444
Employer contributions to defined contributions schemes	420	320	241	228
	13,708	9,477	6,001	5,318

The average number of employees throughout the year, analysed by location was:

	Group		Association	
	2024	2023	2024	2023
	Number	Number	Number	Number
Welfare	66	60	66	60
Membership	8	12	8	12
Headquarters	68	69	68	69
Governance	6	6	6	6
Families Federation Service	17	16	17	16
Merchandise	13	14	-	-
Social Housing	1	1	-	-
Childcare	394	217	-	-
	573	395	165	163

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

10. STAFF COSTS (CONTINUED)

The number of employees whose emoluments for the year fell within the following bands was:

Group and Association	2024	2023
	Number	Number
£60,001 to £70,000	3	3
£70,001 to £80,000	1	2
£80,001 to £90,000	1	-
£90,001 to £100,000	4	4
£100,001 to £110,000	1	1
	<u>10</u>	<u>10</u>

10 employees (2023: 10) earning more than £60k participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £149k (2023: £125k).

The total employee benefits of the key management personnel of the Association were £405k (2023: £391k), which includes salary, employers' national insurance contribution, employers' pension contribution and all allowances.

11. PENSION SCHEMES (Group and Association)

The Association operates a defined benefit pension scheme, which closed to new entrants in December 2000 and to future accrual on 31 December 2012. The assets of the scheme are held separately from those of the Association in an independently administered fund. Contributions are based upon the recommendations of a qualified actuary.

The most recent actuarial valuation of the scheme was carried out as at 1 January 2024 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £12,472k which represents 99 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

The major assumptions used by the actuary were:

	2024	2023
Rate of increase of pensions in payment	3.0%	2.9%
Discount rate	5.3%	4.5%
Inflation assumption (RPI)	3.2%	3.1%

The mortality assumptions used in the valuation of the pension liabilities were based on S4PA (2023: S3PA) and

	2024	2023
	Years	Years
Retiring today (currently aged 65):		
Males	86.1	86.3
Females	88.4	88.6
Retiring in 20 years (currently aged 45):		
Males	87.0	87.2
Females	89.2	89.4

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

11. PENSION SCHEMES (CONTINUED)

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme on 31 December 2024 were:

	2024	2023
	£'000	£'000
Bonds	2,330	1,192
Equities	1,350	2,555
Insurance contracts	3,265	3,662
Diversified funds	2,123	2,458
LDI funds	2,284	2,227
Net current assets	185	73
Total assets	<u>11,537</u>	<u>12,167</u>
Net of interest and costs	(62)	(64)
Employers' contributions	100	100
Actuarial gain / (losses) on defined benefit pension scheme	<u>(38)</u>	<u>(36)</u>
Balance sheet movement during year	<u>-</u>	<u>-</u>
	2024	2023
	£'000	£'000
Fair value of scheme assets	11,537	12,167
Present value of scheme liabilities	(10,914)	(12,018)
Surplus in the scheme	<u>623</u>	<u>149</u>
Restriction on recognition of scheme surplus	<u>(623)</u>	<u>(149)</u>
Total liability recognised	<u>-</u>	<u>-</u>

Under FRS 102, a pension scheme asset should only be recognised to the extent that the Association is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Given that this is unlikely, especially given current market volatility, the pension fund actuarial net surplus of £623k has not been recognised in the accounts (2023: £149K).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

11. PENSION SCHEMES (CONTINUED)

In accordance with FRS102, provision has been made by the Association for the deficit of the scheme. This is reflected in the financial statements as follows:

Analysis of the amounts charged to Statement of Financial Activities

	2024	2023
	£'000	£'000
Expenses paid by the scheme	70	67

Analysis of financial element of pensions cost

	2024	2023
	£'000	£'000
Interest on assets	532	554
Interest on pension scheme liabilities	(524)	(551)
Net income	8	3

Analysis of the actuarial gain / (loss) on defined benefit pension scheme

	2024	2023
	£'000	£'000
(Loss)/Gain on asset return	(457)	194
Experience gain/(loss) on liabilities	19	(220)
Changes in assumptions underlying the present value of the scheme liabilities	874	106
Actuarial gain	436	80

Changes in the present value of defined benefit obligations

	2024	2023
	£'000	£'000
Opening defined benefit obligation	12,018	12,112
Interest cost	524	551
Actuarial experience gain/(loss) on liabilities	(19)	220
Actuarial gain on changes in assumptions	(874)	(106)
Benefits paid	(735)	(759)
Closing defined benefit obligation	10,914	12,018

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

11. PENSION SCHEMES (CONTINUED)

Changes in the fair value of plan assets	2024	2023
	£'000	£'000
Opening plan assets	12,167	12,145
Interest on assets	532	554
Gain/(loss) on asset return	(457)	194
Contributions by employer	100	100
Benefits paid	(735)	(759)
Expenses paid by the scheme	(70)	(67)
Closing defined benefit obligation	<u>11,537</u>	<u>12,167</u>

The actual return on plan assets was favourable: £75k (2023: £748k).

The Association expects to contribute to its defined benefit pension plans in the year ended 31 December 2025.

The Association also contributes to a Workplace Pension Scheme at a rate of 4% of each member's gross salary, or 5% for those staff who participate in the salary sacrifice scheme. The pension cost for the year for the group is £420k (2023: £320k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

12. INTANGIBLE FIXED ASSETS

Group	Computer software £'000	Total £'000
Cost or valuation:		
As at 1 January 2024	1,897	1,897
Transfer from tangible assets	29	29
Disposals	(55)	(55)
As at 31 December 2024	<u>1,868</u>	<u>1,868</u>
Amortisation:		
As at 1 January 2024	1,208	1,208
Transfer from tangibles	9	9
Charge for year	343	343
Eliminated in respect of disposals	(41)	(41)
As at 31 December 2024	<u>1,519</u>	<u>1,519</u>
Net book Value:		
As at 31 December 2024	<u>349</u>	<u>349</u>
As at 31 December 2023	<u>689</u>	<u>689</u>
	Computer software £'000	Total £'000
Association		
Cost or valuation:		
As at 1 January 2024	1,885	1,885
Disposals	(55)	(55)
As at 31 December 2024	<u>1,830</u>	<u>1,830</u>
Amortisation:		
As at 1 January 2024	1,205	1,205
Charge for year	336	336
Elimination in respect of disposals	(41)	(41)
As at 31 December 2024	<u>1,500</u>	<u>1,500</u>
Net book Value:		
As at 31 December 2024	<u>330</u>	<u>330</u>
As at 31 December 2023	<u>680</u>	<u>680</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

13. TANGIBLE FIXED ASSETS

Group	Notes	Properties		Equipment and Furniture £'000	Total £'000
		Freehold £'000	Short Leasehold £'000		
Cost or valuation:					
At 1 January 2024		6,663	55	1,937	8,655
Transfer between assets		(55)	-	55	-
Additions		45	-	338	383
Asset Revaluation		-	-	6	6
Disposals		-	-	(211)	(211)
Transfer to intangible assets		-	-	(17)	(17)
At 31 December 2024		<u>6,653</u>	<u>55</u>	<u>2,108</u>	<u>8,816</u>
Depreciation:					
At 1 January 2024		1,973	26	1,465	3,464
Transfer between assets		14	-	(14)	-
Charge for year		132	2	263	397
Depreciation on disposal		-	-	(54)	(54)
Elimination in respect of disposals		-	-	(184)	(184)
Transfer between assets		-	-	(9)	(9)
At 31 December 2024		<u>2,119</u>	<u>28</u>	<u>1,467</u>	<u>3,614</u>
Net book Value:					
At 31 December 2024		<u>4,534</u>	<u>27</u>	<u>641</u>	<u>5,202</u>
At 31 December 2023		<u>4,690</u>	<u>29</u>	<u>472</u>	<u>5,191</u>
Association					
		Freehold £'000	Short Leasehold £'000	Equipment and Furniture £'000	Total £'000
Cost or valuation:					
At 1 January 2024		5,947	55	1,411	7,413
Additions		-	-	88	88
Revaluation of asset		-	-	6	6
Disposals		-	-	(2)	(2)
At 31 December 2024		<u>5,947</u>	<u>55</u>	<u>1,503</u>	<u>7,505</u>
Depreciation:					
At 1 January 2024		1,736	26	1,124	2,886
Charge for year		118	1	178	297
Elimination in respect of disposals		-	-	(54)	(54)
At 31 December 2024		<u>1,854</u>	<u>27</u>	<u>1,248</u>	<u>3,129</u>
Net book Value:					
At 31 December 2024		<u>4,093</u>	<u>28</u>	<u>255</u>	<u>4,376</u>
At 31 December 2023		<u>4,211</u>	<u>29</u>	<u>287</u>	<u>4,527</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

14. INVESTMENTS

Group	Fair Value		Historical Cost	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
a) Fixed assets				
Listed investments	18,199	17,761	11,365	13,326
Investment properties	3,321	3,391	959	959
Restated historic cost for properties	-	-	2,206	-
	<u>21,520</u>	<u>21,152</u>	<u>14,530</u>	<u>14,285</u>

Association	Fair Value		Historical Cost	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
a) Fixed assets				
Listed investments	17,791	17,385	11,015	12,976
Investment properties	3,321	3,391	959	959
Restated historic cost for properties	-	-	2,206	-
	<u>21,112</u>	<u>20,776</u>	<u>14,180</u>	<u>13,935</u>

The investment properties were revalued in 2023 on the basis of an open market value of the long leasehold interests in the property, subject to a tenancy agreement being in place, otherwise market value. The Trustees believe the valuation is still appropriate.

Movements on fair value during the year - Group

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2024	17,761	3,391	21,152
Additions	54	-	54
Disposals	(750)	(70)	(820)
Net investment gains	1,134	-	1,134
31 December 2024	<u>18,199</u>	<u>3,321</u>	<u>21,520</u>

Movements on fair value during the year - Association

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2024	17,385	3,391	20,776
Additions	54	-	54
Disposals	(750)	(70)	(820)
Net investment gains	1,102	-	1,102
31 December 2024	<u>17,791</u>	<u>3,321</u>	<u>21,112</u>

The net investment gains reflect the revaluation of investments at the year end.

No one investment represents more than 5 per cent of the portfolio by market value.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

14. INVESTMENTS (CONTINUED)

The Association holds investments of £106 (2023: £106) representing the entire ordinary share capital of its subsidiary companies which are eliminated on the group consolidation, details of the subsidiary companies are given in Note 4 of the accounts.

Overseas investments

	Branch Deposit		Total £'000
	General & Branch Deposit Fund £'000	Formby Branch Fund £'000	
2024			
North America	2,198	205	2,403
European	354	16	370
Asia Pacific	492	40	532
Emerging market	84	-	84
Global	3,625	224	3,849
	6,753	485	7,238
2023			
North America	1,925	133	2,058
European	336	15	351
Asia Pacific	452	37	489
Emerging market	75	-	75
Global	3,141	193	3,334
	5,929	378	6,307

b) Net gains on investment assets - Group

Group	2024 £'000	2023 £'000
Net gains on listed investments	1,134	249
Net gain on disposal of listed investments	150	760
Net gains on investment assets	-	144
Net gains on current asset investments	-	34
	1,284	1,187

b) Net gains on investment assets - Association

Association	2024 £'000	2023 £'000
Net gains on listed investments	1,102	219
Net gain on disposal of listed investments	150	760
Net gains on investment assets	-	144
Net gains on current asset investments	-	34
	1,252	1,157

The Revaluation Reserve of £6,990k (2023: £7,901k) included within the unrestricted funds within the balance sheet of both the group and Association, arises on the year end fair value of investments held at fair value, less their historical costs.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

15. ASSETS HELD FOR RESALE

Group and Association	2024	2023
	£'000	£'000
Freehold properties	875	440

This property was sold on 10 March 2025 for £875,064

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Trade debtors	166	78	41	7
Amounts due from subsidiaries	-	-	1,096	1,006
Prepayments and accrued income	465	480	346	388
Other debtors	278	109	8	12
	<u>909</u>	<u>667</u>	<u>1,491</u>	<u>1,413</u>

Within the Association, amounts due from subsidiaries includes £100,000 (2023: £100,000) which is due after more than one year.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Taxation and social security costs	414	183	293	119
Other creditors	501	596	270	564
Accruals and Deferred income	1,215	1,055	720	580
Deposits by branches	1,389	1,484	1,389	1,484
Formby Branch	1,082	1,006	1,082	1,005
Amounts owed to subsidiaries	-	-	59	43
	<u>4,601</u>	<u>4,324</u>	<u>3,813</u>	<u>3,795</u>

	Group	Association
	£'000	£'000
Movement in deferred income:		
2024 opening balance	443	250
Release during the year	(309)	(226)
2024 donations, fulfilment income and grants in advance	673	328
	<u>807</u>	<u>352</u>

The group and Association deferred income comprises membership subscription income, Government funding, donations and fulfilment income received in advance.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

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

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Deferred income – capital grant	310	265	-	-
	<u>310</u>	<u>265</u>	<u>-</u>	<u>-</u>

19. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are set out below:

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Equipment:				
Due within one year	18	18	10	14
Due between two and five years	38	23	7	15
Land and buildings:				
Due within one year	13	16	2	6
Due between two and five years	18	34	-	8
Vehicles:				
Due within one year	68	35	18	14
Due between two and five years	141	51	10	-
	<u>296</u>	<u>177</u>	<u>47</u>	<u>57</u>

The total future minimum lease receipts under non-cancellable operating leases are set out below:

Group and Association

Land and buildings

	2024	2023
	£'000	£'000
Due within one year	126	136
Due between two and five years	298	423
Due over 5 years	747	401
	<u>1,171</u>	<u>960</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

20. RESTRICTED FUNDS

Association	1 January	Income	Expenditure	Transfers	31 December
	2024				2024
	£'000	£'000	£'000	£'000	£'000
Befriending	79	7	(32)	-	54
Brighten Your day	7	-	(6)	-	1
Conway Legacy	296	-	(1)	-	295
Dowding Restricted Fund	24	4	-	-	28
Eastern Chalet Area	100	-	(7)	-	93
Finding it Tough	58	96	(18)	-	136
Flowerdown House	113	-	-	(113)	-
Flying Scholarship	10	-	(7)	-	3
Homes Refurbishment	146	-	-	-	146
Residential Properties & Activities	-	414	-	124	538
Military Coworking	36	-	(32)	-	4
Operation RAF Unite	30	115	(145)	-	-
Partner Employment Programme	39	-	(5)	-	34
Positive Pathway programme	17	49	(9)	(17)	40
RAF Benevolent Fund Grants	150	1,169	(1,207)	-	112
Navigating Dementia	33	57	(5)	-	85
Care and Welfare	131	141	(56)	-	216
Rothbury Restricted	21	12	(33)	-	-
Scottish Development Fund	22	-	-	-	22
Storybook Wings & Doodle packs	25	-	(17)	-	8
Volunteer Welfare Officers	12	-	-	-	12
Wexford	6	-	(6)	-	-
Women's Wellbeing Fund	-	17	-	-	17
Other Restricted Funds	49	45	(46)	(11)	37
	1,404	2,126	(1,632)	(17)	1,881
Group					
Boulmer Nursery Fund	-	17	-	-	17
Brize Norton Nursery Fund	48	89	(36)	-	101
Digby Nursery Fund	99	4	-	-	103
Leeming Nursery Fund	68	37	(18)	-	87
Other Nursery Funds	-	106	(106)	-	-
	1,619	2,379	(1,792)	(17)	2,189

The purpose of each fund is as stated above except for the Care and Welfare Fund, which represents an aggregation of each Areas Care Funds, which have the common purpose of contributing towards welfare for eligible individuals.

The Conway Legacy represents a fund for welfare provision in Ireland.

The Finding it Tough Fund supports training courses aimed at members of military community with symptoms of poor mental wellbeing.

Benevolent Fund Grants represent monies received for grants awarded for welfare casework.

The Befriending Fund is used towards keeping in touch with members, providing friendship and connections for life.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

20. RESTRICTED FUNDS (continued)

In 2024, the Association created a Residential Properties and Activities Restricted Fund, into which Richard Peck £11k) and Flowerdown Restricted Funds (£113k) were transferred. This is for sheltered living accommodation.

During the year £17k was transferred from the Association Restricted Funds to the General Fund, being prior year restricted expenditure that has now been allocated to the Positive Pathway Program.

At group level, a new restricted fund was opened, being Boulmer Nursery Fund in RAFA Kidzone Ltd.

PRIOR YEAR

Association	1 January 2023 £'000	Income £'000	Expenditure £'000	Transfers £'000	31 December 2023 £'000
Befriending	149	33	(103)	-	79
Brighten Your day	13	-	(6)	-	7
Conway Legacy	306	-	(10)	-	296
Dowding Restricted Fund	32	-	(8)	-	24
Eastern Chalet Area	119	6	(10)	(15)	100
Finding it Tough	57	72	(71)	-	58
Flowerdown House	113	-	-	-	113
Flying Scholarship	10	-	-	-	10
Homes Refurbishment	146	-	-	-	146
Lunches	15	-	(15)	-	-
Military Coworking	148	-	(112)	-	36
Operation RAF Unite	41	43	(54)	-	30
Partner Employment Programme	35	5	(1)	-	39
Positive pathway programme	61	-	(30)	(14)	17
RAF Benevolent Fund Grants	160	1,914	(1,924)	-	150
Reaching Affected Families (Navigating Dementia)	80	2	(49)	-	33
Care and Welfare	92	56	(17)	-	131
Rothbury Restricted	292	22	(21)	(272)	21
Scottish Development Fund	22	-	-	-	22
Storybook Wings & Doodle packs	50	-	(25)	-	25
Volunteer Welfare Officers	18	-	(6)	-	12
Wexford	18	5	(17)	-	6
Other Restricted Funds	92	10	(3)	(50)	49
	2,069	2,168	(2,482)	(351)	1,404
Group					
Brize Norton Nursery Fund	-	209	(153)	(8)	48
Digby Nursery Fund	100	3	(4)	-	99
Leeming Nursery Fund	65	3	-	-	68
High Wycombe Nursery Fund	-	42	(42)	-	-
	2,234	2,425	(2,681)	(359)	1,619

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

21. DESIGNATED FUNDS

Group	1 January	Movement	31 December	31 December
	2024		2024	2023
	£'000	£'000	£'000	£'000
Fixed Assets	2,000	-	2,000	2,000
Membership Engagement	300	-	300	300
Investment Fund	3,400	-	3,400	3,400
Welfare Fund	5,000	-	5,000	5,000
Property Repairs and Maintenance	750	-	750	750
Defined Benefit Pension Scheme	500	(250)	250	500
Residential Designated	-	525	525	-
Rothbury Fund	163	(163)	-	163
Cranwell Nursery Fund	38	1	39	38
	12,151	113	12,264	12,151
	1 January	Movement	31 December	31 December
Association	2024		2024	2023
	£'000	£'000	£'000	£'000
Fixed Assets	2,000	-	2,000	2,000
Membership Innovation	300	-	300	300
Investment Fund	3,400	-	3,400	3,400
Welfare Fund	5,000	-	5,000	5,000
Property Repairs and Maintenance	750	-	750	750
Defined Benefit Pension Scheme	500	(250)	250	500
Residential Designated	-	525	525	-
Rothbury	163	(163)	-	163
	12,113	112	12,225	12,113

To support the business strategy, the Trustees have approved the designation of funds.

A designated fund of £2,000k is held to replace fixed assets as required, and also a £750k maintenance reserve to maintain infrastructure integrity of the property portfolio.

A membership innovation fund of £300k is allocated to fund innovation potential within the membership offering.

A designated Fund of £250k is held to cover any future shortfall of the defined benefit pension scheme resulting from adverse financial markets movements and the resulting impact on the scheme assets. This has been reduced in the year from £500k in light of the assets of the fund performing well and the present value of obligations, and that it is 99% funded. This designation will enable accommodation of any ongoing volatility of the markets.

The investment fund designation of £3,400k accounts for the continued uncertainties in the financial markets relating to the global political and trade. The Trustees believe this is sufficient to withstand a significant market correction.

The welfare needs of the Association's beneficiaries will continue to evolve and changing needs have been identified. As a result of the welfare provision fund of £5,000k is set aside to enable continued welfare activities and in support of a strategic plan to utilise reserves for this purpose.

A new Residential Designated Fund has been established to reflect the intended use of income from the closure of Harrow branch.

The Cranwell Nursery Designated Fund of £38k is to support development activity at RAFAKidz Cranwell nursery.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2024 are represented by:			
Intangible fixed assets	349	-	349
Tangible fixed assets	5,202	-	5,202
Investments	21,520	-	21,520
Loans to branches	120	-	120
Current assets	3,318	2,189	5,507
Current liabilities	(4,601)	-	(4,601)
Creditors due after more than one year	(310)	-	(310)
Total net assets	25,598	2,189	27,787

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2024 are represented by:			
Intangible fixed assets	330	-	330
Tangible fixed assets	4,376	-	4,376
Investments	21,112	-	21,112
Loans to branches	120	-	120
Current assets	2,696	1,881	4,577
Current liabilities	(3,813)	-	(3,813)
Total net assets	24,821	1,881	26,702

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2023 are represented by:			
Intangible fixed assets	689	-	689
Tangible fixed assets	5,191	-	5,191
Investments	21,152	-	21,152
Loans to branches	124	-	124
Current assets	2,888	1,619	4,507
Current liabilities	(4,324)	-	(4,324)
Creditors due after more than one year	(265)	-	(265)
Total net assets	25,455	1,619	27,074

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2023 are represented by:			
Intangible fixed assets	680	-	680
Tangible fixed assets	4,527	-	4,527
Investments	20,776	-	20,776
Loans to branches	124	-	124
Current assets	2,711	1,404	4,115
Current liabilities	(3,795)	-	(3,795)
Total net assets	25,023	1,404	26,427

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

23. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Net expenditure	713	(313)	275	(644)
Adjustments for:				
Gifted properties	(875)	(1,688)	(875)	(1,688)
Gifted properties sold	-	848	-	848
Contributions to defined benefit scheme	(100)	(100)	(100)	(100)
Expenses borne by pension scheme	70	67	70	67
Depreciation charges	397	230	297	185
Amortisation charges	343	340	336	338
Fair value gain on Investment properties	(58)	(144)	(58)	(144)
Gifted Assets	(5)	-	(5)	-
(Gain)/Loss on disposal of fixed assets	(27)	2	-	2
Loss on disposal of intangible assets	14	-	14	-
Gain on gifted properties sold	(10)	-	(10)	-
Fair value gains on Investment	(1,284)	(249)	(1,252)	(219)
Loss on pension	38	36	38	36
Investment income	(602)	(564)	(610)	(564)
Return on defined benefit scheme assets	(532)	(554)	(532)	(554)
Interest paid	14	15	14	15
Interest on defined benefit pension liabilities	524	551	524	551
Increase in assets for resale	-	(140)	-	(140)
Increase in stock	(37)	(155)	-	-
Increase in debtors	(242)	(246)	(78)	(120)
Increase in creditors	372	514	77	105
Increase in creditors > 1yr	45	-	-	-
Net cash (used in) operating activities	(1,242)	(1,550)	(1,875)	(2,026)

24. CASH AND CASH EQUIVALENTS

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Cash and cash equivalents represent:				
Cash at bank	2,047	1,686	1,021	997
Cash held by investment managers	1,190	1,265	1,190	1,265
	3,237	2,951	2,211	2,262

25. LEGACIES

The Association is aware of a number of legacies to be received due to the legacy pipeline information, but these are difficult to quantify as the monetary value is uncertain and cannot be established.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

26. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £320k (2023: £477k) to the Association which is included in Wings Appeal income. The Association returned £75k (2023: £83k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition, £5k (2023: £7k) was paid to the branches in respect of Wings Appeal expenditure and these expenses are included in the cost of raising funds.

Membership subscription rebates of £119k (2023: £90k) paid to branches are included in expenditure.

The Association paid interest of £14k (2023: £15k) to the branches holding deposit accounts with the Association (see Note 7). The Association received interest of £0.6k (2023: £0.6k) from branches that have received loans from the Association.

27. FINANCIAL INSTRUMENTS

The carrying amount of the group's and Associations financial instruments at 31 December were:

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Financial assets:				
Equity instruments measured at fair value through net income/expenditure	17,674	17,221	17,226	18,844

28. DONATIONS – ASSETS GIFTED FROM BRANCHES

During the year, the Royal Air Forces Association branch at Harrow closed their Club resulting in the property being transferred to the Royal Air Forces Association for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The property transferred was valued at their fair values and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised in the Statement of Financial Activities as Donations – Assets Gifted from Branches. During 2024 the properties gifted total £875k (2023: £1,688k).

All properties transferred are classified as Unrestricted Funds.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000
INCOME:				
Donations and Legacies	3	3,374	298	3,672
Donations – assets gifted from branches	28	1,688	-	1,688
Charitable Activities:	6	558	2,112	2,670
Other Trading Activities:				
Trading income		5,883	-	5,883
Lotto and other fundraising income		1,754	-	1,754
Investment Income	5	564	-	564
Total Income		13,821	2,410	16,231
EXPENDITURE:				
Cost of Raising Funds		2,075	-	2,075
Charitable Activities:				
Residential & Respite Care Home		1,286	55	1,341
Friendship & Welfare Support		10,047	2,626	12,673
Other Support Costs		1,594	-	1,594
Other Expenditure:				
Interest Paid on Branch Deposits		15	-	15
Interest on Defined Benefit Pension		(3)	-	(3)
Total Expenditure	7	15,014	2,681	17,695

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000
Net expenditure		(1,193)	(271)	(1,464)
Net gains on investment assets	14(b)	1,172	15	1,187
Actuarial losses on defined benefit pension scheme	11	(36)	-	(36)
Net movement in funds		(57)	(256)	(313)
Reconciliation of Funds				
Total Funds Brought Forward		25,153	2,234	27,387
Transfer between funds		359	(359)	-
Total Funds Carried Forward		25,455	1,619	27,074

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000
INCOME:				
Donations and Legacies	3	3,389	56	3,445
Donations – assets gifted from branches	28	1,688	-	1,688
Charitable Activities:	6	625	2,112	2,737
Other Trading Activities:				
Lotto and other fundraising income		1,754	-	1,754
Investment Income	5	564	-	564
Interest on Defined Benefit Pension		3	-	3
Total Income		8,023	2,168	10,191
EXPENDITURE				
Cost of Raising Funds		991	-	991
Charitable Activities:				
Residential & Respite Care Home		1,116	55	1,171
Welfare Support		5,505	2,427	7,932
Other Support Costs		1,847	-	1,847
Other Expenditure:				
Interest Paid on Branch Deposits		15	-	15
Total Expenditure	7	9,474	2,482	11,956

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000
Net expenditure		(1,451)	(314)	(1,765)
Net gains on investment assets	14(b)	1,157	-	1,157
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	(36)	-	(36)
Net movement in funds		(330)	(314)	(644)
Reconciliation of Funds				
Total Funds Brought Forward		25,002	2,069	27,071
Transfer between funds		351	(351)	-
Total Funds Carried Forward		25,023	1,404	26,427

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2024

Subsidiary Organisations

<p>RAFAKidz Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rachel Huxford MBE</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p> <p>Rebecca Reffell</p> <p>WO Michelle Rees-Martin</p> <p>Adam Walker</p>	<p>RAFA Housing Limited</p> <p>Directors / Trustees:</p> <p>Harrinder Rai (Chair)</p> <p>Nicholas Bunting OBE</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p> <p>Carl Dickinson</p> <p>Sqn Ldr Dean Gibson</p> <p>Flt Lt Simon Arnett</p> <p>John Stemp (from January 2024)</p>
<p>RAFA Kidzone Limited</p> <p>Directors / Trustees:</p> <p>Ruth Brutnall</p> <p>Denitsa Pavlinova Raynova (from March 2025)</p> <p>Phil Sherwin (from March 2024)</p>	<p>RAFATRAD Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rachel Huxford MBE</p> <p>Kristina Parkin</p> <p>Chris Goss (until October 2024)</p> <p>Lady Elaine Hillier (to April 2024)</p> <p>George Overton (to February 2024)</p>
<p>RAFAKidz Wings Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p>	<p>RAFA Events Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rachel Huxford MBE</p> <p>Kristina Parkin</p>
<p>RAFA Wellbeing Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p>	

THE ROYAL AIR FORCES ASSOCIATION - CORPORATE BODY

England & Wales - Charity number 226686

Accounts



Report and Financial Statements

Year ended 31 December 2023



Patron: His Majesty The King
Registered Charity 226686 (England & Wales).
SC037673 (Scotland).

THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS
YEAR ENDED 31 DECEMBER 2023

REGISTERED CHARITY NUMBERS	226686 (England and Wales), SC037673 (Scotland)
PRINCIPAL OFFICE	Atlas House, 41 Wembley Road, Leicester, LE3 1UT
LIFE VICE-PRESIDENTS	Marshal of the Royal Air Force The Lord Stirrup KG GCB AFC FRAeS FCMI Air Chief Marshal Sir Stephen Dalton KCB ADC BSc FRAeS CCMI Air Chief Marshal Sir Joseph Gilbert KCB CBE LLD (hc) Air Chief Marshal Sir Glenn Torpy GCB CBE DSO ADC BSc (Eng) FRAeS Air Chief Marshal Sir Andrew Pulford GCB CBE ADC Air Chief Marshal Sir Stephen Hillier GCB CBE DFC ADC MA Air Marshal Sir Dusty Miller KBE Air Marshal P O Sturley CB MBE BSc FRAeS Air Vice-Marshal J Cliffe CB OBE Air Vice-Marshal P Liddell CB BSc CEng FIET FRAeS Air Vice-Marshal N Bairsto CB MBE Air Commodore A H Vaughan OBE BA FIMgt Dr B Pattison, OBE Mr J Tisbury MBE MRAeS MCMI
TRUSTEE MEMBERS OF THE COUNCIL	
President	Air Marshal Sir Baz North KCB OBE MA FRAeS
Chairman	Air Vice-Marshal A N C Reid CB OSTJ MBChB MSc DRCOG DAvMed FFOM
Vice Chairman	Air Vice-Marshal M Neal OBE CEng FIET
Honorary Treasurer	Mr P Tagg (to October 2023) Mrs S Munday FCA (from October 2023)
Area Elected Members	Flt Lt S Arnett RAF (Wales, Midlands and South-West) (from October 2023) Mr R Blunden (South-East and Eastern) Sqn Ldr M Greer RAFAC (Scotland, Northern Ireland and Northern England) Mr G Overton (European and Overseas) Mr A P Rees (Wales, Midlands and South-West) (to October 2023) Mr M Watkins (Central)

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023**

Members appointed by the Royal Air Force Air Commodore G A Opie CBE MDA MA BSc FCIPD RAF
Squadron Leader K Roachford RAF (to November 2023)
Squadron Leader M Aopare RAF (from February 2024)
Warrant Officer M Rees-Martin

Appointed Member Mrs S Bailey (from February 2024)
Ms F Barber
Ms S Barber (to October 2023)
Mrs P Bearblock

SENIOR MANAGEMENT TEAM

Secretary General Mr N Bunting OBE CDir FIOD MCFI

Deputy CEO Ms R Huxford MBE MInstF

Charity Director Mr R O'Connor MA

Chief Finance Officer Mrs K Parkin JP BSc (Hons) ACMA CGMA MCIPP

Chief Information Officer Mr P Sherwin BSc (Hons) MBCS

Group Company Secretary Mrs R Brutnall BA (Hons) ACG

RAFAKidz Operations Director Ms Nicola Davis FdA

PROFESSIONAL ADVISORS

Auditors UHY Hacker Young LLP, 14 Park Row, Nottingham, NG1 6GR

Bankers Lloyds Bank plc, Law Courts Branch, 222 Strand, London, WC2R 1BB

Investment Managers Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB
Rothschild & Co, New Court, St Swithin's Lane, London, EC4N 8AL

Solicitors Freeths LLP, One Colton Square, Leicester, LE1 1QH
Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London, EC4R 1BE

THE ROYAL AIR FORCES ASSOCIATION

TRUSTEES' REPORT

YEAR ENDED 31 DECEMBER 2023

The Trustees of The Royal Air Forces Association (the Association), are pleased to present this report and the consolidated financial statements of the Association for the year ended 31 December 2023. The financial statements have been prepared based on the accounting policies set out in Note 2 to the financial statements and comply with the Royal Charter, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) (effective 1 January 2019).

Our charitable object and activities for the public benefit

The Association is a public benefit entity. The Trustees have given due consideration to the Charity Commission's published guidance on the operation of the Public Benefit requirement, and confirm that the objects of the Association, as established and incorporated, are to relieve the need, suffering and distress of all those who are serving or have served in Our Air Forces, and their families and dependants.

This has been distilled into our vision: an RAF community which is connected, empowered and resilient. To achieve our vision, we are committed to a simple yet important mission: to support and enable the RAF community to meet the challenges of everyday life. There are only two criteria for assistance: eligibility and need.

We believe that we are at our strongest when we work together. Crucial to the successful delivery of all our charitable activities is our committed global network of over 66,000 members, supporters, volunteers and employees, all committed to making lives better. It is impossible to definitively quantify the value of their contribution in monetary terms, and therefore this is not recorded in the financial statements.

Delivering against our 2023 aims and objectives

For more than 90 years, the RAF Association's role has been that of a central, coalescing force, one that brings together individuals and communities to improve the lives of those who serve and have served on our behalf, their families and loved ones. It serves a community of around one million people, providing support to those who need practical, emotional or financial assistance.

In 2023, we continued to support the RAF community as it responded to the challenges of the cost-of-living crisis. Our welfare and wellbeing programmes (designed to meet the specific needs of RAF community) and our membership network formed the core of our outputs and outcomes.

In 2023:

- Our staff and volunteers made outreach calls to 9,700 people to check on their wellbeing and offer support if required. Almost 500 of those who received a call were subsequently helped by one of our welfare services.
- We continued to be the primary casework provider to the RAF community, supporting 2,728 people and managing 47% of all RAF cases recorded on the military charity sector-wide case management system.
- We reduced loneliness and isolation by making nearly 20,000 regular friendship calls to over 1,300 people through our RAFA Connections for Life service.
- 470 people completed our 'Finding it Tough?' mental wellbeing training. 94 per cent reported improved knowledge and 90% felt their confidence to talk about mental health had improved.
- We supported nearly 300 individuals in Armed Forces Compensation Scheme/War Pension claims, securing over £4.8 million in lifetime awards.
- 99 people were resident in our four retirement living complexes, giving them the opportunity to live independent lives with support available if needed.
- Our three holiday accommodation locations welcomed 372 people, 37% of whom were from serving families.
- More than 1,000 children received high-quality and affordable childcare in a welcoming and safe environment at our ten RAFAKidz nurseries in RAF/MOD locations.
- Over 3,000 new members joined our community, bringing the total membership number to over 65,500 in 109 countries.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

Connected

As a membership organisation, we have always recognised the value of strong social connections. Building and sustaining meaningful connections is at the heart of our work. We support all generations to sustain strong relationships and remain connected with the Royal Air Force.

Since our foundation, our members have been at the heart of all we do: building connections, volunteering to support the community and raising funds. At the end of 2023, we had 65,538 members (of whom, over 3,000 joined during the year) in 109 countries.

The Association's 229 branches played a unique role, providing a link between the charity and local RAF communities around the world. They provided outreach and wellbeing support, support volunteers, raise funds and support local commemorative events. They are each charities in their own right, managed by their branch committees but subject to the Association's Royal Charter, Rules, Byelaws and Standard Regulations.

Our global outreach programme, supported by branches, volunteers and corporate partners, called nearly 10,000 individual members of the RAF community during 2023 to check on their wellbeing and identify whether they required any support. Almost 500 of those who received a call were subsequently helped by one of our welfare services.

During 2023, our 774 trained friendship volunteers supported 1,367 individuals through our RAFA Connections for Life service. The circa 20,000 regular friendship calls they made resulted in 92 per cent of those called reporting improved wellbeing and reduced feelings of loneliness.

Our four retirement living locations provided 99 individuals connected to the RAF with the opportunity to live independent lives, with the confidence that support was available if needed. These facilities are located in England (Storrington in West Sussex; Melton Mowbray in Leicestershire; Rothbury in Northumberland) and in Scotland (Moffat in Dumfriesshire). During 2023, work began to enlarge our provision in Rothbury by creating an additional nine rooms.

Service life places unique pressures on families, and periods of separation due to postings or deployments can be difficult for parents and children alike. Our support for those families saw over 600 separation resources (Doodle Packs and Storybook Wings stories) provided to families to help them prepare for separation and maintain connections during these difficult times. 96 per cent of those who received Doodle packs reported a positive impact on child wellbeing. We also supported the refurbishment of six RAF contact houses, enabling those serving away from their family to enjoy time together, and provided free Wi-Fi in 27 RAF/MOD locations.

Empowered

We empower our community by giving them the tools they need to live dignified, fulfilled and independent lives. In 2023 the cost-of-living crisis continued to adversely impact many within the RAF community.

The Association played a leading role in supporting the welfare needs of the RAF community, as the primary provider of casework. In 2023 we managed 47% of all RAF cases recorded on the military charity sector-wide case management system. We supported 2,728 people aged from 19 to 105, through 4,053 new welfare cases (16 per cent greater than in 2022). 32 per cent of beneficiaries were aged under 66, an increase from 29 per cent in 2022.

The average number of needs per beneficiary increased to 2.8, from 2.1 in 2022, an indication of the complexity of the cases we supported. Of the new welfare cases opened, around half (2,070) involved a crisis need (support with emergency financial assistance, debt or homelessness). In total, we sourced over £3 million for those in need from grant-giving charities, the majority of which was provided by the RAF Benevolent Fund.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

All casework beneficiaries were contacted within two days of their initial enquiry, and 97 per cent were satisfied with the support they received (an increase from 95 per cent in 2022). Crucially, 92 per cent reported that the assistance from they received improved their wellbeing.

We were also proud of the specialist support we provided to serving, recently medically discharged and veteran personnel and family members to secure awards under the War Pensions and Armed Forces Compensation Scheme. In 2023 we supported 298 beneficiaries to secure £4.8million in lifetime awards. The quality of our support was noted by the Tribunal panel.

We continued to manage the RAF Families Federation Service contract on behalf of the RAF. In 2023, the RAF Families Federation continued to play a key role in capturing evidence on issues which concern serving RAF personnel and their families – and in sharing this with military and Government decision-makers. During the year, the Federation identified 550 cases. The nature of these reflected the wider pressures on serving families: accommodation (36 per cent), financial (17 per cent) and education (12 per cent).

Resilient

Being part of the RAF community can present unique challenges. We help our RAF community to overcome the challenges of everyday life by increasing resilience and wellbeing.

Being able to access affordable, high-quality childcare is vital to serving families, and is one of the eight core workstreams in the UK Armed Forces Families Strategy 2022-32. The strategy outlines the MOD's commitment to ensuring "families have access to good quality, enriching and safe childcare that meets their needs. This allows service personnel to fully engage with their duties, and the greater flexibility gives the family more opportunities, improving general wellbeing". RAFAKidz was established in 2019 to as a direct response to that need, providing not-for-profit nursery day care and wraparound care that gives the flexibility needed for the unique working patterns of serving families.

In 2023, RAFAKidz enlarged its provision from five to ten nurseries at RAF and MOD locations in England. This enabled over 1,000 children to benefit from high quality childcare focused on the needs of military children, at affordable prices. 93 per cent of parents/carers reported that attending a RAFAKidz nursery had improved their child or children's wellbeing, and 86 per cent of children agreed that RAFAKidz make them feel happy or very happy. RAFAKidz also provided employment opportunities for members of the RAF community: 33 per cent of RAFAKidz's 217 employees were partners or dependants of serving or recently retired RAF personnel.

Our bespoke mental wellbeing training, 'Finding It Tough?' was attended by 470 members of the wider RAF community (family members of serving personnel, contractors, veterans and their families). The course recognises the unique challenges which being part of the RAF community can present, and that everyone may struggle with mental health from time to time. 94 per cent of those who attended reported that they felt they had an improved knowledge of mental health issues, and 90 per cent felt their confidence to talk about mental health had improved.

RAF OP UNITE, a partnership with the RAF Benevolent Fund funded by the Armed Forces Covenant Fund Trust, ran a series of pilot events during 2023 to support veterans of the recent conflicts in Iraq and Afghanistan. The next phases of this project in 2024 will provide targeted support to veterans of these campaigns to support mental health and resilience.

Our Navigating Dementia service helps those who are supporting people living with dementia, recognising the additional challenges related to current or past RAF service (such as distance caring responsibilities). We continued to develop our online information hub and delivered 17 training sessions to 142 serving and ex-serving individuals and their family members. 98 per cent of attendees reported improved confidence to talk about dementia and 100 per cent would recommend the training to family and friends.

372 people stayed in our holiday accommodation in Scotland (Dunbar), Norfolk (Hemsby) and West Sussex (Selsey), enjoying time with family and friends. 37% of our guests were from serving families.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

Resources

We are only able to provide the support we do through the commitment and time given by our committed global force of almost 6,000 volunteers. The Association remains the only military charity to train its volunteers to nationally-accredited standards. Course subjects include Safeguarding, Casework, Equality/Diversity/Inclusion, Prevent and Grief Awareness, as well as those aimed at supporting branch Trustees with their governance responsibilities. In 2023, over 1,200 courses were completed by our volunteers, equipping them with the skills and support they needed. In November 2023 we were recognised by the AIM Awards for quality.

The Association also relies on fundraising to support its activities now and in the years to come, ensuring that it can continue to support future generations of the RAF community.

We are committed to the highest possible standards of fundraising. During 2023 we continued to work to ensure that all our activities were compliant with legislative, regulatory and best practice standards. We have been registered with the Fundraising Regulator since its inception in 2016, demonstrating our commitment to the Code of Fundraising Practice and the Fundraising Promise.

In 2023, continued pressures on householder budgets caused by cost-of-living pressures meant that fundraising remained challenging. The main sources of fundraised income were donations and fundraising by individuals, branches and RAF stations, gifts in wills and donations from trusts and corporate partners. The Association is grateful for the support given to its work by all those who funded it during 2023. Some trusts, foundations, corporate partners and individuals who supported us with major gifts wish to remain anonymous; others included:

AeroSuperBatics Ltd	Little Brown
Amrik Sandhu	Lockheed Martin Corporation
Andrew Blair	Lockheed Martin UK
Anne Jane Green Trust	Lonestar Analysis
April Fools Club	Lotus
Armed Forces Covenant Fund Trust	Lord Naseby
Aviation Focus Group	Maud Elkington Charitable Trust
Babcock	MBDA Missile Systems
BAE Systems plc	Moondance Foundation
Beryl Doreen (BD) Thomas Charitable Trust	Musketeer Solutions
Boeing	PF Charitable Trust
CAE	Plexys
CGI	QinetiQ
City Bridge Foundation	Queen Mary's Roehampton Trust
Clarion Events Ltd	RAF Club
Collins Aerospace	The Rare Tea Company
Davis-Rubens Charitable Trust	Raytheon
The Digital Line	Red Arrows Trust
Duncan Barber OBE	Roger Raymond Charitable Trust
East Coast Community Fund	Scottish Veterans Fund
Ecomnova	Sir Donald and Lady Edna Wilson Charitable Trust
Edward Gostling Foundation	Sir Jeremiah Colman Gift Trust
Fujitsu	Stratford Charity
Gerlad Bentall Charitable Trust	Verizon
IMLD Forde Charitable Settlement	Wilkin & Sons
Inzpire	Wolf Brewery
Lillie C Johnson Charitable Trust	Zedra Trust Company
KBR	ZVM Rangoonwala Foundation
Leonardo UK	

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

During 2023, all our interactions with the general public were carried out by our employees and volunteers, except for one supplier whose services we employed to interact directly with the public to administer our Wings Lotto. We ensured that the contract with the supplier included fundraising compliance clauses. As part of our work to ensure compliance with fundraising regulation and best practice, we monitor our supplier to ensure they continue to meet the same high standards we expected of our own fundraisers. In a similar vein, we also have contracts in place with all corporate partners who raised funds or donated to us.

The Association has a Fundraising Complaints Policy and has processes in place to protect vulnerable donors. During 2023 we received no complaints about our fundraising, whether carried out by us directly or in relation to the Lotto.

Governance

The Association is committed to meeting the highest standards of governance in all its activities and to ensuring that everyone who acts in the name of the Association – volunteers, employees, and members – meets the highest standards of conduct and probity. The Association has adopted the Charity Governance Code (for larger charities) and conducts an annual review against the Code to support continuous improvement. Further details are provided later in this report. The Association also conforms to the Cobseo governance framework for military charities.

Public benefit

When reviewing the Association's aims and objectives and in planning activities and policies, the Trustees have considered the Charity Commission's general guidance on public benefit and to its supplementary guidance on public benefit and fee charging. All services are either free or heavily subsidised. Where fees are charged, for occupying a residential property, the beneficiary's means are always considered so that no eligible member of the RAF community is prevented from accessing the services of the Association because they cannot afford the full cost. The Association also provides a public benefit as it promotes efficiency in the RAF, by underpinning a spirit of pride and mutual loyalty, and so contributing to the defence of the United Kingdom and its interests.

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.

FINANCIAL REVIEW

Income

During the year, the consolidated income raised from members, volunteers, the general public, and investments was £16,231k (2022, £12,558k). In 2023 legacy income was £1,358k (2022, £986k).

2023 saw a recovery in the performance of the investments held by the Association, with net investment performance gains of 5.2% (2022, a fall of 9.6%). Investment income contributed £564k to the Association's overall income (£622k, 2022).

Expenditure

In 2023 expenditure was £17,695k an increase of 11 per cent from £15,913k spent in 2022. This reflects the Trustee's commitment to increase services for our beneficiaries in terms of welfare, activities and services. In 2023 £15,608k (£13,941k in 2022) was spent on charitable activities. 88p of every pound raised was spent on welfare activities.

Investment policy and performance

The Trustees have the power to invest any of the Association's funds not immediately required for the purposes of the charity in accordance with the provisions of the Trustee Act 2000. The Trustee-appointed investment managers, Rathbones Investment Management Limited and Rothschild & Co, are managed by the Council's Finance and Audit Committee, assisted with independent oversight provided by Asset Risk Consultants.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

The investment portfolio comprises three elements managed by Rathbones: (1) an unrestricted fund, (2) the Formby Branch Deposit fund, and (3) the Branch Deposit Fund (a pooled fund of monies held in trust for and invested in respect of the Association's branches holdings within the Association. The Rothschild Fund is also a pooled fund held in trust for and invested in and also on behalf of the Association's branches.

The Association's investments were reviewed at quarterly committee meetings in 2023 and performance reported to Council. The Association's investment portfolio was valued at £21,152k at the close of 2023 (2022: £21,472k).

Trustees agreed a strategy to draw on the Association's investment reserves in a managed way where required to ensure continued provision of welfare services. In addition, the Association receives the dividend income from some of its investments to support its charitable activities. The charity's medium term financial plan (a rolling plan looking forward five years) takes both factors into account. A net £1,298k of capital was withdrawn from investments to support the operation of the charity.

The Association continues to employ the services of Asset Risk Consultants to provide analysis and evaluation of investment performance, which serves to enhance the decision-making capability of the Finance and Audit Committee.

Reserves policy

The reserves policy was reviewed by the Council in November 2023. Trustees have adopted a pragmatic approach to ensure that the Association holds sufficient reserves to respond to current and future welfare needs quickly and effectively. Reserves planning is a key component of the Association's strategic planning process, the Council regularly review the level of reserves to ensure that funds are available to deliver our welfare services and programmes and to secure the long-term sustainability of the Association. The charity's research undertaken in recent years, the Association is aware of a growing need among all generations and this need is likely to grow. Linked to this uncertainty is a trend of cuts in social welfare budgets across the UK and there is evidence of increasing levels of social isolation and loneliness amongst all ages – all of which was considered when reviewing the policy.

The Association adopts a forward-looking strategic risk-based outlook on the needs of the RAF community and consequently does not use short-term measures focusing on a limited number of months' operating costs. The Finance and Audit Committee reviews the Medium-Term Financial Plan at each of its meetings and makes recommendations to the Council on the management of financial risks.

The Association is heavily reliant on voluntary income from fundraising, legacies and donations, which is not guaranteed. The increased cost of living has adversely affected voluntary income generation. The Trustees have therefore agreed to aim for a level of unrestricted free reserves of £15m to cover the costs associated with normal operations over a 12-month period to address the risks to our services and programmes to beneficiaries, members and employees. A medium-term financial plan expects this to be achieved in 2027 following a strategic, planned and actively managed investment of reserves into the welfare provision for beneficiaries.

At the end of December 2023, consolidated unrestricted reserves totalled £13,304k (2022: £9,419k). In addition, designated reserves are held of £12,151k (2022: £15,734k) which are intended to maintain welfare services, reaching more of the RAF community, and support plans to increase and diversify income in the long-term.

The closing balance of the restricted reserves, funds received for specific activity, decreased to £1,619k (2022: £2,234k).

Pensions

The value of the defined benefit pension scheme at 31 December 2023 has been calculated in accordance with FRS102 regulations. The valuation resulted in an increase in value to a surplus of £149k in 2023, against a surplus of £33k at the end of 2022. The Association continued to make payments into the Scheme in 2023 of £100k, as agreed with the pension Trustees. In accordance with FRS 102, the increase in valuation is not included in the balance sheet as contributes toward an existing unrecognised surplus.

Risk Management

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

The Association does not generally have an appetite for high exposure risks; nevertheless, the Trustees recognise that delivering the ambitious strategic aims and objectives outlined in the Strategic Plan to 2030 will involve a degree of risk-taking and uncertainty. As such, there is an appetite for higher levels of risk where appropriate to deliver against strategic aims, objectives and targets provided there is a comprehensive understanding of the exposures involved and potential benefits arising, and subject to there being appropriate controls and approval processes in place. In terms of priorities, Trustees have agreed that the need to avoid safeguarding, reputational, compliance and excessive financial risk will take priority over other factors, recognising balanced assessments must be made and that some risk must be accepted when introducing change or new ways of working.

The Association's risk management and assurance process is designed to identify and assess risks such that appropriate risk management and mitigation strategies are implemented, and their effectiveness monitored. Trustees are supported in this by the Council Committees, which each scrutinise risk, mitigations and performance against linked KPIs at every meeting. These assessments inform the risk report presented to Council each quarterly.

Trustees have identified the following as its key risks and the strategic risk register is reviewed at each Council meeting.

- *Failure to deliver quality and safe services.* Ensuring the safety of those who access our services is fundamental to the work of the Association. Council is supported in its management of this risk by the Safeguarding Committee. The Independent Chair provides constructive challenge to the work of the Association. The Safeguarding Policy is reviewed annually. The Safeguarding Committee reviews progress against a comprehensive action plan, and a specific safeguarding risk register, quarterly.
- *Failure to sustain a large and engaged membership.* Membership numbers are monitored and reported to Council quarterly. Mitigating actions include member recruitment, retention and reengagement activities and work by the charity and branches to engage with members.
- *Long term financial sustainability and short-term cash flow failure.* The Association, like many charities, continues to experience challenges in raising funds, as donors adjust to the cost-of-living pressures. Council has an agreed strategy to draw upon reserves to ensure that welfare output can be sustained, while income streams recover. This requires close consideration of financial performance. It is supported in this by the Finance and Audit Committee which meets quarterly to review financial performance, cash flow and performance against the Medium-Term Financial Plan, which includes assumptions regarding the required draw on investment funds. The Committee and Council provide oversight to ensure that performance remains within the parameters agreed in this Plan.
- *Branch and Club governance and compliance failure.* The Council has identified regulatory compliance at branch level as a strategic risk, with concerns about the wider reputational risk that the Association faces from its decentralised structure where branches are separate charities but operate under a shared name and constitution. Considerable progress has been made by branches in meeting the compliance requirements established under charity law and the Association's own constitution. The Association continues to provide dedicated support from subject matter experts on branch governance and wider regulatory matters such as fundraising, safeguarding and property.
- *External threats.* Mitigation plans include collaboration with other charities and organisations, the use of research to inform our ability to anticipate the changing needs of the RAF community, informing the development of policy, developing unique service propositions and the diversification of service provision.
- *Loss of operational capability.* Plans include development of business continuity plans, which are tested regularly, provision to work remotely in the event of disruption to our ability to access key premises, cyber security, and a range of measures to ensure that the charity is able to recruit and retain appropriately qualified and trained employees and volunteers.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023**

- *Significant change management projects.* Council recognises the need for change and adaptation of services and ways of working as the Association responds positively to changes in the needs of the RAF community and the external environment. Mitigation plans include the implementation of defined project management methodology and documentation. Oversight is provided by a project governance board, Senior Management Team and committees to enable prioritisation of work.
- *Information risk.* Data and information are recognised as a strategic asset and protected accordingly. The Association employs professionally qualified staff who regularly review cyber and data policies and processes. During 2023 it maintained its Cyber Essentials Plus certification.
- *Corporate governance failure and Group legislative / regulatory failure.* Mitigation includes regular reviews of policies, Council, Committee and / or subsidiary Board oversight, employment of professionally qualified staff and mandatory training.

Operational risk registers are also subject to regular review by the appropriate Council Committee so that assurance is provided to the Council that operational risks are being effectively managed. Each Committee has been charged with reviewing each of its relevant policies to ensure that the risk tolerance of each policy is within the overall risk tolerance set by the Council.

The Council is satisfied that all risks are being appropriately addressed.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Air Forces Association, which was established in 1930, was incorporated by Royal Charter in 1953. The Association is a registered charity governed by the Royal Charter, its Rules and Byelaws. The charity is also known as the RAF Association and RAFA. The Association is registered with the Charity Commission and with the Office of the Scottish Charity Regulator. It is also registered with the Fundraising Regulator and Information Commissioner's Office (ICO). The Association is a democratic, non-sectarian non-political organisation with no affiliation to any party or party organisation or trade union. The Association is a member of the Confederation of British Service and Ex-service Organisations (Cobseo).

The Association is an international organisation with over 66,000 members and 229 branches in the UK and overseas. It is also the ultimate parent undertaking of five trading subsidiaries (RAFATRAD Limited, Royal Air Forces Association Housing Limited, RAFAKidz Limited, RAFA Kidzone Limited, RAFA Events Limited) and two non-active companies (RAFAKidz Wings Limited and RAFA Wellbeing Limited).

The Board of Trustees (The Council)

The Council is the Association's Board of Trustees and is collectively accountable to the Association's members, beneficiaries and other stakeholders for the long-term success of the Association. Members of the Council are elected or appointed for a three-year term, after which they are eligible to stand for re-election on a further two occasions; they may not hold office for a continuous period exceeding nine years. The Council is responsible for the Association's compliance with all relevant legislative and regulatory requirements. It is responsible for determining the strategy and values of the Association, approving the annual business plan, supporting strategies and the associated budget, holding the Secretary General (who is responsible for the day-to-day management of the Association's affairs) and Senior Management Team to account for the Association's performance, standards of conduct and corporate governance.

The Council recognises that good governance is fundamental to the success of the charity and is committed to continuous improvement in terms of its own effectiveness, the governance of all Group companies and branch governance. The Council has adopted the Charity Governance Code for larger charities and assesses annually how it meets the principles, outcomes and recommended practice. Where areas for improvement are identified an action plan is agreed and its implementation is monitored by the Council.

The composition of the Council is prescribed by the Association's Rules and Byelaws and may comprise up to 24 Trustees. Following resolutions passed by Conference in 2021, the number of Trustees on Council was reduced to 15, as follows:

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

- The President of the Association, elected triennially at Annual Conference. Air Marshal Sir Baz North KCB OBE MA FRAeS was re-elected for a third, and final, term in 2023.
- The Chair of Council, elected triennially at Annual Conference. Air Vice-Marshal Alastair Reid CB was elected to his first term of Office in October 2022.
- The Treasurer of the Association. Mr Phillip Tagg retired from this role, having completed his third term of Office in 2023. Mrs Sally Munday was elected to her first term of Office in October 2023.
- Five Area Elected Trustees, one elected by each of our five Areas.
- Three Service representatives nominated by the Royal Air Force.
- A maximum of four co-opted Trustees.

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in Note 9 to the accounts.

When new Trustees are elected or appointed, an induction on the work of the Association and Trustees' roles and responsibilities is provided. The Council, either as a whole or through its sub-committees, also receives ongoing briefings and training from senior management and external advisors in key areas such as risk management, safeguarding, data protection, fundraising, and financial management. Further training and development are provided to meet specific needs and Trustees receive annual (online) refresher training on matters including health and safety, equality and diversity and cyber security.

The Council has appointed designated lead Trustees for Health and Safety (Mr M Watkins), Safeguarding (Air Commodore G A Opie CBE RAF), and Whistleblowing (Ms F Barber).

Council Meetings

The powers of the Council are set out in the Royal Charter, Rules, and Byelaws which are supplemented by the Standard Regulations governing the Areas, Regions, Branches and Branch Clubs (collectively the 'Governance Handbook'). The Council may exercise all powers conferred on it by the Governance Handbook and in accordance with the Charities Act 2011 and other applicable legislation. The Council usually holds five face-face meetings each year. The Council has also adopted a procedure for making decisions ex-committee. All ex-committee decisions are subject to ratification at the next Council meeting.

Trustee	Total Meetings	Total Attended	Attendance %
Air Marshal Sir Baz North	5	5	100%
Air Vice-Marshal Alastair Reid	5	5	100%
Air Vice-Marshal Mark Neal	5	5	100%
Mr Philip Tagg	3	3	100%
Mrs Sally Munday	2	2	100%
Air Commodore Alan Opie CBE RAF	5	5	100%
Mr Anthony Rees	3	2	67%
Ms Fiona Barber	5	4	80%
Mr George Overton	5	4	80%
Squadron Leader Kyle Roachford RAF	4	1	25%
Ms Margaret Greer	2	2	100%
Mr Martin Watkins	5	4	80%
Warrant Officer Michelle Rees-Martin	5	3	60%
Ms Pauline Bearblock	5	3	60%
Mr Ray Blunden	5	5	100%
Ms Samantha Barber	3	1	33%
Flt Lt Simon Arnett RAF	2	2	100%

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

Committee Structure

Throughout the year the work of the Council was supported by Committees. Each Committee has written terms of reference approved by the Council. Members of the committees are a combination of Association Trustees and personnel co-opted as determined by the Council. This allows Council to ensure an appropriate balance of skills on each committee.

The Committees in effect in 2023 were as follows.

Committee	Chair	Number of members	Number of meetings
Branch and Membership	AVM M Neal	12	4
Finance and Investment	Mr P Tagg	5	3
Information	AVM M Neal	7	4
Safeguarding	Ms M Jones	5	4
Welfare	Ms F Barber	8	4
Annual Conference	Mr A Rees	5	5
Audit	Mrs S Munday	4	1
Remuneration	AVM A Reid	4	1
Nominations	AVM A Reid	3	3
Finance and Audit Committee (from November 2023)	Mrs S Munday	5	1

During 2023 Council took the decision to merge the Finance and Investment Committee and Audit Committee into a single Committee. The Committee contains both Trustee members and a majority of independent co-opted members, to ensure appropriate balance and challenge. It met in this new form once during 2023, in November. It is chaired by the Association's Honorary Treasurer, Mrs Sally Munday.

Committees generally meet in advance of Council meetings, with minutes of meetings being provided to the Council, together with any recommendations. Council and its Committees are also supported, from time to time, by Task and Finish Working Groups who are charged with reviewing specific tasks or activities and make recommendations to Council and / or its Committees.

Delegated Authority

The Council has a formal schedule of matters specifically reserved for its approval which cannot be delegated. Other specific matters have been delegated to its Committees and these are clearly defined within the relevant terms of reference. Day-to-day management of the Association is delegated to the Secretary General and his team and the Council reviews its scheme of delegated authority on an annual basis. Notwithstanding any delegation, the Council remains collectively accountable for the work of the Association.

Branches and Areas

Branches are separate organisations from the Association; branch accounts are not consolidated with those of the Association. Branches fundraise on their own behalf and on behalf of the Association (the annual Wings Appeal). The Association provides branches with an annual rebate to support branch membership and welfare activity.

Branches share the same objective and constitution as the Association and, as such, are individual charities in their own right and are required to register as charities in accordance with the relevant local jurisdiction.

Annual Conference

2023 was the first fully hybrid Conference held by the Association, following changes to the Byelaws accepted by delegates to Conference in 2022. This allowed Branches the choice to vote in advance, in person or via the online voting platform. This had a positive impact on participation, with 23 delegates joining remotely, and 24 branches voting in advance, in addition to those attending in person.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

At Conference AM Sir Baz North was re-elected as President of the Association, for a third and final term. Mrs Sally Munday was elected as Treasurer, succeeding Mr Phillip Tagg following a recruitment process overseen by the Nominations Committee. UHY Hacker Young LLP were elected as auditors of the Association. The reports by the Chairman of Council, Treasurer and Secretary General were presented and branches were provided with an opportunity to raise questions following the presentations.

Conference considered a proposal regarding potential changes to the way in which members should be enfranchised in future. Work will continue in 2024 to act on the views expressed, and present proposals to Conference in 2024.

Subsidiaries

RAFATRAD Limited is a wholly owned subsidiary of the Association, which sells commemorative items and memorabilia and undertakes fulfilment activity for the charity. RAFATRAD Limited is a company limited by shares incorporated under Companies Act 2006.

Royal Air Forces Association Housing Limited (RAFA Housing) is a wholly owned subsidiary of the Association. It is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, regulated by the Financial Conduct Authority (FCA). RAFA Housing is a registered provider of social housing regulated by the Regulator of Social Housing (formerly known as the Homes and Communities Agency).

RAFAKidz Limited is a wholly owned subsidiary company limited by shares incorporated under Companies Act 2006. During 2023 it operated pre-school nurseries in accordance with the Early Years Foundation Stage at RAF Boulmer, RAF Brize Norton, RAFC Cranwell, RAF Digby, three settings at RAF High Wycombe, RAF Leeming, and RAF Odiham, and the tri-service facility at MOD Worthy Down. It also operated wrap-around care at RAF Cranwell, RAF Digby and RAF Leeming.

RAFA Events Limited, RAFAKidz Wings Limited and RAFA Wellbeing Limited are companies limited by shares incorporated under Companies Act 2006. RAFAKidz Wings Limited is a subsidiary of RAFAKidz Limited. None of these three companies traded in 2023.

Remuneration Policy

The Association is committed to recruiting, retaining and developing people with the necessary skills and knowledge to make a positive contribution in helping deliver the organisation's objectives. Making effective decisions in relation to remuneration and reward is considered both central and crucial to the continued success of the Association's overall aims. The Association's Remuneration Policy centres on the following principles:

- Reward employees using processes that are fair, equitable, and transparent.
- Aim to pay competitively against our relevant comparators in the voluntary sector.
- Enhance the organisation's competitive positioning by promoting a total reward approach, recognising that other aspects of the employment package (e.g. benefits and development opportunities as well as the intrinsic moral value of working for a charity) are also valuable to employees.

Remuneration Review and Annual Pay Award

The Council, through the Remuneration Committee, composed of three Trustees, sets pay and conditions for all Association employees, including the senior management team, and reviews the Remuneration Policy annually, ensuring that the principles outlined above are adhered to and remain appropriate within the wider economic context. Employee remuneration is reviewed annually in August and any changes are implemented from the following 1 January. Salary benchmarking is undertaken using data from the Office for National Statistics (ONS) and surveys by Croner. The Association has introduced the National Living Wage Foundation on a discretionary basis.

Employees earning over £60,000 per annum are shown at Note 10 of the accounts. Key management personnel are the Secretary General, Deputy Chief Executive and Charity Director.

This remuneration policy and review applies to Association employees only. Employees of subsidiary companies are subject to separate arrangements set by the respective Boards of Directors.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2023**

Future Outlook

The Association has continued to adapt in response to the challenge of fulfilling emerging and changing welfare needs whilst managing the impact of COVID-19 pandemic and the cost-of-living crisis on revenue generation of the Association and its subsidiaries. Trustees have chosen to prioritise sustaining welfare support for those who need it and as such have chosen to draw on reserves where required to ensure that the needs of the RAF community continue to be met.

Council considers that the actions taken since 2020, including a continued focus on reducing operating costs whilst sustaining operational output, are appropriate and the charity continues to operate within the parameters agreed by Trustees as part of the medium-term financial plan (MTFP).

Auditor

In accordance with the Association's rules and byelaws, a resolution proposing that UHY Hacker Young be reappointed as auditor of the Association will be put at a General Meeting.

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. The law applicable to charities in England and Wales, Scotland and Northern Ireland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the Association and the Group, and of the incoming resources and application of resources of the Association and the 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 Statement of Recommended Practice (SORP);
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable 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 Association will continue in business.

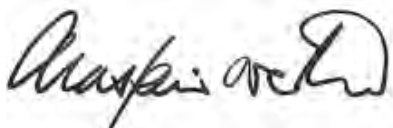
The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and the Group and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, The Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the Royal Charter. 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 Association'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.

The Council has given due regard to the increased pressure on income streams brought about by the COVID-19 pandemic and have concluded that the positive level of general reserves, a healthy cash and investments balance, the benefit of Government measures and support as well as the continued support of its regular contributors, means the going concern basis remains appropriate for the preparation of these financial statements.

This report was approved by the Trustees on 15 May 2024 and signed on their behalf by:



Air Vice-Marshal A N C Reid CB

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

Opinion

We have audited the financial statements of the Royal Air Forces Association (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Group and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements 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 group's and parent charity's affairs as at 31 December 2023 and of the group's and parent charity's incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 151 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

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 parent charity 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 group's or parent charity's ability to continue as a going concern for a period 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 annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, 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 TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper and sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out on page 14 the Trustees 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 and parent charity'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 parent charity 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charity and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the charity, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2011, the parent charity's governing document and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to legacy income recognition, fund accounting, valuation of investments and valuation of investment properties.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Care Act 2014. We performed audit procedures to inquire of management (and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with regulatory authorities).

Audit procedures performed by the engagement team included:

- reviewing the systems, controls and procedures of the charity relevant to the preparation of the financial statements to ensure these were in place throughout the year;
- evaluating management's controls designed to prevent and detect irregularities;
- review of the financial statement disclosures to underlying supporting documentation;

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

- review of correspondence with and reports to the regulators, including correspondence with OFSTED;
- enquiries of management in so far as they related to the financial statements;
- testing of journals in particular journal entries posted by unusual users, postings with unusual descriptions, postings with unusual dates and postings with unusual and material amounts;
- evaluating whether there was evidence of bias by the Trustees that represented a risk of material misstatement due to fraud;
- challenging assumptions and judgements made by management in their critical accounting estimates;
- reviewing the legacy income documentation to ensure that the legacy income is being recognised in line with the applicable financial reporting standards; and
- review the reasonableness and supporting documentation of the property valuations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's Trustees 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 charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Chris McKain

Chris McKain
Senior Statutory Auditor

29 MAY 2024

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000	Total 2022 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	3,374	298	3,672	2,663
Donations – assets gifted from branches	28	1,688	-	1,688	380
Charitable Activities:	6	558	2,112	2,670	6,388
Other Trading Activities:					
Trading income		5,883	-	5,883	845
Grand Draw and other fundraising income		1,754	-	1,754	1,619
Investment Income and Interest	5	564	-	564	662
Total Income		13,821	2,410	16,231	12,557
EXPENDITURE:					
Cost of Raising Funds		2,075	-	2,075	1,968
Charitable Activities:					
Residential & Respite Care Home		1,286	55	1,341	1,665
Friendship & Welfare Support		10,047	2,626	12,673	11,449
Other Support Costs		1,594	-	1,594	827
Other Expenditure:					
Interest Paid on Branch Deposits		15	-	15	17
Interest on Defined Benefit Pension Liabilities		(3)	-	(3)	(13)
Total Expenditure	7	15,014	2,681	17,695	15,913

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)
(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000	Total 2022 £'000
Net expenditure		(1,193)	(271)	(1,464)	(3,356)
Net gains / (losses) on investment assets	14(b)	1,172	15	1,187	(2,173)
Net expenditure		(21)	(256)	(277)	(5,529)
Other recognised losses:					
Net losses on revalued assets		-	-	-	(608)
Actuarial losses on defined benefit pension scheme	11	(36)	-	(36)	(47)
Net movement in funds		(57)	(256)	(313)	(6,184)
Reconciliation of Funds					
Total Funds Brought Forward		25,153	2,234	27,387	33,571
Transfer between funds		359	(359)	-	-
Total Funds Carried Forward		25,455	1,619	27,074	27,387

All income and expenditure derive from continuing activities.

The Group Statement of Financial Activities includes all gains and losses recognised in the year.

**THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000	Total 2022 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	3,389	56	3,445	2,577
Donations – assets gifted from branches	28	1,688	-	1,688	380
Charitable Activities:	6	625	2,112	2,737	3,333
Other Trading Activities:					
Grand Draw and other fundraising income		1,754	-	1,754	1,619
Investment Income and Interest	5	564	-	564	662
Total Income		8,020	2,168	10,188	8,571
EXPENDITURE					
Cost of Raising Funds		991	-	991	957
Charitable Activities:					
Residential & Respite Care Home		1,116	55	1,171	1,505
Friendship & Welfare Support		5,505	2,427	7,932	8,651
Other Support Costs		1,847	-	1,847	879
Other Expenditure:					
Interest Paid on Branch Deposits		15	-	15	17
Interest on Defined Benefit Pension Liabilities		(3)	-	(3)	(13)
Total Expenditure	7	9,471	2,482	11,953	11,996

**THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000	Total 2022 £'000
Net expenditure		(1,451)	(314)	(1,765)	(3,425)
Net gains/(losses) on investment assets	14(b)	1,157	-	1,157	(2,169)
Net expenditure		(294)	(314)	(608)	(5,594)
Other recognised losses:					
Net losses on revalued assets		-	-	-	(608)
Actuarial losses on defined benefit pension scheme	11	(36)	-	(36)	(47)
Net movement in funds		(330)	(314)	(644)	(6,249)
Reconciliation of Funds					
Total Funds Brought Forward		25,002	2,069	27,071	33,320
Transfer between funds		351	(351)	-	-
Total Funds Carried Forward		25,023	1,404	26,427	27,071

All income and expenditure derive from continuing activities.

The Association Statement of Financial Activities includes all gains and losses recognised in the year.

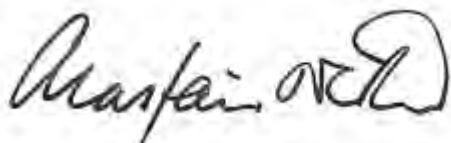
**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS
AT 31 DECEMBER 2023**

	Notes	Group		Association	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed assets:					
Intangible assets	12	689	1,026	680	1,015
Tangible assets:					
Properties	13	4,719	4,840	4,240	4,365
Equipment and furniture	13	472	400	287	287
		5,880	6,266	5,207	5,667
Investments:					
Investments	14	21,152	21,472	20,776	21,275
Programme related investments - loan to branches		124	125	124	125
Total fixed assets		27,156	27,863	26,107	27,067
Current assets:					
Assets held for resale	15	440	300	440	300
Stocks		449	294	-	-
Debtors	16	667	421	1,413	1,291
Cash at bank and in hand		2,951	2,730	2,262	2,248
Total current assets		4,507	3,745	4,115	3,839
Current liabilities:					
Creditors: amounts falling due within one year	17	(4,324)	(3,952)	(3,795)	(3,835)
Net current (liabilities)/assets		183	(207)	320	4
Total assets less current liabilities		27,339	27,656	26,427	27,071
Creditors: amounts falling due after more than one year	18	(265)	(269)	-	-
Net assets including pension scheme liability		27,074	27,387	26,427	27,071

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (continued)
AT 31 DECEMBER 2023

	Notes	Group		Association	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Funds:					
Restricted funds	20	1,619	2,234	1,404	2,069
Unrestricted funds:					
Designated funds	21	12,151	15,734	12,113	15,734
General funds		13,304	9,419	12,910	9,268
Total funds		27,074	27,387	26,427	27,071

The financial statements on pages 18 to 56 were approved and authorised for issue by the Trustees on 15 May 2024 and signed on their behalf by:



Air Vice-Marshal A Reid
CB OSTJ MBChB MSc DRCOG DAvMed FFOM

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION STATEMENTS OF CASHFLOWS
AT 31 DECEMBER 2023

	Notes	Group		Association	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Cash out flows from operating activities	23	(1,550)	(3,288)	(2,026)	(3,568)
Cash flows from investing activities					
Investment income		564	662	564	662
Interest payable		(15)	(17)	(15)	(17)
Payments to acquire intangible fixed assets		(3)	(74)	(3)	(62)
Payments to acquire tangible fixed assets		(183)	(141)	(64)	(74)
Assets for resale		440	330	440	330
Investment Property		400	-	400	-
Payments to acquire investments		(622)	(1,923)	(472)	(1,723)
Receipts from disposals of investments		1,335	3,363	1,335	3,363
Net cash provided by investing activities		366	2,200	159	2,478
Cash flows from financing activities					
Decrease in loans to branches		1	4	1	4
(Decrease)/increase in deposits by branches		(146)	(227)	(146)	(226)
Net cash from financing activities		(145)	(223)	(145)	(222)
Change in cash and cash equivalents in the year		221	(1,311)	14	(1,312)
Cash and cash equivalents at the beginning of the year	24	2,730	4,041	2,248	3,560
Cash and cash equivalents at the end of the year	24	2,951	2,730	2,262	2,248

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

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.

Accounting Estimates

The Charity makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined benefit pension assumptions. The discount rate and inflation rate and the decision not to recognise the gain in excess of the reversing liability are considered to be key estimates in calculating the defined benefit liability and sensitivities have been disclosed within Note 11.

Investment properties are valued at their fair value based on an open market value for existing use of the properties. The valuations are made by a qualified Chartered Surveyor, using a variety of assumptions to determine the valuation of the investment's properties taking account of the fact that the properties are tenanted under lease and providing an income stream rather than being immediately available to occupy. Any changes in these assumptions would impact on the carrying value of these investment properties. Where there is a leasehold agreement in place or planned, then this will form the basis of the valuation, otherwise the open market value may be appropriate.

Critical area of judgement

The Trustees believe there is no critical area of judgment.

2. PRINCIPAL ACCOUNTING POLICIES

General information

The Royal Air Forces Association is incorporated by Royal Charter and is a registered charity at the Charity Commission in England and Wales (charity number 226686) and at the Scottish Charity Regulator (OSCR) in Scotland (charity number SC037673).

The address of the charity's registered office and principal place of business is Atlas House, Wembley Road, Leicester, LE3 1UT. The group consists of the Association and its subsidiaries as set out in Note 4. The nature of the group's operations are set out in the Trustees' Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and to include investment properties at fair value, 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, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102), the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

Basis of preparation (continued)

The financial statements of the Association comprise the funds of the Association but not the branches which are separate registered charities and do not share common Trustees with the Association.

The Royal Air Forces Association meets the definition of a public benefit entity under FRS 102 and have therefore applied the relevant public benefit requirements of FRS 102.

Monetary amounts in the financial statements are rounded to the nearest £1,000. Prior year figures are presented to accommodate historical rounding movements carried forward. The financial statements are presented in sterling which is also the functional currency of the Association.

Going Concern

As set out in the Trustees report, Council has given due regard to the increased pressure on income streams brought about since the pandemic and have concluded that the positive general reserves, healthy cash and investment balances, grant opportunities and continued support of its regular contributors, means that the going concern basis remains appropriate for the preparation of these financial statements.

Based on the Association's forecasts, Council has adopted a going concern basis in preparing the Financial Statements. The Trustees have made this assessment after consideration of the Associations' cash flows and related assumptions and in accordance with the guidance published by UK Financial Reporting Council.

Consolidation

The group Statement of Financial Activities and group Balance Sheet consolidate the financial statements of the Association and its subsidiaries. The results of the subsidiaries are consolidated on a line-by-line basis. Intra group transactions, balances and unrealised gains are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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 Association 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 Association for particular purposes. Expenditure is charged to the Statement of Financial Activities when incurred.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income

All income is included in the Statement of Financial Activities (SOFA) when the Association 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 and subscriptions is included when receivable. Legacies are accounted for as soon as entitlement, probability and a monetary value can be reliably determined. The sums due under the contract from the MoD is included as income in the period it is earned.

Fundraising income is included in income in the period in which the Association becomes entitled to receipt. Trading income is recognised as earned.

Investment income is included when receivable.

Income from charitable activities is included in income in the period in which the Association 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 Association 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.

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

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

Support costs, which include the secretariat, finance, information technology and human resources, have been allocated to cost of raising funds and charitable activities on the most appropriate basis. Secretariat and finance costs have been allocated on the basis of time spent. Information technology costs have been allocated on the basis of equipment usage. Human Resource costs have been allocated on the basis of staff numbers.

Grants

Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant or when the Trustees have agreed to pay the grant without condition.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets

Intangible assets are initially recorded at cost and subsequently measured at cost net of accumulated amortisation and any impairment loss. Amortisation is provided for on all intangible assets at rates calculated to write off the cost of each asset less its residual value evenly over its expected useful economic lives as follows:

- | | |
|---------------------------------|--------------|
| - Computer software and Website | over 5 years |
|---------------------------------|--------------|

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

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

Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently measured at cost or valuation net of depreciation and any impairment loss. The Association and each subsidiary will capitalise items over the value of £500. 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:

- | | |
|----------------------------------|---------------------------------------|
| - Freehold properties | 2% on cost |
| - Short leasehold properties | over the terms of the leases |
| - Computer equipment* | 25% on cost |
| - Other equipment and furniture* | between 15% and 25% on net book value |
| - Motor vehicles* | 25% on net book value/over 15 years |

*These fixed asset classes have been combined in Note 13

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.

Revaluation of Properties

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in Other Gains and Losses in the Statement of Financial Activities.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023**

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investments

Long term investments are classified as fixed assets. Short-term investments are classified as current assets.

Listed investments are stated at fair value at the balance sheet date. Unlisted investments are stated at cost less impairment at the balance sheet date. Both realised and unrealised gains and losses are shown in the Statement Of Financial Activities. The fair value of the investments quoted on a recognised stock exchange is the quoted bid price.

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value in gains/losses in Investment Assets are recognised in the Statement of Financial Activities.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. A provision is made for obsolete and slow-moving items.

Financial instruments

The Group 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.

Pension costs

The Association operates a defined benefit pension scheme that closed to new entrants in December 2000 and to future accrual on 31 December 2012.

Contributions are paid to the scheme in accordance with the recommendations of the scheme actuary.

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Financial Activities. The interest costs and the interest on assets are shown as a net amount of income or expenditure as appropriate. Other adjustments are included within employee costs.

As detailed in Note 11, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high-quality corporate bond of equivalent currency and term of the scheme liabilities. Full updated actuarial valuations are obtained triennially and are reviewed in the following two years at each balance sheet date. The defined benefit pension scheme asset or liability is presented separately after other net assets on the face of the balance sheet.

The assets relating to the pension scheme are held separately from those of the Association in separate Trustee administered funds.

The Association also contributes to individual employees' personal stakeholder pension arrangements, where employees are not members of the defined benefit scheme. Contributions payable are charged to the Statement Of Financial Activities as they become payable. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

Operating lease agreements

Rentals under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Volunteers

No amounts are included in the financial statements to reflect the value of work undertaken by volunteers.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2023 £'000	Total 2022 £'000
Group				
Donations				
Armed Forces Covenant Fund Trust	257	43	300	29
Others	757	255	1,012	676
Legacies	1,358	-	1,358	986
Subscriptions	1,002	-	1,002	972
	3,374	298	3,672	2,663
Association				
Donations				
Armed Forces Covenant Fund Trust	3	43	46	29
Others	1,026	13	1,039	590
Legacies	1,358	-	1,358	986
Subscriptions	1,002	-	1,002	972
	3,389	56	3,445	2,577

4. SUBSIDIARIES

During the year, the Association owned the whole of the share capital of RAFATRAD Limited, RAFA Housing Limited, RAFA Events Limited, RAFAKidz Limited and RAFA Wellbeing Limited.

The activity of RAFATRAD Limited (Company No. 0345255) is the sale of commemorative items and memorabilia and the provision of fundraising, membership and marketing products to the Association and its branches.

The activity of RAFA Housing Limited (Registered number IP17723R) is that of the provision of independent housing for retired members of the RAF family based in Storrington, West Sussex.

The activity of RAFA Events Limited (Company No. 11927089) is to hold events for the purpose of raising funds and the profile of the Royal Air Forces Association.

RAFA Wellbeing Limited has not traded for the year ended 31 December 2023 and has been dormant since incorporation.

The activity of RAFAKidz Limited (Company No. 11927027) is that of operating nurseries and out of school clubs, for the development and education of children.

RAFAKidz Limited owns RAFA Kidzone Limited (Company No. 08418367 and Charity registration No. 1154822) which is an incorporated charity registered in England and Wales. The activity of RAFA Kidzone Limited is to enhance the development and education of children by funding inclusive and appropriate play and learning facilities. This is achieved by holding and investing funds for the benefit of children attending the nursery settings at specific RAF and MOD Stations.

RAFAKidz Limited owns RAFAKidz Wings Limited (Company No. 12372814), which is currently dormant.

The Trustees of the Association have agreed not to collect the amounts due until such time the subsidiary can pay.

RAFAKidz Wings Limited has been dormant for the year ended 31 December 2023.

The registered office of all subsidiaries is Atlas House, Wembley Road, Leicester LE3 1UT.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

4. SUBSIDIARIES (continued)

During the year RAFATRAD Limited charged the Association £286k (2022: £194k) in respect of Air Mail and RAF Association branded goods. Also, during the year, the Association charged RAFATRAD Limited £31k (2022: £25k) in respect of premises recharges, RAF Association branded goods and accountant costs.

During the year the Association charged RAFA Housing Limited £36k (2022: £26k) and at the year end the Association owed £43k (2022: £50k) to RAFA Housing Limited. During the year, there have been recharges between the Association and RAFAKidz Limited for various expenses, the net movement amounted to £6k (2022: £nil).

5. INVESTMENT INCOME AND INTEREST

Group and Association	2023	2022
	£'000	£'000
UK listed investments	417	511
Branch and other loans	1	1
Properties	146	150
	564	662

6. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2023	2022
	£'000	£'000	£'000	£'000
Group				
Accommodation fees	456	-	456	498
Grants and fundraising income	102	2,112	2,214	2,939
Nursery funds	-	-	-	2,951
UK government Coronavirus job retention scheme	-	-	-	-
	558	2,112	2,670	6,388

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2023	2022
	£'000	£'000	£'000	£'000
Association				
Accommodation fees	456	-	456	306
Grants and fundraising income	169	2,112	2,281	3,027
	625	2,112	2,737	3,333

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

7. TOTAL EXPENDITURE

Group

	Employee and related costs	Depreciation and amortisation	Other costs	Total 2023	Total 2022
	£'000	£'000	£'000	£'000	£'000
Costs of raising funds:					
Direct costs	1,805	-	270	2,075	1,963
Allocated support costs	-	-	-	-	5
Charity's charitable activities					
Direct costs	7,118	-	4,233	11,351	9,898
Allocated support costs	2,085	570	1,602	4,257	4,034
Other expenditure					
Interest Paid on Branch Deposits	-	-	15	15	17
Interest on Defined Benefit Pension Liabilities	-	-	(3)	(3)	(13)
	<u>11,008</u>	<u>570</u>	<u>6,117</u>	<u>17,695</u>	<u>15,904</u>

	2023	2022
	£'000	£'000
Allocated support costs:		
Other site costs	63	54
Advertising and promotions	89	73
Printing and stationery	151	133
Telephone	59	58
Insurance	130	143
Repairs and maintenance	36	29
Depreciation and amortisation	570	597
Reversal of Depreciation on Rothbury	-	(64)
Management fee	619	14
Other expenditure	21	597
Other equipment	2,085	31
Staff costs	434	1,972
Governance costs	-	402
	<u>4,257</u>	<u>4,039</u>

Included within total expenditure are payments under operating leases as follows:

- Land and buildings payments of £16k (2022: £29k)
- Equipment payments of £18k (2022: £12k)

The costs of raising funds includes Wings Appeal rebates allocated to branches totalling £83k (2022: £66k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

7. TOTAL EXPENDITURE (continued)

Support costs include £100k (2022: £100k) in respect of additional payments into the defined benefit pension scheme.

Expenditure includes a gain on disposal of fixed assets £33k (2022: loss of £13k).

Total expenditure includes auditors' remuneration of £32k (2022: £36k), with additional fees of £10k (2022: £17k) for non-audit work.

Association

	Employee and related costs	Depreciation and amortisation	Other costs	Total 2023	Total 2022
	£'000	£'000	£'000	£'000	£'000
Costs of raising funds:					
Direct costs	721	-	270	991	957
Charity's charitable activities					
Direct costs	2,505	-	4,234	6,739	7,205
Allocated support costs	2,086	523	1,602	4,211	3,830
Other expenditure					
Interest Paid on Branch Deposits	-	-	15	15	17
Interest on Defined Benefit Pension Liabilities	-	-	(3)	(3)	(13)
	5,312	523	6,118	11,953	11,996

	2023	2022
	£'000	£'000
Allocated support costs:		
Other site costs	63	53
Advertising and promotions	89	73
Printing and stationery	151	131
Telephone	59	55
Insurance	130	134
Repairs and maintenance	36	28
Depreciation and amortisation	523	554
Reversal of Depreciation on Rothbury	-	(64)
Other expenditure	619	568
Other equipment	21	31
Staff costs	2,086	1,825
Governance costs	434	442
	4,211	3,830

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

8. GRANTS PAYABLE

Group and Association	2023	2022
	£'000	£'000
Welfare grants to individuals	84	140
Association property grants to branches	56	35
Armed Forces Covenant Fund Trust grants paid to branches	-	158
	140	333

9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2022: £nil). Trustees' expenses of £18k (2022: £24k) were reimbursed for directly incurred travel, accommodation and subsistence expenses to 8 Trustees (2022: 8 Trustees).

10. STAFF COSTS

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Wages and salaries	8,441	6,842	4,646	4,263
Social security costs	716	647	444	459
Employer contributions to defined contributions schemes	320	261	228	199
	9,477	7,750	5,318	4,921

The average number of employees throughout the year, analysed by location was:

	Group		Association	
	2023	2022	2023	2022
	Number	Number	Number	Number
Welfare	60	54	60	54
Membership	12	17	12	17
Headquarters	75	70	75	70
Families Federation Service	16	16	16	16
Merchandise	14	11	-	-
Social Housing	1	1	-	-
Childcare	217	145	-	-
	395	314	163	157

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

10 STAFF COSTS (Continued)

The number of employees whose emoluments for the year fell within the following bands was:

Group and Association	2023	2022
	Number	Number
£60,001 to £70,000	3	4
£70,001 to £80,000	2	-
£80,001 to £90,000	-	2
£90,001 to £100,000	4	2
£100,001 to £110,000	1	1
	10	9
	10	9

10 employees (2022: 9) earning more than £60k participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £125k (2022: £98k).

The total employee benefits of the key management personnel of the Association were £391k (2022: £363k), which includes salary, employers' national insurance contribution, employers' pension contribution and all allowances.

11. PENSION SCHEMES (Group and Association)

The Association operates a defined benefit pension scheme, which closed to new entrants in December 2000 and to future accrual on 31 December 2012. The assets of the scheme are held separately from those of the Association in an independently administered fund. Contributions are based upon the recommendations of a qualified actuary.

The most recent actuarial valuation of the scheme was carried out as at 1 January 2024 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £12,472k which represents 99 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

The major assumptions used by the actuary were:

	2023	2022
Rate of increase of pensions in payment	2.9%	3.1%
Discount rate	4.5%	4.7%
Inflation assumption (RPI)	3.1%	3.1%

The mortality assumptions used in the valuation of the pension liabilities were:

	2023	2022
	Years	Years
Retiring today (currently aged 65):		
Males	21.6	21.8
Females	24.0	23.9
Retiring in 20 years (currently aged 45):		
Males	23.1	22.7
Females	25.7	24.8

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

11. PENSION SCHEMES (continued)

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme at 31 December 2023 were:

	2023	2022
	£'000	£'000
Bonds	1,192	1,555
Equities	2,555	2,393
Insurance contracts	3,662	3,959
Diversified funds	2,458	2,259
LDI funds	2,227	1,809
Net current assets	73	170
Total assets	<u>12,167</u>	<u>12,145</u>
Net of interest and costs	(64)	(53)
Employers' contributions	100	100
Actuarial gain / (losses) on defined benefit pension scheme	<u>(36)</u>	<u>(47)</u>
Balance sheet movement during year	<u>-</u>	<u>-</u>
	2023	2022
	£'000	£'000
Fair value of scheme assets	12,167	12,145
Present value of scheme liabilities	(12,018)	(12,112)
Surplus in the scheme	<u>149</u>	<u>33</u>
Restriction on recognition of scheme surplus	<u>(149)</u>	<u>(33)</u>
Total liability recognised	<u>-</u>	<u>-</u>

Under FRS 102, a pension scheme asset should only be recognised to the extent that the Association is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Given that this is unlikely, pension fund actuarial gains over recent years have been recognised in the accounts to the extent that it reversed the accumulated deficit.

The release was capped at the last accumulated deficit held, in 2020, due to the requirements of FRS 102, meaning the subsequent remaining gain held since 2021 to date has not been taken to the statement of other recognised gains and losses in the Statement of Financial Activities. Following the pension valuation in 2023, net fund movements still result in an overall surplus.

The net fund valuation increased by £116k to £149k and is therefore held within the unrecognised asset value and not reflected in the Statement of Financial Activities. £149k (2022: £33k) therefore now represents the surplus carried forward for any movement in the fund in the accounting period 2024.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

11. PENSION SCHEMES (continued)

In accordance with FRS102, provision has been made by the Association for the deficit of the scheme. This is reflected in the financial statements as follows:

Analysis of the amounts charged to Statement of Financial Activities

	2023	2022
	£'000	£'000
Expenses paid by the scheme	67	66

Analysis of financial element of pensions cost

	2023	2022
	£'000	£'000
Interest on assets	554	329
Interest on pension scheme liabilities	(551)	(316)
Net income	3	13

Analysis of the actuarial gain / (loss) on defined benefit pension scheme

	2023	2022
	£'000	£'000
Gain on asset return	194	(5,134)
Experience gain on liabilities	(220)	(471)
Changes in assumptions underlying the present value of the scheme liabilities	106	4,958
Actuarial gain/(loss) recognised in Statement of Financial Activities	80	(647)

Changes in the present value of defined benefit obligations

	2023	2022
	£'000	£'000
Opening defined benefit obligation	12,112	17,016
Interest cost	551	316
Actuarial experience gain/(loss) on liabilities	220	471
Actuarial gain on changes in assumptions	(106)	(4,958)
Benefits paid	(759)	(733)
Closing defined benefit obligation	12,018	12,112

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

11. PENSION SCHEMES (continued)

Changes in the fair value of plan assets	2023	2022
	£'000	£'000
Opening plan assets	12,145	17,649
Interest on assets	554	329
Gain/(loss) on asset return	194	(5,134)
Contributions by employer	100	100
Benefits paid	(759)	(733)
Expenses paid by the scheme	(67)	(66)
Closing defined benefit obligation	<u>12,167</u>	<u>12,145</u>

The actual return on plan assets was favourable: £748k (2022 adverse: £4,805k).

The Association expects to contribute £100k to its defined benefit pension plans in the year ended 31 December 2024.

The Association also contributes to a Workplace Pension Scheme at a rate of 4% of each member's gross salary, or 5% for those staff who participate in the salary sacrifice scheme. The pension cost for the year for the Group is £320k (2022: £261k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

12. INTANGIBLE FIXED ASSETS

Group	Computer software £'000	Total £'000
Cost or valuation:		
As at 1 January 2023	1,894	1,894
Additions	3	3
As at 31 December 2023	<u>1,897</u>	<u>1,897</u>
Amortisation:		
As at 1 January 2023	868	868
Charge for year	340	340
As at 31 December 2023	<u>1,208</u>	<u>1,208</u>
Net book Value:		
As at 31 December 2023	<u>689</u>	<u>689</u>
As at 31 December 2022	<u>1,026</u>	<u>1,026</u>
Association	Computer software £'000	Total £'000
Cost or valuation:		
As at 1 January 2023	1,882	1,882
Additions	3	3
As at 31 December 2023	<u>1,885</u>	<u>1,885</u>
Amortisation:		
As at 1 January 2023	867	867
Charge for year	338	338
As at 31 December 2023	<u>1,205</u>	<u>1,205</u>
Net book Value:		
As at 31 December 2023	<u>680</u>	<u>680</u>
As at 31 December 2022	<u>1,015</u>	<u>1,015</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

13. TANGIBLE FIXED ASSETS

Group	Notes	Properties		Equipment and Furniture	Total
		Freehold £'000	Short Leasehold £'000		
Cost or valuation:					
At 1 January 2023		6,661	55	1,836	8,552
Additions		2	-	181	183
Disposals		-	-	(80)	(80)
At 31 December 2023		<u>6,663</u>	<u>55</u>	<u>1,937</u>	<u>8,655</u>
Depreciation:					
At 1 January 2023		1,851	25	1,436	3,312
Charge for year		122	1	107	230
Depreciation on disposal		-	-	(78)	(78)
At 31 December 2023		<u>1,973</u>	<u>26</u>	<u>1,465</u>	<u>3,464</u>
Net book Value:					
At 31 December 2023		<u>4,690</u>	<u>29</u>	<u>472</u>	<u>5,191</u>
At 31 December 2022		<u>4,810</u>	<u>30</u>	<u>400</u>	<u>5,240</u>
Association					
		Properties		Equipment and Furniture	Total
		Freehold £'000	Short Leasehold £'000	£'000	£'000
Cost or valuation:					
At 1 January 2023		5,947	55	1,416	7,418
Additions		-	-	64	64
Disposals		-	-	(69)	(69)
At 31 December 2023		<u>5,947</u>	<u>55</u>	<u>1,411</u>	<u>7,413</u>
Depreciation:					
At 1 January 2023		1,614	25	1,129	2,768
Charge for year		122	1	62	185
Depreciation on disposals		-	-	(67)	(67)
At 31 December 2023		<u>1,736</u>	<u>26</u>	<u>1,124</u>	<u>2,886</u>
Net book Value:					
At 31 December 2023		<u>4,211</u>	<u>29</u>	<u>287</u>	<u>4,527</u>
At 31 December 2022		<u>4,335</u>	<u>30</u>	<u>287</u>	<u>4,652</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

14. INVESTMENTS

Group	Fair Value		Historical Cost	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
a) Fixed assets				
Listed investments	17,761	18,425	13,326	12,990
Investment properties	3,391	3,047	959	759
	<u>21,152</u>	<u>21,472</u>	<u>14,285</u>	<u>13,749</u>

Association	Fair Value		Historical Cost	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
a) Fixed assets				
Listed investments	17,385	18,228	12,976	12,741
Investment properties	3,391	3,047	959	759
	<u>20,776</u>	<u>21,275</u>	<u>13,935</u>	<u>13,500</u>

The investment properties were revalued during last year by an employee of the Association, who is a member of the Royal Institution of Chartered Surveyors. The basis of valuation is the open market value of the long leasehold interests in the property, subject to a tenancy agreement being in place, otherwise market value.

Movements on fair value during the year - Group

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2023	18,425	3,047	21,472
Additions	222	400	622
Disposals	(1,135)	(200)	(1,335)
Net investment gains	249	144	393
31 December 2023	<u>17,761</u>	<u>3,391</u>	<u>21,152</u>

Movements on fair value during the year - Association

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2023	18,228	3,047	21,275
Additions	73	400	473
Disposals	(1,135)	(200)	(1,335)
Net investment gains	219	144	363
31 December 2023	<u>17,385</u>	<u>3,391</u>	<u>20,776</u>

The net investment gains reflect the revaluation of investments at the year end.

No one investment represents more than 5 per cent of the portfolio by market value.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

14. INVESTMENTS (continued)

The Association holds investments of £106 (2022: £106) representing the entire ordinary share capital of its subsidiary companies which are eliminated on the group consolidation, details of the subsidiary companies are given in Note 4 of the accounts.

Overseas investments	Branch Deposit		Total £'000
	General & Branch Deposit Fund £'000	Formby Branch Fund £'000	
2023			
North America	1,925	133	2,058
European	336	15	351
Asia Pacific	452	37	489
Emerging market	75		75
Global	3,141	193	3,334
	<u>5,929</u>	<u>378</u>	<u>6,307</u>
2022			
North America	2,028	123	2,151
European	317	14	331
Asia Pacific	619	46	665
Emerging Market	66	-	66
Global	2,965	182	3,147
	<u>5,995</u>	<u>365</u>	<u>6,360</u>

b) Net gains on investment assets - Group

Group	2023 £'000	2022 £'000
Net gains/(loss) on listed investments	249	(2,183)
Net gain on disposal of listed investments	760	-
Net gains on investment properties	144	10
Net gains on current asset investments	34	-
	<u>1,187</u>	<u>(2,173)</u>

b) Net gains on investment assets - Association

Association	2023 £'000	2022 £'000
Net gains/(loss) on listed investments	219	(2,179)
Net gain on disposal of listed investments	760	-
Net gains on investment properties	144	10
Net gains on current asset investments	34	-
	<u>1,157</u>	<u>(2,169)</u>

The Revaluation Reserve of £7,901k (2022: £8,221k) included within the unrestricted funds within the balance sheet of both the Group and Association, arises on the year end fair value of investments property held at fair value, less their historical costs.

15. ASSETS HELD FOR RESALE

Group and Association	2023 £'000	2022 £'000
Freehold properties	440	300

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade debtors	78	86	7	79
Amounts due from subsidiaries	-	-	1,006	918
Prepayments and accrued income	480	267	388	213
Other debtors	109	68	12	81
	<u>667</u>	<u>421</u>	<u>1,413</u>	<u>1,291</u>

Within the Association, amounts due from subsidiaries includes £100,000 (2022: £100,000) which is due after more than one year.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Taxation and social security costs	183	248	119	219
Other creditors	1,055	518	564	393
Accruals	153	313	330	306
Deferred income	443	248	250	244
Deposits by branches	1,484	1,630	1,484	1,630
Formby Branch	1,006	995	1,005	995
Amounts owed to subsidiaries	-	-	43	48
	<u>4,324</u>	<u>3,952</u>	<u>3,795</u>	<u>3,835</u>

	Group	Association
	£'000	£'000
Movement in deferred income:		
2023 opening balance	248	244
Release during the year	(248)	(244)
2024 donations, fulfilment income and grants in advance	443	250
	<u>443</u>	<u>250</u>
2023 closing balance	<u>443</u>	<u>250</u>

Within the Group and Association, deferred income comprises membership subscription income, Government funding, donations and fulfilment income received in advance.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Deferred income – capital grant	265	269	-	-
	<u>265</u>	<u>269</u>	<u>-</u>	<u>-</u>

19. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are set out below:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Equipment:				
Due within one year	18	20	14	16
Due between two and five years	23	13	15	13
Land and buildings:				
Due within one year	16	16	6	8
Due between two and five years	34	55	8	15
Vehicles:				
Due within one year	35	65	14	56
Due between two and five years	51	5	-	-
	<u>177</u>	<u>174</u>	<u>57</u>	<u>108</u>

The total future minimum lease receipts under non-cancellable operating leases are set out below:

Group and Association

Land and buildings

	2023	2022
	£'000	£'000
Due within one year	136	130
Due between two and five years	423	484
Due over 5 years	401	471
	<u>960</u>	<u>1,085</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

20. RESTRICTED FUNDS

Association	1 January	Income	Expenditure	Transfers	31 December
	2023				2023
	£'000	£'000	£'000	£'000	£'000
Befriending	149	33	(103)	-	79
Brighten Your day	13	-	(6)	-	7
Conway Legacy	306	-	(10)	-	296
Dowding Restricted Fund	32	-	(8)	-	24
Eastern Chalet Area	119	6	(10)	(15)	100
Finding it Tough	57	72	(71)	-	58
Flowerdown House	113	-	-	-	113
Flying Scholarship	10	-	-	-	10
Homes Refurbishment	146	-	-	-	146
Lunches	15	-	(15)	-	-
Military Coworking	148	-	(112)	-	36
Operation RAF Unite	41	43	(54)	-	30
Partner Employment Programme	35	5	(1)	-	39
Positive pathway programme	61	-	(30)	(14)	17
RAF Benevolent Fund Grants	160	1,914	(1,924)	-	150
Reaching Affected Families (Navigating Dementia)	80	2	(49)	-	33
Care and Welfare	92	56	(17)	-	131
Rothbury Restricted	292	22	(21)	(272)	21
Scottish Development Fund	22	-	-	-	22
Storybook Wings & Doodle packs	50	-	(25)	-	25
Volunteer Welfare Officers	18	-	(6)	-	12
Wexford	18	5	(17)	-	6
Other Restricted Funds	92	10	(3)	(50)	49
	2,069	2,168	(2,482)	(351)	1,404
Group					
Brize Norton Nursery Fund	-	209	(153)	(8)	48
Digby Nursery Fund	100	3	(4)	-	99
Leeming Nursery Fund	65	3	-	-	68
High Wycombe Nursery Fund	-	42	(42)	-	-
	2,234	2,425	(2,681)	(359)	1,619

The purpose of each fund is as stated above except for the Care and Welfare fund, which represents an aggregation of each Areas Care funds, which have the common purpose of contributing towards welfare for eligible individuals.

During the year £359k was transferred from Restricted Funds to General. £351k of this represents prior year restricted expenditure that has now been allocated to the relevant funds. A further £8k has been transferred from RAFAKidz investment gains, being a contribution to the running of the RAFA Kidzone charity.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

20. RESTRICTED FUNDS (continued)

PRIOR YEAR

Association	At 1 January 2022 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2022 £'000
Befriending	140	149	(140)	-	149
Brighten Your day	17	2	(6)	-	13
Conway Legacy	86	-	-	220	306
Dowding Restricted Fund	32	-	-	-	32
Eastern Chalet Area	127	3	(12)	-	119
Finding it Tough	88	22	(53)	-	57
Flowerdown House	113	-	-	-	113
Flying Scholarship	60	-	-	(50)	10
Homes Refurbishment	151	-	(5)	-	146
Lunches	15	-	-	-	15
Military Coworking	145	83	(79)	-	148
Operation RAF Unite	-	42	(1)	-	41
Partner Employment Programme	35	-	-	-	35
Positive pathway programme	33	37	(9)	-	61
RAF Benevolent Fund Grants	301	2,095	(2,236)	-	160
Reaching Affected Families (FAR)	59	25	(4)	-	80
Respite Care and Welfare	361	-	(269)	-	92
Rothbury Restricted	168	229	(105)	-	292
Scottish Development Fund	22	-	-	-	22
Storybook Wings & Doodle packs	4	-	(4)	50	50
Veterans	129	29	(158)	-	-
Volunteer Welfare Officers	8	10	-	-	18
Wexford	58	-	(40)	-	18
Other Restricted Funds	89	55	(52)	-	92
	2,241	2,781	(3,173)	220	2,069
Group					
Digby Nursery Fund	100	-	-	-	100
Leeming Nursery Fund	-	84	(18)	-	65
	2,341	2,865	(3,191)	220	2,234

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

21. DESIGNATED FUNDS

Group	1 January	Movement	31	31
	2023		December	December
	£'000	£'000	£'000	£'000
Fixed Assets	3,375	(1,375)	2,000	3,375
Membership Engagement	346	(46)	300	346
Investment Fund	3,600	(200)	3,400	3,600
Welfare Fund	6,000	(1,000)	5,000	6,000
Property Repairs and Maintenance	750	-	750	750
Defined Benefit Pension Scheme	1,500	(1,000)	500	1500
Rothbury	163	-	163	163
Cranwell Nursery Fund	-	38	38	-
	15,734	(3,583)	12,151	15,734

Association	1 January	Movement	31	31
	2023		December	December
	£'000	£'000	£'000	£'000
Fixed Assets	3,375	(1,375)	2,000	3,375
Membership Innovation	346	(46)	300	346
Investment Fund	3,600	(200)	3,400	3,600
Welfare Fund	6,000	(1,000)	5,000	6,000
Property Repairs and Maintenance	750	-	750	750
Defined Benefit Pension Scheme	1,500	(1,000)	500	1,500
Rothbury	163	-	163	163
	15,734	(3,621)	12,113	15,734

To support the business strategy, the Trustees have approved the designation of funds.

A designated fund of £2,000k is held to replace fixed assets as required, and also a £750k maintenance reserve to maintain infrastructure integrity of the property portfolio.

A membership innovation fund of £300k is allocated to fund innovation potential within the membership offering.

A designated Fund of £500k is held to cover any future shortfall of the defined benefit pension scheme resulting from adverse financial markets movements and the resulting impact on the scheme assets. This has been reduced in the year from £1,500k in light of the assets of the fund performing well and the present value of obligations, and that it is 99% funded. This designation will enable accommodation of any ongoing volatility of the markets.

The investment fund designation of £3,400k accounts for the continued uncertainties in the financial markets relating to the global political and trade. The Trustees believe this is sufficient to withstand a significant market correction.

The welfare needs of the Association's beneficiaries will continue to evolve and changing needs have been identified. As a result of the welfare provision fund of £5,000k is set aside to enable continued welfare activities and in support of a strategic plan to utilise reserves for this purpose.

The Rothbury House fund is designated to support an independent living facility and is currently valued at £163k.

During the year a Cranwell Nursery Designated Fund of £38k was created to support development activity at RAFAKidz Cranwell nursery.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2023 are represented by:			
Intangible fixed assets	689		689
Tangible fixed assets	5,191		5,191
Investments	21,152		21,152
Loans to branches	124		124
Current assets	2,888	1,619	4,507
Current liabilities	(4,324)		(4,324)
Creditors due after more than one year	(265)		(265)
Total net assets	25,455	1,619	27,074

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2023 are represented by:			
Intangible fixed assets	680		680
Tangible fixed assets	4,527		4,527
Investments	20,776		20,776
Loans to branches	124		124
Current assets	2,711	1,404	4,115
Current liabilities	(3,795)		(3,795)
Total net assets	25,023	1,404	26,427

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2022 are represented by:			
Intangible fixed assets	1,026	-	1,026
Tangible fixed assets	5,240	-	5,240
Investments	21,472	-	21,472
Loans to branches	125	-	125
Current assets	1,511	2,234	3,745
Current liabilities	(3,952)	-	(3,952)
Creditors due after more than one year	(269)	-	(269)
Total net assets	25,153	2,234	27,387

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2022 are represented by:			
Intangible fixed assets	1,015	-	1,015
Tangible fixed assets	4,652	-	4,652
Investments	21,275	-	21,275
Loans to branches	125	-	125
Current assets	1,770	2,069	3,839
Current liabilities	(3,835)	-	(3,835)
Total net assets	25,002	2,069	27,071

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

23. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Net expenditure	(313)	(5,528)	(644)	(5,595)
Adjustments for:				
Gifted properties	(1,688)	(380)	(1,688)	(380)
Gifted properties sold	848	-	848	-
Contributions to defined benefit scheme	(100)	(100)	(100)	(100)
Expenses borne by pension scheme	67	66	67	66
Depreciation charges	230	248	185	206
Amortisation charges	340	350	338	350
Fair value (gain)/losses on Investment properties	(144)	-	(144)	-
Loss on disposal of fixed assets	2	92	2	60
Fair value (losses)/gains on investments	(249)	2,172	(219)	2,169
Loss on pension	36	-	36	-
Investment income	(564)	(662)	(564)	(662)
Return on defined benefit scheme assets	(554)	(329)	(554)	(329)
Interest paid	15	17	15	17
Interest on defined benefit pension liabilities	551	316	551	316
(Increase)/decrease in assets for resale	(140)	250	(140)	250
(Increase)/decrease in stock	(155)	98	-	-
Increase in debtors	(246)	(116)	(120)	(135)
Increase in creditors	514	218	105	199
Net cash (used in) operating activities	<u>(1,550)</u>	<u>(3,288)</u>	<u>(2,026)</u>	<u>(3,568)</u>

24. CASH AND CASH EQUIVALENTS

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash and cash equivalents represent:				
Cash at bank	1,686	1,794	997	1,312
Cash held by investment managers	1,265	936	1,265	936
	<u>2,951</u>	<u>2,730</u>	<u>2,262</u>	<u>2,248</u>

25. LEGACIES

The Association is aware of a number of legacies to be received due to the legacy pipeline information, but these are difficult to quantify as the monetary value is uncertain and cannot be established.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

26. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £477k (2022: £756k) to the Association which is included in Wings Appeal income. The Association returned £83k (2022: £66k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition, £7k (2022: £6k) was paid to the branches in respect of Wings Appeal expenditure and these expenses are included in the cost of raising funds.

Membership subscription rebates of £90k (2022: £118k) are to be paid to branches are included in expenditure.

The Association paid interest of £15k (2022: £17k) to the branches holding deposit accounts with the Association (see Note 7). The Association received interest of £0.6k (2022: £1K) from branches that have received loans from the Association.

27. FINANCIAL INSTRUMENTS

The carrying amount of the Group's and Associations financial instruments at 31 December were:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Financial assets:				
Equity instruments measured at fair value through net income/expenditure	17,221	18,625	18,844	18,428

28. DONATIONS – ASSETS GIFTED FROM BRANCHES

During the year, the Royal Air Forces Association branches at Harrogate, Penarth, Eastbourne and St Neots closed their Clubs resulting in four properties being transferred to The Royal Air Forces Association for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The properties transferred were valued at their fair values and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised in the Statement of Financial Activities as Donations – Assets Gifted from Branches. During 2023 the properties gifted total £1,688k (2022: £380k).

All properties transferred are classified as Unrestricted Funds.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000
INCOME:				
Donations and Legacies	3	2,536	127	2,663
Donations – assets gifted from branches	28	380	-	380
Charitable Activities:	6	3,651	2,737	6,388
Other Trading Activities:				
Trading income		845	-	845
Grand Draw and other fundraising income		1,619	-	1,619
Investment Income	5	662	-	662
Total Income		9,693	2,864	12,557
EXPENDITURE:				
Cost of Raising Funds		1,968	-	1,968
Charitable Activities:				
Residential & Respite Care Home		1,665	-	1,665
Friendship & Welfare Support		8,258	3,191	11,449
Other Support Costs		827	-	827
Other Expenditure:				
Interest Paid on Branch Deposits		17	-	17
Interest on Defined Benefit Pension Liabilities		(13)	-	(13)
Total Expenditure	7	12,722	3,191	15,913

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000
Net (loss) on investment assets	14(b)	(2,173)	-	(2,173)
Net (expenditure)/income		(5,202)	(327)	(5,529)
Other recognised losses:				
Net loss on revalued assets		(608)	-	(608)
Actuarial losses on defined benefit pension scheme	11	(47)	-	(47)
Net movement in funds		(5,857)	(327)	(6,184)
Reconciliation of Funds				
Total Funds Brought Forward		31,230	2,341	33,571
Transfer between funds		(220)	220	-
Total Funds Carried Forward		25,153	2,234	27,387

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000
INCOME:				
Donations and Legacies	3	2,534	43	2,577
Donations – assets gifted from branches	28	380	-	380
Charitable Activities:	6	595	2,738	3,333
Other Trading Activities:				
Grand Draw and other fundraising income		1,619	-	1,619
Investment Income	5	662	-	662
Total Income		5,790	2,781	8,571
EXPENDITURE				
Cost of Raising Funds		957	-	957
Charitable Activities:				
Residential & Respite Care Home		1,505	-	1,505
Welfare Support		5,478	3,173	8,651
Other Support Costs		879	-	879
Other Expenditure:				
Interest Paid on Branch Deposits		17	-	17
Interest on Defined Benefit Pension Liabilities		(13)	-	(13)
Total Expenditure	7	8,823	3,173	11,996

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000
Net (losses) on investment assets	14(b)	(2,169)	-	(2,169)
Net (expenditure)/income		(5,202)	(392)	(5,594)
Other recognised losses:				
Net losses on revalued assets		(608)	-	(608)
Actuarial losses on defined benefit pension scheme	11	(47)	-	(47)
Net movement in funds		(5,857)	(392)	(6,249)
Reconciliation of Funds				
Total Funds Brought Forward		31,079	2,241	33,320
Transfer between funds		(220)	220	-
Total Funds Carried Forward		25,002	2,069	27,071

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023**

Subsidiary Organisations

<p>RAFAKidz Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p> <p>Rebecca Reffell</p> <p>WO Michelle Rees-Martin</p> <p>Adam Walker (from November 2023)</p>	<p>RAFA Housing Limited</p> <p>Directors / Trustees:</p> <p>Robert Hingston (Chair) (until February 2023)</p> <p>Harrinder Rai (Chair) (from April 2023)</p> <p>Nicholas Bunting OBE</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p> <p>Samantha Barber (until October 2023)</p> <p>Carl Dickinson</p> <p>Sqn Ldr Dean Gibson</p> <p>Flt Lt Simon Arnett (from October 2023)</p> <p>John Stemp (from January 2024)</p>
<p>RAFA Kidzone Limited</p> <p>Directors / Trustees:</p> <p>Rory O'Connor (until March 2023)</p> <p>Rachel Huxford MBE</p> <p>Ruth Brutnall</p> <p>Phil Sherwin (from March 2024)</p>	<p>RAFATRAD Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rachel Huxford MBE</p> <p>Kristina Parkin</p> <p>Chris Goss</p> <p>Lady Elaine Hillier</p> <p>George Overton (from April 2023 to February 2024)</p>
<p>RAFAKidz Wings Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p>	<p>RAFA Events Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rachel Huxford MBE</p> <p>Kristina Parkin</p>
<p>RAFA Wellbeing Limited</p> <p>Directors:</p> <p>Nicholas Bunting OBE (Chair)</p> <p>Rory O'Connor</p> <p>Kristina Parkin</p>	



rafa.org.uk

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 RAF Association

 raf.association

 @RAFAssociation



Patron: His Majesty The King
Registered Charity 226686 (England & Wales),
SC037673 (Scotland).



THE ROYAL AIR FORCES ASSOCIATION - CORPORATE BODY

England & Wales - Charity number 226686

Accounts

**THE ROYAL AIR FORCES ASSOCIATION
REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS
YEAR ENDED 31 DECEMBER 2022**

REGISTERED CHARITY NUMBERS	226686 (England and Wales), SC037673 (Scotland)
PRINCIPAL OFFICE	Atlas House, 41 Wembley Road, Leicester, LE3 1UT
PATRON	Her Majesty The Queen (to September 2022)
LIFE VICE-PRESIDENTS	Marshal of the Royal Air Force The Lord Stirrup KG GCB AFC FRAeS FCMI Air Chief Marshal Sir Stephen Dalton KCB ADC BSc FRAeS CCMI Air Chief Marshal Sir Joseph Gilbert KCB CBE LLD (hc) Air Chief Marshal Sir Glenn Torpy GCB CBE DSO ADC BSc (Eng) FRAeS Air Chief Marshal Sir Andrew Pulford GCB CBE ADC Air Chief Marshal Sir Stephen Hillier GCB CBE DFC ADC MA Air Marshal Sir Dusty Miller KBE Air Marshal P O Sturley CB MBE BSc FRAeS Air Vice-Marshal P Liddell CB BSc CEng FIET FRAeS Air Vice-Marshal N Bairsto CB MBE Air Commodore A H Vaughan OBE BA FIMgt Dr B Pattinson, OBE (from January 2022)
TRUSTEE MEMBERS OF THE COUNCIL	
President	Air Marshal Sir Baz North KCB OBE MA FRAeS
Chairman	Air Vice-Marshal J Cliffe CB OBE (to October 2022) Air Vice-Marshal A N C Reid CB OStJ MBChB MSc DRCOG DAvMed FFOM (from October 2022)
Vice Chairman	Air Vice-Marshal M Neal OBE CEng FIET
Honorary Treasurer	Mr P Tagg
Area Elected Members	Mr R Blunden (South-East and Eastern) (from October 2022) Ms M Greer (Scotland, Northern Ireland and Northern England) (from October 2022) Mr G Overton (European and Overseas) (from October 2022) Mr A P Rees (Wales, Midlands and South-West) (from October 2022) Mr M Watkins (Central) (from October 2022)

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

Area Representatives	Mr F C Barrett MBE (South-East and Eastern) (to March 2022) Mr J Gilmour (South-East and Eastern) (from March 2022 to October 2022) Mr D Chappell (Northern) (to October 2022) Mrs M Addison (Wales, Midlands and South-Western) (to October 2022) Mrs S Kidston (Scotland and Northern Ireland) (to October 2022) Air Commodore A Neal AFC FRAeS (European and Overseas) (to October 2022)
Members appointed by the Royal Air Force	Air Commodore G A Opie MDA MA BSc FCIPD RAF Squadron Leader K Roachford RAF Warrant Officer M Rees-Martin
Appointed Member	Ms F Barber Ms S Barber Mrs P Bearblock
SENIOR MANAGEMENT TEAM	
Secretary General	Mr N Bunting OBE CDir FIOD MCMi
Director of Member Branch and Wellbeing	Mr R O'Connor MA
Director of Marketing, Fundraising and Trading Chief Finance Officer	Ms R Huxford MBE MInstF Mrs K Parkin JP BSc (Hons) ACMA CGMA MCIPP
Chief Information Officer	Mr P Sherwin BSc (Hons) MBCS
Group Company Secretary	Mrs R Brutnall BA (Hons) ACG

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

PROFESSIONAL ADVISORS

Auditors	UHY Hacker Young LLP, 14 Park Row, Nottingham, NG1 6GR
Bankers	Lloyds Bank plc, Law Courts Branch, 222 Strand, London WC2R 1BB
Investment Managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Rothschild & Co, New Court, St Swithin's Lane, London EC4N 8AL
Solicitors	Freeths LLP, One Colton Square, Leicester, LE1 1QH Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London EC4R 1BE

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT
YEAR ENDED 31 DECEMBER 2022

The Trustees of The Royal Air Forces Association (the Association), are pleased to present this report and the consolidated financial statements of the Association for the year ended 31 December 2022. The financial statements have been prepared based on the accounting policies set out in note 2 to the financial statements and comply with the Royal Charter, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) (effective 1 January 2019).

Our charitable object and activities for the public benefit

The Association is a public benefit entity. The Trustees have given due consideration to the Charity Commission published guidance on the operation of the Public Benefit requirement, and confirm that the objects of the Association, as established and incorporated, are to relieve the need, suffering and distress of all those who are serving or have served in Our Air Forces, and their families and dependants. There are only two criteria for assistance: eligibility and need. Crucial to the successful delivery of all our charitable activities is a network of more than 2,700 volunteers across the globe. It is impossible to quantify the value of their contribution in monetary terms, and therefore no amounts are recorded in the financial statements.

This has been distilled into our vision: an RAF community which is connected, empowered and resilient.

Delivering against our 2022 aims and objectives

The Association is one of the oldest military charities and has supported the RAF community for **over 90 years**. It serves a community of circa **one million** people, providing support to those who need practical, emotional or financial assistance. We achieve this through our thriving network of circa **67,000 members**, across **100 countries in 249 branches**. More than 3,200 new members joined the Association in 2022.

In 2022, **85,000** members of the RAF were supported by the Association. This was made possible by our committed network of members and supporters who volunteered their time to support the Association and our employees.

In 2022

- We responded to the cost-of-living crisis and the consequential impact which increased day to day costs have had on the RAF community. Our outreach campaign contacted **almost 6,000 individuals** to check on their wellbeing and supported those who were eligible to access Home Fuel Grants, sourcing a total of **£220,000 for over 420 individuals**.
- In total, our volunteer caseworkers submitted **over 1,350 requests for financial support for those in need**.
- Over 3,510 new welfare cases were opened and supported by our team of trained volunteers, managed and supported by our specialist employees. 95 per cent of all casework beneficiaries reported that they were happy with the support they received.
- We reduced loneliness and isolation by making over **23,000 regular friendship calls through our 'RAFA Connections for Life' service**. Our **650 volunteers supported almost 2,200 individuals during the year**.
- Our dedicated **helpline looked after over 62,000** enquiries, over 6,000 more than in 2021, reflecting the increase in our outreach and demand for our services.
- Our holiday accommodation welcomed **over 380 members of the RAF community**.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

- Phase one of the redevelopment of Rothbury House opened, welcoming its first residents in **July 2022**, providing residents with high quality accommodation, and a sense of community with a distinct RAF ethos, with a helping hand available on-site should they need it.
- **More than 700 children from military families received high-quality childcare** in a welcoming and safe environment at our five RAFAKidz nurseries on RAF bases.
- **Navigating Dementia Sessions were held on various RAF stations throughout the year** equipping members of the RAF community supporting family members with dementia. **100 per cent of attendees** reported that the sessions improved their knowledge of the condition, the care required by a person living with dementia and increased their confidence in talking about the condition. **100 per cent of attendees** surveyed reported that they would recommend the course to friends or family.
- **Over 250 members of the RAF community took part in our 'Finding it Tough?' mental wellbeing programme.** 96 per cent of attendees reported an improved knowledge of wellbeing and 98 per cent of those who provided feedback would recommend the course to friends, family or colleagues.
- **We supported over 270 claims and appeals** for the Armed Forces Compensation Scheme and War Pensions, of which over 70 per cent resulted in successful award. The value of lifetime awards secured was **over £1.4 million.** The quality of our support and approach was noted by the Tribunal panel.
- Our field force of volunteers was supported by high quality, nationally-accredited training. Almost **2,000 training courses** were completed.

Structure

The Association is governed by a Trustee body, referred to as the Council, the Officers of the Association (the President, the Chair and Vice-Chair of Council and the Treasurer) and Members of the Council are all Trustees. They are incorporated as a body operating under the Association's Royal Charter.

Trustees are ultimately responsible for all matters concerning governance, strategic direction, legal operation, and financial probity.

Our Chief Executive, the Secretary General, is responsible to the charity's Trustees for the management of the Association's activities.

The Council meets on a quarterly basis and ensures the charity is carrying out its purposes within our charitable objectives and for the benefit of our beneficiaries, is accountable, and complies with our governing documents and the law, as well as ensuring our resources are managed responsibly.

The Association has several committees overseeing different work streams. Each is normally chaired by a Trustee (except for the Safeguarding and Audit Committees which are chaired by independent chairs). The Committees provide advice, assurance and support to Council.

The following committees meet on a quarterly basis:

- Branch and Membership Committee
- Finance and Investment Committee
- Information Committee
- Safeguarding Committee
- Welfare Committee

The Audit Committee meets, as a minimum, twice per year.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

Under the authority of Council, the Association operates three subsidiary companies and two incorporated charities:

- RAFA Events Limited
- RAFA Trad Limited
- RAFA Kidz Limited
- RAFA Kidzone
- RAFA Housing Limited

Collectively they are referred to in this report as the Group or the Association.

Our Vision

Our vision is of a RAF community which is connected, empowered and resilient.

Connected

As an organisation founded on the principle of supporting the RAF community through a community of members, we have always recognised the value of strong social connections. The Association's ethos is that once you are part of the RAF community, you are always part of it. That is why we are determined to do all we can to make sure no one feels alone.

Membership of the Association provides a unique opportunity to renew and strengthen connections with the wider RAF community. Our members are at the heart of all we do, building connections, volunteering to support the community and raising funds.

There are 249 RAF Association branches located across the UK and in 16 other countries across the world. Branches are charities in their own right, managed by their branch committees but subject to the Association's Royal Charter, Rules, Byelaws and Standard Regulations. They provide a unique link between the charity and communities across the globe, supporting volunteers, providing outreach and wellbeing support, supporting local commemorative events and raising funds.

Building and sustaining meaningful connections is at the heart of our welfare strategy. Our 'RAFA Connections for Life' service continued in 2022. Over 23,000 regular friendship calls were made, to almost 2,200 beneficiaries. This programme seeks to support those members of the RAF community who are at risk of social isolation and provide regular contact and friendship. The programme is supported by over 650 volunteers, of which over 20 per cent are serving members of the RAF, sustaining connections across the generations.

Our volunteers benefit from participating in the programme too. 96 per cent of those who responded to our 2022 survey rated their overall experience as a volunteer for the Association as 'Good' or 'Very Good'.

During 2022 we entered into a partnership with the RAF Benevolent Fund to form OP RAF Unite. The project, funded by a grant from the Armed Forces Covenant Fund Trust, aims to support veterans of recent conflicts in Iraq and Afghanistan. The pilot phase of the project is due to begin in 2023.

We also support serving families to stay connected, understanding that the nature of service life can place family connections under pressure. Our Doodlepacks continued to be popular in 2022, supporting serving families to manage the challenges of separation. Our free Wi-Fi provided across 14 stations / MOD sites and to 82 houses used for welfare purposes by the RAF, kept serving personnel in touch with family and friends and was used over 150,000 times in 2022.

Empowered

We provide members of the RAF community with the tools and support they need to maintain their freedom, dignity and independence.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

The Association operates five retirement complexes, in Melton Mowbray, Moffat, Rothbury and, through RAFA Housing Limited, Storrington. In total, these are home to over 100 tenants. These schemes provide support to those with a connection to the RAF, enabling them to live independently with the confidence of support if it is needed.

We continued to provide specialist advice and support to serving, recently medically discharged and veteran personnel to secure a record level of awards under the War Pensions and Armed Forces Compensation Scheme. 160 new cases were opened in 2022, and we attended and supported 31 tribunals. As a result of our support 25 individuals received awards, with a lifetime value totalling over £1.4 million.

Our Navigating Dementia Programme continued to empower those supporting family members with the disease to increase their understanding of dementia, the care needs of those with dementia and how they can support those living with it.

We rely on our network of volunteers. In recognition of this, we provide them with the training and tools they need to support others. The Association remains the only military charity to train its volunteers to nationally-accredited standards. In 2022 almost 2,000 self-directed and tutor led courses were completed, equipping our volunteers with the skills and support they need to provide support to others. 100 per cent of all newly-recruited volunteers completed safeguarding training.

Resilient

Ensuring the RAF community remains resilient and able to face the challenges of everyday life, both while serving and afterwards, is core to all that we do. During 2022 the pressures of increased costs of living were felt across our community. We responded quickly to identify those who may require additional support. Our contact centre contacted almost 6,000 individuals resulting in 424 referrals for the Home Fuel Grants, worth a total of over £220,000.

We are proud to play a leading role in supporting the welfare casework needs of the RAF community, empowering individuals by giving them much-needed support. During 2022 the most common presenting need changed, from mobility to support with living costs, reflecting the financial pressures faced by many.

Our bespoke mental wellbeing training, 'Finding It Tough?' was attended by over 250 members of the wider RAF community (the families of serving personnel, contractors, veterans and their families). The course recognises that everyone struggles from time to time, and that being part of the wider RAF family can present its own unique challenges. 93 per cent of those who attended reported an improved confidence to talk about mental health. In 2023 we will continue to offer both remote and in person courses.

We welcomed 382 guests to our chalet and caravan accommodation, providing a break from everyday life and a chance to spend time with family away from home.

RAF Families Federation

Integral to achieving all three strands of our vision is our management of the RAF Families Federation Service contract on behalf of the RAF. The RAF Families Federation plays a key role capturing evidence on issues which concern serving RAF personnel and their families – and in sharing this with military and Government decision-makers. During 2022 cases raised with the Federation reflected the wider pressures on serving families, in particular issues with service accommodation.

RAFAKidz

The ability to access quality and affordable childcare is essential to many serving families. RAFAKidz was established to meet their specific needs. During 2022 RAFAKidz added a fifth setting at RAF Brize Norton, meaning that 700 families were able to benefit from affordable childcare, designed to support the unique pressures of serving families.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

Fundraising

Successful fundraising is critical to the sustained financial health of the Association and our ability to provide support to the RAF community. The pressures of increased energy costs and household bills has affected income across the sector, and the Association was not immune from this.

The main sources of fundraising income during 2022 were gifts in wills, major gifts from our branches, branch and members' fundraising activities and gifts from trusts and companies.

We are committed to the highest possible standards of fundraising. During 2022 we continued to work to ensure that all our activities were compliant with legislative, regulatory and best practice standards. We have been registered with the Fundraising Regulator since its inception in 2016, demonstrating our commitment to the Code of Fundraising Practice and the Fundraising Promise. In 2022 we reviewed our Ethical Fundraising Policy, to ensure that it continued to provide an appropriate framework for fundraising activities.

The Association is grateful for the support shown to its work by all those who funded it during 2022. Support to the Association from trusts, foundations and other organisations came from several sources. Some wish to remain anonymous but others included:

Adint Charitable Trust	ICAP	Wilkin & Sons
AeroSuperBatics Ltd	I M L D Forde Charitable Settlement	Wolf Brewery
Alpkit Foundation	Inman Charity	Zedra Trust Company
Amrik Sandhu	John Scott Charitable Trust	
Ann Jane Green Trust	KBR	
Annie Ramsay McLean Trust for the Elderly	Lady Bamford	
Anthony Inglis	Leonardo UK	
April Fools Club	Lillie C Johnson Charitable Trust	
Armed Forces Covenant Fund Trust	Little Brown	
The Arnold Clark Community Fund	Lockheed Martin Corporation	
Babcock	Lockheed Martin UK	
Bath Rugby	MacRobert Trust	
Beryl Doreen Thomas Charitable Trust	Maritime Air Trust	
BFBS	Matt & Lisa Tebbutt	
Boeing	Maud Elkington Charitable Trust	
Bonhams	MBDA	
Boots Charitable Trust	Nick & Annette Mason	
Bremont Watch Company Ltd	Nova Systems	
CAE	Officers' Association Scotland	
CGI	Queen Mary's Roehampton Trust	
Charles Littlewood Hill Trust	RAF Battle of Britain Memorial Flight	
Clarion Events Ltd	The Rare Tea Company	
Collins Aerospace	Raytheon	
Davis-Rubens Charitable Trust	Red Arrows Trust	
The Digital Line	Rega Ltd	
Duncan Barber	Rhody Sims	
Ecomnova	Roger Raymond Charitable Trust	
Englefield Charitable Trust	Sir Donald and Lady Edna Wilson Charitable Trust	
Fujitsu	Sir Jeremiah Colman Gift Trust	
George Teasdale Birks Trust	Sloane Helicopters	
Gerald Bentall Charitable Trust	Tecniq	
Hobson Charity Ltd	Ulverscroft Foundation	
Gordon Murray	Verizon	
iFLY	Vic & Anne Norman	
Inzpire	W G Edwards Charitable Foundation	

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

During 2022, all our interactions with the general public were carried out by our employees and volunteers, except for one supplier whose services we employed to interact directly with the public to administer our Weekly Lotto. We ensured that the contract with the supplier included fundraising compliance clauses. As part of our work to ensure compliance with fundraising regulation and best practice, we monitor our supplier to ensure they continue to meet the same high standards we expected of our own fundraisers. In a similar vein, we also have contracts in place with all corporate partners who raised funds or donated to us.

The Association has a Fundraising Complaints Policy and has processes in place to protect vulnerable donors. During 2022 we received no complaints about our fundraising, whether carried out by us directly or in relation to the Lotto.

Governance

The Association is committed to meeting the highest standards of governance in all its activities and to ensuring that everyone who acts in the name of the Association – volunteers, employees, and members – meets the highest standards of conduct and probity. The Association has adopted the Charity Governance Code (for larger charities) and conducts an annual review against the Code to support continuous improvement. Further details are provided later in this report. The Association also conforms to the Cobseo governance framework for military charities.

Public benefit

When reviewing the Association's aims and objectives and in planning activities and policies, the Trustees have considered the Charity Commission's general guidance on public benefit and to its supplementary guidance on public benefit and fee charging. All services are either free or heavily subsidised. Where fees are charged, for occupying a residential property, the beneficiary's means are always considered so that no eligible member of the RAF community is prevented from accessing the services of the Association because they cannot afford the full cost. The Association also provides a public benefit as it promotes efficiency in the RAF, by underpinning a spirit of pride and mutual loyalty, and so contributing to the defence of the United Kingdom and its interests.

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.

FINANCIAL REVIEW

Income

During the year, the consolidated income raised from members, volunteers, the general public, and investments was £12,558k, (2021, £12,506k). In 2022 legacy income was £986k (2021, £2,158k).

2022 has been a challenging environment for investments and overall performance was a fall in valuation of 9.5 per cent. Investment income contributed £662k to the Association's overall income (£577k, in 2021).

Expenditure

In 2022 expenditure was £15,913k, an increase of 10 per cent from £14,354k spent in 2021. This reflects the Trustee's commitment to increase services for our beneficiaries in terms of welfare, activities and services. In 2022 £13,949k (£12,664k in 2021) was spent on charitable activities. 88p of every pound raised was spent on welfare activities.

Investment policy and performance

The Trustees have the power to invest any of the Association's funds not immediately required for the purposes of the charity in accordance with the provisions of the Trustee Act 2000. The Trustee-appointed investment managers, Rathbones Investment Management Limited and Rothschild & Co, are managed by the Council's Finance and Investment Committee, assisted with independent oversight provided by Asset Risk Consultants.

The investment portfolio comprises three main elements managed by Rathbones: (1) an unrestricted fund, (2) the Formby Branch Deposit fund, and (3) the Branch Deposit Fund (a pooled fund of monies held in trust for and invested

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

in respect of the Association's branches holdings within the Association. The Rothschild Fund is also a pooled fund held in trust for and invested on behalf of the Association's branches.

The Association's investments were reviewed at quarterly committee meetings in 2022 and performance reported to Council. The Association's investment portfolio was valued at £21,472k at the close of 2022 (2021: £25,265k).

Trustees agreed a strategy to draw on the Association's investment reserves in a managed way where required to ensure continued provision of welfare services. In addition, the Association receives the dividend income from some of its investments to support its charitable activities. The charity's medium term financial plan (a rolling plan looking forward five years) takes both factors into account. £3,250k of capital was withdrawn from investments to support the operation of the charity.

The Association continues to employ the services of Asset Risk Consultants to provide analysis and evaluation of investment performance, which serves to enhance the decision-making capability of the Finance and Investment Committee.

Reserves policy

The reserves policy was reviewed by the Council in November 2022. Trustees have adopted a pragmatic approach to ensure that the Association holds sufficient reserves to respond to current and future welfare needs quickly and effectively. Reserves planning is a key component of the Association's strategic planning process, the Council regularly review the level of reserves to ensure that funds are available to deliver our welfare services and programmes and to secure the long-term sustainability of the Association. The charity's research undertaken in recent years, the Association is aware of a growing need among all generations and this need is likely to grow. Linked to this uncertainty is a trend of cuts in social welfare budgets across the UK and there is evidence of increasing levels of social isolation and loneliness amongst all ages – all of which was considered when reviewing the policy.

The Association adopts a forward-looking strategic risk-based outlook on the needs of the RAF community and consequently does not use short-term measures focusing on a limited number of months' operating costs. The Finance and Investment Committee reviews the Medium-Term Financial Plan at each of its meetings and makes recommendations to the Council on the management of financial risks.

The Association is heavily reliant on voluntary income from fundraising, legacies and donations, which is not guaranteed. The increased cost of living, combined with the continuing impact of the pandemic and associated lockdowns, has adversely affected voluntary income generation. The Trustees have therefore agreed to maintain a minimum level of unrestricted free reserves of £15m to cover the costs associated with normal operations over a 12-month period to address the risks to our services and programmes to beneficiaries, members and employees.

At the end of December 2022, consolidated unrestricted reserves totalled £25,153k (£31,230k in 2021). Restricted reserves, funds received for specific activity, decreased to £2,234k (£2,341k in 2021).

In addition, the Council has designated funds of £15,734k (£18,932k in 2021) to be used to undertake multi-year activity to maintain our welfare services, reaching more of the RAF community, and support our plans to increase and diversify our income in the long-term vision.

Pensions

The value of the defined benefit pension scheme at 31 December 2022 has been calculated in accordance with FRS102 regulations. The valuation resulted in a decrease in value to a surplus of £33k in 2022, against a surplus of £633k at the end of 2021. The Association continued to make payments into the Scheme in 2022 of £100k, as agreed with the pension trustees. In accordance with FRS 102 and considering uncertain economic conditions, the fall in valuation is not included in the balance sheet as it has been off set against an existing unrecognised surplus.

Risk Management

The Trustees have overall responsibility for ensuring that the Association has an appropriate system of controls, financial and otherwise, across the Association and its subsidiaries to provide reasonable assurance that relevant laws

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

and regulations are complied with, that their assets are safeguarded against unauthorised use or disposal, and that proper records are maintained, and information is reliable.

The Association does not generally have an appetite for high exposure risks; nevertheless, the Trustees recognise that delivering the ambitious strategic aims and objectives outlined in the Strategic Plan to 2030 will involve a degree of risk-taking and uncertainty. As such, there is an appetite for higher levels of risk where appropriate to deliver against strategic aims, objectives and targets provided there is a comprehensive understanding of the exposures involved and potential benefits arising, and subject to there being appropriate controls and approval processes in place. In terms of priorities, Trustees have agreed that the need to avoid reputational, compliance and excessive financial risk will take priority over other factors, recognising balanced assessments must be made as, in many cases, risks are attached both to doing something and doing nothing.

The Association's risk management process is designed to identify and assess risks such that appropriate risk management and mitigation strategies are implemented, and their effectiveness monitored. Trustees are supported in this by the Council Committees, which each scrutinise risk, mitigations and performance against linked KPIs at every meeting. Trustees have identified the following as its key risks and the strategic risk register is reviewed at each Council meeting.

- *Failure to deliver quality and safe services.* Ensuring the safety of those who access our services is fundamental to the work of the Association. Council is supported in its management of this risk by the Safeguarding Committee. The Independent Chair provides constructive challenge to the work of the Association. The Safeguarding Policy is reviewed annually. The Safeguarding Committee reviews progress against a comprehensive action plan quarterly.
- *Failure to sustain a large and engaged membership.* Membership numbers are monitored and reported to Council quarterly. Mitigating actions include member retention and reengagement activities and work by the charity and branches to engage with members.
- *Branch and Club governance and compliance failure.* The Council has identified regulatory compliance at branch level as a strategic risk, with concerns about the wider reputational risk that the Association faces by a decentralised structure where branches are separate charities but operate under a shared name and constitution. Considerable progress has been made by branches in meeting the compliance requirements established under charity law and the Association's own constitution. The Association continues to provide dedicated support from subject matter experts on branch governance and wider regulatory matters such as fundraising and property.
- *Long term financial sustainability and short-term cash flow failure.* Given the on-going pressures faced by all charities seeking to generate fundraising income, Council continues to monitor income and expenditure closely. It is supported in this by the Finance and Investment Committee which meets quarterly to review financial performance, cash flow and performance against the Medium-Term Financial Plan, which includes assumptions regarding the required draw on investment funds.
- *External threats.* Mitigation plans include collaboration with other charities and organisations, the use of research to inform our ability to anticipate the changing needs of the RAF community, informing the development of policy, developing unique service propositions and the diversification of service provision.
- *Loss of operational capability.* Plans include development of business continuity plans, provision to work remotely in the event of further disruption to our ability to access key premises, cyber security, and a range of processes to ensure recruitment and retention of appropriately qualified and trained employees and volunteers.
- *Significant change management projects.* Council recognises the need for change and adaptation of services and ways of working as the Association responds positively to changes in the needs of the RAF community and the external environment. Mitigation plans include the implementation of defined project management methodology and documentation. Oversight is provided by a project governance board, Senior Management Team and committees to enable prioritisation of work.
- *Information risk.* Data is recognised as a strategic asset and protected accordingly. The Association employs professionally qualified staff who regularly review cyber and data policies and processes. During 2022 it maintained its Cyber Essentials Plus certification.
- *Corporate governance failure and Group legislative / regulatory failure.* Mitigation includes regular reviews of policies, Council, Committee and / or subsidiary Board oversight, employment of professionally qualified staff and mandatory training.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

Operational risk registers are also subject to regular review by the appropriate Council Committee so that assurance is provided to the Council that operational risks are being effectively managed. Each Committee has been charged with reviewing each of its relevant policies to ensure that the risk tolerance of each policy is within the overall risk tolerance set by the Council.

The Council is satisfied that all risks are being appropriately addressed.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Air Forces Association, which was established in 1930, was incorporated by Royal Charter in 1953. The Association is a registered charity governed by the Royal Charter, its Rules and Byelaws. The charity is also known as the RAF Association and RAFA. The Association is registered with the Charity Commission and with the Office of the Scottish Charity Regulator. It is also registered with the Fundraising Regulator and Information Commissioner's Office (ICO). The Association is a democratic, non-sectarian non-political organisation with no affiliation to any party or party organisation or trade union. The Association is a member of the Confederation of British Service and Ex-service Organisations (Cobseo).

The Association is an international organisation with over 66,000 members and 249 branches in the UK and overseas. It is also the ultimate parent undertaking of five trading subsidiaries (RAFATRAD Limited, Royal Air Forces Association Housing, RAFAKidz Limited, RAFA Kidzone Limited, RAFA Events Limited) and one non-active company (RAFAKidz Wings Limited).

During 2022 the Association undertook a review of its structure, to ensure that it continued to use resources effectively in support of its priorities and objectives.

The Board of Trustees (The Council)

The Council is the Association's Board of Trustees and is collectively accountable to the Association's members and other stakeholders for the long-term success of the Association. Members of the Council are elected or appointed for a three-year term, after which they are eligible to stand for re-election on a further two occasions; they may not hold office for a continuous period exceeding nine years. The Council is responsible for the Association's compliance with all relevant legislative and regulatory requirements. It is responsible for determining the strategy and values of the Association, approving the annual business plan, supporting strategies and the associated budget, holding the Secretary General (who is responsible for the day-to-day management of the Association's affairs) and Senior Management Team to account for the Association's performance, standards of conduct and corporate governance.

The Council recognises that good governance is fundamental to the success of the charity and is committed to continuous improvement in terms of its own effectiveness, the governance of all Group companies and branch governance. The Council has adopted the Charity Governance Code for larger charities and assesses annually how it meets the principles, outcomes and recommended practice. Where areas for improvement are identified an action plan is agreed and its implementation is monitored by the Council.

The composition of the Council is prescribed by the Association's Rules and Byelaws and may comprise up to 24 trustees. Following resolutions passed by Conference in 2021, the number of trustees on Council was reduced to 15, as follows:

- The President of the Association, elected triennially at Annual Conference. Air Marshal Sir Baz North KCB OBE MA FRAeS was re-elected for a second term in 2020.
- The Chairman of Council, elected triennially at Annual Conference. Air Vice-Marshal Alastair Reid CB CB OSTJ MBChB MSc DRCOG DAvMed FFOM was elected to his first term of Office in October 2022.
- The Treasurer of the Association. Mr Philip Tagg was re-elected for a final third term in 2020.
- Five Area Elected Trustees, one elected by each of our five Areas. Elections were held in 2022.
- Three service representatives nominated by the Royal Air Force.
- A maximum of four co-opted trustees.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 9 to the accounts.

During 2022 work was undertaken to implement the changes required following resolutions passed at Conference 2021 altering the structure of the Council. This required the five geographical areas of the Association to each elect an individual to serve as their Area Elected Trustee. To support this process, Council agreed a role specification, based on the skills matrix agreed in 2020, to ensure that nominees were aware of the responsibilities and the skills which Council had identified as desirable. Where an area identified more than one nominee, the Nominations Committee interviewed candidates, to provide additional assurance that the candidates both understood the role of a trustee and had the skills and judgement to fulfil the duties expected of them.

When new Trustees are elected or appointed, an induction on the work of the Association and Trustees' roles and responsibilities is provided. The Council, either as a whole or through its sub-committees, also receives ongoing briefings and training from senior management and external advisors in key areas such as risk management, safeguarding, data protection, fundraising, and financial management. Further training and development are provided to meet specific needs and Trustees receive annual (online) refresher training on matters including health and safety, equality and diversity and cyber security.

The Council has appointed designated lead Trustees for Health and Safety (Mr M Watkins), Safeguarding (Air Commodore G A Opie RAF), and Whistleblowing (Ms F Barber).

Council Meetings

The powers of the Council are set out in the Royal Charter, Rules, and Byelaws which are supplemented by the Standard Regulations governing the Areas, Regions, Branches and Branch Clubs (collectively the 'Governance Handbook'). The Council may exercise all powers conferred on it by the Governance Handbook and in accordance with the Charities Act 2011 and other applicable legislation. The Council usually holds five face-face meetings each year. The Council has also adopted a procedure for making decisions ex-committee. All ex-committee decisions are subject to ratification at the next Council meeting.

Trustee	Total Meetings	Total Attended	Attendance %
Air Marshal Sir Baz North	5	5	100%
Air Vice-Marshal Alastair Reid	2	2	100%
Air Vice- Marshal John Cliffe	3	3	100%
Air Vice-Marshal Mark Neal	5	4	80%
Mr Philip Tagg	5	5	100%
Air Commodore Alan Opie	5	4	80%
Air Commodore Andrew Neal	3	3	100%
Mr Anthony Rees	2	2	100%
Mr David Chappell	3	3	100%
Ms Fiona Barber	5	5	100%
Mr Frank Barrett	1	1	100%
Mr George Overton	2	1	50%
Mr John Gilmour	2	2	100%
Squadron Leader Kyle Roachford	5	1	20%
Ms Margaret Greer	2	2	100%
Marilyn Addison	3	3	100%
Mr Martin Watkins	2	1	50%
Warrant Officer Michelle Rees-Martin	5	3	60%
Ms Pauline Bearblock	5	2	40%

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

Mr Ray Blunden	2	2	100%
Ms Samantha Barber	5	5	100%
Ms Susan Kidston	3	3	100%

Committee Structure

Throughout the year the work of the Council was supported by Committees. Each Committee has written terms of reference approved by the Council. Members of the committees are a combination of Association Trustees and personnel co-opted as determined by the Council. This allows Council to ensure an appropriate balance of skills on each committee. The Committees in effect in 2022 were as follows.

Committee	Chair	Number of members	Number of meetings
Branch and Membership	AVM M Neal	12	4
Finance and Investment	Mr P Tagg	5	4
Information	AVM M Neal	7	4
Safeguarding	Ms M Jones	5	4
Welfare	Ms F Barber	8	4
Annual Conference	Mr A Rees	5	5
Audit	Ms S Munday	4	3
Remuneration	AVM J Cliffe	3	1
Nominations	AVM J Cliffe	3	3

Committees generally meet in advance of Council meetings, with minutes of meetings being provided to the Council, together with any recommendations. Council and its Committees are also supported, from time to time, by Task and Finish Working Groups who are charged with reviewing specific tasks or activities and make recommendations to Council and / or its Committees.

Delegated Authority

The Council has a formal schedule of matters specifically reserved for its approval which cannot be delegated. Other specific matters have been delegated to its Committees and these are clearly defined within the relevant terms of reference. Day-to-day management of the Association is delegated to the Secretary General and his team and the Council reviews its scheme of delegated authority on an annual basis. Notwithstanding any delegation, the Council remains collectively accountable for the work of the Association.

Branches and Areas

Branches are separate organisations from the Association; branch accounts are not consolidated with those of the Association. Branches fundraise on their own behalf and on behalf of the Association (the annual Wings Appeal). The Association provides branches with an annual rebate to support branch membership and welfare activity.

Branches share the same objective and constitution as the Association and, as such, are individual charities in their own right and are required to register as charities in accordance with the relevant local jurisdiction.

Annual Conference

2022 saw the return of Annual Conference as an 'in person' event, though members were still able to observe proceedings via video feed if they were unable to attend in person. Under temporary provision put in place during the pandemic, branches eligible to vote at Conference were able to vote in person, or via postal ballot. This temporary provision was formally adopted into the Byelaws of the Association on an ongoing basis, by resolution at Conference 2022.

At Conference AVM A N C Reid CB OSTJ MBChB MSc DR COG DAVMed FFOM was elected as Chair of Council and UHY Hacker Young LLP were elected as auditors of the Association, following a tender process which was overseen by the

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

Audit Committee. The reports by the Chairman of Council, Treasurer and Secretary General were presented and branches were provided with an opportunity to raise questions following the presentations.

In response to findings that the change to an online conference appeared to have a positive impact on branch participation; at Conference 2022 delegates voted to accept an amendment to the Association's Byelaws which will allow for Conferences to be held as 'hybrid' events in future, with delegates attending in person or remotely via the agreed mechanism to participate in and vote at Conference.

Subsidiaries

RAFATRAD Limited is a wholly owned subsidiary of the Association, which sells commemorative items and memorabilia and undertakes fulfilment activity for the charity. RAFATRAD Limited is a company limited by shares incorporated under Companies Act 2006.

Royal Air Forces Association Housing Limited (RAFA Housing) is a wholly owned subsidiary of the Association. It is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, regulated by the Financial Conduct Authority (FCA). RAFA Housing is a registered provider of social housing regulated by the Regulator of Social Housing (formerly known as the Homes and Communities Agency).

RAFAKidz Limited is a wholly owned subsidiary company limited by shares incorporated under Companies Act 2006. During 2022 it operated pre-school nurseries in accordance with the Early Years Foundation Stage at RAF Brize Norton, RAFC Cranwell, RAF Digby, RAF Leeming and RAF Odiham, and wrap-around care at RAF Cranwell, RAF Digby and RAF Leeming. RAFA Kidzone Limited, a company limited by guarantee and registered charity, is a wholly owned subsidiary of RAFAKidz and operates a pre-school nursery and wrap-around care at RAFC Cranwell. From 1 January 2023 the operation of the setting at RAFC Cranwell transferred to RAFAKidz. Both RAFAKidz Limited and RAFA Kidzone Limited are registered with and regulated by Ofsted.

RAFA Events Limited (formerly RAFA Clubs Limited) and RAFAKidz Wings Limited are both companies limited by shares incorporated under Companies Act 2006. RAFAKidz Wings Limited is a subsidiary of RAFAKidz Limited. RAFAKidz Wings did not trade in 2022.

RAFA Wellbeing Limited was incorporated in April 2022 as a company limited by shares. It did not trade in 2022.

Remuneration Policy

The Association is committed to recruiting, retaining and developing people with the necessary skills and knowledge to make a positive contribution in helping deliver the organisation's objectives. Making effective decisions in relation to remuneration and reward is considered both central and crucial to the continued success of the Association's overall aims. The Association's Remuneration Policy centres on the following principles:

- Reward employees using processes that are fair, equitable, and transparent.
- Aim to pay competitively against our relevant comparators in the voluntary sector.
- Enhance the organisation's competitive positioning by promoting a total reward approach, recognising that other aspects of the employment package (e.g., benefits and development opportunities as well as the intrinsic moral value of working for a charity) are also valuable to employees.

Remuneration Review and Annual Pay Award

The Council, through the Remuneration Committee, composed of three Trustees, sets pay and conditions for all Association employees, including the senior management team, and reviews the Remuneration Policy annually, ensuring that the principles outlined above are adhered to and remain appropriate within the wider economic context. Employee remuneration is reviewed annually in August and any changes are implemented from the following 1 January. Salary benchmarking is undertaken using data from the Office for National Statistics (ONS) and surveys by Croner. The Association has introduced the National Living Wage Foundation on a discretionary basis and voluntarily recognises the GMB trade union for collective bargaining for statutory activity, including pay.

THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

Employees earning over £60,000 per annum are shown at note 10 of the accounts. Key management personnel are the Secretary General, Director of Member, Branch and Wellbeing, and Director of Marketing, Fundraising and Trading.

This remuneration policy and review applies to Association employees only. Employees of subsidiary companies are subject to separate arrangements set by the respective Boards of Directors.

Future outlook

The Association has risen to the challenge of fulfilling emerging and changing welfare needs whilst continuing to manage the impact of the COVID-19 pandemic and the cost-of-living crisis on revenue generation of the Association and its subsidiaries into 2021, particularly in relation to our ability to fundraise. As such, the charity and its subsidiaries will continue to review how best to deliver their much-needed services. The Council considers that the actions taken in 2020, combined with the past prudent approach to accumulating investments and cash-backed unrestricted reserves, places the Association in a strong position to continue to affect positively the wider RAF community.

Auditor

After the previous auditor's term of engagement expired, UHY Hacker Young LLP were appointed as auditors during the year after a resolution at the Annual General Meeting.

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. The law applicable to charities in England and Wales, Scotland and Northern Ireland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the Association and the Group, and of the incoming resources and application of resources of the Association and the 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 Statement of Recommended Practice (SORP).
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and the Group and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, The Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the Royal Charter. 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 Association'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.

The Council has given due regard to the increased pressure on income streams brought about by the COVID-19 pandemic and have concluded that the positive level of general reserves, a healthy cash and investments balance, the benefit of Government measures and support as well as the continued support of its regular contributors, means the going concern basis remains appropriate for the preparation of these financial statements.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

This report was approved by the Trustees on 17 May 2023 and signed on their behalf by:



Air Vice-Marshal A N C Reid
CB OSTJ MBChB MSc DRCOG DAvMed FFOM

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

Opinion

We have audited the financial statements of the Royal Air Forces Association (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Group and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements 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 group's and parent charity's affairs as at 31 December 2022 and of the group's and parent charity's incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 151 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

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 parent charity 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 group's or parent charity's ability to continue as a going concern for a period 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 annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, 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 TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper and sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 20 the trustees 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 and parent charity'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 parent charity 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charity and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the charity, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2011, the parent charity's governing document and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to legacy income recognition, fund accounting, valuation of investments and valuation of investment properties.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Care Act 2014. We performed audit procedures to inquire of management (and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with regulatory authorities).

Audit procedures performed by the engagement team included:

- reviewing the systems, controls and procedures of the charity relevant to the preparation of the financial statements to ensure these were in place throughout the year;
- evaluating management's controls designed to prevent and detect irregularities;
- review of the financial statement disclosures to underlying supporting documentation;
- review of correspondence with and reports to the regulators, including correspondence with OFSTED;

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

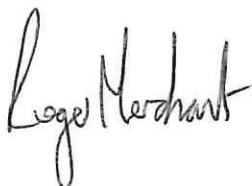
- enquiries of management in so far as they related to the financial statements;
- testing of journals in particular journal entries posted by unusual users, postings with unusual descriptions, postings with unusual dates and postings with unusual and material amounts;
- evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud;
- challenging assumptions and judgements made by management in their critical accounting estimates; and
- reviewing the legacy income documentation to ensure that the legacy income is being recognised in line with the applicable financial reporting standards.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Roger Merchant
Senior Statutory Auditor

Date...14...JUNE...2023...

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	2,536	127	2,663	4,793
Donations – assets gifted from closed branches	28	380	-	380	1,015
Charitable Activities:	6	3,651	2,738	6,389	4,520
Other Trading Activities:					
Trading income		845	-	845	456
Grand Draw and other fundraising income		1,619	-	1,619	1,145
Investment Income and Interest	5	662	-	662	577
Total Income		9,693	2,865	12,558	12,506
EXPENDITURE:					
Cost of Raising Funds		1,968	-	1,968	1,660
Charitable Activities:					
Residential & Respite Care Home		1,665	-	1,665	2,407
Friendship & Welfare Support		8,258	3,191	11,449	9,665
Other Support Costs		827	-	827	592
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	19
Interest on Defined Benefit Pension Liabilities		(13)	-	(13)	11
Total Expenditure	7	12,722	3,191	15,913	14,354

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)
AT 31 DECEMBER 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Net (Losses)/gains on investment assets	14(b)	(2,173)	-	(2,173)	2,575
Net (expenditure)/income		(5,202)	(326)	(5,528)	727
Other recognised losses:					
Net losses on revalued assets		(608)		(608)	-
Actuarial (losses)/gain on defined benefit pension scheme	11	(47)	-	(47)	839
Net movement in funds		(5,857)	(326)	(6,183)	1,566
Reconciliation of Funds					
Total Funds Brought Forward		31,230	2,341	33,571	32,005
Transfer between funds		(220)	220	-	-
Total Funds Carried Forward		25,153	2,235	27,388	33,571

All income and expenditure derive from continuing activities.

The Group Statement of Financial Activities includes all gains and losses recognised in the year.

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES
AT 31 DECEMBER 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	2,534	43	2,577	4,793
Donations – assets gifted from closed branches	28	380		380	1,015
Charitable Activities:	6	594	2,738	3,332	2,723
Other Trading Activities:					
Grand Draw and other fundraising income		1,619		1,619	1,145
Investment Income and Interest	5	662		662	577
Total Income		5,789	2,781	8,570	10,253
EXPENDITURE					
Cost of Raising Funds		957	-	957	1,030
Charitable Activities:					
Residential & Respite Care Home		1,505	-	1,505	2,355
Friendship & Welfare Support		5,478	3,173	8,651	8,097
Other Support Costs		879	-	879	606
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	19
Interest on Defined Benefit Pension Liabilities		(13)	-	(13)	11
Total Expenditure	7	8,823	3,173	11,996	12,118

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
AT 31 DECEMBER 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Net (losses)/gains on investment assets	14(b)	(2,169)	-	(2,169)	2,575
Net (expenditure)/income		(5,203)	(392)	(5,595)	710
Other recognised losses:					
Net losses on revalued assets		(608)	-	(608)	-
Actuarial (losses)/gain on defined benefit pension scheme	11	(47)	-	(47)	839
Net movement in funds		(5,857)	(392)	(6,249)	1,549
Reconciliation of Funds					
Total Funds Brought Forward		31,079	2,241	33,320	31,771
Transfer between funds		(220)	220	-	-
Total Funds Carried Forward		25,002	2,069	27,071	33,320

All income and expenditure derive from continuing activities.

The Association Statement of Financial Activities includes all gains and losses recognised in the year.

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS
AT 31 DECEMBER 2022

	Notes	Group		Association	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fixed assets:					
Intangible assets	12	1,026	1,302	1,015	1,302
Tangible assets:					
Properties	13	4,840	5,404	4,365	4,996
Equipment and furniture	13	400	579	287	393
		6,266	7,285	5,667	6,691
Investments:					
Investments	14	21,472	25,265	21,275	25,265
Programme related investments - loan to branches		125	129	125	129
Total fixed assets		27,863	32,679	27,067	32,085
Current assets:					
Assets held for resale	15	300	550	300	550
Stocks		294	392	-	-
Debtors	16	421	305	1,291	1,156
Cash at bank and in hand		2,730	4,041	2,248	3,560
Total current assets		3,745	5,288	3,839	5,266
Current liabilities:					
Creditors: amounts falling due within one year	17	(3,952)	(4,127)	(3,835)	(4,031)
Net current (liabilities)/assets		(207)	1,161	4	1,235
Total assets less current liabilities		27,656	33,840	27,071	33,320
Creditors: amounts falling due after more than one year	18	(269)	(269)	-	-
Net assets including pension scheme liability		27,387	33,571	27,071	33,320

**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (continued)
AT 31 DECEMBER 2022**

	Notes	Group		Association	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Funds:					
Restricted funds	20	2,234	2,341	2,069	2,241
Unrestricted funds:					
Designated funds	21	15,734	18,932	15,734	18,932
General funds		9,419	12,298	9,268	12,147
Total funds		27,387	33,571	27,071	33,320

The financial statements on pages 21 to 60 were approved and authorised for issue by the Trustees on 17 May 2023 and signed on their behalf by:



Air Vice-Marshal A Reid
CB OSTJ MBChB MSc DRCOG DAvMed FFOM

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION STATEMENTS OF CASHFLOWS
AT 31 DECEMBER 2022

	Notes	Group		Association	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Cash out flows from operating activities	23	(3,288)	(2,562)	(3,568)	(2,611)
Cash flows from investing activities					
Investment income		662	577	662	577
Interest payable		(17)	(19)	(17)	(19)
Receipt of Kaupthing Singer and Friedlander monies		-	10	-	10
Payments to acquire intangible fixed assets		(74)	-	(62)	-
Payments to acquire tangible fixed assets		(141)	(115)	(72)	(51)
Assets for resale		330	-	330	-
Payments to acquire investments		(1,923)	(3,015)	(1,723)	(3,015)
Receipts from disposals of investments		3,363	4,591	3,363	4,591
Net cash provided by investing activities		2,200	2,029	2,481	2,093
Cash flows from financing activities					
Decrease in loans to branches		4	2	4	2
(Decrease)/increase in deposits by branches		(227)	190	(229)	190
Net cash from financing activities		(223)	192	(225)	192
Change in cash and cash equivalents in the year		(1,311)	(341)	(1,312)	(326)
Cash and cash equivalents at the beginning of the year	24	4,041	4,382	3,560	3,886
Cash and cash equivalents at the end of the year	24	2,730	4,041	2,248	3,560

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

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.

Accounting Estimates

The Charity makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined benefit pension assumptions. The discount rate and inflation rate and the decision not to recognise the gain in excess of the reversing liability are considered to be key estimates in calculating the defined benefit liability and sensitivities have been disclosed within Note 11.

Investment properties are valued at their fair value based on an open market value for existing use of the properties. The valuations are made by a qualified Chartered Surveyor, using a variety of assumptions to determine the valuation of the investment's properties taking account of the fact that the properties are tenanted under lease and providing an income stream rather than being immediately available to occupy. Any changes in these assumptions would impact on the carrying value of these investment properties.

Critical area of judgement

The Trustees believe there is no critical area of judgment.

2. PRINCIPAL ACCOUNTING POLICIES

General information

The Royal Air Forces Association is incorporated by Royal Charter and is a registered charity at the Charity Commission in England and Wales (charity number 226686) and at the Scottish Charity Regulator (OSCR) in Scotland (charity number SC037673).

The address of the charity's registered office and principal place of business is Atlas House, Wembley Road, Leicester, LE3 1UT. The group consists of the Association and its subsidiaries as set out in note 4. The nature of the group's operations are set out in the Trustees' Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and to include investment properties at fair value, 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, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102), the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

Basis of preparation (continued)

The financial statements of the Association comprise the funds of the Association but not the branches which are separate registered charities and do not share common Trustees with the Association.

The Royal Air Forces Association meets the definition of a public benefit entity under FRS 102 and have therefore applied the relevant public benefit requirements of FRS 102.

Monetary amounts in the financial statements are rounded to the nearest £1,000. The financial statements are presented in sterling which is also the functional currency of the Association.

Going Concern

As set out in the Trustees report on Page 4, Council has given due regard to the increased pressure on income streams brought about since the pandemic and have concluded that the positive general reserves, healthy cash and investment balances, grant opportunities and continued support of its regular contributors, means that the going concern basis remains appropriate for the preparation of these financial statements.

Based on the Association's forecasts, Council has adopted a going concern basis in preparing the Financial Statements. The Trustees have made this assessment after consideration of the Associations' cash flows and related assumptions and in accordance with the guidance published by UK Financial Reporting Council.

Consolidation

The group Statement of Financial Activities and group Balance Sheet consolidate the financial statements of the Association and its subsidiaries. The results of the subsidiaries are consolidated on a line-by-line basis. Intra group transactions, balances and unrealised gains are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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 Association 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 Association for particular purposes. Expenditure is charged to the Statement of Financial Activities when incurred.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income

All income is included in the Statement of Financial Activities (SOFA) when the Association 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 and subscriptions is included when receivable. Legacies are accounted for as soon as entitlement, probability and a monetary value can be reliably determined. The sums due under the contract from the MoD is included as income in the period it is earned.

Fundraising income is included in income in the period in which the Association becomes entitled to receipt. Trading income is recognised as earned.

Investment income is included when receivable.

Income from charitable activities is included in income in the period in which the Association 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 Association 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.

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

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

Support costs, which include the secretariat, finance, information technology and human resources, have been allocated to cost of raising funds and charitable activities on the most appropriate basis. Secretariat and finance costs have been allocated on the basis of time spent. Information technology costs have been allocated on the basis of equipment usage. Human Resource costs have been allocated on the basis of staff numbers.

Grants

Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant or when the Trustees have agreed to pay the grant without condition.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets

Intangible assets are initially recorded at cost and subsequently measured at cost net of accumulated amortisation and any impairment loss. Amortisation is provided for on all intangible assets at rates calculated to write off the cost of each asset less its residual value evenly over its expected useful economic lives as follows:

- | | |
|---------------------------------|--------------|
| - Computer software and Website | over 5 years |
|---------------------------------|--------------|

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

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

Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently measured at cost or valuation net of depreciation and any impairment loss. The Association and each subsidiary will capitalise items over the value of £500. 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:

- | | |
|----------------------------------|---------------------------------------|
| - Freehold properties | 2% on cost |
| - Short leasehold properties | over the terms of the leases |
| - Computer equipment* | 25% on cost |
| - Other equipment and furniture* | between 15% and 25% on net book value |
| - Motor vehicles* | 25% on net book value/over 15 years |

*These fixed asset classes have been combined in Note 13

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.

Revaluation of Properties

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in Other Gains and Losses in the Statement of Financial Activities.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investments

Long term investments are classified as fixed assets. Short-term investments are classified as current assets.

Listed investments are stated at fair value at the balance sheet date. Unlisted investments are stated at cost less impairment at the balance sheet date. Both realised and unrealised gains and losses are shown in the Statement Of Financial Activities. The fair value of the investments quoted on a recognised stock exchange is the quoted bid price.

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value in gains/losses in Investment Assets are recognised in the Statement of Financial Activities.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

Financial instruments

The Group 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.

Pension costs

The Association operates a defined benefit pension scheme that closed to new entrants in December 2000 and to future accrual on 31 December 2012.

Contributions are paid to the scheme in accordance with the recommendations of the scheme actuary.

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Financial Activities. The interest costs and the interest on assets are shown as a net amount of income or expenditure as appropriate. Other adjustments are included within employee costs.

As detailed in note 11, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high-quality corporate bond of equivalent currency and term of the scheme liabilities. Full updated actuarial valuations are obtained triennially and are reviewed in the following two years at each balance sheet date. The defined benefit pension scheme asset or liability is presented separately after other net assets on the face of the balance sheet.

The assets relating to the pension scheme are held separately from those of the Association in separate trustee administered funds.

The Association also contributes to individual employees' personal stakeholder pension arrangements, where employees are not members of the defined benefit scheme. Contributions payable are charged to the Statement Of Financial Activities as they become payable. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

Operating lease agreements

Rentals under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Volunteers

No amounts are included in the financial statements to reflect the value of work undertaken by volunteers.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Group				
Donations				
Armed Forces Covenant Fund Trust	-	29	29	211
Others	578	98	676	1,453
Legacies	986	-	986	2,158
Subscriptions	972	-	972	971
	2,536	127	2,663	4,793
Association				
Donations				
Armed Forces Covenant Fund Trust	-	29	29	211
Others	576	14	590	1,453
Legacies	986	-	986	2,158
Subscriptions	972	-	972	971
	2,534	43	2,577	4,793

4. SUBSIDIARIES

During the year, the Association owned the whole of the share capital of RAFATRAD Limited, RAFA Housing Limited, RAFA Events Limited (formerly RAFA Clubs Limited) and RAFA Kidz Limited.

The activity of RAFATRAD Limited (Company No. 03455255) is the sale of commemorative items and memorabilia and the provision of fundraising, membership and marketing products to the Association and its branches.

The activity of RAFA Housing Limited (Registered number IP17723R) is that of the provision of independent housing for retired members of the RAF family based in Storrington, West Sussex.

The activity of RAFA Events Limited (formerly RAFA Clubs Limited) (Company No. 11927089) is to hold events for the purpose of raising funds and the profile of the Royal Air Forces Association.

RAFA Wellbeing Limited was incorporated during the year on 21 April 2022 for the purpose of providing wellbeing services. The company has not yet traded.

The activity of RAFAKidz Limited (Company No. 11927027) is that of operating nurseries and out of school clubs, for the development and education of children.

RAFAKidz Limited owns RAFA Kidzone Limited (Company No. 08418367 and Charity registration No. 1154822) which is an incorporated charity registered in England and Wales. The activity of RAFA Kidzone Limited is to enhance the development and education of children by offering inclusive and appropriate play and learning facilities. This is achieved by holding and investing funds for the benefit of children attending the nursery settings at specific RAF Stations.

RAFAKidz Limited owns RAFAKidz Wings Limited (Company No. 12372814). RAFAKidz Wings Limited is currently dormant.

The Trustees of the Association have agreed not to collect the amounts due until such time the subsidiary can pay.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

4. SUBSIDIARIES (continued)

RAFA Kidz Wings Limited has been dormant for the year ended 31 December 2022.

The registered office of all subsidiaries is Atlas House, Wembley Road, Leicester LE3 1UT.

During the year RAFATRAD Limited charged the Association £194k (2021: £169k) in respect of Air Mail and RAF Association branded goods. Also, during the year, the Association charged RAFATRAD Limited £25k (2021: £25k) in respect of premises recharges, RAF Association branded goods and accountant costs.

During the year the Association charged RAFA Housing Limited £26k (2021: £28k) and at the year end the Association owed £50k (2021: £52k) to RAFA Housing Limited. During the year, there have been recharges between the Association and RAFA Kidz Limited for various expenses, the net movement amounted to £NIL (2021: £nil).

Profit made from RAFA Events Limited during the year has been donated to the parent charity RAF Association under deed of covenant.

5. INVESTMENT INCOME AND INTEREST

Group and Association	2022	2021
	£'000	£'000
UK listed investments	511	450
Branch and other loans	1	3
Properties	150	124
	662	577

6. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2022	2021
	£'000	£'000	£'000	£'000
Group				
Accommodation fees	499	-	499	431
Grants and fundraising income	201	2,738	2,939	2,428
Nursery funds	2,951	-	2,951	1,649
UK government Coronavirus job retention scheme	-	-	-	12
	3,651	2,738	6,389	4,520

The group received £Nil (2021: £6,087) under the UK government Coronavirus job retention scheme which has been allocated to trading income within other trading activities.

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2022	2021
	£'000	£'000	£'000	£'000
Association				
Accommodation fees	305	-	305	245
Grants and fundraising income	289	2,738	3,027	2,476
UK government Coronavirus job retention scheme	-	-	-	2
	594	2,738	3,332	2,723

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

7. TOTAL EXPENDITURE

Group

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2022 £'000	Total 2021 £'000
Costs of raising funds:					
Direct costs	1,013	-	950	1,963	1,654
Allocated support costs	-	5	-	5	7
Charity's charitable activities					
Direct costs	4,842	-	5,056	9,898	8,288
Allocated support costs	1,968	528	1,538	4,034	4,376
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	18
Interest on Defined Benefit Pension Liabilities	-	-	(13)	(13)	11
	7,823	533	7,548	15,904	14,354

	Notes	2022 £'000	2021 £'000
Allocated support costs:			
Heat and light		-	26
Other site costs		54	46
Advertising and promotions		73	134
Printing and stationery		133	106
Telephone		58	54
Insurance		143	117
Repairs and maintenance		29	57
Depreciation and amortisation		597	607
Reversal of Depreciation on Rothbury	13	(64)	-
Management fee		14	-
Other expenditure		597	703
Other equipment		31	25
Staff costs		1,972	2,272
Governance costs		402	236
		4,039	4,383

Included within total expenditure are payments under operating leases as follows:

- Land and buildings payments of £29k (2021: £40k)
- Equipment payments of £12k (2021: £14k)

The costs of raising funds includes Wings Appeal rebates allocated to branches totalling £66k (2021: £40k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

7. TOTAL EXPENDITURE (continued)

Support costs include £100k (2021: £75k). in respect of additional payments into the defined benefit pension scheme
Total expenditure includes auditors' remuneration of £53k (2021: £49k), and a loss on disposal of fixed assets of £13k (2021: £71k).

Fees payable to auditors and its associates in respect of non-audit are for Tax compliance £6k (2021: £6k) and other services £22k (2021: £19k).

Association

	Employee and related costs	Depreciation and amortisation	Other costs	Total 2022	Total 2021
	£'000	£'000	£'000	£'000	£'000
Costs of raising funds:					
Direct costs	752	-	205	957	1,030
Charity's charitable activities					
Direct costs	2,345	-	4,860	7,205	6,837
Allocated support costs	1,826	490	1,514	3,830	4,221
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	19
Interest on Defined Benefit Pension Liabilities	-	-	(13)	(13)	11
	4,923	490	6,583	11,996	12,118

	Notes	2022 £'000	2021 £'000
Allocated support costs:			
Heat and light		-	26
Other site costs		53	35
Advertising and promotions		73	135
Printing and stationery		131	105
Telephone		55	50
Insurance		134	109
Repairs and maintenance		28	56
Depreciation and amortisation		554	565
Reversal of Depreciation on Rothbury	13	(64)	-
Other expenditure		568	695
Other equipment		31	25
Staff costs		1,825	2,153
Governance costs		442	267
		3,830	4,221

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

8. GRANTS PAYABLE

Group and Association	2022	2021
	£'000	£'000
Welfare grants to individuals	140	95
Association property grants to branches	35	6
Armed Forces Covenant Fund Trust grants paid to branches	158	583
	333	684

9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2021: £nil). Trustees expenses of £24,524 (2021: £4,777) were reimbursed for directly incurred travel, accommodation and subsistence expenses to 8 trustees (2021: 8 trustees).

10. STAFF COSTS

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Wages and salaries	6,842	6,242	4,263	4,673
Social security costs	647	571	459	461
Employer contributions to defined contributions schemes	261	209	199	168
	7,750	7,022	4,921	5,302

The average number of employees throughout the year, analysed by location was:

	Group		Association	
	2022	2021	2022	2021
	Number	Number	Number	Number
Welfare	54	44	54	44
Membership	17	20	17	20
Headquarters	70	60	70	60
Families Federation Service	16	10	16	10
Merchandise	11	7	-	-
Social Housing	1	1	-	-
Childcare	145	63	-	-
	314	205	157	134

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

10 STAFF COSTS (Continued)

The number of employees whose emoluments for the year fell within the following bands was:

Group and Association	2022 Number	2021 Number
£60,001 to £70,000	4	3
£80,001 to £90,000	2	4
£90,001 to £100,000	2	1
£100,001 to £110,000	1	-
£120,001 to £130,000	-	1
	<u>9</u>	<u>9</u>

9 employees (2021: 9) earning more than £60k participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £98k (2021: £27k).

The total employee benefits of the key management personnel of the Association were £363k (2021: £453k), which includes salary, employers' national insurance contribution, employers' pension contribution, all allowances, redundancy and notice period payments (as applicable).

11. PENSION SCHEMES (Group and Association)

The Association operates a defined benefit pension scheme, which closed to new entrants in December 2000 and to future accrual on 31 December 2012. The assets of the scheme are held separately from those of the Association in an independently administered fund. Contributions are based upon the recommendations of a qualified actuary.

The most recent actuarial valuation of the scheme was carried out as at 1 January 2022 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £17,775,000 which represents 98 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. In valuing the fund, it was assumed that the investment return would be 4.45 per cent per annum compound. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

A full actuarial valuation was carried out at 1 January 2022 and updated as at 31 December 2022 by a qualified independent actuary. The major assumptions used by the actuary were:

	2022	2021
Rate of increase of pensions in payment	3.1%	3.4%
Discount rate	4.7%	1.9%
Inflation assumption (RPI)	3.1%	3.3%

The mortality assumptions used in the valuation of the pension liabilities were:

	2022 Years	2021 Years
Retiring today (currently aged 65):		
Males	21.8	21.7
Females	23.9	23.9
Retiring in 20 years (currently aged 45):		
Males	22.7	22.7
Females	24.8	24.8

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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11. PENSION SCHEMES (continued)

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme at 31 December 2022 were:

	2022	2021
	£'000	£'000
Bonds	1,555	4,130
Equities	2,393	2,630
Insurance contracts	3,959	5,312
Diversified funds	2,259	2,594
LDI funds	1,809	2,930
Net current assets	170	53
Total assets	12,145	17,649
Net of interest and costs	(53)	(84)
Employers' contributions	100	75
Actuarial gain / (losses) on defined benefit pension scheme	(47)	839
Balance sheet movement during year	-	830
	2022	2021
	£'000	£'000
Fair value of scheme assets	12,145	17,649
Present value of scheme liabilities	(12,112)	(17,016)
Surplus in the scheme	33	633
Restriction on recognition of scheme surplus	(33)	(633)
Total liability recognised	-	-

Under FRS 102, a pension scheme asset should only be recognised to the extent that the Association is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Given that this is unlikely, especially given current market volatility, the pension fund actuarial gain in 2021 of £1,472,000 was recognised in the accounts to the extent that it reversed the accumulated deficit at that time of £839,000. The release was capped at that amount, due to the requirements of FRS 102, meaning the remaining gain of £633,000 was not taken to the statement of other recognised gains and losses in the Statement of Financial Activities. During 2022 the fund had an actuarial loss in valuation of £600,000 and as this is still within the unrecognised asset value this movement value is not reflected in the Statement of Financial Activities. Therefore, there remains a net asset of £33,000 which will be the start point for any movement in the fund in the accounting period 2023.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

11. PENSION SCHEMES (continued)

In accordance with FRS102, provision has been made by the Association for the deficit of the scheme. This is reflected in the financial statements as follows:

Analysis of the amounts charged to Statement of Financial Activities

	2022	2021
	£'000	£'000
Expenses paid by the scheme	66	73

Analysis of financial element of pensions cost

	2022	2021
	£'000	£'000
Interest on assets	329	226
Interest on pension scheme liabilities	(316)	(237)
Net income/(cost)	13	(11)

Analysis of the actuarial gain / (loss) on defined benefit pension scheme

	2022	2021
	£'000	£'000
Gain on asset return	(5,134)	420
Experience gain on liabilities	(471)	183
Changes in assumptions underlying the present value of the scheme liabilities	4,958	869
Actuarial gain/(loss) recognised in Statement of Financial Activities	(647)	1,472
Cumulative actuarial loss recognised in Statement of Financial Activities	(2,346)	(1,699)

Changes in the present value of defined benefit obligations

	2022	2021
	£'000	£'000
Opening defined benefit obligation	17,016	18,556
Interest cost	316	237
Actuarial experience gain/(loss) on liabilities	471	(183)
Actuarial gain on changes in assumptions	(4,958)	(869)
Benefits paid	(733)	(725)
Closing defined benefit obligation	12,112	17,016

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

11. PENSION SCHEMES (continued)

Changes in the fair value of plan assets	2022	2021
	£'000	£'000
Opening plan assets	17,649	17,726
Interest on assets	329	226
Gain/(loss) on asset return	(5,134)	420
Contributions by employer	100	75
Benefits paid	(733)	(725)
Expenses paid by the scheme	(66)	(73)
Closing defined benefit obligation	<u>12,145</u>	<u>17,649</u>

The actual return on plan assets was adverse: £4,805k (2021 favourable: £646k).

The Association expects to contribute £100k to its defined benefit pension plans in the year ended 31 December 2023.

The Association also contributes to a Workplace Pension Scheme at a rate of 4% of each member's gross salary, or 5% for those staff who participate in the salary sacrifice scheme which was introduced in April 2022. The pension cost for the year for the Group is £261k (2021: £209k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

12. INTANGIBLE FIXED ASSETS

Group	Computer software £'000	Total £'000
Cost or valuation:		
At 1 January 2022	1,820	1,820
Additions	74	74
At 31 December 2022	<u>1,894</u>	<u>1,894</u>
Amortisation:		
At 1 January 2022	518	518
Charge for year	350	350
At 31 December 2022	<u>868</u>	<u>868</u>
Net book Value:		
At 31 December 2022	<u>1,026</u>	<u>1,026</u>
At 31 December 2021	<u>1,302</u>	<u>1,302</u>
Association	Computer software £'000	Total £'000
Cost or valuation:		
At 1 January 2022	1,820	1,820
Additions	62	62
At 31 December 2022	<u>1,882</u>	<u>1,882</u>
Amortisation:		
At 1 January 2022	517	517
Charge for year	350	350
At 31 December 2022	<u>867</u>	<u>867</u>
Net book Value:		
At 31 December 2022	<u>1,015</u>	<u>1,015</u>
At 31 December 2021	<u>1,302</u>	<u>1,302</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

13. TANGIBLE FIXED ASSETS

Group	Notes	Properties		Equipment and Furniture £'000	Total £'000
		Freehold £'000	Short Leasehold £'000		
Cost or valuation:					
At 1 January 2022		7,248	59	2,074	9,381
Additions		40	-	101	141
Disposals		(7)	(4)	(351)	(362)
Revaluation of Rothbury		(608)	-	-	(608)
Transfers		(12)	-	12	-
At 31 December 2022		<u>6,661</u>	<u>55</u>	<u>1,836</u>	<u>8,552</u>
Depreciation:					
At 1 January 2022		1,875	28	1,495	3,398
Charge for year		134	1	113	248
Depreciation on disposal		(1)	(4)	(265)	(270)
Revaluation of Rothbury	7	(64)	-	-	(64)
Transfers		(93)	-	93	-
At 31 December 2022		<u>1,851</u>	<u>25</u>	<u>1,436</u>	<u>3,313</u>
Net book Value:					
At 31 December 2022		<u>4,810</u>	<u>30</u>	<u>400</u>	<u>5,241</u>
At 31 December 2021		<u>5,373</u>	<u>31</u>	<u>579</u>	<u>5,983</u>
Association					
		Properties		Equipment and Furniture £'000	Total £'000
		Freehold £'000	Short Leasehold £'000		
Cost or valuation:					
At 1 January 2022		6,521	59	1,605	8,185
Additions		34	-	38	72
Disposals		-	(4)	(227)	(231)
Revaluation of Rothbury		(608)	-	-	(608)
At 31 December 2022		<u>5,947</u>	<u>55</u>	<u>1,416</u>	<u>7,418</u>
Depreciation:					
At 1 January 2022		1,556	28	1,212	2,796
Charge for year		122	1	83	206
Depreciation on disposals		-	(4)	(166)	(170)
Revaluation of Rothbury	7	(64)	-	-	(64)
At 31 December 2022		<u>1,614</u>	<u>25</u>	<u>1,129</u>	<u>2,768</u>
Net book Value:					
At 31 December 2022		<u>4,335</u>	<u>30</u>	<u>287</u>	<u>4,652</u>
At 31 December 2021		<u>4,965</u>	<u>31</u>	<u>393</u>	<u>5,389</u>

Asset value a freehold property has been adjusted to reflect cost following prior re-classification of the asset.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

14. INVESTMENTS

Group	Fair Value		Historical Cost	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
a) Fixed assets				
Listed investments	18,425	22,263	12,990	13,024
Investment properties	3,047	3,002	759	759
	<u>21,472</u>	<u>25,265</u>	<u>13,749</u>	<u>13,783</u>

Association	Fair Value		Historical Cost	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
a) Fixed assets				
Listed investments	18,228	22,263	12,741	13,024
Investment properties	3,047	3,002	759	759
	<u>21,275</u>	<u>25,265</u>	<u>13,500</u>	<u>13,783</u>

The investment properties were revalued during last year by an employee of the Association, who is a member of the Royal Institution of Chartered Surveyors. The basis of valuation is the open market value of the long leasehold interests in the property, subject to existing tenancies.

Movements on fair value during the year - Group

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2022	22,263	3,002	25,265
Additions	1,843	80	1,923
Disposals	(3,318)	(45)	(3,363)
Net investment gains	(2,183)	10	(2,173)
Transfer to Formby Branch creditor	(180)	-	(180)
31 December 2022	<u>18,425</u>	<u>3,047</u>	<u>21,472</u>

Movements on fair value during the year - Association

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2022	22,263	3,002	25,265
Additions	1,643	80	1,723
Disposals	(3,318)	(45)	(3,363)
Net investment gains	(2,179)	10	(2,169)
Transfer to Formby Branch creditor	(181)	-	(181)
31 December 2022	<u>18,228</u>	<u>3,047</u>	<u>21,275</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

14. INVESTMENTS (continued)

The net investment gains reflect the revaluation of investments at the year end.

No one investment represents more than 5 per cent of the portfolio by market value.

The Group held an interest in a jointly controlled entity, The RAF 100 Appeal (Company No. 09977273 and Registered Charity No. 1167398) which is a company not having a share capital. The Group has guaranteed an amount of £1 contribution to assets of the charity in the event of it being wound up.

The RAF100 Appeal was a joint venture between the Association and three other charities. The investment is accounted for under the equity method. The registered office of The RAF100 Appeal is 67 Portland Place, London, W1B 1AR.

RAF100 Appeal has ceased trading and made neither profit nor loss for the current year. The investment is included at a nil balance within the accounts. The Association received £16k final residual balance in the year.

The Association holds investments of £106 (2021: £105) representing the entire ordinary share capital of its subsidiary, companies which are eliminated on the group consolidation, details of the subsidiary companies are given in note 4 of the accounts.

Overseas investments

	Branch Deposit		Total £'000
	Branch Deposit Fund £'000	Formby Branch Fund £'000	
2022			
North America	2,028	123	2,151
European	317	14	331
Asia Pacific	619	46	665
Emerging market	66	-	66
Global	2,965	182	3,147
	<u>5,995</u>	<u>365</u>	<u>6,360</u>
2021			
North America	2,959	127	3,086
European	436	19	455
Asia Pacific	836	61	897
Emerging Market	177	-	177
Global	3,825	236	4,061
	<u>8,233</u>	<u>443</u>	<u>8,676</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

14. INVESTMENTS (continued)

b) Net gains on investment assets-Group

Association	2022	2021
	£'000	£'000
Net loss on listed investments	(2,179)	2,279
Net gains on investment properties	10	286
Net gains on current asset investments		10
	<u>(2,169)</u>	<u>2,575</u>

b) Net gains on investment assets-Association

Group	2022	2021
	£'000	£'000
Net loss on listed investments	(2,183)	2,279
Net gains on investment properties	10	286
Net gains on current asset investments	-	10
	<u>(2,173)</u>	<u>2,575</u>

The Revaluation Reserve of £8,221k (2021: £12,765k) included within the unrestricted funds within the balance sheet of both the Group and Association, arises on the year end fair value of investments and freehold property held at fair value, less their historical costs.

15. ASSETS HELD FOR RESALE

Group and Association	2022	2021
	£'000	£'000
Freehold properties	<u>300</u>	<u>550</u>

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade debtors	86	53	79	51
Amounts due from subsidiaries	-	-	918	865
Prepayments and accrued income	267	183	213	173
Other debtors	68	69	81	67
	<u>421</u>	<u>305</u>	<u>1,291</u>	<u>1,156</u>

Within the Association, amounts due from subsidiaries includes £100,000 (2021: £100,000) which is due after more than one year.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Taxation and social security costs	248	176	219	136
Other creditors	518	288	393	223
Accruals and deferred income	561	630	550	587
Deposits by branches	1,630	1,907	1,630	1,907
Formby Branch	995	1,126	995	1,126
Amounts owed to subsidiaries	-	-	48	52
	<u>3,952</u>	<u>4,127</u>	<u>3,835</u>	<u>4,031</u>

Deposits by branches are held in a separate portfolio of investments comprising UK listed investments and cash deposits, managed by either Rathbones Investment Management Limited or Rothchild's & Co.

When the branched request the funds, investments are sold to crystallise the funds and paid to branches

The amounts included in accruals and deferred income can be analysed as follows:

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Accruals	313	374	306	343
Deferred income	248	256	244	244
	<u>561</u>	<u>630</u>	<u>550</u>	<u>587</u>

Included in accruals is an amount of £Nil (2021: £33k) in respect of unpaid pension contributions.

	Group £'000	Association £'000
Movement in deferred income:		
2022 opening balance	256	244
Release during the year	(256)	(244)
2022 donations, fulfilment income and grants in advance	248	244
2022 closing balance	<u>248</u>	<u>244</u>

Within the Group and Association, deferred income comprises membership subscription income, Government funding, donations and fulfilment income received in advance.

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

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Deferred income – capital grant	269	269	-	-
	<u>269</u>	<u>269</u>	<u>-</u>	<u>-</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

19. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are set out below:

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Equipment:				
Due within one year	20	9	16	9
Due between two and five years	13	19	13	19
Land and buildings:				
Due within one year	16	51	8	16
Due between two and five years	55	24	15	15
Vehicles:				
Due within one year	65	-	56	-
Due between two and five years	5	-	-	-
	174	103	108	59

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

20. RESTRICTED FUNDS

Association	At	Income	Expenditure	Transfers	At
	1 January				31 December
	2022	£'000	£'000	£'000	2022
	£'000	£'000	£'000	£'000	£'000
Befriending	140	149	(140)	-	149
Brighten Your day	17	2	(6)	-	13
Conway Legacy	86	-	-	220	306
Dowding Restricted Fund	32	-	-	-	32
Eastern Chalet Area	127	3	(12)	-	119
Finding it Tough	88	22	(53)	-	57
Flowerdown House	113	-	-	-	113
Flying Scholarship	60	-	-	(50)	10
Homes Refurbishment	151	-	(5)	-	146
Lunches	15	-	-	-	15
Military Coworking	145	83	(79)	-	148
Operation RAF Unite	-	42	(1)	-	41
Partner Employment Programme	35	-	-	-	35
Positive pathway programme	33	37	(9)	-	61
RAF Benevolent Fund Grants	301	2,095	(2,236)	-	160
Reaching Affected Families (FAR)	59	25	(4)	-	80
Respite Care and Welfare	361	-	(269)	-	92
Rothbury Restricted	168	229	(105)	-	292
Scottish Development Fund	22	-	-	-	22
Storybook Wings & Doodle packs	4	-	(4)	50	50
Veterans	129	29	(158)	-	-
Volunteer Welfare Officers	8	10	-	-	18
Wexford	58	-	(40)	-	18
Other Restricted Funds	89	55	(52)	-	92
	2,241	2,781	(3,173)	220	2,069
Group					
Digby Nursery Fund	100	-	-	-	100
Leeming	-	84	(18)	-	65
	2,341	2,865	(3,191)	220	2,234

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

20. RESTRICTED FUNDS (continued)

Association	At	Income	Expenditure	Transfers	At
	1 January				31 December
	2021	£'000	£'000	£'000	2021
	£'000				£'000
Eastern Area Chalet Fund	109	22	(4)	-	127
Homes Refurbishment	151	-	-	-	151
Flowerdown House	113	-	-	-	113
Rothbury House	49	-	(37)	-	12
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	-	-	-	361
Conway Legacy (Formerly known as Ivor Maloney)	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
National Memorial Arboretum	-	14	-	-	14
Preston Office	50	-	(50)	-	-
Forces in Mind Trust	142	-	-	(142)	-
Storybook Wings	4	-	-	-	4
RAF Benevolent Fund Grants	229	2,241	(2,169)	-	301
Libor	105	-	(22)	(83)	-
Vehicle fund for Areas	56	-	(56)	-	-
Volunteer Welfare Officers	8	-	-	-	8
Wexford	58	-	-	-	58
Befriending	-	57	-	83	140
Veterans	501	211	(583)	-	129
Rothbury	-	168	-	-	168
Military Coworking	-	85	(82)	142	145
Other Restricted Funds	388	35	(32)	-	391
	2,443	2,833	(3,035)	-	2,241
Group					
Digby Nursery Fund	108	-	(8)	-	100
	2,551	2,833	(3,043)	-	2,341

The purpose of each fund is as stated above except for the Respite Care and Welfare fund, which represents an aggregation of each Areas Respite Care funds, which have the common purpose of contributing towards welfare breaks for eligible individuals.

During the year £220k was transferred from the General Fund to the Restricted Fund, being a reinstatement of the Conway Funds.

During the year, £50k was transferred from Flying Scholarship to Storybook wings and Doodle boxes to help provide additional activity packs for children of RAF personnel.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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21. DESIGNATED FUNDS

Group and Association	At	Movement	At
	1 January		31 December
	2022		2022
	£'000	£'000	£'000
Fixed Assets	3,375	-	3,375
Membership Innovation	346	-	346
Investment Fund	4,310	(710)	3,600
Welfare Fund	8,000	(2,000)	6,000
Property Repairs and Maintenance	750	-	750
Defined Benefit Pension Scheme	1,988	(488)	1,500
Rothbury	163	-	163
	<u>18,932</u>	<u>(3,198)</u>	<u>15,734</u>

Group and Association	At	Expenditure	At
	1 January		31 December
	2021		2021
	£'000	£'000	£'000
Fixed Assets	3,375	-	3,375
Membership Innovation	346	-	346
Investment Fund	4,310	-	4,310
Welfare Fund	8,000	-	8,000
Property Repairs and Maintenance	750	-	750
Defined Benefit Pension Scheme	1,988	-	1,988
Rothbury	-	163	163
	<u>18,769</u>	<u>163</u>	<u>18,932</u>

To support the business strategy, the Trustees have approved the designation of funds.

A designated fund of £3,375k is held to replace fixed assets as required, and also a £750k maintenance reserve to maintain infrastructure integrity of the property portfolio.

A membership innovation fund of £346k is allocated to fund innovation potential within the membership offering.

A designated Fund of £1,988k was created in 2019 to cover any future shortfall of the defined benefit pension scheme resulting from adverse financial markets movements and the resulting impact on the scheme assets. This is has been reduced in the year to £1,500 in light of the assets of the fund performing well in light of the present value of obligations, and that the fund is 98% funded. This designation will enable accommodation of any ongoing volatility of the markets.

The investment fund designation of £3,600k accounts for the continued uncertainties in the financial markets relating to the global political and trade uncertainties. The Trustees believe this is sufficient to withstand a significant market correction.

Whilst it is difficult to quantify with any degree of uncertainty, it is widely believed that the welfare needs of the Association's beneficiaries will continue to evolve and changing needs have been identified. As a result of the welfare provision fund of £6,000k is set aside to enable research, design and implementation of welfare products and services.

The Rothbury House fund is designated for the purpose of conversion to an independent living facility and is currently valued at £163k.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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22. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2022 are represented by:			
Intangible fixed assets	1,026	-	1,026
Tangible fixed assets	5,240	-	5,240
Investments	21,472	-	21,472
Loans to branches	125	-	125
Current assets	1,511	2,234	3,745
Current liabilities	(3,952)	-	(3,952)
Creditors due after more than one year	(269)	-	(269)
Total net assets	25,153	2,234	27,387

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2022 are represented by:			
Intangible fixed assets	1,015	-	1,015
Tangible fixed assets	4,651	-	4,651
Investments	21,275	-	21,275
Loans to branches	125	-	125
Current assets	1,770	2,069	3,839
Current liabilities	(3,835)	-	(3,835)
Total net assets	25,002	2,069	27,071

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2021 are represented by:			
Intangible fixed assets	1,302	-	1,302
Tangible fixed assets	5,983	-	5,983
Investments	25,265	-	25,265
Loans to branches	129	-	129
Current assets	2,947	2,341	5,288
Current liabilities	(4,127)	-	(4,127)
Creditors due after more than one year	(269)	-	(269)
Total net assets	31,230	2,341	33,571

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2021 are represented by:			
Intangible fixed assets	1,302	-	1,302
Tangible fixed assets	5,389	-	5,389
Investments	25,265	-	25,265
Loans to branches	129	-	129
Current assets	3,025	2,241	5,266
Current liabilities	(4,031)	-	(4,031)
Total net assets	31,079	2,241	33,320

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

23. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Net (expenditure)/income	(5,528)	727	(5,595)	710
Adjustments for:				
Gifted properties	(380)	(1,015)	(380)	(1,015)
Contributions to defined benefit scheme	(100)	(75)	(100)	(75)
Expenses borne by pension scheme	66	73	66	73
Depreciation charges	248	281	206	239
Amortisation charges	350	326	350	326
Gain on sale of investment properties	-	(10)	-	-
Loss on disposal of fixed assets	92	10	60	29
Fair value (losses)/gains on investments	2,172	(2,780)	2,169	(2,780)
Deficit on intangible assets	-	61	-	61
Investment income	(662)	(577)	(662)	(577)
Return on defined benefit scheme assets	(329)	(226)	(329)	(226)
Interest paid	17	19	17	19
Interest on defined benefit pension liabilities	316	237	316	237
Decrease in assets for resale	250	545	250	545
Decrease in stock	98	43	-	-
(Increase)/decrease in debtors	(116)	97	(135)	96
Increase/(decrease) in creditors	218	(298)	199	(273)
Net cash (used in) operating activities	<u>(3,288)</u>	<u>(2,562)</u>	<u>(3,568)</u>	<u>(2,611)</u>

24. CASH AND CASH EQUIVALENTS

	Group		Association	
	2022 £'000	2021 £'000	2021 £'000	2020 £'000
Cash and cash equivalents represent:				
Cash at bank	1,794	1,503	1,312	1,022
Cash held by investment managers	936	2,538	936	2,538
	<u>2,730</u>	<u>4,041</u>	<u>2,248</u>	<u>3,560</u>

25. LEGACIES

The Association is aware of a number of legacies to be received due to the legacy pipeline information, but these are difficult to quantify as the monetary value is uncertain and cannot be established.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

26. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £756k (2021: £662k) to the Association which is included in Wings Appeal income. The Association returned £66k (2021: £40k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition, £6k (2021: £4k) was paid to the branches in respect of Wings Appeal expenditure and these expenses are included in the cost of raising funds.

Membership subscription rebates of £118k (2021: £178k) have been paid to branches are included in expenditure.

The Association paid interest of £17k (2021: £19k) to the branches holding deposit accounts with the Association (see note 14). The Association received interest of £1k (2021: £3K) from branches that have received loans from the Association.

27. FINANCIAL INSTRUMENTS

The carrying amount of the Group's and Associations financial instruments at 31 December were:

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets:				
Equity instruments measured at fair value through net income/expenditure	18,625	22,263	18,428	22,263

28. DONATIONS – ASSETS GIFTED FROM CLOSED BRANCHES

During the year, the Royal Air Forces Association branches at Swindon and Storrington closed resulting in two properties being transferred to The Royal Air Forces Association for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The properties transferred were valued at their fair values and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised in the Statement of Financial Activities as Donations – Assets Gifted from Closed Branches.

During the prior year, management clarified ownership of three properties previously held as assets held for sale and investments properties, resulting in an adjustment to the valuation of the total properties held. The following table sets out the fair values of properties transferred and an analysis of their recognition in the Statement of Financial Activities.

	2022 £'000	2021 £'000
Investment properties	80	-
Assets held for resale	300	1,015
	<u>380</u>	<u>1,015</u>

All properties transferred are classified as Unrestricted Funds.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
INCOME:				
Donations and Legacies	3	4,352	441	4,793
Donations – assets gifted from closed branches	28	1,015	-	1,015
Charitable Activities:	6	2,128	2,392	4,520
Other Trading Activities:				
Trading income		456	-	456
Grand Draw and other fundraising income		1,145	-	1,145
Investment Income	5	577	-	577
Total Income		9,673	2,833	12,506
EXPENDITURE:				
Cost of Raising Funds		1,660	-	1,660
Charitable Activities:				
Residential & Respite Care Home		2,407	-	2,407
Friendship & Welfare Support		6,622	3,043	9,665
Grants		-	-	-
Other Support Costs		592	-	592
Other Expenditure:				
Interest Paid on Branch Deposits		19	-	19
Interest on Defined Benefit Pension Liabilities		11	-	11
Total Expenditure	7	11,311	3,043	14,354

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
Net gains on investment assets	14(b)	2,575	-	2,575
Net (expenditure)/income		937	(210)	727
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	839	-	839
Net movement in funds		1,776	(210)	1,566
Reconciliation of Funds				
Total Funds Brought Forward		29,454	2,551	32,005
Total Funds Carried Forward		31,230	2,341	33,571

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
INCOME:				
Donations and Legacies	3	4,352	441	4,793
Donations – assets gifted from closed branches	28	1,015	-	1,015
Charitable Activities:	6	331	2,392	2,723
Other Trading Activities:				
Grand Draw and other fundraising income		1,145	-	1,145
Investment Income	5	577	-	577
Total Income		7,420	2,833	10,253
EXPENDITURE				
Cost of Raising Funds		1,030	-	1,030
Charitable Activities:				
Residential & Respite Care Home		2,355	-	2,355
Welfare Support		5,062	3,035	8,097
Grants		-	-	-
Other Support Costs		606	-	606
Other Expenditure:				
Interest Paid on Branch Deposits		19	-	19
Interest on Defined Benefit Pension Liabilities		11	-	11
Total Expenditure	7	9,083	3,035	12,118

THE ROYAL AIR FORCES ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED 31 DECEMBER 2022

29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
Net gains on investment assets	14(b)	2,575	-	2,575
Net (expenditure)/income		912	(202)	710
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	839	-	839
Net movement in funds		1,751	(202)	1,549
Reconciliation of Funds				
Total Funds Brought Forward		29,328	2,443	31,771
Total Funds Carried Forward		31,079	2,241	33,320

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022**

Subsidiary Organisations

RAFAKidz Limited

Directors:

Nicholas Bunting OBE (Chair)

Rory O'Connor

Kristina Parkin

Rebecca Refell

WO Michelle Rees-Martin

RAFA Kidzone Limited

Directors / Trustees:

Nicholas Bunting OBE (Chair) (until 15 November 2022)

Rachel Huxford MBE (Chair) (from 15 November 2022)

Rory O'Connor (until 1 March 2023)

Kristina Parkin (until 15 November 2022))

Ruth Brutnall (from 15 November 2022)

RAFAKidz Wings Limited

Directors:

Nicholas Bunting OBE (Chair)

Rory O'Connor

Kristina Parkin

RAFA Wellbeing Limited

Directors:

Nicholas Bunting OBE (Chair)

Rory O'Connor

Kristina Parkin

RAFA Housing Limited

Directors / Trustees:

Robert Hingston (Chair) (until 1 February 2023)

Harrinder Rai (Chair) (from 20 April 2023)

Samantha Barber

Nicholas Bunting OBE

Carl Dickinson

Rory O'Connor

Sqn Ldr Dean Gibson

Kristina Parkin

RAFATRAD Limited

Directors:

Nicholas Bunting OBE (Chair)

Chris Goss

Lady Elaine Hillier

Rachel Huxford MBE

Andrew Neal (until 22 October 2022)

George Overton (from 18 April 2023)

Kristina Parkin

RAFA Events Limited

Directors:

Nicholas Bunting OBE (Chair)

Rachel Huxford MBE (from 1 February 2022)

Kristina Parkin

THE ROYAL AIR FORCES ASSOCIATION - CORPORATE BODY

England & Wales - Charity number 226686

Accounts

**THE ROYAL AIR FORCES ASSOCIATION
REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**



**THE ROYAL AIR FORCES ASSOCIATION
REPORT AND FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2021

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**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS**

YEAR ENDED 31 DECEMBER 2021

REGISTERED CHARITY NUMBERS	226686 (England and Wales), SC037673 (Scotland)
PRINCIPAL OFFICE	Atlas House, 41 Wembley Road, Leicester, LE3 1UT
PATRON	Her Majesty The Queen
LIFE VICE-PRESIDENTS	Marshal of the Royal Air Force The Lord Stirrup KG GCB AFC FRAeS FCMI Air Chief Marshal Sir Stephen Dalton GCB ADC BSc FRAeS CCMl Air Chief Marshal Sir Joseph Gilbert KCB CBE Air Chief Marshal Sir Glenn Torpy GCB CBE DSO BSc (Eng) FRAeS Air Chief Marshal Sir Andrew Pulford GCB CBE Air Chief Marshal Sir Stephen Hillier GCB CBE DFC MA Air Marshal Sir John Kemball KCB CBE DL (Died June 2021) Air Marshal Sir Dusty Miller KBE Air Marshal P O Sturley CB MBE BSc FRAeS Air Vice-Marshal P Liddell CB BSc CEng FIET FRAeS Air Vice-Marshal N Bairsto CB MBE Air Commodore A H Vaughan OBE BA FIMgt Dr B Pattinson, OBE (from January 2022)

TRUSTEE MEMBERS OF THE COUNCIL

President	Air Marshal Sir Baz North KCB OBE MA FRAeS
Chairman	Air Vice-Marshal J Cliffe CB OBE
Vice Chairman	Air Vice-Marshal M Neal OBE CEng FIET (from October 2021) Dr B Pattinson, OBE (to October 2021)
Honorary Treasurer	Mr P Tagg
Elected Members	Dr B Pattison OBE (to October 2021) Mr M J Blackman (to October 2021) Squadron Leader D Gibson RAF (to October 2021) Mr C H Goss MA (to October 2021) Mr I L McEnnis DipNEBSM AInstAM (Dip) (to October 2021) Mr A P Rees (to October 2021) Mrs B Dennett Stannard (to October 2021) Mr P Ramrayka MBA CIHM FIHM FIHEEM (to October 2021) FRSP

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)**

YEAR ENDED 31 DECEMBER 2021

Area Representatives	Mr F C Barrett MBE (South East and Eastern) (to March 2022) Mr J Gilmour (South East and Eastern (from March 2022) Mr D Chappell (Northern) Mrs M Addison (Wales, Midlands and South Western) Mrs S Kidston (Scotland and Northern Ireland) Air Commodore A Neal AFC FRAeS (European)
Members appointed by the Royal Air Force	Air Commodore G A Opie MDA MA BSc FCIPD RAF Wing Commander A Morris MBE RAF (to October 2021) Warrant Officer M Rees-Martin Sqn Ldr K Roachford RAF (from October 2021)
RAF Benevolent Fund Representative	Air Commodore R Atherton (to October 2021)
Appointed Member	Ms F Barber Ms S Barber Mrs P Bearblock Air Vice-Marshal M Neal OBE CEng FIET
SENIOR MANAGEMENT TEAM	
Secretary General	Mr N Bunting OBE CDir FIOD MCMl
Director of Welfare and Policy	Mr R O'Connor MA
Director of Branch and Membership Operations	Group Captain D Rowlands MA Chartered MCIPD
Director of Marketing, Fundraising and Trading	Ms R Huxford MBE MInstF
Chief Finance Officer	Mr A Wilkinson-Sharpe FCCA (until March 2021) Mrs K Parkin JP BSc (Hons) ACMA CGMA MCIPP ACIPD (from April 2021)
Chief Information Officer	Mr P Sherwin BSc (Hons) MBCS
Group Company Secretary	Mrs V Hall FCG (until September 2021) Mrs R Brutnall ACG (from January 2022)

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)**

YEAR ENDED 31 DECEMBER 2021

PROFESSIONAL ADVISORS

Auditors	RSM UK Audit LLP, St Philips Point, Temple Row, Birmingham B2 5AF
Bankers	Lloyds Bank plc, Law Courts Branch, 222 Strand, London WC2R 1BB
Investment Managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Rothschild & Co, New Court, St Swithin's Lane, London EC4N 8AL
Solicitors	Freeths LLP, One Colton Square, Leicester, LE1 1QH Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London EC4R 1BE

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT
YEAR ENDED 31 DECEMBER 2021**

The Trustees' Report

The Trustees of The Royal Air Forces Association (the Association), are pleased to present this report and the consolidated financial statements of the Association for the year ended 31 December 2021. The financial statements have been prepared based on the accounting policies set out in note 2 to the financial statements and comply with the Royal Charter, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) (effective 1 January 2019).

Our charitable object and activities for the Public benefit

The Association is a public benefit entity. The Trustees have given due consideration to the Charity Commission published guidance on the operation of the Public Benefit requirement, and confirm that the objects of the Association, as established and incorporated, are to relieve the need, suffering and distress of all those who are serving or have served in Our Air Forces, and their families and dependants. There are only two criteria for assistance: eligibility and need. Crucial to the successful delivery of all our charitable activities is a network of more than 3,250 volunteers across the globe. It is impossible to quantify the value of their contribution in monetary terms, and therefore no amounts are recorded in the financial statements.

This has been distilled into our vision, which is of an RAF community which is connected, empowered and resilient.

Delivering against our 2021 aims and objectives

- The Association is one of the oldest military charities and has supported the RAF community for **over 90 years**.
- Offering support to a community of more than **one million people**.
- Through a thriving network of more than **68,000 members** across **89 countries** in **274 branches**. More than 3,700 new members joined the Association in 2021.

In 2021, over 80,000 members of the RAF community who required practical, emotional or financial assistance were supported by the Association. This was made possible by our thriving network of members and supporters who volunteered their time to support the Association and our employees.

In 2021:

- Our dedicated **helpline looked after over 54,000** enquiries, 9,000 more than in 2020. Our refreshed website was visited over **900,000** times, supporting members and beneficiaries to access services and support.
- We reduced loneliness and isolation by making over **109,000 friendship and welfare check calls**.
- Over 3,200 new welfare cases were opened and managed by our employees and team of trained volunteers. 91% felt listened to and that their needs were understood and fully met, 84% reported improved wellbeing following our interventions.
- We recruited and trained **800 Connections for Life Volunteers** supporting over **1,900 members of the RAF community** with weekly support and well-being calls.
- **100% of our volunteers received training in Safeguarding**.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Activities (continued)

- We were **among the first UK military charities** to appoint an independent Safeguarding Chair to oversee and inform the development of our safeguarding policy and practice.
- **We sourced over £3.4 million** in almonised funds for our beneficiaries.
- Our holiday accommodation welcomed **414 members of the RAF family**.
- Our **four retirement accommodation complexes** in the UK **allowed over 100 people to retain their independence** - with a helping hand available on-site should they need it.
- **More than 700 children from military families received high-quality childcare** in a welcoming and safe environment at our RAFA Kidz nurseries on RAF bases.
- **Over 7,900 Navigating Dementia web sessions were held**, helping and equipping members of the RAF community supporting family members with dementia. We also began to pilot face to face training sessions on RAF stations; **100% of attendees** reported that the sessions improved their knowledge of the disease and the care required by a person with dementia.
- **320 members of the RAF community took part in our online 'Finding it Tough?'** mental wellbeing programme. 98% of attendees reported a positive effect on their understanding of 'wellbeing' and 'positive mental health'.
- **With our support, 68 individuals** successfully applied for the Armed Forces Compensation Scheme and War Pensions, securing **over £650k in awards**.
- We worked with the Armed Forces Covenant Fund Trust to complete a three-year project managing **£1.4 million in financial support provided to 29 branches with clubs**.
- **We supported branch clubs** affected by the ongoing COVID-19 pandemic to **obtain nearly £1 million** in Government funding.
- Our **free Wi-Fi, provided on RAF stations to support serving personnel, was used over 150,000 times**.
- Our **field force of over 2,000** volunteers was supported by high quality, nationally-accredited training.

Structure

The Association is governed by a Trustee body, referred to as the Council, the Officers of the Association (the President, the Chair and Vice-Chair of Council and the Treasurer) and Members of the Council are all Trustees. They are incorporated as a body operating under the Association's Royal Charter.

Trustees are ultimately responsible for all matters concerning governance, strategic direction, legal operation, and financial probity. They exercise authority only when making a majority decision at a duly constituted meeting of Council, comprising between seven and 15 members.

Our Chief Executive, the Secretary General, is responsible to the charity's Trustees for the management of RAFA's activities.

The Council meets on a quarterly basis and ensures the charity is carrying out its purposes within our charitable objectives and for the benefit of our beneficiaries, is accountable, and complies with our governing documents and the law, as well as ensuring our resources are managed responsibly.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Structure (*continued*)

The Association has several committees overseeing different work streams. Each is normally chaired by a Trustee (subject to a transition plan following the decisions of Annual Conference 2021 to reduce the numbers of Trustees on Council) with the intention of providing advice and support for our Council in governance to achieve the objectives of the charity.

The following committees meet on a quarterly basis:

- Branch and Membership Committee
- Welfare Committee
- Finance and Investment Committee
- Information Management Committee

Under the authority of Council, the Association operates 3 subsidiary companies and 2 incorporated charities:

- RAFA Events Limited
- RAFA Trad Limited
- RAFA Kidz Limited
- RAFA Kidzone
- RAFA Housing Limited

Collectively they are referred to in this report as the Group or the Association

Continuing impact of COVID-19 and our response

The Council, the Board of Trustees of the Charity, employees, branches and volunteers continued to adapt to the challenges of the on-going pandemic. The five-stage approach adopted by Council in 2020 in response to the pandemic ensured the Association was able to respond appropriately to the fresh challenges brought by the second national lockdown in January. Agile working practices allowed employees to continue their work to support the RAF community while our offices remained closed. This included the continued work of the RAF Association Connections for Life programme, providing weekly social calls to reduce isolation and loneliness.

The pandemic continued to present significant challenges to our ability to raise funds. In response, the Association adopted a creative and innovative approach to find solutions. Although limitations on 'in person' fundraising activities continued, particularly affecting our annual Wings Appeal, the Association embraced new ways of working. For example, RAFA Rides – an important annual challenge event – became a hybrid event, allowing participants to join the cycling event in person or virtually. As well as raising funds to support our continuing work for the RAF community, this event brought people across the world together after a time of restrictions and social isolation.

Following the difficult decision made in 2020 to close all respite accommodation, Council took the decision to refurbish Rothbury House to provide supported living accommodation in 26 retirement apartments. A campaign was launched to fund the work required, and by 31 December had raised over £331,000 from contributions from branches, trusts, corporate supporters, members and the public. Preliminary work started in the summer, and it is anticipated that the new facility will open in July 2022.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Connected

Supporting people to have meaningful social relationships is crucial to physical and mental health. The Association's ethos is that once you are part of the RAF community, you are always part of it. That is why we are determined to do all we can to make sure no one feels alone.

Membership of the Association provides a unique opportunity to renew and strengthen connections with the wider RAF community. Our members are at the heart of all we do, building connections, volunteering to support the community and raising funds. In 2021 over 3,700 new members joined the Association, and we sustained a membership of over 68,000.

There are over 270 RAF Association branches located across the UK and in more than 18 other countries across the world. Branches are charities in their own right, managed by their branch committees but subject to the Association's Royal Charter, Rules, Byelaws and Standard Regulations.

Branches are the cornerstone of the Association, sustaining the fellowship which membership of the Association can give. For social purposes, some branches have members' clubs affiliated to them which support connections and relationships. During 2021 the Association worked with the Armed Forces Covenant Fund Trust to complete a three year project to manage £1.3 million of funding to 29 branches through their Veterans' Community Centres programme. This funding was restricted for approved renovations and improvements to the branches' clubs. We also continued to provide guidance to branches throughout the year on the changing restrictions, and on the government support available to them, enabling branches to claim nearly £1 million in grants and furlough support. This income is recorded in the branches' and clubs' financial statements, which are not consolidated with those of the Association.

Building and sustaining meaningful connections is at the heart of our welfare strategy. Op CONNECT, launched in March 2020, highlighted an increased and unmet need for services to address loneliness and isolation in the RAF community. We evolved this emergency response into our permanent RAF Association Connections for Life (CfL) programme, which fights loneliness through friendship. Supported by over 800 trained volunteers, CfL provides weekly friendship calls to over 1,900 beneficiaries, reducing isolation and identifying other potential sources of need. In 2021, 94% of CfL beneficiaries were contacted within two days of their initial referral, and were matched with a befriender shortly afterwards.

We also support serving families to stay connected, understanding that the nature of Service life can place family connections under pressure. During 2021 we maintained a varied programme of support to serving families. 370 families benefited from our Storybook Wings (children can listen to bedtime stories read by their parent, even when that parent is serving away from their home base) and Doodle Box (memory boxes created by the children of deployed RAF personnel to remind them of home) services. Our free Wi-Fi provided in 43 facilities across 14 stations / MOD sites and to 82 houses used for welfare purposes by the RAF, kept serving personnel in touch with family and friends and was used over 150,000 times in 2021.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Empowered

The second strand of our vision is to empower individual members of our RAF community. We do this by giving them the tools they need to keep their freedom, dignity and independence.

The Association operates four sheltered housing schemes, in Melton Mowbray, Moffat, Rothbury and, through RAFA Housing Limited, Storrington. In total, these are home to over 130 tenants. These schemes provide support to those with a connection to the RAF, enabling them to live independently with the confidence of support if it is needed.

We are proud to play a leading role in supporting the welfare casework needs of the RAF community, empowering individuals by giving them much-needed support. During 2021, we managed over 3,200 cases, of which 1,000 had a financial need. These included support for mobility, daily living costs, home adaptations, or unexpected costs such as repairs or white goods. We almonised over £3.4 million in grants, predominantly from support given by the RAF Benevolent Fund.

In addition, in 2021 we continued to provide specialist advice and support to serving, recently medically discharged and veteran personnel to secure a record level of awards under the War Pensions and Armed Forces Compensation Scheme, supporting 68 individuals to access over £650,000. With an average age of 53, 65% of recipients were serving or recently medically discharged personnel and 35% were veterans.

We rely on our network of volunteers. In recognition of this, we provide them with the training and tools they need to support others. The Association remains the only military charity to train its volunteers to nationally accredited standards. In 2021 over 1,200 volunteers attended training provided by the Association, and 18 different online courses were available to our volunteers, covering subjects including data protection, safeguarding vulnerable adults, Dementia Friends and equality, diversity and inclusion. 100% of newly-recruited volunteers completed online safeguarding training.

Resilient

Ensuring the RAF community remains resilient and able to face the challenges of everyday life, both while serving and afterwards, is core to all we do. In 2021 our bespoke mental wellbeing programme, Finding It Tough? was attended by 320 members of the wider RAF community (the families of serving personnel, contractors, veterans and their families). The course recognises that everyone struggles from time to time, and that being part of the wider RAF family can present its own unique challenges. The course identifies six habits to improve mental wellbeing, supporting attendees to become more resilient when managing their own struggles, or those of someone they support. 98% of those who attended reported a positive effect on their understanding of wellbeing, and where to seek help when things felt tough. Follow-up contact with participants demonstrated that this improvement was sustained in the three months following the course.

Navigating Dementia, our specialist online advice and support hub hosted over 7,900 web sessions. The resource supports those with family members who may have dementia to better understand the illness and care required, empowering them with the knowledge and skills they need. At the end of 2021 we also began to pilot face-to-face training sessions on RAF stations; 100% of attendees reported that the sessions increased their knowledge of the different types of dementia, their understanding of the disease, and their knowledge of the care required by a person with dementia.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Resilient (continued)

Our holiday accommodation was able to re-open in 2021, complying with the changing COVID regulations. We welcomed 376 guests to our chalet and caravan accommodation, providing a break from everyday life and a chance to spend time with family away from home.

There are 82 contact houses on RAF stations which we have refurbished so they can help serving personnel and their families to maintain their connections with family by providing temporary accommodation, for example to enable parents to spend time with children at weekends. During 2021, seven of these contact houses were refurbished to ensure they continue to provide a welcoming and comfortable environment. In 2021, 9,407 nights of temporary accommodation were provided.

Since the 1930's, we have distributed hampers to those in need. In 2021, we gave over 1,200 hampers to serving personnel on duty over Christmas.

RAF Families Federation

Integral to all three strands of our vision is our management of the RAF Families Federation Service contract on behalf of the RAF. The RAF Families Federation plays a key role capturing evidence on issues which concern serving RAF personnel and their families – and in sharing this with military and Government decision-makers.

The publication of the new Armed Forces Families Strategy in December 2021, building on the findings of the Living in *our Shoes* study completed by Andrew Selous MP in 2020, provided an opportunity to improve the lived experience of all RAF Families. The Federation was at the vanguard of this important work, holding the Ministry of Defence and the RAF to account to secure the best outcomes for serving personnel and their families.

The cases raised with the Federation in 2021 identified a growing number of concerns regarding access to healthcare, in particularly NHS dentistry. This insight will support policy makers and the military in identifying and prioritising services.

Forces Families Jobs was created by the RAFFF, supporting the families of serving personnel into employment. In 2021 it demonstrated a significant growth in individual users and employers using the site. Also in 2021 the RAF Families Federation opened eight Coworking Hubs, providing military spouses and partners with facilities to work and enabling them to develop and continue their own careers.

RAFA Kidz

The RAF's Community Needs Assessment identified the provision of childcare as a critical area of need and in 2019 we were approached by the RAF to assist further in alleviating this need through the development of a new strand of work. Through our subsidiaries in 2021 we were responsible for the nursery settings at RAF Cranwell, RAF Digby and RAF Odiham, with over 700 children from military families enjoying fun, safe and welcoming childcare. At the end of 2021 we were invited by the RAF to take on the management of a fourth setting at RAF Leeming, which transferred to our management in January 2022.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Fundraising

Successful fundraising is critical to the sustained financial health of the Association and our ability to provide support to the RAF community. The pandemic continued to have a significant effect on all areas of our fundraising activity, but the generosity of our members, branches, volunteers and supporters has continued to provide vital funds.

The main sources of fundraising income during 2021 were gifts in wills, major gifts from our branches, branch and members fundraising activities and gifts from trusts and companies. In addition, the Association launched an appeal to fund the refurbishment and adaptation of Rothbury House. This campaign, launched in 2021, raised £331,000 during the year from contributions from members, branches, trusts, corporate supporters, and the public.

As part of the Association's commitment to the highest possible standards of fundraising, we did our utmost throughout 2021 to ensure that all our activities were compliant with legislative, regulatory and best practice standards. We have been registered with the Fundraising Regulator since its inception in 2016, demonstrating our commitment to the Code of Fundraising Practice and the Fundraising Promise.

The Association is grateful for the support shown to its work by all those who funded it during 2021. Support to the Association from trusts, foundations and other organisations came from a number of sources. Some wish to remain anonymous but others included:

Amrik Sandhu	Lockheed Martin
Anne Jane Green Trust	Lord Selkirk
Armed Forces Covenant Fund Trust	Masonic Charitable Foundation (Lodge of St. Peter)
Asali	MBDA
Austin Macauley	Mr and Mrs William Donald's Memorial Trust
Boeing Defence UK	Officers' Association Scotland
CGI	Pukaar Group
Collins Aerospace	RAF Club
David Miller	Rare Tea Company
Davis-Rubens Charitable Trust	Raytheon
DSEI	Red Arrows Trust
Duncan Barber	Rothley Trust
Fitch Group	Royal Air Force Aerobatic Team
Frank Russon Charitable Trust	Royal Air Force Music Services
Fujitsu	Sage
George Teasdale Birks Trust	Scottish Government
Gerald Bentall Charitable Trust	Selkirk No.2 Trust
Hugabugme	Sir Donald and Lady Edna Wilson Charitable Trust
Hulett and Scade Family	Sir James Knott Trust
IMLD Forde Charitable Settlement	Sir Jeremiah Colman Gift Trust
Inzpire	Sir Peter Rigby
JJF Charitable Settlement	Verizon
Lawson Trust	Veterans' Foundation
Leonardo	Wilkin & Sons
Lillie Johnson Charitable Trust	Wolf Brewery
Little Brown	Zedra Trust

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Fundraising (continued)

During 2021, all our interactions with the general public were carried out by our employees and volunteers, except for one supplier whose services we employed to interact directly with the public to administer our Weekly Lotto. We ensured that the contract with the supplier included fundraising compliance clauses. As part of our work to ensure compliance with fundraising regulation and best practice, we monitor our supplier to ensure they continue to meet the same high standards we expected of our own fundraisers. In a similar vein, we have also put contracts in place with all corporate partners who raised funds for us.

The Association has a Fundraising Complaints Policy and has processes in place to protect vulnerable donors. During 2021 we received no complaints about our fundraising, whether carried out by us directly or in relation to the Lotto.

Governance

We recognise the importance of demonstrating both the impact of our services and the integrity with which we operate. The Association is committed to meeting the highest standards of governance in all its activities and to ensuring that everyone who acts in the name of the Association – volunteers, employees, and members – meets the highest standards of conduct and probity. Training is provided to employees, trustees and volunteers to ensure a shared understanding of the expected conduct. The Association has adopted the Charity Governance Code (for larger charities) and conducts an annual review against the Code to support continuous improvement. Further details are provided later in this report. The Association also conforms to the Cobseo governance framework for military charities.

Public benefit

When reviewing the Association's aims and objectives and in planning activities and policies, the Trustees have considered the Charity Commission's general guidance on public benefit and to its supplementary guidance on public benefit and fee charging. All services are either free or heavily subsidised. Where fees are charged, for occupying a residential property, the beneficiary's means are always considered so that no eligible member of the RAF community is prevented from accessing the services of the Association because they cannot afford the full cost. The Association also provides a public benefit as it promotes efficiency in the RAF, by underpinning a spirit of pride and mutual loyalty, and so contributing to the defence of the United Kingdom and its interests.

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.

FINANCIAL REVIEW

Income

During the year, the consolidated income raised from members, volunteers, the general public, and investments was £12,506k, a decrease of 10% on the previous year (2020, £13,922k). In 2021 legacy income was £2,158k (£2,886k in 2020).

Despite the challenging market conditions, the Association's investment performance was robust, out-performing the benchmark and its charity peer group. Investment income contributed £577k to the Association's overall income (£864k, in 2020).

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Income (*continued*)

During the year the Group received Government Job Retention Scheme grant income of £18k for staff furlough which has enabled the Association to retain staff during the second lockdown and on-going restrictions on our activities.

Expenditure

In 2021 expenditure was £14,354k, 17% below the 2020 level (£17,240k). This reflected the impact of the positive steps taken by Trustees to reduce expenditure during the pandemic, during which opportunities for fundraising income continued to be limited. In 2021 £12,664k (£14,824k in 2020) was spent on charitable activities. 0.88p of every pound raised was spent on welfare activities.

During 2021 Trustees reviewed the policy on capitalising assets and depreciation. As a result £1,689K of intangible assets were reclassified, and there was an associated increase in expenditure of £783k being the higher depreciation amount and also as costs, which would have previously been capitalised, were treated as expenditure.

RAFATRAD

RAFATRAD Limited, the Association's trading and publishing arm, generated income of £626k, a significant increase on the previous year. It made an operating loss of £23k (operating loss of 338k in 2020). This was primarily due to the continued restrictions on events, although a significant increase in online retailing following the relaunch of the website made up in part for this. As a wholly owned subsidiary, RAFATRAD gifts any surplus to the Association each year to support the charitable activities. As a result, it does not hold reserves of its own. The Trustees anticipate that in 2022 RAFATRAD will achieve at least a break-even position and may potentially return to surplus.

RAFA Housing

RAFA Housing Limited, the Association's independent living scheme, made an operating surplus in 2021 of £59k (£29k in 2020). This was in line with expectations, with the income and expenditure of RAFA Housing Limited largely unaffected by COVID-19. Although face-to-face contact with tenants at RAFA Housing was limited during lockdown, services are now largely back to normal, and a number of minor capital projects were undertaken in 2021.

RAFA Kidz

RAFA Kidz Limited continued to operate its early years' nursery activity. Our preschool nurseries, operated by RAFA Kidz Limited and its charitable subsidiary, RAFA Kidzone Limited, continued to open throughout lockdown, offering childcare for our key workers. Income was adversely affected, and some settings experienced higher than anticipated staff costs when staff members were required to isolate due to COVID-19. Overall, the RAFA Kidz and RAFA Kidzone made a small deficit of £17k in 2021 (£300k in 2020).

The net assets of subsidiaries are consolidated at Group level.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Investment policy and performance

The Trustees have the power to invest any of the Association's funds not immediately required for the purposes of the charity in accordance with the provisions of the Trustee Act 2000. The Trustee-appointed investment managers, Rathbones Investment Management Limited and Rothschild & Co, are managed by the Council's Finance and Investment Committee, assisted with independent oversight provided by Asset Risk Consultants.

The investment portfolio comprises three main elements managed by Rathbones: (1) an unrestricted fund, (2) the Formby Branch Deposit fund, and (3) the Branch Deposit Fund (a pooled fund of monies held in trust for and invested on behalf of the Association's branches). The Rothschild Fund is also a pooled fund held in trust for and invested on behalf of the Association's branches.

The Association's investments were reviewed at quarterly committee meetings in 2021 and performance reported to Council. Performance of the general fund exceeded benchmark, with the deposit fund only slightly below benchmark performance. The Association's investment portfolio was valued at £25,265k at the close of 2021 (2020: £22,812k).

Trustees agreed to drawing on the Association's investment reserves in a managed way where required to ensure continued provision of welfare services. Furthermore, during 2021 the Association revised its investment policy to receive the dividend income from its investments to support its charitable activities. The charity's medium term financial plan (a rolling plan looking forward 5 years) takes both factors into account. £1,500k of capital was withdrawn from investments to support the operation of the charity.

A review of the investment managers is planned for 2022 to ensure that the investment support continues to meet the Association's needs. The Association continues to employ the services of Asset Risk Consultants to provide analysis and evaluation of investment performance, which serves to enhance the decision-making capability of the Finance and Investment Committee.

Reserves policy

The reserves policy was reviewed by the Council in November 2021. Trustees have adopted a prudent approach to ensure that the Association holds enough reserves to respond to current and future welfare needs quickly and effectively. Reserves planning is a key component of the Association's strategic planning process, the Council regularly review the level of reserves to ensure that funds are available to deliver our welfare services and programmes and to secure the long-term sustainability of the Association. The charity's research undertaken in recent years, the Association is aware of a growing need among the younger generation and this need is likely to grow. Linked to this uncertainty is a trend of cuts in social welfare budgets across the UK and there is evidence of increasing levels of social isolation and loneliness amongst all ages – all of which was considered when reviewing the policy.

The Association adopts a forward-looking strategic risk-based outlook on the needs of the RAF community and consequently does not use short-term measures focusing on a limited number of months' operating costs. The Finance and Investment Committee reviews the Medium-Term Financial Plan at each of its meetings and makes recommendation to the Council on the management of financial risks.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Reserves policy (continued)

The Association is heavily reliant on voluntary income from fundraising, legacies and donations, which is not guaranteed, and has been significantly affected during both 2020 and 2021 as a result of the pandemic. The Trustees have therefore agreed to maintain a minimum level of unrestricted free reserves to cover the costs associated with normal operations over a 12-month period to address the risks of COVID-19 to the delivery of our services and programmes to beneficiaries, members and employees. In addition, as considerable uncertainty remains about the continuing impact of the pandemic on voluntary income in 2022, the Trustees have also agreed to underwrite any deficit in the fundraising target included in the 2022 budget from the reserves to maintain the welfare services.

At the end of December 2021, consolidated general unrestricted reserves totalled £12,274k (£11,517k in 2020). Restricted reserves, funds received for specific activity, decreased to £2,341k (£2,551k in 2020).

The Council has designated funds of £18,932k (£18,769k in 2020) to be used to undertake multi-year activity to increase our welfare services, reaching more of the RAF community, respond to the implications of the COVID-19 pandemic, support our plans to increase and diversify our income in the long-term, and support the improvement of our back-office functions to divert more expenditure towards our beneficiaries.

Pensions

The value of the defined benefit pension scheme at 31 December 2021 has been calculated in accordance with FRS102 regulations. The valuation resulted in an increase in value of £1,463k, leading to a surplus of £633k, against a deficit of £830k at the end of 2020. The Association continued to make payments into the Scheme in 2021 of £100k, of £75k was defrayed in the year, as agreed with the pension trustees. In accordance with FRS 102 and considering uncertain economic conditions, the Association has not recognised the surplus of £633k in the financial statements, capping the gain to the amount at which the previous liability of £830k was reversed to a nil balance.

Risk Management

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

The Association does not generally have an appetite for high exposure risks; nevertheless, the Trustees recognise that delivering the ambitious strategic aims and objectives outlined in the Strategic Plan to 2030 will involve a degree of risk taking and uncertainty. As such, there is an appetite for higher levels of risk where appropriate to deliver against strategic aims, objectives and targets provided there is a comprehensive understanding of the exposures involved and potential benefits arising, and subject to there being appropriate controls and approval processes in place. In terms of priorities, Trustees have agreed that the need to avoid reputational, compliance and excessive financial risk will take priority over other factors, recognising balanced assessments must be made as, in many cases, risks are attached both to doing something and doing nothing.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Risk Management (continued)

The Association's risk management process is designed to identify and assess risks such that appropriate risk management strategies are implemented, and their effectiveness monitored. Trustees have identified the following as its key risks and the strategic risk register is reviewed at each Council meeting.

- *Failure to deliver quality and safe services.* Ensuring the safety of those who access our services is fundamental to the work of the Association. The appointment of an independent safeguarding chair in 2021 has provided independent oversight and scrutiny of safeguarding policy and practice. Other mitigations in place to ensure the quality and safety of services include the regular review of policies and practices, informed by KPIs, service user feedback and other assurance sources; Council / Committee oversight; the employment of professionally qualified staff; safer recruitment processes and training of employees and volunteers.
- *Failure to sustain a large and engaged membership.* Plans include recruitment campaigns, improved retention by engaging with personnel leaving the RAF, and improving engagement with current membership.
- *Branch and Club governance and compliance failure.* The Council has identified regulatory compliance at branch level as a strategic risk, with concerns about the wider reputational risk that the Association faces by a decentralised structure where branches are separate charities but operate under a shared name and constitution. The Association has undertaken considerable activity to ensure that branch committees understand and fulfil their responsibilities as charity trustees and to provide guidance and advice, and clear expectations of both statutory and RAFA's own compliance requirements have been communicated. A Branch Governance Action Plan has been agreed with the Charity Commission to further mitigate the risk while supporting branches and progress against this plan and compliance by branches is subject to quarterly monitoring by the Branch and Membership Committee and Council.
- *Long term financial sustainability and short-term cash flow failure.* The disruption to fundraising activities since the start of the Covid pandemic has had a significant impact on the Association's income. It is anticipated that this impact will reduce in the short and medium term, but that action has been required to mitigate the immediate impact. Mitigation plans include the continued monitoring and refinement of the medium-term financial plan, on-going monitoring, both in terms of annual budgets, cash flow and reserves. Council has agreed a plan which would allow the Association to make prudent use of its investment assets to support the continuation of its welfare and other charitable activities, while income levels recover. The plan also seeks to diversify the income streams of the Association, to lessen the potential impact of reliance on one source of income. This plan is subject to ongoing Committee and Council oversight.
- *External threats.* Mitigation plans include collaboration with other charities and organisations, the use of research to inform our ability to anticipate the changing needs of the RAF community, informing the development of policy, developing unique service propositions and the diversification of service provision.
- *Loss of operational capability.* Plans include development of business continuity plans, provision to work remotely in the event of further disruption to our ability to access key premises, cyber security, and a range of processes to ensure recruitment and retention of appropriately qualified and trained employees and volunteers.
- *Significant change management projects.* Council recognises the need for change and adaptation of services and ways of working as the Association responds positively to changes in the needs of the RAF community and the external environment. Mitigation plans include the implementation of defined project management methodology and documentation. Oversight is provided by a project governance board, Senior Management Team and committees to enable prioritisation of work.
- *Information risk.* Data is recognised as a strategic asset and protected accordingly. The Association employs professionally qualified staff who regularly review cyber and data policies and processes, and has recently achieved Cyber Essentials Plus certification.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Risk Management (continued)

- *Corporate governance failure and Group legislative / regulatory failure.* Mitigation includes regular reviews of policies, Council, Committee and / or subsidiary Board oversight, employment of professionally qualified staff and mandatory training.

Operational risk registers are also subject to regular review by the appropriate Council Committee so that assurance is provided to the Council that operational risks are being effectively managed. Each Committee has been charged with reviewing each of its relevant policies to ensure that the risk tolerance of each policy is within the overall risk tolerance set by the Council.

The Council considers that the major risks facing the Association include the ongoing and long-term impact on its activities and incomes resulting from the current COVID-19 pandemic, including the continued pressure on fundraising, the threat of reduced income from events generally and the increased cost in meeting demands for its welfare services.

The Council is satisfied that all risks are being appropriately addressed. During 2022 a review of the way risk is managed and reported will be undertaken to identify ways to further enhance controls and reporting.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Air Forces Association, which was established in 1930, was incorporated by Royal Charter in 1953. The Association is a registered charity governed by the Royal Charter, its Rules and Byelaws. The charity is also known as the RAF Association and RAFA. The Association is registered with the Charity Commission and with the Office of the Scottish Charity Regulator. It is also registered with the Fundraising Regulator and Information Commissioner's Office (ICO). The Association is a democratic, non-sectarian non-political organisation with no affiliation to any party or party organisation or trade union. The Association is a member of the Confederation of British Service and Ex-service Organisations (Cobseo).

The Association is an international organisation with over 68,000 members and 270 branches in the UK and overseas. It is also the ultimate parent undertaking of four trading subsidiaries (RAFATRAD Limited, Royal Air Forces Association Housing, RAFA Kidz Limited, RAFA Kidzone Limited) and two non-active companies (RAFA Events Limited and RAFA Kidz Wings Limited).

The Board of Trustees (Council)

The Council is the Association's Board of Trustees and is collectively accountable to the Association's members and other stakeholders for the long-term success of the Association. Members of the Council are elected or appointed for a three-year term, after which they are eligible to stand for re-election on a further two occasions; they may not hold office for a continuous period exceeding nine years. The Council is responsible for the Association's compliance with all relevant legislative and regulatory requirements. It is responsible for determining the strategy and values of the Association, approving the annual business plan, supporting strategies and the associated budget, holding the Secretary General (who is responsible for the day-to-day management of the Association's affairs) and Senior Management Team to account for the Association's performance, standards of conduct and corporate governance.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

The Board of Trustees (Council) *(continued)*

The Council recognises that good governance is fundamental to the success of the charity and is committed to continuous improvement in terms of its own effectiveness, the governance of all Group companies and branch governance. The Council has adopted the Charity Governance Code for larger charities and assesses annually how it meets the principles, outcomes and recommended practice. Where areas for improvement are identified an action plan is agreed and its implementation is monitored by the Council.

The composition of the Council is prescribed by the Association's Rules and Byelaws and comprised up to 24 trustees:

- The President of the Association, elected triennially at Annual Conference. Air Marshal Sir Baz North KCB OBE MA FRAeS was re-elected for a second term in 2020.
- The Chairman of Council, elected triennially at Annual Conference. Air Vice-Marshal John Cliffe CB OBE was re-elected for a second term in 2019.
- The Treasurer of the Association. Mr Philip Tagg was re-elected for a final third term in 2020.
- Eight elected members.
- Five area representatives elected by Area Councils. Elections are held triennially and are due in 2022.
- Three service representatives nominated by the Royal Air Force.
- A representative nominated by the RAF Benevolent Fund. The Fund has confirmed that it will no longer nominate a representative following the expiry of the current term of office held by the incumbent in 2021.
- Up to a maximum of four co-opted trustees.

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 9 to the accounts.

During 2021 Council undertook a review of its own structure, to identify whether the size and composition of Council remained appropriate and effective, recognising that the Charity Governance Code recommends an optimum size of around 12 trustees. As a result, a resolution was presented to Conference in 2021 to reduce the size of Council by removing the eight elected members. In addition, the RAF Benevolent Fund indicated that it no longer intended to nominate a member of Council. As such, following Conference in October 2021, the size of Council was reduced to 15.

Conference also approved a change in the designation and appointment of the Trustees appointed to represent the five geographical areas. The role had previously been known as 'Area Representative Member'. Conference agreed to change the title of the position to Area Elected Trustee to better reflect the fact that, as a full member of Council, those elected to the position were responsible for the overall management of the Association and, as such, were required to act in the best interests of the whole charity and not simply represent their Area.

It was also agreed by Conference that rather than be nominated by the Area Council, Area Elected Trustees should be directly elected to Council by the Branches in each Area. The first elections under this revised approach will take place in 2022. Council now comprises:

- The President of the Association
- The Chairman of Council
- The Treasurer of the Association
- Five Area Elected Trustees (AET)
- Three service representatives nominated by the Royal Air Forces
- Up to a maximum of four co-opted trustees

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

The Board of Trustees (Council) (continued)

The Council approved a skills matrix in 2020 and an audit has been undertaken to identify any gaps which can be addressed through trustee recruitment and/ or development. The Council has established a Nominations Committee to oversee trustee recruitment in line with the skills matrix.

When new Trustees are elected or appointed, a formal induction on the work of the Association and Trustees' roles and responsibilities is provided. The Council, either as a whole or through its sub-committees, also receives ongoing briefings and training from senior management and external advisors in key areas such as risk management, safeguarding, data protection, fundraising, and financial management. Further training and development is provided to meet specific needs and Trustees receive annual (online) refresher training on matters including health and safety, equality and diversity and cyber security.

The Council has appointed designated lead Trustees for Health and Safety (Mr D Chappell), Safeguarding (Air Commodore G A Opie), and Whistleblowing (Ms F Barber).

Council Meetings

The powers of the Council are set out in the Royal Charter, Rules, and Byelaws which are supplemented by the Standard Regulations governing the Areas, Regions, Branches and Branch Clubs (collectively the 'Governance Handbook'). The Council may exercise all powers conferred on it by the Governance Handbook and in accordance with the Charities Act 2011 and other applicable legislation. The Council usually holds five face-face meetings each year, although in 2020 it held six meetings (five of which were held virtually) to respond to the challenges of COVID-19. The Council has also adopted a procedure for making decisions ex-committee. All ex-committee decisions are subject to ratification at the next Council meeting.

Committee Structure

Throughout the year the work of the Council was supported by Committees. Each Committee has written terms of reference approved by the Council. These were reviewed in 2021. Members of the committees are a combination of Association Trustees and personnel co-opted as determined by the Council. This allows Council to ensure an appropriate balance of skills on each committee.

Committee	Chair	Number of members	Number of meetings
Finance and Investment	Mr P Tagg	6	4
Fundraising and Communications*	Mr C Goss	7	3
Branch and Membership	Mrs B Dennett Stannard	10	4
Information	AVM M Neal	7	4
Welfare	Ms F Barber	8	4
Annual Conference	Mr A Rees	6	5
Audit	Mr I Gawn	5	2
Remuneration	AVM J Cliffe	3	1

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Committee Structure *(continued)*

*This committee was disbanded at the end of 2021, with oversight of fundraising now being provided by the Finance and Investment Committee.

Committees generally meet in advance of Council meetings, with minutes of meetings being provided to the Council, together with any recommendations. Council and its Committees are also supported, from time to time, by Task and Finish Working Groups who are charged with reviewing specific tasks or activities and make recommendations to Council and / or its Committees.

Delegated Authority

The Council has a formal schedule of matters specifically reserved for its approval which cannot be delegated. Other specific matters have been delegated to its Committees and these are clearly defined within the relevant terms of reference. Day-to-day management of the Association is delegated to the Secretary General and his team and the Council reviews its scheme of delegated authority on an annual basis. Notwithstanding any delegation, the Council remains collectively accountable for the work of the Association.

Branches and Areas

Branches are separate organisations from the Association; branch accounts are not consolidated with those of the Association. Branches fundraise on their own behalf and on behalf of the Association (the annual Wings Appeal). The Association provides branches with an annual rebate to support branch membership and welfare activity.

Branches share the same objective and constitution as the Association and, as such, are individual charities in their own right and are required to register as charities in accordance with the relevant local jurisdiction.

The revised Byelaws and new Branch Regulations approved by Council in September 2020 were ratified by the Annual Conference in October 2021.

Annual Conference

Following the cancellation of the 2020 Conference, due to the Covid-19 pandemic, in 2021 the Annual Conference took place as a 'virtual' conference, held on line. This was permitted by a temporary provision in the byelaws to permit voting in advance of Conference, by postal or electronic ballot. This ensured that members, via the branches, were able to participate in the decisions of Conference, despite the on-going pandemic which made face-to-face meetings impractical for many of our members. At Conference RSM UK Audit LLP were re-elected as auditors of the Association. The reports by the Chairman of Council, Treasurer and Secretary General were presented via a webinar and branches were provided with an opportunity to raise questions both in advance and during the presentation. The webinar recording, together with all questions and answers were made available for Association members.

The change to an 'on-line' conference appeared to have a positive impact on branch participation, with 55% of branches participating either on the day or voting upon the resolutions- a 33% increase in the number of branches participating compared to 2019. During 2022 Council is engaging with the membership to identify ways to maintain the benefits of this approach.

A total of 133 branches voted (47%) and 22 branches indicated that, although eligible to do so, they did not intend to vote. The proportion of our branches who engaged in the 2021 conference was therefore the highest since 2002.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Subsidiaries

RAFATRAD Limited is a wholly owned subsidiary of the Association, which sells commemorative items and memorabilia and undertakes fulfilment activity for the charity. RAFATRAD Limited is a company limited by shares incorporated under Companies Act 2006.

Royal Air Forces Association Housing Limited (RAFA Housing) is a wholly owned subsidiary of the Association. It is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, regulated by the Financial Conduct Authority (FCA). RAFA Housing is a registered provider of social housing regulated by the Regulator of Social Housing (formerly known as the Homes and Communities Agency).

RAFA Kidz Limited is a wholly owned subsidiary company limited by shares incorporated under Companies Act 2006. It operates pre-school nurseries in accordance with the Early Years Foundation Stage at RAF Odiham and RAF Digby and wrap-around care at RAF Digby. RAFA Kidzone Limited, a company limited by guarantee and registered charity, is a wholly owned subsidiary of RAFA Kidz and operates a pre-school nursery and wrap-around care at RAFC Cranwell. Both RAFA Kidz Limited and RAFA Kidzone Limited are registered with and regulated by Ofsted.

RAFA Events Limited (formerly RAFA Clubs Limited) and RAFA Kidz Wings Limited are both companies limited by shares incorporated under Companies Act 2006. RAFA Kidz Wings Limited is a subsidiary of RAFA Kidz Limited. Neither RAFA Events nor RAFA Kidz Wings traded in 2021.

Remuneration Policy

The Association is committed to recruiting, retaining and developing people with the necessary skills and knowledge to make a positive contribution in helping deliver the organisation's objectives. Making effective decisions in relation to remuneration and reward is considered both central and crucial to the continued success of the Association's overall aims. The Association's Remuneration Policy centres on the following principles:

- Reward employees using processes that are fair, equitable, and transparent.
- Aim to pay competitively against our relevant comparators in the voluntary sector.
- Enhance the organisation's competitive positioning by promoting a total reward approach, recognising that other aspects of the employment package (e.g. benefits and development opportunities as well as the intrinsic moral value of working for a charity) are also valuable to employees.

Remuneration Review and Annual Pay Award

The Council, through the Remuneration Committee, composed of three Trustees, sets pay and conditions for all Association employees, including the senior management team, and reviews the Remuneration Policy annually, ensuring that the principles outlined above are adhered to and remain appropriate within the wider economic context. Employee remuneration is reviewed annually in August and any changes are implemented from the following 1 January. Salary benchmarking is undertaken using data from the Office for National Statistics (ONS) and surveys by Croner. The Association has introduced the National Living Wage Foundation on a discretionary basis and voluntarily recognises the GMB trade union for collective bargaining for statutory activity, including pay.

Employees earning over £60,000 per annum are shown at note 10 of the accounts. Key management personnel are the Secretary General, Director of Branch and Membership Operations, Director of Welfare and Policy, and Director of Marketing, Fundraising and Trading.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

Remuneration Review and Annual Pay Award (*continued*)

This remuneration policy and review applies to Association employees only. Employees of subsidiary companies are subject to separate arrangements set by the respective Boards of Directors.

Future outlook

The Association has risen to the challenge of fulfilling emerging and changing welfare needs whilst continuing to manage the impact of the COVID-19 pandemic on revenue generation of the Association and its subsidiaries into 2021, particularly in relation to our ability to fundraise. As such, the charity and its subsidiaries will continue to review how best to deliver their much-needed services. The Council considers that the actions taken in 2020, combined with the past prudent approach to accumulating investments and cash-backed unrestricted reserves, places the Association in a strong position not only to survive the pandemic, but to continue to affect positively the wider RAF community.

Auditor

Following the completion of the current auditor's term of engagement, RSM UK Audit LLP will resign as auditors at the completion of the 2021 audit and a resolution to appoint new auditors will be proposed at the Annual General Meeting.

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. The law applicable to charities in England and Wales, Scotland and Northern Ireland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the Association and the Group, and of the incoming resources and application of resources of the Association and the 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 Statement of Recommended Practice (SORP).
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and the Group, and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, The Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the Royal Charter. 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.

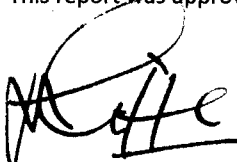
**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2021**

In so far as the Trustees are aware:

- There is no relevant audit information of which the Association'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.

The Council has given due regard to the increased pressure on income streams brought about by the COVID-19 pandemic and have concluded that the positive level of general reserves, a healthy cash and investments balance, the benefit of Government measures and support as well as the continued support of its regular contributors, means the going concern basis remains appropriate for the preparation of these financial statements.

This report was approved by the Trustees on 7 September 2022 and signed on its behalf by:



**Air Vice-Marshal J Cliffe CB OBE
Chairman of the Council**

THE ROYAL AIR FORCES ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

Opinion

We have audited the financial statements of the Royal Air Forces Association (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Group and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements 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 group's and parent charity's affairs as at 31 December 2021 and of the group's and parent charity's incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 151 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

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 parent charity 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 group's or parent charity's ability to continue as a going concern for a period 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 annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, 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.

THE ROYAL AIR FORCES ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper and sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 20 the trustees 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 and parent charity'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 parent charity 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.

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.

THE ROYAL AIR FORCES ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION (continued)

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

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

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and parent charity operates in and how the [group and parent] charity are complying with the legal and regulatory frameworks;
- 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 and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2011, the parent charity's governing document and tax legislation. 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 those in relation to the Care Act 2014. We performed audit procedures to inquire of management [and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with regulatory authorities]

The group audit engagement team identified the risk of management override of controls as the area 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, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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.

THE ROYAL AIR FORCES ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION (continued)

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP

Statutory Auditor

St Philips Point

Temple Row

Birmingham

B2 5AF

Date *15/9/22*

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
INCOME:					
Donations and Legacies	3	4,352	441	4,793	6,654
Donations – assets gifted from closed branches	28	1,015	-	1,015	(951)
Charitable Activities:	6	2,128	2,392	4,520	5,875
Other Trading Activities:					
Trading income		456	-	456	302
Grand Draw and other fundraising income		1,145	-	1,145	1,178
Investment Income	5	577	-	577	864
Total Income		9,673	2,833	12,506	13,922
EXPENDITURE:					
Cost of Raising Funds		1,660	-	1,660	2,140
Charitable Activities:					
Residential & Respite Care Home		2,407	-	2,407	2,912
Friendship & Welfare Support		6,622	3,043	9,665	10,967
Grants		-	-	-	151
Other Support Costs		592	-	592	794
Other Expenditure:					
Interest Paid on Branch Deposits		19	-	19	17
Interest on Defined Benefit Pension Liabilities		11	-	11	7
Share of the reduction in value of the joint venture, due to the distribution of the joint venture funds, as intended	14	-	-	-	252
Total Expenditure	7	11,311	3,043	14,354	17,240

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
Net gains on investment assets	14(b)	2,575	-	2,575	27
Net (expenditure)/income		937	(210)	727	(3,291)
Other recognised losses:					
Actuarial gain/(losses) on defined benefit pension scheme	11	839	-	839	(427)
Net movement in funds		1776	(210)	1,566	(3,718)
Reconciliation of Funds					
Total Funds Brought Forward		29,454	2,551	32,005	35,723
Total Funds Carried Forward		31,230	2,341	33,571	32,005

All income and expenditure derive from continuing activities.

The Group Statement of Financial Activities includes all gains and losses recognised in the year.

**THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
INCOME:					
Donations and Legacies	3	4,352	441	4,793	6,546
Donations – assets gifted from closed branches	28	1,015	-	1,015	(951)
Charitable Activities:	6	331	2,392	2,723	4,464
Other Trading Activities:					
Grand Draw and other fundraising income		1,145	-	1,145	1,178
Investment Income	5	577	-	577	864
Total Income		7,420	2,833	10,253	12,101
EXPENDITURE					
Cost of Raising Funds		1,030	-	1,030	1,765
Charitable Activities:					
Residential & Respite Care Home		2,355	-	2,355	2,791
Welfare Support		5,062	3,035	8,097	9,382
Grants		-	-	-	151
Other Support Costs		606	-	606	798
Other Expenditure:					
Interest Paid on Branch Deposits		19	-	19	17
Interest on Defined Benefit Pension Liabilities		11	-	11	7
Total Expenditure	7	9,083	3,035	12,118	14,911

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
Net gains on investment assets	14(b)	2,575	-	2,575	27
Net income/(expenditure)		912	(202)	710	(2,783)
Other recognised losses: Actuarial gains/(losses) on defined benefit pension scheme	11	839	-	839	(427)
Net movement in funds		1,751	(202)	1,549	(3,210)
Reconciliation of Funds					
Total Funds Brought Forward		29,328	2,443	31,771	34,981
Total Funds Carried Forward		31,079	2,241	33,320	31,771

All income and expenditure derive from continuing activities.

The Association Statement of Financial Activities includes all gains and losses recognised in the year.

**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS
AT 31 DECEMBER 2021**

	Notes	Group		Association	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed assets:					
Intangible assets	12	1,302	1,689	1,302	1,689
Tangible assets:					
Properties	13	5,404	6,229	4,996	5,843
Equipment and furniture	13	579	689	393	522
		7,285	8,607	6,691	8,054
Investments:					
Investments	14	25,265	22,812	25,265	22,812
Programme related investments - loan to branches		129	131	129	131
Total fixed assets		32,679	31,550	32,085	30,997
Current assets:					
Assets held for resale	15	550	580	550	580
Stocks		392	435	-	-
Debtors	16	305	402	1,156	1,252
Cash at bank and in hand		4,041	4,382	3,560	3,886
Total current assets		5,288	5,799	5,266	5,718
Current liabilities:					
Creditors: amounts falling due within one year	17	(4,127)	(4,235)	(4,031)	(4,114)
Net current assets		1,161	1,564	1,235	1,604
Total assets less current liabilities		33,840	33,114	33,320	32,601
Creditors: amounts falling due after more than one year	18	(269)	(279)	-	-
Net assets excluding pension scheme liability		33,571	32,835	33,320	32,601
Defined benefit pension scheme asset/(liability)	11	-	(830)	-	(830)
Net assets including pension scheme liability		33,571	32,005	33,320	31,771

**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (continued)
AT 31 DECEMBER 2021**

	Notes	Group		Association	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Funds:					
Income funds:					
Restricted funds	20	2,341	2,551	2,241	2,443
Unrestricted funds:					
Designated funds	21	18,932	18,769	18,932	18,769
General funds		12,274	11,517	12,147	11,389
Pension scheme deficit	11	-	(830)	-	(830)
Net general funds		12,274	10,687	12,147	10,559
Non-charitable funds		24	(2)	-	-
Total funds		33,571	32,005	33,320	31,771

The financial statements on pages 27 to 67 were approved and authorised for issue by the Trustees on 7 Sept 22 and signed on their behalf by:



**Air Vice-Marshal J Cliffe CB OBE
Chairman of the Council**

**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Group		Association	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash flows from operating activities	23	(2,562)	(2,158)	(2,611)	(2,295)
<hr/>					
Cash flows from investing activities					
Investment income		577	861	577	861
Interest receivable		-	3	-	3
Interest payable		(19)	(17)	(19)	(17)
Receipt of Kaupthing Singer and Friedlander monies		10	13	10	13
Payments to acquire intangible fixed assets		-	(461)	-	(461)
Payments to acquire tangible fixed assets		(115)	(86)	(51)	(17)
Receipts from disposals of fixed assets		-	13	-	13
Payments to acquire investments		(3,015)	(313)	(3,015)	(313)
Receipts from disposals of investments		4,591	3,635	4,591	3,625
Net cash provided by investing activities		2,029	3,648	2,093	3,707
<hr/>					
Cash flows from financing activities					
Decrease in loans to branches		2	1	2	1
Decrease in deposits by branches		190	547	190	547
Net cash from financing activities		192	548	192	548
<hr/>					
Change in cash and cash equivalents in the year		(341)	2,038	(326)	1,960
Cash and cash equivalents at the beginning of the year		4,382	2,344	3,886	1,926
<hr/>					
Cash and cash equivalents at the end of the year	24	4,041	4,382	3,560	3,886

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

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.

Accounting Estimates

The Charity makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined benefit pension assumptions. The discount rate and inflation rate and the decision not to recognise the gain in excess of the reversing liability are considered to be key estimates in calculating the defined benefit liability and sensitivities have been disclosed within Note 11.

Investment properties are valued at their fair value based on an open market value for existing use of the properties. The valuations are made by a qualified Chartered Surveyor, using a variety of assumptions to determine the valuation of the investment's properties taking account of the fact that the properties are tenanted under lease and providing an income stream rather than being immediately available to occupy. Any changes in these assumptions would impact on the carrying value of these investment properties.

Critical area of judgement

A critical area of judgement is applied in categorising leases as finance leases or operating leases, and management makes judgements as to whether significant risks and rewards of ownership have transferred to the Charity as lessee, or to the lessee, where the Charity is the lessor.

2. Principal Accounting Policies

General information

The Royal Air Forces Association is incorporated by Royal Charter and is a registered charity at the Charity Commission in England and Wales (charity number 226686) and at the Scottish Charity Regulator (OSCR) in Scotland (charity number SC037673).

The address of the charity's registered office and principal place of business is Atlas House, Wembley Road, Leicester LE3 1UT. The group consists of the Association and its subsidiaries as set out in note 4. The nature of the group's operations are set out in the Trustees' Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and to include investment properties at fair value, 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, 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, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

2. Principal Accounting Policies (continued)

Basis of preparation (continued)

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The financial statements of the Association comprise the funds of the Association but not the branches which are separate registered charities and do not share common Trustees with the Association.

The Royal Air Forces Association meets the definition of a public benefit entity under FRS 102 and have therefore applied the relevant public benefit requirements of FRS 102.

Monetary amounts in the financial statements are rounded to the nearest £1,000. The financial statements are presented in sterling which is also the functional currency of the Association.

Going Concern

Council acknowledges that the unprecedented level of uncertainty caused by COVID-19 resulted in continuing rapid changing of circumstances and as such judgements and estimates required by management are more challenging than under normal circumstances.

As set out in the Trustees report on Page 21, Council has given due regard to the increased pressure on income streams brought about by the pandemic and have concluded that the positive general reserves, healthy cash and investment balances, grant opportunities and continued support of its regular contributors, means that the going concern basis remains appropriate for the preparation of these financial statements.

Based on the Association's forecasts, Council has adopted a going concern basis in preparing the Financial Statements. The Trustees have made this assessment after consideration of the Association's cash flows and related assumptions and in accordance with the guidance published by UK Financial Reporting Council.

Consolidation

The group Statement of Financial Activities and group Balance Sheet consolidate the financial statements of the Association and its subsidiaries. The results of the subsidiaries are consolidated on a line by line basis. Intra group transactions, balances and unrealised gains are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Joint Ventures

Entities in which the group holds an interest, and which are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method. Under the equity method of accounting, an equity investment is initially recognised at transaction price (including transaction costs) and is subsequently adjusted to reflect the investors' share of the profit or loss, other comprehensive income and equity of the joint venture.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

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 Association 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 Association 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 (SOFA) when the Association 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 and subscriptions is included when receivable. Legacies are accounted for as soon as entitlement, probability and a monetary value can be reliably determined. The sums due under the contract from the MoD is included as income in the period it is earned.

Fundraising income is included in income in the period in which the Association becomes entitled to receipt. Trading income is recognised as earned.

Investment income is included when receivable.

Income from charitable activities is included in income in the period in which the Association 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 Association 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.

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

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

Support costs, which include the secretariat, finance, information technology and human resources, have been allocated to cost of raising funds and charitable activities on the most appropriate basis. Secretariat and finance costs have been allocated on the basis of time spent. Information technology costs have been allocated on the basis of equipment usage. Human Resource costs have been allocated on the basis of staff numbers.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

2. Principal Accounting Policies (continued)

Grants

Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant or when the Trustees have agreed to pay the grant without condition.

Intangible fixed assets

Intangible assets are initially recorded at cost and subsequently measured at cost net of accumulated amortisation and any impairment loss. Amortisation is provided for on all intangible assets at rates calculated to write off the cost of each asset less its residual value evenly over its expected useful economic lives as follows:

- Computer software	over 5 years (previously over 15 years)
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Impairment reviews are carried out where there are indications that recoverable amounts of intangible fixed assets are below their carrying values.

The trustees have reviewed the useful life of all intangible assets held by the group and have amended the amortisation rate accounting estimate in respect of computer software as stated above. The trustees are of the opinion this reflects the current expected useful life of the computer software more accurately

The impact of the change in amortisation rates used by the group have been recognised in the year, within the amortisation charge of £326k (see note 12). The annual amortisation charge based on the revised accounting estimate is £326k (2020: £111k) and so the impact of the change in accounting estimate is a increase to amortisation charge in the year of £215k.

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

Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently measured at cost or valuation net of depreciation and any impairment loss. The Association and each subsidiary will capitalise items over the value of £500. 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:

- Freehold properties	2% on cost
- Short leasehold properties	over the terms of the leases
- Computer equipment	25% on cost
- Other equipment and furniture	between 15% and 25% on net book value
- Motor vehicles	25% on net book value/over 15 years

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.

Revaluation of Properties

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

2. Principal Accounting Policies (continued)

Revaluation of Properties (continued)

Revaluation gains and losses are recognised in Other Gains and Losses in the Statement of Financial Activities.

Investments

Long term investments are classified as fixed assets. Short-term investments are classified as current assets.

Listed investments are stated at fair value at the balance sheet date. Unlisted investments are stated at cost less impairment at the balance sheet date. Both realised and unrealised gains and losses are shown in the Statement Of Financial Activities. The fair value of the investments quoted on a recognised stock exchange is the quoted bid price.

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value in gains/losses in Investment Assets are recognised in the Statement of Financial Activities.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

Financial instruments

The Group 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 Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group 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, group debtors and other debtors

Trade debtors, group debtors and other debtors (including accrued income) 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 Group after deducting all of its liabilities.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

2. Principal Accounting Policies (continued)

Other creditors and accruals

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.

Derecognition of financial assets and liabilities

A 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.

Pension costs

The Association operates a defined benefit pension scheme that closed to new entrants in December 2000 and to future accrual on 31 December 2012.

Contributions are paid to the scheme in accordance with the recommendations of the scheme actuary.

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Financial Activities. The interest costs and the interest on assets are shown as a net amount of income or expenditure as appropriate. Other adjustments are included within employee costs.

As detailed in note 11, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high quality corporate bond of equivalent currency and term of the scheme liabilities. Full updated actuarial valuations are obtained triennially and are reviewed in the following two years at each balance sheet date. The defined benefit pension scheme asset or liability is presented separately after other net assets on the face of the balance sheet.

The assets relating to the pension scheme are held separately from those of the Association in separate trustee administered funds.

The Association also contributes to individual employees' personal stakeholder pension arrangements, where employees are not members of the defined benefit scheme. Contributions payable are charged to the Statement Of Financial Activities as they become payable. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

Termination payments

The best estimate of the expenditure required to settle an obligation for termination benefits, is recognised immediately as an expense, when the Group is demonstrably committed to terminate the employment of an employee, or to provide termination benefits.

Operating lease agreements

Rentals under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Volunteers

No amounts are included in the financial statements to reflect the value of work undertaken by volunteers.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

Group	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
Donations				
Residential and respite care homes	-	-	-	29
Armed Forces Covenant Fund Trust	-	211	211	1,027
Others	1,223	230	1,453	1,827
Legacies	2,158	-	2,158	2,886
Subscriptions	971	-	971	885
	4,352	441	4,793	6,654

Association	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
Donations				
Residential and respite care homes	-	-	-	29
Armed Forces Covenant Fund Trust	-	211	211	1,027
Others	1,223	230	1,453	1,719
Legacies	2,158	-	2,158	2,886
Subscriptions	971	-	971	885
	4,352	441	4,793	6,546

4. SUBSIDIARIES

During the year, the Association owned the whole of the share capital of RAFATRAD Limited, RAFA Housing Limited, RAFA Events Limited (formerly RAFA Clubs Limited) and RAFA Kidz Limited.

The activity of RAFATRAD Limited (Company No. 03455255) is the sale of commemorative items and memorabilia and the provision of fundraising, membership and marketing products to the Association and its branches.

The activity of RAFA Housing Limited (Registered number IP17723R) is that of the provision of independent housing for retired members of the RAF family based in Storrington, West Sussex.

RAFA Events Limited (formerly RAFA Clubs Limited) (Company No. 11927089) is currently not trading.

The activity of RAFA Kidz Limited (Company No. 11927027) is that of operating nurseries and out of school clubs, for the development and education of children.

RAFA Kidz Limited owns RAFA Kidzone Limited (Company No. 08418367 and Charity registration No. 1154822) which is an incorporated charity registered in England and Wales. The activity of RAFA Kidzone Limited is to enhance the development and education of children by offering inclusive and appropriate play and learning facilities.

RAFA Kidz Limited owns RAFA Kidz Wings Limited (Company No. 12372814). RAFA Kidz Wings Limited is currently dormant.

The Trustees of the Association have agreed not to collect the amounts due until such time the subsidiary can pay.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

4. SUBSIDIARIES (continued)

The results of the subsidiaries and the amounts included within the Group Statement of Financial Activities, are as follows:

	RAFA HL 2021 £'000	RAFATRAD 2021 £'000	RAFA Events 2021 £'000	RAFA Kidz 2021 £'000	RAFA Kidzone 2021 £'000
Income	191	633	-	1,050	684
Expenditure	(132)	(655)	-	(1,047)	(705)
Surplus/loss for the financial period	59	(22)	-	3	(21)

All of the income and expenditure is unrestricted for both years except for income of £nil (2020: £108k) and expenditure of £8k (2020: £nil) which relates to RAFA Kidzone Limited and is restricted.

The aggregate of the assets, liabilities and funds of the subsidiary companies at 31 December were:

	RAFA HL 2021 £'000	RAFATRAD 2021 £'000	RAFA Events 2021 £'000	RAFA Kidz 2021 £'000	RAFA Kidzone 2021 £'000
Assets	823	464	-	58	190
Liabilities	(282)	(560)	-	(408)	(32)
Funds (Share capital and reserves)	541	(96)	-	(350)	158

RAFA Kidz Wings Limited has been dormant for the year ended 31 December 2021.

The registered office of all subsidiaries is Atlas House, Wembley Road, Leicester LE3 1UT.

During the year RAFATRAD Limited charged the Association £169k (2020: 148k) in respect of Air Mail and RAF Association branded goods. Also, during the year, the Association charged RAFATRAD Limited £25k (2020: £25k) in respect of premises recharges, RAF Association branded goods and accountant costs. At the year end the Association was owed £489k (2020: £552k) by RAFATRAD Limited.

During the year the Association charged RAFA Housing Limited £28k (2020: £9k) and at the year end the Association owed £52k (2020: £39k) to RAFA Housing Limited. During the year, there have been recharges between the Association and RAFA Kidz Limited for various expenses, the net movement amounted to £nil (2020: £167k). At the year end the Association was owed £375k (2020: £359k) by RAFA Kidz.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

5. INVESTMENT INCOME AND INTEREST

Group and Association	2021 £'000	2020 £'000
UK listed investments	450	747
Cash deposits	-	3
Branch and other loans	3	-
Properties	124	114
	577	864

All investment income and interest is unrestricted for both years.

6. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
Group				
Accommodation fees	431	-	431	458
Grants and fundraising income	36	2,392	2,428	3,256
Nursery funds	1,649	-	1,649	1,076
UK government Coronavirus job retention scheme	12	-	12	1,085
	2,128	2,392	4,520	5,875

The group received a further £6,087 (2020: £53,109) under the UK government Coronavirus job retention scheme which has been allocated to trading income within other trading activities.

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000	Total 2020 £'000
Association				
Accommodation fees	245	-	245	321
Grants and fundraising income	84	2,392	2,476	3,251
UK government Coronavirus job retention scheme	2	-	2	892
	331	2,392	2,723	4,464

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

7. TOTAL EXPENDITURE

Group

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2021 £'000	Total 2020 £'000
Costs of raising funds:					
Direct costs	796	-	858	1,654	2,137
Allocated support costs	-	7	-	7	3
Charity's charitable activities					
Direct costs	3,961	-	4,327	8,288	9,924
Allocated support costs	2,272	600	1,504	4,376	4,900
Other expenditure					
Interest Paid on Branch Deposits	-	-	18	18	17
Interest on Defined Benefit Pension Liabilities	-	-	11	11	7
Share of the reduction in value of the joint venture, due to the dispersal of the joint venture funds, as intended (see note 14)	-	-	-	-	252
	7,029	607	6,718	14,354	17,240

	2021 £'000	2020 £'000
Allocated support costs:		
Heat and light	26	3
Other site costs	46	52
Advertising and promotions	134	225
Printing and stationery	106	108
Telephone	54	61
Insurance	117	226
Repairs and maintenance	57	27
Depreciation and amortisation	607	470
Other expenditure	703	1,292
Other equipment	25	26
Staff costs	2,272	2,054
Governance costs	236	359
	4,383	4,903

Included within total expenditure are payments under operating leases as follows:

- Land and buildings payments of £40k (2020: £47k)
- Equipment payments of £14k (2020: £8k)

The costs of raising funds includes Wings Appeal rebates allocated to branches totalling £40k (2020: £23k).

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

7. TOTAL EXPENDITURE (continued)

Support costs include £75k in respect of additional payments into the defined benefit pension scheme, (2020: £92k). Total expenditure includes auditors' remuneration of £49k (2020: £29k), and a loss on disposal of fixed assets of £71k (2020: £16k).

Fees payable to RSM UK Audit LLP and its associates in respect of non-audit are for Tax compliance £6k (2020: £6k) and other services £19k (2020: £19k).

Association

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2021 £'000	Total 2020 £'000
Costs of raising funds:					
Direct costs	568	-	462	1,030	1,765
Allocated support costs	-	-	-	-	-
Charity's charitable activities					
Direct costs	2,571	-	4,266	6,837	8,354
Allocated support costs	2,153	565	1,503	4,221	4,768
Other expenditure					
Interest Paid on Branch Deposits	-	-	19	19	17
Interest on Defined Benefit Pension Liabilities	-	-	11	11	7
	5,292	565	6,261	12,118	14,911

	2021 £'000	2020 £'000
Allocated support costs:		
Heat and light	26	3
Other site costs	35	38
Advertising and promotions	135	221
Printing and stationery	105	107
Telephone	50	61
Insurance	109	224
Repairs and maintenance	56	24
Depreciation and amortisation	565	437
Other expenditure	695	1,273
Other equipment	25	26
Staff costs	2,153	1,945
Governance costs	267	409
	4,221	4,768

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

8. GRANTS PAYABLE

Group and Association	2021	2020
	£'000	£'000
Welfare grants to individuals	95	26
Association property grants to branches	6	7
Armed Forces Covenant Fund Trust grants paid to branches	583	526
	684	559

9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2020: £nil). Trustees expenses of £4,777 were reimbursed for directly incurred travel and subsistence expenses (2020: £10,435) to 8 trustees (2020: 24 trustees).

10. STAFF COSTS

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Wages and salaries	6,242	7,125	4,673	5,665
Social security costs	571	592	461	504
Employer contributions to defined contributions schemes	209	372	168	334
	7,022	8,089	5,302	6,503

Included in the staff costs above is an amount of £nil (2020: £235,281) which relates to the total restructuring costs for the organisations.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

10. STAFF COSTS (continued)

The average number of employees throughout the year, calculated on a full-time equivalent basis, analysed by location was:

	Group		Association	
	2021	2020	2021	2020
	Number	Number	Number	Number
Welfare	44	69	44	69
Membership	20	29	20	29
Headquarters	60	65	60	65
Families Federation Service	10	10	10	10
RAFATRAD	7	6	-	-
RAFA Housing	1	1	-	-
RAFA Kidz (inc Kidzone)	63	59	-	-
	205	239	134	173

The average number of employees (head count) during the year was 157 (2020: 313).

The number of employees whose emoluments for the year fell within the following bands was:

Group and Association	2021	2020
	Number	Number
£60,001 to £70,000	3	2
£70,001 to £80,000	-	2
£80,001 to £90,000	4	5
£90,001 to £100,000	1	1
£120,001 to £130,000	1	1
	9	11

9 employees (2020: 11) earning more than £60,000 participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £27,492 (2020: £62,069).

The total employee benefits of the key management personnel of the Association were £453k (2020: £897k), which includes Salary, Employers National Insurance Contribution, Employers Pension Contribution, all allowances, redundancy and notice period payments.

11. PENSION SCHEMES (Group and Association)

The Association operates a defined benefit pension scheme, which closed to new entrants in December 2000 and to future accrual on 31 December 2012. The assets of the scheme are held separately from those of the Association in an independently administered fund. Contributions are based upon the recommendations of a qualified actuary.

The most recent actuarial valuation of the scheme was carried out as at 1 January 2019 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £15,990,000 which represented only 91 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. In valuing the fund, it was assumed that the investment return would be 5.5 per cent per annum compound. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

11. PENSION SCHEMES (continued)

A full actuarial valuation was carried out at 1 January 2019 and updated as at 31 December 2021 by a qualified independent actuary. The major assumptions used by the actuary were:

	2021	2020
Rate of increase of pensions in payment	3.4%	3.0%
Discount rate	1.9%	1.3%
Inflation assumption (RPI)	3.3%	3.0%

The mortality assumptions used in the valuation of the pension liabilities were:

	2021	2020
	Years	Years
Retiring today (currently aged 65):		
Males	21.7	21.7
Females	23.9	23.9
Retiring in 20 years (currently aged 45):		
Males	22.7	22.7
Females	24.8	24.7

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme at 31 December 2021 were:

	2021	2020
	£'000	£'000
Bonds	4,130	3,315
Equities	2,630	2,801
Property	-	1,010
Insurance contracts	5,312	5,885
Diversified funds	2,594	2,393
LDI funds	2,930	2,145
Net current assets	53	177
Total assets	17,649	17,726
	2021	2020
	£'000	£'000
Fair value of scheme assets	17,649	17,726
Present value of scheme liabilities	(17,016)	(18,556)
Surplus/(deficit) in the scheme	633	(830)
Restriction on recognition of scheme surplus	(633)	-
Total liability recognised	-	(830)

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

11. PENSION SCHEMES (continued)

Under FRS 102, a pension scheme asset should only be recognised to the extent that the Association is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Given that this is unlikely, especially given current market volatility, the pension fund actuarial gain in the year of £1,472,000 has been recognised in the accounts to the extent that it reverses the accumulated deficit of £839,000. The release has been capped at this amount, due to the requirements of FRS 102, meaning the remaining gain of £633,000 has not been taken to the statement of other recognised gains and losses in the Statement of Financial Activities. This does not affect the recorded gain which will be the start point for any movement in the fund in the accounting period 2022.

In accordance with FRS102, provision has been made by the Association for the deficit of the scheme. This is reflected in the financial statements as follows:

Analysis of the amounts charged to Statement of Financial Activities

	2021	2020
	£'000	£'000
Expenses paid by the scheme	73	58

Analysis of financial element of pensions cost

	2021	2020
	£'000	£'000
Interest on assets	226	318
Interest on pension scheme liabilities	(237)	(325)
Net cost	(11)	(7)

Analysis of the actuarial gain / (loss) on defined benefit pension scheme

	2021	2020
	£'000	£'000
Gain on asset return	420	1,048
Experience gain on liabilities	183	58
Changes in assumptions underlying the present value of the scheme liabilities	869	(1,533)
Actuarial gain/(loss) recognised in Statement of Financial Activities	1,472	(427)
Cumulative actuarial loss recognised in Statement of Financial Activities	(1,699)	(3,171)

Changes in the present value of defined benefit obligations

	2021	2020
	£'000	£'000
Opening defined benefit obligation	18,556	17,463
Interest cost	237	325
Experience gain on liabilities	(183)	(58)
(Gain)/loss on changes in assumptions	(869)	1,533
Benefits paid	(725)	(707)
Closing defined benefit obligation	17,016	18,556

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

11. PENSION SCHEMES (continued)

Changes in the fair value of plan assets	2021 £'000	2020 £'000
Opening plan assets	17,726	17,033
Interest on assets	226	318
Gain on asset return	420	1,048
Contributions by employer	75	92
Benefits paid	(725)	(707)
Expenses paid by the scheme	(73)	(58)
	<hr/>	<hr/>
Closing defined benefit obligation	17,649	17,726

The actual return on plan assets was £646k (2020: £1,366k).

The Association expects to contribute £100k to its defined benefit pension plans in the year ended 31 December 2022.

The Association also contributes to a Workplace Pension Scheme at a rate of 4% of each member's gross salary. This contribution rate was reduced from 9% or 10% from 1 August 2020. The pension cost for the year for the Group is £209k (2020 £372k).

12. INTANGIBLE FIXED ASSETS

Group and Association	Computer software £'000	Total £'000
Cost or valuation:		
At 1 January 2021	1,890	1,890
Disposals	(70)	(70)
	<hr/>	<hr/>
At 31 December 2021	1,820	1,820
Amortisation:		
At 1 January 2021	201	201
Charge for year	326	326
Amortisation on disposals	(9)	(9)
	<hr/>	<hr/>
At 31 December 2021	518	518
Net book Value:		
At 31 December 2021	<hr/>	<hr/>
	1,302	1,302
	<hr/>	<hr/>
At 31 December 2020	1,689	1,689

Amortisation charge includes the impact of the revision of the expected useful life estimate of computer software. This is detailed in accounting policy on page 35. The amortisation of computer software is included within charitable activities expenditure of Statement of Financial Activities. The carrying value of the Salesforce asset is £1,226k (2020: £1,583k).

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

13. TANGIBLE FIXED ASSETS

Group	Properties			Total £'000
	Freehold £'000	Short Leasehold £'000	Equipment and Furniture £'000	
Cost or valuation:				
At 1 January 2021	8,365	59	2,322	10,746
Additions	33	-	82	115
Disposals	-	-	(106)	(106)
Transfer to investment properties	(1,150)	-	(224)	(1,374)
At 31 December 2021	<u>7,248</u>	<u>59</u>	<u>2,074</u>	<u>9,381</u>
Depreciation:				
At 1 January 2021	2,168	27	1,633	3,828
Charge for year	145	1	135	281
Depreciation on disposal	-	-	(96)	(96)
Transfer to investment properties	(438)	-	(177)	(615)
At 31 December 2021	<u>1,875</u>	<u>28</u>	<u>1,495</u>	<u>3,398</u>
Net book Value:				
At 31 December 2021	<u>5,373</u>	<u>31</u>	<u>579</u>	<u>5,983</u>
At 31 December 2020	<u>6,197</u>	<u>32</u>	<u>689</u>	<u>6,918</u>
Association	Properties			Total £'000
	Freehold £'000	Short Leasehold £'000	Equipment and Furniture £'000	
Cost or valuation:				
At 1 January 2021	7,671	59	1,883	9,613
Additions	-	-	51	51
Disposals	-	-	(105)	(105)
Transfer to investment properties	(1,150)	-	(224)	(1,374)
At 31 December 2021	<u>6,521</u>	<u>59</u>	<u>1,605</u>	<u>8,185</u>
Depreciation:				
At 1 January 2021	1,860	27	1,361	3,248
Charge for year	134	1	104	239
Depreciation on disposals	-	-	(76)	(76)
Transfer to investment properties	(438)	-	(177)	(615)
At 31 December 2021	<u>1,556</u>	<u>28</u>	<u>1,212</u>	<u>2,796</u>
Net book Value:				
At 31 December 2021	<u>4,965</u>	<u>31</u>	<u>393</u>	<u>5,389</u>
At 31 December 2020	<u>5,811</u>	<u>32</u>	<u>522</u>	<u>6,365</u>

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

13. TANGIBLE FIXED ASSETS (continued)

Freehold property with a carrying amount of £1,751k (2020: £1,796k) was revalued at 31 December 2021 by an employee of the Association, who is a member of the Royal Institution of Chartered Surveyors, on an existing use open market value basis. The depreciated historical cost of this property at 31 December 2021 was £937k (2020: £970k). As detailed in Note 29, as a result of post balance sheet decision to transfer this property to a class of assets held at depreciated historical cost, the carrying value of this property will be reduced by £813k during 2022.

14. INVESTMENTS

Group	Fair Value		Historical Cost	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
a) Fixed assets				
Listed investments	22,263	20,973	13,024	12,834
Investment properties	3,002	1,839	759	165
	<u>25,265</u>	<u>22,812</u>	<u>13,783</u>	<u>12,999</u>

Association	Fair Value		Historical Cost	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
a) Fixed assets				
Listed investments	22,263	20,973	13,024	12,834
Investment properties	3,002	1,839	759	165
	<u>25,265</u>	<u>22,812</u>	<u>13,783</u>	<u>12,999</u>

It is the Association's intention to undertake a professionally reviewed valuation of the investment properties every five years. The last professional valuation was at 30 November 2010 and was undertaken by Frank Marshall & Co, qualified chartered surveyors. The investment properties were revalued during the year by an employee of the Association, who is a member of the Royal Institution of Chartered Surveyors. The basis of valuation is the open market value of the long leasehold interests in the property, subject to existing tenancies.

Movements on fair value during the year - Association

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2021	20,973	1,839	22,812
Additions	3,015	-	3,015
Transfer from fixed assets	-	759	759
Transfer from current assets	-	500	500
Disposals	(4,209)	(382)	(4,591)
Net investment gains (see note 14b)	2,279	286	2,565
Transfer of Formby Branch Fund to Formby Branch creditor	205	-	205
31 December 2021	<u>22,263</u>	<u>3,002</u>	<u>25,265</u>

The net investment gains reflect the revaluation of investments at the year end.

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14. INVESTMENTS (continued)

No one investment represents more than 5 per cent of the portfolio by market value.

Investment in joint venture

	Share of joint venture	
	2021 £'000	2020 £'000
Carrying value at beginning of year	-	252
Share of net expenditure in joint venture	-	(252)
Carrying value at end of year	-	-

The Group holds an interest in a jointly controlled entity, The RAF 100 Appeal (Company No. 09977273 and Registered Charity No. 1167398) which is a company not having a share capital. The Group has guaranteed an amount of £1 contribution to assets of the charity in the event of it being wound up.

The RAF100 Appeal is a joint venture between the Association and three other charities. The investment is accounted for under the equity method. The registered office of The RAF100 Appeal is 67 Portland Place, London, W1B 1AR.

A summary of the Association's share of RAF100 Appeal's results is shown below:

	2021 £'000	2020 £'000
Income	-	-
Expenditure	-	(115)
Net expenditure	-	(115)

The Association's share of RAF100 Appeal's assets and liabilities is as follows:

	2021 £'000	2020 £'000
Current assets	-	214
Current liabilities	-	(214)
Net assets	-	-

RAF100 Appeal has ceased trading and made neither profit nor loss for the current year. The investment is included at a nil balance within the accounts. The results for the current and prior year are based on the draft financial statements for the year ended 31 December.

During the year, RAFA and SSAFA Welfare Services Limited (Company No. 13532929) was incorporated on 27 July 2021 and which the Group jointly controls with another party. The company's registered office is Atlas House, 41 Wembley Road, Leicester, England, LE3 1UT. This company did not trade and has been dissolved.

The Association holds investments of £105 (2020: £105) representing the entire ordinary share capital of its subsidiary, companies which are eliminated on the group consolidation, details of the subsidiary companies are given in note 4 of the accounts.

**THE ROYAL AIR FORCES ASSOCIATION
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14. INVESTMENTS (continued)

Overseas investments

	Branch Deposit		
	Branch Deposit	Fund – Formby	
	Fund	Branch	Total
	£'000	£'000	£'000
2021			
North America	2,959	127	3,086
European	436	19	455
Asia Pacific	836	61	897
Emerging market	177	-	177
Global	3,825	236	4,061
	<u>8,233</u>	<u>443</u>	<u>8,676</u>
2020			
North America	3,602	154	3,756
European	385	17	402
Asia Pacific	1,427	80	1,507
Emerging Market	495	-	495
Global	4,365	224	4,589
	<u>10,274</u>	<u>475</u>	<u>10,749</u>

b) Net gains on investment assets

Group and Association	2021	2020
	£'000	£'000
Net gains on listed investments	2,279	14
Net gains on investment properties	286	-
Net gains on current asset investments		
- Kaupthing Singer and Friedlander distribution (see note 26)	10	13
	<u>2,575</u>	<u>27</u>

The Revaluation Reserve of £12,765k (2020: £11,141k) included within the unrestricted funds within the balance sheet of both the Group and Association, arises on the year end fair value of investments and freehold property held at fair value, less their historical costs.

**THE ROYAL AIR FORCES ASSOCIATION
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15. ASSETS HELD FOR RESALE

Group and Association	2021	2020
	£'000	£'000
Freehold properties	550	580

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	53	23	51	21
Amounts due from subsidiaries	-	-	865	911
Prepayments and accrued income	183	321	173	294
Other debtors	69	58	67	26
	<u>305</u>	<u>402</u>	<u>1,156</u>	<u>1,252</u>

Within the Association, amounts due from subsidiaries includes £100,000 (2020: £50,000) which is due after more than one year. Within the Group, other debtors includes £nil (2020: £nil) which is due after more than one year.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Taxation and social security costs	176	281	136	263
Other creditors	288	830	223	708
Accruals and deferred income	630	467	587	447
Deposits by branches	1,907	1,717	1,907	1,717
Formby Branch	1,126	940	1,126	940
Amounts owed to subsidiaries	-	-	52	39
	<u>4,127</u>	<u>4,235</u>	<u>4,031</u>	<u>4,114</u>

Deposits by branches are held in a separate portfolio of investments comprising UK listed investments and cash deposits, managed by either Rathbones Investment Management Limited or Rothschilds.

**THE ROYAL AIR FORCES ASSOCIATION
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17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

The amounts included in accruals and deferred income can be analysed as follows:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Accruals	374	252	343	238
Deferred income	256	215	244	209
	<u>630</u>	<u>467</u>	<u>587</u>	<u>447</u>

Included in accruals is an amount of £33k (2020: £37k) in respect of unpaid pension contributions.

	Group £'000	Association £'000
Movement in deferred income:		
2021 opening balance	215	209
Release during the year	(210)	(209)
2021 donations, fulfilment income and grants in advance	251	244
	<u>256</u>	<u>244</u>
2021 closing balance		

Within the Group and Association, deferred income comprises membership subscription income, Government funding, donations and fulfilment income received in advance.

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

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Deferred income – capital grant	269	279	-	-
	<u>269</u>	<u>279</u>	<u>-</u>	<u>-</u>

**THE ROYAL AIR FORCES ASSOCIATION
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19. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are set out below:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Equipment:				
Due within one year	9	11	9	10
Due between two and five years	19	33	19	27
Land and buildings:				
Due within one year	51	40	16	13
Due between two and five years	24	8	15	3
	103	92	59	53

20. RESTRICTED FUNDS

Association	At	Income	Expenditure	Transfers	At
	1 January 2021 £'000				31 December 2021 £'000
Eastern Area Chalet Fund	109	22	(4)	-	127
Homes Refurbishment	151	-	-	-	151
Flowerdown House	113	-	-	-	113
Rothbury House	49	-	(37)	-	12
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	-	-	-	361
Conway Legacy (Formerly known as Ivor Maloney)	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
National Memorial Arboretum	-	14	-	-	14
Preston Office	50	-	(50)	-	-
Forces in Mind Trust	142	-	-	(142)	-
Storybook Wings	4	-	-	-	4
RAF Benevolent Fund Grants	229	2,241	(2,169)	-	301
Libor	105	-	(22)	(83)	-
Vehicle fund for Areas	56	-	(56)	-	-
Volunteer Welfare Officers	8	-	-	-	8
Wexford	58	-	-	-	58
Befriending	-	57	-	83	140
Veterans	501	211	(583)	-	129
Rothbury	-	168	-	-	168
Military Coworking	-	85	(82)	142	145
Other Restricted Funds	388	35	(32)	-	391
	2,443	2,833	(3,035)	-	2,241
Group					
Digby Nursery Fund	108	-	(8)	-	100
	2,551	2,833	(3,043)	-	2,341

**THE ROYAL AIR FORCES ASSOCIATION
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20. RESTRICTED FUNDS (continued)

Association	At	Income	Expenditure	Transfers	At
	1 January				31 December
	2020	£'000	£'000	£'000	2020
	£'000	£'000	£'000	£'000	£'000
Eastern Area Chalet Fund	84	32	(7)	-	109
Homes Refurbishment	151	-	-	-	151
Richard Peck House	82	-	-	(82)	-
Flowerdown House	113	5	(5)	-	113
Rothbury House	38	12	(1)	-	49
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	-	-	-	361
Sussexdown Residents' Fund	60	-	-	(60)	-
Ivor Maloney	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
Talking Air Mail	(2)	-	-	2	-
Preston Office	51	-	(1)	-	50
Forces in Mind Trust	63	165	(86)	-	142
Storybook Wings	4	-	-	-	4
RAF Benevolent Fund Grants	197	2,693	(2,661)	-	229
Libor	109	-	(4)	-	105
Vehicle fund for Areas	56	-	-	-	56
Volunteer Welfare Officers	12	-	(4)	-	8
Wexford	66	9	(17)	-	58
Befriending	-	17	(30)	13	-
Veterans	-	1,027	(526)	-	501
Other Restricted Funds	205	292	(109)	-	388
	1,769	4,252	(3,451)	(127)	2,443
Group					
Digby Nursery Fund	-	108	-	-	108
	1,769	4,360	(3,451)	(127)	2,551

The purpose of each fund is as stated above except for the Respite Care and Welfare fund, which represents an aggregation of each Areas Respite Care funds, which have the common purpose of contributing towards welfare breaks for eligible individuals.

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21. DESIGNATED FUNDS

Group and Association	At 1 January 2021 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2021 £'000
Fixed Assets	3,375	-	-	-	3,375
Membership Innovation	346	-	-	-	346
Investment Fund	4,310	-	-	-	4,310
Welfare Fund	8,000	-	-	-	8,000
Property Repairs and Maintenance	750	-	-	-	750
Defined Benefit Pension Scheme	1,988	-	-	-	1,988
Rothbury	-	163	-	-	163
	18,769	163	-	-	18,932

Group and Association	At 1 January 2020 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2020 £'000
Fixed Assets	3,375	-	-	-	3,375
Homes Review	86	-	-	(86)	-
Membership Innovation	346	-	-	-	346
Investment Fund	4,310	-	-	-	4,310
Homes Fund	1,355	-	-	(1,355)	-
Welfare Fund	1,500	-	-	6,500	8,000
Property Repairs and Maintenance	7,375	-	-	(6,625)	750
Defined Benefit Pension Scheme	1,988	-	-	-	1,988
	20,335	-	-	(1,566)	18,769

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21. DESIGNATED FUNDS (continued)

To support the business strategy, the Trustees have approved the designation of funds.

A designated fund of £3,375k is held to replace fixed assets as required with a further £750k property repairs designated fund to maintain the property portfolio.

A membership innovation fund of £346k is allocated to fund innovation potential within the membership offering.

A designated Fund of £1,988k was created in 2019 to cover any future shortfall of the defined benefit pension scheme resulting from adverse financial markets movements and the resulting impact on the scheme assets. This is still considered valid in the light of the ongoing volatility of the markets.

The investment fund designation remains at £4,310k to take account of the continued uncertainties in the financial markets relating to the global political and trade uncertainties. The Trustees believe this is sufficient to withstand a significant market correction.

Whilst it is difficult to quantify with any degree of uncertainty, it is widely believed that the welfare needs of the Association's beneficiaries will continue to evolve and changing needs have been identified as a result of the COVID pandemic. The welfare recovery fund of £8,000k is set aside to enable research, design and implementation of welfare products and services.

During this year, a new designated fund has been created for the development of Rothbury House as it is converted into an independent living facility.

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22. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2021 are represented by:			
Intangible fixed assets	1,302	-	1,302
Tangible fixed assets	5,983	-	5,983
Investments	25,265	-	25,265
Loans to branches	129	-	129
Current assets	2,947	2,341	5,288
Current liabilities	(4,127)	-	(4,127)
Creditors due after one year	(269)	-	(269)
Pension provision capped at nil	-	-	-
Total net assets	31,230	2,341	33,571
Association:			
	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2021 are represented by:			
Intangible fixed assets	1,302	-	1,302
Tangible fixed assets	5,389	-	5,389
Investments	25,265	-	25,265
Loans to branches	129	-	129
Current assets	3,025	2,241	5,266
Current liabilities	(4,031)	-	(4,031)
Pension provision capped at nil	-	-	-
Total net assets	31,079	2,241	33,320

**THE ROYAL AIR FORCES ASSOCIATION
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22. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2020 are represented by:			
Intangible fixed assets	1,689	-	1,689
Tangible fixed assets	6,918	-	6,918
Investments	22,812	-	22,812
Loans to branches	131	-	131
Current assets	3,248	2,551	5,799
Current liabilities	(4,235)	-	(4,235)
Creditors due after one year	(279)	-	(279)
Pension provision	(830)	-	(830)
Total net assets	29,454	2,551	32,005

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2020 are represented by:			
Intangible fixed assets	1,689	-	1,689
Tangible fixed assets	6,365	-	6,365
Investments	22,812	-	22,812
Loans to branches	131	-	131
Current assets	3,275	2,443	5,718
Current liabilities	(4,114)	-	(4,114)
Pension provision	(830)	-	(830)
Total net assets	29,328	2,443	31,771

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23. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Net income/(expenditure)	727	(3,291)	710	(2,783)
Adjustments for:				
Gifted properties	(1,015)	951	(1,015)	951
Share of joint venture	-	252	-	-
Contributions to defined benefit scheme	(75)	(92)	(75)	(92)
Expenses borne by pension scheme	73	58	73	58
Depreciation charges	281	359	239	326
Amortisation charges	326	111	326	111
Amortisation of capital grant	(10)	(4)	-	-
Loss on disposal of fixed assets	10	16	29	16
Gains on investments	(2,780)	(27)	(2,780)	(27)
Deficit on intangible assets	61	-	61	-
Investment income	(577)	(864)	(577)	(864)
Return on defined benefit scheme assets	(226)	(318)	(226)	(318)
Interest paid	19	17	19	17
Interest on defined benefit pension liabilities	237	325	237	325
Decrease in assets for resale	545	294	545	294
Decrease/(increase) in stocks	43	(100)	-	8
Decrease/(increase) in debtors	97	234	96	(169)
(Decrease) in creditors	(298)	(79)	(273)	(148)
Net cash (used in) operating activities	<u>(2,562)</u>	<u>(2,158)</u>	<u>(2,611)</u>	<u>(2,295)</u>

24. CASH AND CASH EQUIVALENTS

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and cash equivalents represent:				
Cash at bank	1,503	1,853	1,022	1,357
Cash held by investment managers	2,538	2,529	2,538	2,529
	<u>4,041</u>	<u>4,382</u>	<u>3,560</u>	<u>3,886</u>

25. LEGACIES

The Association is aware of a number of legacies to be received due to the legacy pipeline information, but these are difficult to quantify as the monetary value is uncertain and cannot be established.

26. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £662k (2020: £121k) to the Association which is included in Wings Appeal income. The Association returned £40k (2020: £23k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition, £4k (2020: £1k) was paid to the branches in respect of Wings Appeal expenditure and these expenses are included in the cost of raising funds.

**THE ROYAL AIR FORCES ASSOCIATION
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26. RELATED PARTY TRANSACTIONS (continued)

Membership subscription rebates of £178k (2020: £91k) are to be paid to branches are included in expenditure.

The Association paid interest of £19k (2020: £18k) to the branches holding deposit accounts with the Association (see note 14). The Association received interest of £3k (2020: £nil) from branches that have received loans from the Association.

27. FINANCIAL INSTRUMENTS

The carrying amount of the Group's and Associations financial instruments at 31 December were:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial assets:				
Equity instruments measured at fair value through net income/expenditure	22,263	20,973	22,263	20,973

28. DONATIONS – GIFTED PROPERTY ASSETS

During the year, the Royal Air Forces Association branches at Bishop Auckland, Coventry and Yaxley closed resulting in three properties being transferred to The Royal Air Forces Association for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The properties transferred were valued at their fair values and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised in the Statement of Financial Activities as Donations – Assets Gifted from Closed Branches.

During the prior year, management clarified ownership of three properties previously held as assets held for sale and investments properties, resulting in an adjustment to the valuation of the total properties held. The following table sets out the fair values of properties transferred and an analysis of their recognition in the Statement of Financial Activities.

	2021 £'000	2020 £'000
Investment properties	-	(410)
Assets held for resale	1,015	(541)
	<u>1,015</u>	<u>(951)</u>

All properties transferred are classified as Unrestricted Funds.

29. POST BALANCE SHEET EVENTS

During the Covid pandemic, the respite hotel at Rothbury House was closed. As previously reported, the decision has been taken not to reopen the hotel and a fund-raising campaign commenced to cover the costs of conversion into sheltered accommodation.

In 2022 the work began to convert the Rothbury House Hotel into self-contained units. This will result in Rothbury House being re-categorised as a sheltered accommodation property, a class of assets which the Association holds at depreciated historical cost. As Rothbury House has been held on a revaluation basis, this will involve reversing previous valuation accounting entries during 2022. The impact will be to reduce the carrying value of Property, plant and equipment by £0.8m, with a corresponding reduction in the revaluation reserve in Unrestricted funds. This will not impact on the 2022 income and expenditure account, as the reversal of the revaluation entries will be dealt with as an Other recognised loss in the Statement of Financial Activities.

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30. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000
INCOME:				
Donations and Legacies	3	5,383	1,271	6,654
Donations – assets gifted from closed branches	28	(951)	-	(951)
Charitable Activities:	6	2,786	3,089	5,875
Other Trading Activities:				
Trading income		302	-	302
Grand Draw and other fundraising income		1,178	-	1,178
Investment Income	5	864	-	864
Total Income		9,562	4,360	13,922
EXPENDITURE:				
Cost of Raising Funds		2,140	-	2,140
Charitable Activities:				
Residential & Respite Care Home		2,878	34	2,912
Friendship & Welfare Support		7,640	3,327	10,967
Grants		65	86	151
Other Support Costs		790	4	794
Other Expenditure:				
Interest Paid on Branch Deposits		17	-	17
Interest on Defined Benefit Pension Liabilities		7	-	7
Share of the reduction in value of the joint venture, due to the distribution of the joint venture funds, as intended	14	252	-	252
Total Expenditure	7	13,789	3,451	17,240

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29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000
Net gains on investment assets	14(b)	27	-	27
Net (expenditure)/income		(4,200)	909	(3,291)
Gross transfers between funds		127	(127)	-
Net (expenditure)/income		(4,073)	782	(3,291)
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	(427)	-	(427)
Net movement in funds		(4,500)	782	(3,718)
Reconciliation of Funds				
Total Funds Brought Forward		33,954	1,769	35,723
Total Funds Carried Forward		29,454	2,551	32,005

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29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000
INCOME:				
Donations and Legacies	3	5,383	1,163	6,546
Donations – assets gifted from closed branches	28	(951)	-	(951)
Charitable Activities:	6	1,375	3,089	4,464
Other Trading Activities:				
Grand Draw and other fundraising income		1,178	-	1,178
Investment Income	5	864	-	864
Total Income		7,849	4,252	12,101
EXPENDITURE				
Cost of Raising Funds		1,765	-	1,765
Charitable Activities:				
Residential & Respite Care Home		2,757	34	2,791
Welfare Support		6,055	3,327	9,382
Grants		65	86	151
Other Support Costs		794	4	798
Other Expenditure:				
Interest Paid on Branch Deposits		17	-	17
Interest on Defined Benefit Pension Liabilities		7	-	7
Total Expenditure	7	11,460	3,451	14,911

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29. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000
Net gains on investment assets	14(b)	27	-	27
Net (expenditure)/income		(3,584)	801	(2,783)
Gross transfers between funds		127	(127)	-
Net (expenditure)/income		(3,457)	674	(2,783)
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	(427)	-	(427)
Net movement in funds		(3,884)	674	(3,210)
Reconciliation of Funds				
Total Funds Brought Forward		33,212	1,769	34,981
Total Funds Carried Forward		29,328	2,443	31,771

THE ROYAL AIR FORCES ASSOCIATION - CORPORATE BODY

England & Wales - Charity number 226686

Accounts

THE ROYAL AIR FORCES ASSOCIATION
REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020



**THE ROYAL AIR FORCES ASSOCIATION
REPORT AND FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2020

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**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS**

YEAR ENDED 31 DECEMBER 2020

REGISTERED CHARITY NUMBERS	226686 (England and Wales), SC037673 (Scotland)
PRINCIPAL OFFICE	Atlas House, 41 Wembley Road, Leicester, LE3 1UT
PATRON	Her Majesty The Queen
LIFE VICE-PRESIDENTS	Marshal of the Royal Air Force The Lord Stirrup KG GCB AFC FRAeS FCMI Air Chief Marshal Sir Stephen Dalton KCB ADC BSc FRAeS CCM Air Chief Marshal Sir Joseph Gilbert KCB CBE LLD (hc) Air Chief Marshal Sir Glenn Torpy GCB CBE DSO ADC BSc (Eng) FRAeS Air Chief Marshal Sir Andrew Pulford GCB CBE ADC Air Chief Marshal Sir Stephen Hillier GCB CBE DFC ADC MA Air Marshal Sir John Kemball KCB CBE DL (Died June 2021) Air Marshal Sir Dusty Miller KBE Air Marshal P O Sturley CB MBE BSc FRAeS Air Vice-Marshal P Liddell CB BSc CEng FIET FRAeS Air Vice-Marshal N Bairsto CB MBE Air Commodore A H Vaughan OBE BA FIMgt

TRUSTEE MEMBERS OF THE COUNCIL

President	Air Marshal Sir Baz North KCB OBE MA FRAeS
Chairman	Air Vice-Marshal J Cliffe CB OBE
Vice Chairman	Dr B Pattison OBE
Honorary Treasurer	Mr P Tagg
Elected Members	Dr B Pattison OBE Mr M J Blackman Squadron Leader D Gibson RAF Mr C H Goss MA Mr I L McEnnis DipNEBSM AInstAM (Dip) Mr A P Rees Mrs B Dennett Stannard Mr P Ramrayka MBA CIHM FIHM FIHEEM FRSP

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)**

YEAR ENDED 31 DECEMBER 2020

Area Representatives	Mr F C Barrett MBE (South East and Eastern) Mr D Chappell (Northern) Mrs M Addison (Wales, Midlands and South Western) Mrs S Kidston (Scotland and Northern Ireland) Air Commodore A Neal AFC FRAeS (European)
Members appointed by the Royal Air Force	Air Commodore G A Opie MDA MA BSc FCIPD RAF Wing Commander A Morris MBE RAF Warrant Officer M Rees-Martin
RAF Benevolent Fund Representative	Air Commodore R Atherton
Appointed Member	Ms F Barber Ms S Barber Mrs P Bearblock Air Vice-Marshal M Neal OBE CEng FIET
SENIOR MANAGEMENT TEAM	
Secretary General	Mr N Bunting OBE CDir FIOD MCMi
Director of Welfare and Policy	Mr R O'Connor MA
Director of Branch and Membership Operations	Group Captain D Rowlands MA Chartered MCIPD
Director of Marketing, Fundraising and Trading	Ms R Huxford MInstF
Chief Finance Officer	Mr A Wilkinson-Sharpe FCCA (until 31 March 2021) Mrs K Parkin JP BSc (Hons) ACMA CGMA MCIPP ACIPD (from 12 April 2021)
Chief People Officer	Mrs A Hunter FCIPD (until 31 December 2020)
Chief Information Officer	Mr P Sherwin BSc (Hons) MBCS
Group Company Secretary	Mrs V Hall FCG

**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)**

YEAR ENDED 31 DECEMBER 2020

PROFESSIONAL ADVISORS

Auditors	RSM UK Audit LLP, St Philips Point, Temple Row, Birmingham B25AF
Bankers	Lloyds Bank plc, Law Courts Branch, 222 Strand, London WC2R 1BB
Investment Managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Rothschild & Co, New Court, St Swithin's Lane, London EC4N 8AL
Solicitors	Freeths LLP, One Colton Square, Leicester, LE1 1QH Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London EC4R 1BE

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT
YEAR ENDED 31 DECEMBER 2020**

The Trustees of The Royal Air Forces Association (the Association) present this report and the financial statements of the Association 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 and comply with the Royal Charter.

Mission

Our purpose and reason for existence is enshrined within the charitable objective set out at Article two of our Royal Charter, which states: "The object for which the Association is established is to promote, through the comradeship engendered by its members, the welfare by charitable means of all serving and former members of Our Air Forces, their spouses and dependants, together with the widows and widowers and dependants of those who died whilst serving or subsequently."

Activities

- We are one of the oldest military charities, with a **90-year history** of support to the RAF community.
- We offer support to a **community of one million people**.
- We have a thriving network of **70,000 members** across **90 countries** in **300 branches**.

In 2020

- **We supported more than 80,000 individuals** to remain active, thriving and valued members of their local communities.
- Our dedicated **helpline looked after over 45,000 enquiries**.
- We reduced loneliness and isolation by making over **109,000 friendship and welfare check calls to over 35,000 members of the RAF family**.
- **Over 2,000 beneficiaries received regular weekly calls** supported by over 800 new volunteers.
- **6,243 beneficiaries were supported by Op CONNECT, our emergency response to COVID-19**.
- We had a field force of **1,100 highly trained welfare volunteers**, who supported over 4,000 welfare cases of which 2,387 received one to one support. 89% felt listened to and that their needs were understood and fully met.
- **Over 52% of RAF community welfare financial cases** were managed by our welfare volunteers.
- **We sourced over £4.8m** in almonised funds for our beneficiaries.
- **Our support, training and advice hubs empowered over 4,540 people by helping them to increase their own resilience or support the mental wellbeing of others**.
- Our **four retirement accommodation complexes** in the UK **allowed 150 people to retain their independence** - with a helping hand available on-site should they need it.
- **More than 400 children received high-quality childcare** in a welcoming and safe environment at our RAFA Kidz nurseries on UK military bases.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Activities (continued)

- We relieved key elements of everyday life which can cause pressure, such as helping our serving RAF community to keep strong relationships with their loved ones.
- 3,857 people visited our Navigating Dementia online hub.
- 531 members of the RAF community took part in our online 'Finding it Tough?' mental wellbeing programme.
- More than 840 beneficiaries received our support in applying for the Armed Forces Compensation scheme, securing over £427k in awards.
- We secured over £1.4m for Branch Clubs from the Armed Forces Covenant Fund.
- We supported Branch Clubs to obtain over £1.0m in Government Funding.
- Our free Wi-Fi was used over 150,000 times.
- Our innovative online entertainment programme was viewed more than 1.5 million times across the world, keeping people connected with the RAF past and present.

Impact of COVID-19 and our response

The World Health Organisation declared COVID-19 a global pandemic on 11 March 2020, following which the UK Government made a series of recommendations culminating in a prolonged nationwide lockdown commencing on 23 March 2020. A resurgence in cases in the UK during the Autumn and Winter of 2020 resulted in the introduction of further lockdowns and restrictions which are only now beginning to be eased. While vaccines have been developed and a mass-vaccination programme is underway, considerable uncertainty remains. During 2020 the Associations' Board of Trustees (the Council) has confronted uncertainty head on, and this will continue in 2021.

The impact of COVID-19 on the Association has been significant. As with all charities, the Association's ability to fundraise has been severely affected with the majority of planned activities in 2020 being cancelled. The Association acted swiftly to take advantage of the various appropriate forms of government support, including furlough.

The Association had to change how it delivered existing services while responding to both new needs and increasing demand. The respite hotels had to close during the lockdown and face-to-face casework and befriending were not possible. At the same time, the demand for our welfare services increased dramatically as the effects of isolation and social distancing became apparent. We responded by delivering services virtually, and introducing our Op CONNECT welfare service which has supported over 30,000 potentially vulnerable members of the RAF community. In response to the pandemic, the Council had to consider decisive and significant action to protect the work of the Association to meet the needs of the RAF community for the long-term. The difficult decision to repurpose the respite care hotels and to reshape the organisation to position it for the future resulted in the unfortunate need for redundancies.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Impact of COVID-19 and our response (continued)

The Association has adopted a five-stage approach in responding to the pandemic:

- Address the immediate challenges that COVID-19 presents to the Association and stakeholders.
- Manage the short to medium-term financial challenges.
- Create a detailed plan to return the Association to 'scale' as quickly as possible.
- Reimagine the next normal, the implications for the Association and how the charity should reinvent and position itself.
- Change the structures, processes and services delivered by the Association, addressing the new, emerging need, the changing landscape and the available resources.

To ensure the Association comes through the pandemic and is positioned to meet the post-COVID welfare needs of the RAF community, the Council reviewed the charity's strategic objectives. In doing this, the Council reaffirmed that the primary purpose of the Association is to promote, through comradeship engendered by its members, the welfare by charitable means of the RAF community - i.e. it is a welfare charity. The Council also agreed that the charity's strategic objectives will remain relevant in a post-COVID environment, although achieving these objectives will require the Association to adapt to societal and economic changes caused by the pandemic. The Council is approaching the challenges ahead with an open mind, strong leadership, agile management, and evidence-based decision-making to ensure the Association makes the most effective use of its limited and constrained resources. In support of this, the Council has adopted the following strategic 'design principles':

1. Decisions will be evidence-based; where necessary data is unavailable, the Association will invest in research.
2. The needs of the majority of beneficiaries will be put before all else.
3. The charity's funds will be used to best effect in delivering welfare support to the RAF community.
4. The charity will strive for maximum scale and reach in its delivery of services, while still providing specialist services to niche groups wherever practicable.
5. The Association recognises the value of volunteers and will promote and support them, be they members or not.
6. The charity will seek out opportunities to partner with other organisations to the mutual benefit of its beneficiaries.
7. The charity will adopt digital tools and ways of working to enhance the efficiency, compliance, and effectiveness of its outputs.

Op CONNECT

In March 2020 the Association developed Op CONNECT, a four-pronged, immediate response to the COVID-19 pandemic to address the issues of isolation and loneliness, anxiety and access to food / hygiene products. Each of the four emergency projects complemented, enhanced and extended existing welfare services and they were launched immediately after the lockdown began. The projects were managed by a skeleton crew of employees (over 50% of employees were furloughed), with the support of enthusiastic members and volunteers.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Op CONNECT (continued)

The four emergency projects provided over 500 doorstep drops of food & hygiene products, over 109,000 telephone welfare checks were made to higher-risk individuals and a seven-day on demand helpline was established. By the end of 2020, over 2,000 people were receiving weekly befriending calls and over 800 volunteers had been recruited and trained, digitally supported and managed to help us deliver Op CONNECT. The Association wishes to acknowledge and thank all its volunteers and is particularly grateful to CGI, ICAP, MBDA, Raytheon, Rolls Royce and Sage and their employees for supporting the projects. Our innovative online entertainment program, Project ENTERTAIN, was viewed more than 1.5 million times across the world, keeping people connected with the RAF past and present. It delivered a daily, wide-ranging schedule of Facebook Live and Zoom sessions including low-impact fitness, tap dancing, drill tuition, aviation history, concerts and sing-alongs, quizzes, read and watch/recipes and guest interviewees.

The success of Op CONNECT highlighted an increased and unmet need for services to address loneliness and isolation and the four projects have been incorporated into the Association's permanent welfare services. Project HELPLINE and BAGDROP supported over 6,200 beneficiaries and has been incorporated into the Association's welfare casework service. Project ENTERTAIN, which was re-introduced during the second lockdown, will, during 2021, be evolved into 'Air Mail+'. Project OUTREACH has been combined with the Association's befriending service under the banner of 'Connections For Life'.

Welfare strategy

Our welfare strategy aims to provide the RAF community with person-centred, proactive and easy-to-access support and services that will enhance their health, financial security and independence. It also integrates a bespoke portfolio of assistance from the State, the Association and other specialist providers to enable the members of the RAF community to overcome barriers they face throughout their lives. In 2020, over 80,000 members of the RAF community who required practical, emotional or financial assistance were supported by the Association. This was made possible by our thriving network of members and supporters who volunteered their time to support the Association and our employees.

As one of the oldest military charities, with a 90-year history of support to the RAF community, the Association is committed to delivering needs-led, evidenced-based welfare services. The Association is working alongside the other principal welfare case working military charities, the Royal British Legion and SSAFA, to:

- Develop an overview of our collective reach, work and impact.
- Share information on various on- and off-line training methods.
- Review standard client consent declarations.
- Consider how we better support individuals / households digitally.
- Develop common standards on CMS2¹.

In 2020 we launched a research study to identify the longer-term effects of COVID-19 on the RAF community. This evidence will inform the future development of services.

¹ The Client Management System (CMS / CMS2) (controlled by the Confederation of British Service Organisations (COBSEO) and managed by SSAFA)

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Emotional and mental wellbeing

Our national befriending service, designed to reduce the loneliness within the RAF veteran community, continued during 2020 although it was transformed from a face-to-face to telephone service in response to the pandemic. Following the success of Project OUTREACH the two services have been amalgamated and now form 'Connections For Life'. The Association's ethos is that once you are part of the RAF community, you are always part of it. That is why we are determined to do all we can to make sure no one feels alone. Connections For Life "fights loneliness through friendship" and will continue to match caring, friendly volunteers with those experiencing isolation, and will proactively contact potentially vulnerable members of the RAF community to check on their welfare.

Improving mental wellbeing continues to be a key theme for the Association. A new bespoke mental wellbeing training course for non-serving members of the RAF community, 'Finding it Tough?' (FiT) was developed during late 2019. Originally designed as a face-to-face training course, in response to the lockdown a shorter, online version was developed and has been delivered to over 530 individuals. The FiT course helps people to recognise that everyone struggles with life from time to time. We discuss how the special experience of being part of the wider RAF community can also come with challenges and suggest practical strategies to help improve resilience. In line with our commitment to providing the highest quality support for the RAF community, the training is Quality Marked, and participants are encouraged to take part in a long-term research study to determine its effectiveness.

Development work also continued to provide a bespoke online hub for people in the serving RAF community who are caring for family members with dementia. Research by Alzheimer's Society suggests that an estimated 70,000 people with an RAF background have dementia. In 2018 an Association study, which sought to understand the social, geographical and biological characteristics of the RAF community, revealed that 9% of serving RAF personnel had unpaid caring responsibilities for an older adult. The Association teamed up with Alzheimer's Society and CGI to create the first phase of our new 'Navigating Dementia' project, an online hub. The hub complements the support already provided by the RAF by linking individuals with other RAF carers and families affected by dementia, providing a vital knowledge hub and steering them towards further resources and support. The hub had over 3,800 unique visitors during 2020.

Housing and respite breaks

Other welfare services included respite care and holidays provided by our Wings Break hotels and chalets, lunch clubs and our sheltered and independent living schemes at four locations across the UK.

All respite care and holiday services had to close in March 2020 as a result of COVID-related restrictions. The pandemic particularly affected the Wings Break Hotels (Rothbury House and Flowerdown House), as the majority of the hotels' guests were in COVID-19 'higher risk' categories. COVID-19, the introduction of social distancing and the shielding of vulnerable groups has considerably changed the landscape of the respite care market and considerable challenges were identified in re-opening the Wings Break Hotels, giving rise to a significant risk for the Association. The two Wings Break Hotels have historically struggled to achieve full occupancy, requiring considerable subsidy from the charity and the level of cost of providing respite breaks to a limited number of beneficiaries was significant. The need to maintain a COVID-safe environment with enhanced infection-control practices and social distancing would have increased costs, further reduced guest numbers and diminished the quality of the guests' experience. At the same time, Op CONNECT had identified other considerable unmet needs, which the Association needed to respond to if possible.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Housing and respite breaks (continued)

Against this background, and following consultation with affected employees, in July 2020 the Council agreed reluctantly to cease the delivery of organic respite care, resulting in the permanent closure of Rothbury House and Flowerdown House as Wings Break facilities for respite guests. However, the Council is committed to meeting the needs of those who, ordinarily, would visit Wings Break facilities for respite care breaks through alternative means. Research has since been carried out to determine the best future use of both hotel sites. In February 2021, the Council decided that, based on the findings of this research, Rothbury House should be retained by the Association and (subject to local authority permissions) be converted to retirement accommodation. A long-term lease agreement for Flowerdown House has been agreed with the YMCA Dulverton Group, a Somerset-based charity.

The Association's holiday services re-opened in September supporting 180 guests.

The Association operates four sheltered housing schemes, in Melton Mowbray, Moffat, Rothbury and, through RAFA Housing Limited, Storrington, which in total are home to 150 tenants.

Financial support

In 2020, over 4,500 cases were supported by our stand-alone welfare caseworkers. In addition to this, our branches supported many thousands more cases locally. The Association, via the military charity sector grant system and the Client Management System (CMS) (controlled by the Confederation of British Service Organisations (COBSEO) and managed by SSAFA) almonised over £3m, principally from the RAF Benevolent Fund, in financial support for these beneficiaries.

Additionally, the Association received more than 840 Armed Forces Compensation Scheme and war pension enquiries, and provided specialist advice and support to secure £327k in compensation for beneficiaries.

Support to the serving

We also maintained our efforts to keep serving families strong and connected through: our support to contact houses on RAF stations; Storybook Wings (which allowed children to benefit from a bedtime story even when their parent was serving away); and Doodle Boxes² which were issued to children and parents across 21 stations. Our free Wi-Fi provided in 43 facilities across 14 stations / MOD sites and to 82 houses used for welfare purposes by the RAF, kept serving personnel in touch with family and friends and was used over 150,000 times in 2020.

RAF Families Federation

Our management of the RAF Families Federation has also played a key role in capturing evidence on issues which concern serving RAF personnel and their families – and in sharing this with military and Government decision-makers. RAF Families Federation evidence on family life is frequently cited in the report by Andrew Selous MP, 'Living in our Shoes: Understanding the needs of UK Armed Forces Families'³ that was commissioned by the Secretary of State for Defence. The Association is delighted that, having managed the Families Federation contract since its inception in 2007, it has been awarded the contract by the RAF for a further five years.

² Doodle Boxes are memory boxes created by the children of the deployed to remind them of home.

³ [Living in our shoes: understanding the needs of UK Armed Forces families | RAF Families Federation \(raf-ff.org.uk\)](https://www.raf-ff.org.uk)

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

RAFA Kidz

The RAF's Community Needs Assessment (CNA) identified the provision of childcare as a critical area of need and in 2019 we were approached by the RAF to assist further in alleviating this need through the development of a new strand of work. Through our subsidiaries, we took responsibility for the nurseries at RAF Odiham and RAFC Cranwell during 2019, and the nursery at RAF Digby in January 2020. We now support over 400 children and their families, which directly contributes to both the charitable objects of the Association and its strategic welfare aim.

Membership

Since 2014, over 43,000 new members have joined the Association, bringing the current membership (as of 31 December 2020) to 69,000. Recruitment is across all age groups and over half of those serving in the RAF today are members of the Association. The vital role played by our members cannot be overstated; many thousands volunteer their time to deliver welfare services, raise essential funds, provide comradeship and support to each other, manage our branch and branch club network and help in countless other ways.

Branches

There are approximately 300 RAF Association branches located across the UK and in 18 other countries across the world. Branches are charities in their own right, managed by their branch committees but subject to the Association's Royal Charter, Rules, Byelaws and Standard Regulations.

Branches maintain contact at local level with the Serving and ex-Service community, provide welfare support and raise funds. For social purposes, some branches have members' clubs affiliated to them. During 2020 the Association was successful in securing over £1.4 million of funding for 31 branches from the Armed Forces Covenant Fund Trust through their Veterans' Community Centres programme. This funding was restricted for approved renovations and improvements to the branches' clubs. The Association also supported four branches through its own branch property grant scheme.

Branches were unable to meet face-to-face during much of 2020 due to COVID-restrictions and their clubs have been temporarily closed. Branches have worked hard to maintain contact with their members, including delivering an outreach programme to those over 70 years old.

The Association has supported its branches and branch clubs throughout the year with guidance on the restrictions and the government support available to them, enabling them to claim over £1 million in grants and furlough support. This income is recorded in the branches' and clubs' financial statements, which are not consolidated with those of the Association.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Volunteering

The Association's robust volunteer recruitment and training process continued to play a central role in building and maintaining a highly competent welfare volunteer field force, undertaking casework and Connections For Life (CFL). Face-to-face training sessions were curtailed in 2020 due to COVID, but over 1,000 volunteers attended online training. All our welfare volunteers are provided with regular continual professional development opportunities, and our volunteers are supported both practically and emotionally through our Community Support team. The impact of the welfare services delivered by our volunteers on the mental wellbeing of the individuals they assist is monitored using the internationally validated Short Warwick-Edinburgh Mental Wellbeing Scale. The Association remains the only military charity to provide nationally accredited training to its welfare volunteers.

Fundraising

As part of the Association's commitment to the highest possible standards of fundraising, we did our utmost throughout 2020 to ensure that all our activities were compliant with legislative, regulatory and best practice standards. We have been registered with the Fundraising Regulator since its inception in 2016, demonstrating our commitment to the Code of Fundraising Practice and the Fundraising Promise.

Successful fundraising is critical to the sustained financial health of the Association and our ability to provide support to the RAF community. The pandemic has had a significant effect on all areas of our fundraising activity, but the generosity of our members, branches, volunteers and supporters in response to our emergency appeals has been vital in replacing some of our lost income. The main sources of fundraising income during 2020 were gifts in wills, volunteer fundraising activities, donations from individuals, grants from trusts and foundations and funding and gifts in kind from corporate partnerships.

The Association is grateful for the support shown to its work by all those who funded it during 2020. Support to the Association from trusts, foundations and other organisations came from a number of sources. Some wish to remain anonymous but others included:

Ann Jane Green Trust
Annington Trust
Armed Forces Covenant Fund Trust
Aerosuperbatics Ltd
Asali
Aviation Focus Group
B D Thomas Charitable Trust
Community Foundation for Lancashire
CGI
CTC London Ltd
Davis-Rubens Charitable Trust
Edith Murphy Foundation
Foundation Scotland
Gerald Bentall Charitable Trust
Green Hall Foundation
Hilda Farr Charitable Trust
I.M.L.D. Forde Charitable Trust
JP Morgan Chase

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Fundraising (continued)

Fujitsu
Leicestershire and Rutland Community Foundation
Lillie C Johnson Charitable Trust
Lockheed Martin UK
Masonic Charitable Foundation
Maud Elkington Charitable Trust
Mazars Charitable Trust
MBDA
Michael Watson Charitable Trust
Mr & Mrs William Donald's Memorial Trust
Pukaar News
Rare Tea Company
Raytheon UK
Rigby Foundation
Sage
Selkirk No 2 Trust
Sir Donald and Lady Edna Wilson Charitable Trust
Sir Jeremiah Colman Gift Trust
The DCMS and National Lottery Community Fund
The Ministry of Defence and the Cabinet Office
The Scottish Government
Wilkin & Sons
TP ICAP
Vichai Srivaddhanaprabha Foundation
Western Power Distribution

During 2020, all our interactions with the general public were carried out by our employees and volunteers, except for two suppliers whose services we employed to interact directly with the public to administer our Weekly Lotto and to support our Christmas TV campaign. We ensured that contracts, which included fundraising compliance clauses, were in place with these suppliers, and with all corporate partners who raised funds for us. As part of our work to ensure compliance with fundraising regulation and best practice, we monitored our suppliers constantly to ensure they met the same high standards we expected of our own fundraisers. The Association has a Fundraising Complaints Policy and has processes in place to protect vulnerable donors. During 2020 we received no complaints about our fundraising, whether carried out by us directly or by the two suppliers in relation to Lotto or the Christmas TV campaign.

Governance

Public scrutiny of charities has continued throughout 2020 and we recognise the importance of demonstrating both the impact of our services and the integrity with which we operate. The Association is committed to meeting the highest standards of governance in all its activities and to ensuring that everyone who acts in the name of the Association, volunteers, employees, and members, meets the highest standards of conduct and probity. The Association has adopted the Charity Governance Code and conducts an annual review against the Code to support continuous improvement. Further details are provided later in this report.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Public benefit

When reviewing the Association's aims and objectives and in planning activities and policies, the Trustees have considered the Charity Commission's general guidance on public benefit and to its supplementary guidance on public benefit and fee charging. All services are either free or heavily subsidised. Where fees are charged, for example the costs of a respite break or occupying a residential property, the beneficiary's means are always considered so that no eligible member of the RAF community is prevented from accessing the services of the Association because they cannot afford the full cost. The Association also provides a public benefit as it promotes efficiency in the RAF, by underpinning a spirit of pride and mutual loyalty, and so contributing to the defence of the United Kingdom and its interests.

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.

FINANCIAL REVIEW

Income

During the year, the consolidated income raised from members, volunteers, the general public, and investments was £13,922k, a decrease of 14 per cent (2019: £16,236k). Accurate predictions of income are extremely difficult due to uncertainty surrounding donations including legacies, and the impact of economic and other external factors. In 2020 legacy income was £2,886k (£4,272k in 2019), a reduction of £1,386k from 2019. The annual Wings Appeal was significantly reduced due to COVID-restrictions in 2020 but the Association's emergency appeals raised over £230k with branches donating an additional £590k. Investment income of £864k decreased by 15.5% year-on-year reflecting a volatile year with markets impacted by COVID, Brexit and the US election (2019: £1,023k). Despite the challenging market conditions, the Association's investment performance was robust, out-performing the benchmark and its charity peer group.

During the year the group received Government Job Retention Scheme grant income of £1,138k for staff furlough which has enabled the Association to retain staff during the period.

Expenditure

In 2020 expenditure of £17,240k was £31k above the 2019 level (£17,209k). £14,824k (2019: £12,596k) was spent on charitable activities. 87.3p on every pound raised was spent on welfare activities. Due to the COVID-19 pandemic the Council reluctantly decided to cease the provision of organic respite care, permanently closing Rothbury House Hotel and Flowerdown House Hotel. A wider reshaping of the organisation was undertaken to ensure that the Association was able to generate savings of c£2,000k while delivering the very best support to current and future beneficiaries. This resulted in 91 redundancies.

RAFATRAD

RAFATRAD Limited, the Association's trading and publishing arm, made an operating loss in 2020 of £38k (operating loss in 2019 of £47k). This was primarily due to the cancellation of air shows due to COVID-19, although a significant increase in online retailing made up in part for this. The Trustees anticipate that some trading, particularly air show events, should resume in late 2021 and that a breakeven position will be generated as a result. RAFATRAD has reduced its expenditure to bring it in line with its activity levels for the forecastable future.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

RAFA Housing

RAFA Housing Limited, the Association's independent living scheme, made an operating profit in 2020 of £29k (operating profit in 2019 of £61k) This was in line with expectations, with the income and expenditure of RAFA Housing Limited largely unaffected by COVID-19. Although face-to-face contact with tenants at RAFA Housing was not possible during lockdown and some contractor works had to be delayed, services are now largely back to normal.

RAFA Kidz

RAFA Kidz Limited continued to operate its early years' nursery activity, taking over the operation of the nursery at RAF Digby in January 2020. Our preschool nurseries, operated by RAFA Kidz Limited and its charitable subsidiary, RAFA Kidzone Limited, continued to open throughout lockdown, offering childcare for our key workers. Whilst income is impacted, by managing our costs and accessing the Government's furlough scheme, we made a deficit of £300k over the year.

The net assets of subsidiaries are consolidated at Group level.

Investment policy and performance

The Trustees have the power to invest any of the funds of the Association not immediately required for the purposes of the Association in accordance with the provisions of the Trustee Act 2000. The Trustee-appointed investment managers, Rathbones Investment Management Limited and Rothschild & Co are managed by the Council's Finance and Investment Committee, assisted with independent oversight provided by Asset Risk Consultants.

The investment portfolio comprises three main elements managed by Rathbones: (1) an unrestricted fund, (2) the Formby Branch Deposit fund, and (3) the Branch Deposit Fund, a pooled fund of monies held in trust for and invested on behalf of the Association's branches. The Rothschild Fund is also a pooled fund held in trust for and invested on behalf of the Association's branches. The Association continues to reinvest dividend income back into the portfolio, which amounted to £747k during 2020 (£658k in 2019).

The Association's investments were reviewed at quarterly committee meetings in 2020 and performance reported to the Council. The review of the investment managers planned for 2020 was not undertaken due to COVID-19 and the significant market volatility. It is planned to undertake this review again in 2022. The Association will continue to employ the services of Asset Risk Consultants throughout 2021 to provide analysis and evaluation of investment performance, which serves to enhance the decision-making capability of the Finance and Investment Committee.

The Association's investment portfolio of £22,812k (2019: £26,782k) reflects a reduction in market value of £3,970k from 2019 in light of the uncertainty and volatility in the financial markets caused by COVID-19, Brexit and the US election. That aside, the performance of the Association's investment portfolio when compared with the charity sector peer group and the agreed benchmark was strong by comparison during this turbulent time. Cash holdings are optimised to mitigate any need to sell any fund investment holdings to reduce any associated market risk. Higher levels of cash are currently being held during this time of economic uncertainty.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Pensions

The deficit in the defined benefit pension scheme at 31 December 2020 has been calculated in accordance with FRS102 regulations. The amount of the deficit has increased from £430k in 2019 to £830k at the end of 2020. The increase is primarily due to the agreed suspension of employer contributions in 2020, due to the challenges faced by the Association due to COVID. The Association made additional payments of £105k in 2020 (£506k in 2019) into the scheme and remains firmly committed to reducing the deficit and in the long term eradicating it completely. The Association has agreed a revised recovery plan with the Pension Trustees and the Regulator, reflecting the likely income of the Association in 2021 and 2022.

Reserves policy

The reserves policy was reviewed by the Council in November 2020. Trustees have adopted a prudent approach to ensure that the Association holds enough reserves to respond to current and future welfare needs quickly and effectively. Reserves planning is a key component of the Association's strategic planning process, the Council regularly review the level of reserves to ensure that funds are available to deliver our welfare services and programmes and to secure the long-term sustainability of the Association. From research undertaken in recent years, the Association is aware of a growing need among the younger generation and this need is likely to grow. Linked to this uncertainty is a trend of cuts in social welfare budgets across the UK and there is evidence of increasing levels of social isolation and loneliness amongst all ages.

There is also the risk associated with having a large value investment portfolio where political uncertainty throughout the USA, China, the UK and mainland Europe has resulted in a high level of volatility in the financial markets, which could lead to a larger correction at any time. Taking all these factors into account, the Trustees have adopted a reserves policy which seeks to mitigate risks associated with holding large value investments and property assets.

The Association adopts a forward-looking strategic risk-based outlook on the needs of the RAF community and consequently does not use short-term measures focusing on a limited number of months' operating costs. The Finance and Investment Committee reviews the Medium-Term Financial Plan (a rolling plan looking forward 5 years) in response to the needs of the RAF community at each of its meetings and makes recommendation to the Council on the management of financial risks. However, the Association is heavily reliant on voluntary income from fundraising, legacies and donations, which is not guaranteed, and which was particularly affected by COVID-19 throughout 2020. The Trustees have therefore agreed to maintain a minimum level of unrestricted free reserves to cover the costs associated with normal operations over a 12-month period to address the risks of COVID -19 to the delivery of our services and programmes to beneficiaries, members and employees. In addition, as considerable uncertainty remains about the continuing impact of the pandemic on voluntary income in 2021, the Trustees have also agreed to underwrite any deficit in the fundraising target included in the 2021 budget from the reserves to maintain the welfare services.

At the end of December 2020, consolidated general unrestricted reserves totalled £11,515k (£14,049k in 2019) including charity assets of £6,229k (£6,376k in 2019). Consolidated free reserves (net general reserves) at the end of December 2020 totalled £5,286k (£7,673k in 2019), which the Association is holding to fund 2021 operational expenditure of up to twelve months and are therefore in-line with the stated reserves policy, however a prudent approach is being adopted to ensure that strategic transformation projects can be funded. Restricted reserves, funds received for specific activity, increased from £1,769k in 2019 to £2,551k at the end of December 2020.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Reserves policy (continued)

The Council has designated funds of £18,769k (2019 £20,335k) to be used to undertake multi-year activity to increase our welfare services, reaching more of the RAF community, respond to the implications of the COVID-19 pandemic, support our plans to increase and diversify our income in the long-term, and support the improvement of our back-office functions to divert more expenditure towards our beneficiaries.

Risk Management

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

The Association does not generally have an appetite for high exposure risks; nevertheless, the Trustees recognise that delivering upon the ambitious strategic aims and objectives outlined in the Strategic Plan to 2030 will involve a degree of risk-taking and uncertainty. As such, there is an appetite for higher levels of risk where appropriate to deliver against strategic aims, objectives and targets provided there is a comprehensive understanding of the exposures involved and potential benefits arising, and subject to there being appropriate controls and approval processes in place. In terms of priorities, Trustees have agreed that the need to avoid reputational, compliance and excessive financial risk will take priority over other factors, recognising balanced assessments must be made as, in many cases, risks are attached both to doing something and doing nothing.

The Association's risk management process is designed to identify and assess risks such that appropriate risk management strategies are implemented, and their effectiveness monitored. Trustees have identified the following as its key risks and the strategic risk register is reviewed at each Council meeting.

- *Failure to sustain a large and engaged membership.* Plans include recruitment campaigns, improved retention by engaging with personnel leaving the RAF, and improving engagement with current membership.
- *Failure to deliver quality and safe services.* Mitigation includes regular reviews of policies, KPIs and assurance sources, Council/ Committee oversight, employment of professionally qualified staff, safer recruitment processes and training of employees and volunteers.
- *Branch and Club governance and compliance failure.* The Council has identified regulatory compliance at branch level as a strategic risk, with concerns about the wider reputational risk that the Association faces by a decentralised structure where branches are separate charities but operating under a shared name and constitution. The Association has undertaken considerable activity to ensure that branch committees understand their responsibilities as charity trustees and to provide guidance and advice. Between October 2018 and February 2020, 23 branch governance workshops were delivered, and a Branch Governance Action Plan has been agreed with the Charity Commission to mitigate further the risk while supporting branches.
- *Long term financial sustainability and short-term cash flow failure.* Mitigation plans include financial planning and performance monitoring, both in terms of annual budgets, reserves and investments, subject to ongoing Committee and Council oversight, continuing to invest in fundraising capacity and diversification of income streams.
- *External threats.* Mitigation plans include collaboration with other charities and organisations, developing unique service propositions and diversification of service provision.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Risk Management (continued)

- *Loss of operational capability.* Plans include development of business continuity plans, cyber security, and a range of processes to ensure recruitment and retention of appropriately qualified and trained employees and volunteers.
- *Significant change management projects.* Mitigation plans include development of business cases, project risk registers, and oversight by project governance boards, SMT and committees.
- *Information risk.* Data is recognised as a strategic asset and protected accordingly. The Association employs professionally qualified staff who regularly review cyber and data policies and processes and has recently achieved Cyber Essentials Plus certification.
- *Corporate governance failure and group legislative / regulatory failure.* Mitigation includes regular reviews of policies, Council, Committee and / or subsidiary Board oversight, employment of professionally qualified staff and mandatory training.

Operational risk registers are also subject to regular review by the appropriate Council Committee so that assurance is provided to the Council that operational risks are being effectively managed.

The Council considers that the major risks facing the Association include the ongoing and long-term impact on its activities and incomes resulting from the current COVID-19 pandemic, including the continued pressure on fundraising, the threat of reduced income from events generally and the increased cost in meeting demands for its welfare services.

The Council is satisfied that, notwithstanding the increase in risk due to COVID-19, all risks are being appropriately addressed. The Association also recognises that the pandemic presents opportunities both at a strategic and operational level which the charity will continue to explore over the coming months.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The RAF Association, which was established in 1930, was incorporated by Royal Charter in 1953. The Association is a registered charity governed by the Royal Charter, its Rules and Byelaws. The charity is also known as the RAF Association and RAFA. The Association is registered with the Charity Commission and with the Office of the Scottish Charity Regulator. It is also registered with the Fundraising Regulator and Information Commissioner's Office (ICO). Following the closure of the two Wings hotels, the Association is no longer registered with, or regulated by, the Care Quality Commission (CQC). The Association is a democratic, non-sectarian non-political organisation with no affiliation to any party or party organisation or trade union. The Association is a member of the Confederation of British Service and Ex-service Organisations (COBSEO).

The Association is an international organisation with 69,500 members and in the region of 300 branches in the UK and overseas. It is also the ultimate parent undertaking of four trading subsidiaries (RAFATRAD Limited, Royal Air Forces Association Housing, RAFA Kidz Limited, RAFA Kidzone Limited) and two non-active companies (RAFA Clubs Limited and RAFA Kidz Wings Limited).

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

The Board of Trustees (Council)

The Council is the Association's Board of Trustees and is collectively accountable to the Association's members and other stakeholders for the long-term success of the Association. Members of the Council are elected for a three-year term, after which they are eligible to stand for re-election on a further two occasions, they may not hold office for a continuous period exceeding nine years. The Council is responsible for the Association's compliance with all relevant legislative and regulatory requirements. It is responsible for determining the strategy and values of the Association, approving the annual business plan, supporting strategies and the associated budget, holding the Secretary General (who is responsible for the day-to-day management of the Association's affairs) and Senior Management Team to account for the Association's performance, standards of conduct and corporate governance.

The Council recognises that good governance is fundamental to the success of the charity and is committed to continuous improvement in terms of its own effectiveness, the governance of all group companies and branch governance. The Council has adopted the Charity Governance Code for larger charities and assesses annually how it meets the principles, outcomes and recommended practice. Where areas for improvement are identified an action plan is agreed and its implementation is monitored by the Council. In 2020, the Council reviewed its assurance processes to ensure the Association's corporate governance arrangements appropriately match the complexity and scale, and associated risks, of its activities and structure.

The Council acknowledges that protecting people from harm is a governance priority. During 2020 the Association commissioned an independent audit of its safeguarding activities by the Social Care Institute of Excellence. The audit concluded that significant progress had been made in recent years in the development of quality assurance and governance to support the development of safeguarding which, in many ways, represents practice that is more advanced and established than may be seen in the wider sector. Nevertheless the report identified further areas for improvement and the Council has approved an action plan to implement these.

The composition of the Council is prescribed by the Association's Rules and Byelaws and comprises up to 24 trustees:

- The President of Council, elected triennially at Annual Conference. Air Marshal Sir Baz North KCB OBE MA FRAeS was re-elected for a second term in 2020.
- The Chairman of Council, elected triennially at Annual Conference. Air Vice-Marshal John Cliffe CB OBE was re-elected for a second term in 2019.
- The Treasurer of Council. Mr Philip Tagg was re-elected for a final third term in 2020.
- Eight elected members. Elections are held triennially and are next due to be held in 2021.
- Five area representatives elected by Area Councils. Elections are held triennially and are due in 2022.
- Three service representatives nominated by the Royal Air Force.
- A representative nominated by the RAF Benevolent Fund. The Fund has confirmed that it will no longer nominate a representative when the current term of office held by the incumbent expires in 2021.
- Up to a maximum of four co-opted trustees.

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 9 to the accounts.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

The Board of Trustees (Council) (continued)

The Charity Governance Code recommends a trustee board of no more than 12 members and the Council has expressed its intention to reduce its size. The Council is consulting with branches on its proposals and expects to submit appropriate resolutions to Annual Conference in October 2021.

The Council approved a skills matrix in 2020 and an audit has been undertaken to identify any gaps which can be addressed through trustee recruitment and/ or development. The Council has established a Nominations Committee to oversee trustee recruitment in line with the skills matrix. When new Trustees are elected or appointed, a formal induction on the work of the Association and Trustees' roles and responsibilities is provided. The Council, either as a whole or through its sub-committees, also receives ongoing briefings and training from senior management and external advisors in key areas such as risk management, safeguarding, data protection, fundraising, financial management. Further training and development is provided to meet specific needs and Trustees receive annual (online) refresher training on health and safety, equality and diversity and cyber security etc.

The Council has appointed designated lead Trustees for Health and Safety (Squadron Leader D Gibson RAF), Safeguarding (Air Commodore G A Opie RAF), and Whistleblowing (Ms F Barber).

Council Meetings

The powers of the Council are set out in the Royal Charter, Rules, and Byelaws which are supplemented by the Standard Regulations governing the Areas, Regions, Branches and Branch Clubs (collectively the 'Governance Handbook'). The Council may exercise all powers conferred on it by the Governance Handbook and in accordance with the Charities Act 2011 and other applicable legislation. The Council usually holds five face-face meetings each year, although in 2020 it held six meetings (five of which were held virtually) to respond to the challenges of COVID-19. The Council has also adopted a procedure for making decisions ex-committee. All ex-committee decisions are subject to ratification at the next Council meeting.

Committee Structure

Throughout the year the work of the Council was supported by Committees. Each Committee has written terms of reference approved by the Council. Terms of reference are reviewed at least every three years and will next be reviewed in 2021. Members of the committees are a combination of Association Trustees and personnel co-opted as determined by the Council.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Committee Structure (continued)

Committee	Chair	Number of members	Number of meetings
Finance and Investment	Mr P Tagg	6	4
Fundraising and Communications	Mr C Goss	7	4
Branch and Membership	Mrs B Dennett Stannard	10	4
Information	AVM M Neal	7	4
Welfare	Ms F Barber	8	4
Annual Conference	Mr A Rees	6	3
Audit	Mr I Gawn	5	2
Remuneration	AVM J Cliffe	3	1

Committees generally meet in advance of Council meetings, with minutes of meetings being provided to the Council, together with any recommendations. In 2020 the Council also agreed to establish two new committees: a Safeguarding Committee (to replace the previous Safeguarding Working Group) and a Nominations Committee. The Association is currently seeking an independent Chair for the Safeguarding Committee.

The Council is also supported by ad hoc working groups or task and finish groups. All such groups have written terms of reference with minutes and recommendations presented to the Council. During 2020 the Council established a COVID-19 Working Group (now the Council Strategy Working Group) comprising the Chairman and Vice-Chairman of Council, President, Chairs of the Welfare, Branch and Membership, Fundraising and Communication and Information Committees and the Secretary General. The Working Group met weekly throughout 2020 and expects to continue to meet every two weeks until Step 4 of the Government's Roadmap out of COVID-19 restrictions has been implemented.

Delegated Authority

The Council has a formal schedule of matters specifically reserved for its approval which cannot be delegated. Other specific matters have been delegated to its Committees and Working / Task and Finish Groups and these are clearly defined within the relevant terms of reference. Day-to-day management of the Association is delegated to the Secretary General and his team and the Council reviews its scheme of delegated authority on an annual basis. Notwithstanding any delegation, the Council remains collectively accountable for the work of the Association.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Branches and Areas

Branches are separate organisations from the Association; branch accounts are not consolidated with those of the Association. Branches fundraise on their own behalf and on behalf of the Association (the annual Wings Appeal). The Association provides branches with an annual rebate to support branch membership and welfare activity.

Branches share the same objective and constitution as the Association and, as such, are individual charities in their own right and are required to register as charities in accordance with the relevant local jurisdiction.

The Association has been working with the Charity Commission and branches throughout 2020 to provide guidance and support to branches to improve their governance. With effect from 1 September 2020, the Trustees approved revised Byelaws and new Branch Regulations as part of this work and these will be subject to ratification at the next Annual Conference, currently planned for October 2021.

In response to a resolution at Conference 2019, the Association has been reviewing the administrative tier between branches and the Council to ensure that its structures are fit and ready for the future and able to deliver the Association's strategy to 2030. As a member-led welfare charity it is important that all members can contribute to the future direction of the Association and consultation on a new structure was underway as the pandemic arrived and the country went into lockdown.

The consultation included proposals to amend the Royal Charter and Rules, but these could not be progressed due the pandemic, which resulted in the cancellation of the Area Conferences and the Annual Conference in 2020. To address one of the key issues identified in the current Area structure, with effect from 1 September 2020 the Council rebalanced the existing five Areas, equalising as far as possible the number of branches in each UK Area and combining into a single Area all branches outside the UK. The Council is also still considering how to implement a further 2019 Conference resolution to enfranchise the membership, in particular those groups such as serving personnel and those on the central rolls, that are not represented by the current branch delegate system.

Annual Conference

Although Annual Conference could not take place in 2020 due to the pandemic and government restrictions, the Council implemented an alternative, hybrid, arrangement to meet the minimum governance requirements. RSM UK Audit LLP were re-elected as auditors of the Association following a postal and email vote. Air Marshal Sir Baz North KCB OBE MA FRAeS was re-elected unopposed as President and Mr Philip Tagg was re-elected unopposed as Treasurer. The reports by the Chairman of Council, Treasurer and Secretary General were presented via a webinar and branches were provided with an opportunity to raise questions both in advance and during the presentation. The webinar recording, together with all questions and answers were made available for Association members.

The 2021 Annual Conference is planned for October. As part of its contingency planning, the Council is consulting with branches to amend the Byelaws to allow, on a temporary basis, branches to be able to vote on Conference resolutions by post or online in advance of Annual Conference. This is designed to enable all branches to participate in decision making should attendance at large indoor gatherings continue to be restricted or branch delegates do not feel comfortable attending a face-to-face Conference.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Subsidiaries

RAFATRAD Limited is a wholly owned subsidiary of the Association, which sells commemorative items and memorabilia and undertakes fulfilment activity for the charity. RAFATRAD Limited is a company limited by shares incorporated under Companies Act 2006.

Royal Air Forces Association Housing Limited (RAFA Housing) is a wholly owned subsidiary of the Association. It is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, regulated by the FCA. RAFA Housing is a registered provider of social housing regulated by the Regulator of Social Housing (formerly known as the Homes and Communities Agency).

RAFA Kidz Limited is a wholly owned subsidiary company limited by shares incorporated under Companies Act 2006. It operates pre-school nurseries in accordance with the Early Years Foundation Stage at RAF Odiham and wrap-around care at RAF Digby. RAFA Kidzone Limited, a company limited by guarantee and registered charity, is a wholly owned subsidiary of RAFA Kidz and operates a pre-school nursery and wrap-around care at RAFC Cranwell. Both RAFA Kidz Limited and RAFA Kidzone Limited are registered with Ofsted.

RAFA Clubs Limited and RAFA Kidz Wings Limited are both companies limited by shares incorporated under Companies Act 2006. RAFA Kidz Wings Limited is a subsidiary of RAFA Kidz Limited. Neither RAFA Clubs nor RAFA Kidz Wings traded in 2020.

Remuneration Policy

The Association is committed to recruiting, retaining and developing people with the necessary skills and knowledge to make a positive contribution in helping deliver the organisation's objectives. Making effective decisions in relation to remuneration and reward is considered both central and crucial to the continued success of the Association's overall aims. The Association's Remuneration Policy centres on the following principles:

- Reward employees using processes that are fair, equitable, and transparent.
- Aim to pay competitively against our relevant comparators in the voluntary sector.
- Enhance the organisation's competitive positioning by promoting a total reward approach, recognising that other aspects of the employment package (e.g. benefits and development opportunities as well as the intrinsic moral value of working for a charity) are also valuable to employees.

Remuneration Review and Annual Pay Award

The Council, through the Remuneration Committee, composed of three Trustees, both sets pay and conditions for all Association employees, including the senior management team, and reviews the Remuneration Policy annually, ensuring that the principles outlined above are adhered to and remain appropriate within the wider economic context. Employee remuneration is reviewed annually in August and any changes are implemented from the following 1 January. Salary benchmarking is undertaken using data from the Office for National Statistics (ONS) and surveys by Croner and XpertHR. The Association has introduced the Living Wage on a discretionary basis and voluntarily recognises the GMB trade union for collective bargaining for statutory activity, including pay.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Remuneration Review and Annual Pay Award (continued)

Employees earning over £60,000 per annum are shown at note 10 of the accounts. This includes the senior management team which comprised eight employees during 2020: Secretary General, Director of Branch and Membership Operations, Director of Welfare and Policy, Director of Marketing, Fundraising and Trading, Chief Finance Officer, Chief Information Officer, Chief People Officer and Group Company Secretary. With effect from 1 January 2021 there is no longer a Chief People Officer role.

This remuneration policy and review applies to Association employees only. Employees of subsidiary companies are subject to separate arrangements set by the respective Boards of Directors.

Future outlook

The Association has risen to the challenge of fulfilling emerging and changing welfare needs whilst continuing to manage the impact of the COVID-19 pandemic on revenue generation of the Association and its subsidiaries into 2021, particularly in relation to our ability to fundraise. As such, the charity and its subsidiaries will continue to review how to best deliver their much-needed services. The Council considers that the actions taken in 2020, combined with the past prudent approach to accumulating investments and cash backed unrestricted reserves, places the Association in a strong position to not only survive the pandemic, but to continue to affect the wider RAF community.

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. The law applicable to charities in England and Wales, Scotland and Northern Ireland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the Association and the group, and of the incoming resources and application of resources of the Association and the 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 Statement of Recommended Practice.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and the group and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, The Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the Royal Charter. 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.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Trustees' responsibilities in relation to financial statements (continued)

In so far as the Trustees are aware:

- There is no relevant audit information of which the Association'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.

The Council has given due regard to the increased pressure on income streams brought about by the COVID-19 pandemic and have concluded that the positive level of general reserves, a healthy cash and investments balance, the benefit of Government measures and support as well as the continued support of its regular contributors, means the going concern basis remains appropriate for the preparation of these financial statements.

This report was approved by the Trustees on 2 SEPTEMBER 2021 and signed on its behalf by:



Air Vice-Marshal J Cliffe CB OBE
Chairman of the Council

THE ROYAL AIR FORCES ASSOCIATION
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION

Opinion

We have audited the financial statements of the Royal Air Forces Association (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Group and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements of Cash Flows and notes to the financial statements, including a summary of 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 group's and parent charity's affairs as at 31 December 2020 and of the group's and parent charity's incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 151 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

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 parent charity 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 group's or parent charity's ability to continue as a going concern for a period 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 annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, 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 there is 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.

THE ROYAL AIR FORCES ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper and sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 23, the trustees 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 and parent charity'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 parent charity 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.

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.

THE ROYAL AIR FORCES ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION (continued)

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

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and parent charitable company operates in and how the group and parent charitable company are complying with the legal and regulatory frameworks;
- 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 and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2011, the parent charitable company's governing document and tax legislation. 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, the UK General Data Protection Regulation (UK GDPR), Health and Safety at Work Act 1974 and the Regulator of Social Housing Regulatory Standards (both Economic and Consumer standards). We performed audit procedures to inquire of whether the group and parent charity are in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls and capital and maintenance activities, as the area 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, evaluating the business rationale in relation to significant, and unusual transactions and transactions entered into outside the normal course of business, challenging judgements and estimates.

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

THE ROYAL AIR FORCES ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCES ASSOCIATION (continued)

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Handwritten signature in blue ink that reads "RSM UK Audit LLP".

RSM UK Audit LLP
Statutory Auditor
St Philips Point
Temple Row
Birmingham
B2 5AF

Date 21st September 2021

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
INCOME:					
Donations and Legacies	3	5,383	1,271	6,654	7,956
Donations – assets gifted from closed branches	30	(951)	-	(951)	1,375
Donation in kind on acquisition		-	-	-	128
Charitable Activities:	6	2,786	3,089	5,875	4,226
Other Trading Activities:					
Trading income		302	-	302	418
Grand Draw and other fundraising income		1,178	-	1,178	1,110
Investment Income	5	864	-	864	1,023
Total Income		9,562	4,360	13,922	16,236
EXPENDITURE:					
Cost of Raising Funds		2,140	-	2,140	4,212
Charitable Activities:					
Residential & Respite Care Home		2,878	34	2,912	3,756
Friendship & Welfare Support		7,640	3,327	10,967	7,656
Grants		65	86	151	308
Other Support Costs		790	4	794	876
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	(10)
Interest on Defined Benefit Pension Liabilities		7	-	7	2
Share of the reduction in value of the joint venture, due to the distribution of the joint venture funds, as intended	14	252	-	252	409
Total Expenditure	7	13,789	3,451	17,240	17,209

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
Net gains on investment assets	14(b)	27	-	27	3,010
Net (expenditure)/income		(4,200)	909	(3,291)	2,037
Gross transfers between funds		127	(127)	-	-
Net (expenditure)/income		(4,073)	782	(3,291)	2,037
Other recognised losses:					
Actuarial losses on defined benefit pension scheme	11	(427)	-	(427)	(554)
Net movement in funds		(4,500)	782	(3,718)	1,483
Reconciliation of Funds					
Total Funds Brought Forward		33,954	1,769	35,723	34,240
Total Funds Carried Forward		29,454	2,551	32,005	35,723

All income and expenditure derive from continuing activities.

The Group Statement of Financial Activities includes all gains and losses recognised in the year.

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
INCOME:					
Donations and Legacies	3	5,383	1,163	6,546	8,047
Donations – assets gifted from closed branches	30	(951)	-	(951)	1,375
Charitable Activities:	6	1,375	3,089	4,464	3,721
Other Trading Activities:					
Grand Draw and other fundraising income		1,178	-	1,178	1,110
Investment Income	5	864	-	864	1,023
Total Income		7,849	4,252	12,101	15,276
EXPENDITURE					
Cost of Raising Funds		1,765	-	1,765	3,778
Charitable Activities:					
Residential & Respite Care Home		2,757	34	2,791	3,573
Welfare Support		6,055	3,327	9,382	7,335
Grants		65	86	151	308
Other Support Costs		794	4	798	876
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	(10)
Interest on Defined Benefit Pension Liabilities		7	-	7	2
Total Expenditure	7	11,460	3,451	14,911	15,862

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
Net gains on investment assets	14(b)	27	-	27	3,010
Net (expenditure)/income		(3,584)	801	(2,783)	2,424
Gross transfers between funds		127	(127)	-	-
Net (expenditure)/income		(3,457)	674	(2,783)	2,424
Other recognised losses: Actuarial losses on defined benefit pension scheme	11	(427)	-	(427)	(554)
Net movement in funds		(3,884)	674	(3,210)	1,870
Reconciliation of Funds					
Total Funds Brought Forward		33,212	1,769	34,981	33,111
Total Funds Carried Forward		29,328	2,443	31,771	34,981

All income and expenditure derive from continuing activities.

The Association Statement of Financial Activities includes all gains and losses recognised in the year.

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS
AT 31 DECEMBER 2020

	Notes	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets:					
Intangible assets	12	1,689	-	1,689	-
Tangible assets:					
Properties	13	6,229	6,376	5,843	5,988
Equipment and furniture	13	689	2,200	522	2,054
		<hr/>	<hr/>	<hr/>	<hr/>
		8,607	8,576	8,054	8,042
Investments:					
Investments	14	22,812	26,782	22,812	26,530
Programme related investments					
- loan to branches	15	131	132	131	132
		<hr/>	<hr/>	<hr/>	<hr/>
Total fixed assets		31,550	35,490	30,997	34,704
<hr/>					
Current assets:					
Assets held for resale	16	580	1,415	580	1,415
Stocks		435	335	-	8
Debtors	17	402	619	1,252	1,073
Cash at bank and in hand		4,382	2,344	3,886	1,926
		<hr/>	<hr/>	<hr/>	<hr/>
Total current assets		5,799	4,713	5,718	4,422
Current liabilities:					
Creditors: amounts falling due within one year	18	(4,235)	(3,767)	(4,114)	(3,715)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		1,564	946	1,604	707
Total assets less current liabilities		<hr/>	<hr/>	<hr/>	<hr/>
		33,114	36,436	32,601	35,411
Creditors: amounts falling due after more than one year	19	(279)	(283)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets excluding pension scheme liability		32,835	36,153	32,601	35,411
Defined benefit pension scheme liability	11	(830)	(430)	(830)	(430)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets including pension scheme liability		32,005	35,723	31,771	34,981

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (continued)
AT 31 DECEMBER 2020

	Notes	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Funds:					
Income funds:					
Restricted funds	21	2,551	1,769	2,443	1,769
Unrestricted funds:					
Designated funds	22	18,769	20,335	18,769	20,335
General funds		11,517	13,688	11,389	13,307
Pension scheme deficit	11	(830)	(430)	(830)	(430)
Net general funds		10,687	13,258	10,559	12,877
Non-charitable funds		(2)	361	-	-
Total funds		32,005	35,723	31,771	34,981

The financial statements on pages 29 to 67 were approved and authorised for issue by the Trustees on 8 SEPT 2021 and signed on their behalf by:


Air Vice-Marshal J Cliffe CB OBE
Chairman of the Council

**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Group		Association	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Cash flows from operating activities	24	(2,158)	(2,241)	(2,295)	(2,309)
<hr/>					
Cash flows from investing activities					
Investment income		861	1,017	861	1,017
Interest receivable		3	6	3	6
Interest payable		(17)	10	(17)	10
Receipt of Kaupthing Singer and Friedlander monies		13	-	13	-
Payments to acquire intangible fixed assets		(461)	-	(461)	-
Payments to acquire tangible fixed assets		(86)	(983)	(17)	(920)
Receipts from disposals of fixed assets		13	832	13	832
Payments to acquire investments		(313)	(1,018)	(313)	(1,018)
Receipts from disposals of investments		3,635	1,706	3,625	1,706
Cash funds transfer on acquisition		-	154	-	-
Net cash provided by investing activities		3,648	1,724	3,707	1,633
<hr/>					
Cash flows from financing activities					
Decrease in loans to branches		1	7	1	7
Decrease in deposits by branches		547	268	547	268
Net cash from financing activities		548	275	548	275
<hr/>					
Change in cash and cash equivalents in the year		2,038	(242)	1,960	(401)
Cash and cash equivalents at the beginning of the year		2,344	2,586	1,926	2,327
<hr/>					
Cash and cash equivalents at the end of the year	25	4,382	2,344	3,886	1,926

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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

The Royal Air Forces Association is incorporated by Royal Charter and is a registered charity at the Charity Commission in England and Wales (charity number 226686) and at the Scottish Charity Regulator (OSCR) in Scotland (charity number SC037673).

The address of the charity's registered office and principal place of business is Atlas House, 41 Wembley Road, Leicester LE3 1UT. The group consists of the Association and its subsidiaries as set out in note 4. The nature of the group's operations are set out in the Trustees' Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and to include investment properties at fair value, 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, 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, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The financial statements of the Association comprise the funds of the Association but not the branches which are separate registered charities and do not share common Trustees with the Association.

The Royal Air Forces Association meets the definition of a public benefit entity under FRS 102 and have therefore applied the relevant public benefit requirements of FRS 102.

Monetary amounts in the financial statements are rounded to the nearest £1,000. The financial statements are presented in sterling which is also the functional currency of the Association.

Going Concern

The Council acknowledges that the unprecedented level of uncertainty caused by COVID-19 and rapidly changing circumstances mean that the judgements and estimates required by management are more challenging than under normal circumstances.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Going Concern (continued)

As set out in the Trustees Report on page 24, the Council has given due regard to the increased pressure on income streams brought about by the pandemic and have concluded that the positive level of general reserves, a healthy cash and investments balance, the benefit of Government measures and support as well as the continued support of its regular contributors, means the going concern basis remains appropriate for the preparation of these financial statements.

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

Consolidation

The group Statement of Financial Activities and group Balance Sheet consolidate the financial statements of the Association and its subsidiaries. The results of the subsidiaries are consolidated on a line by line basis. Intra group transactions, balances and unrealised gains are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Joint Ventures

Entities in which the group holds an interest, and which are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method. Under the equity method of accounting, an equity investment is initially recognised at transaction price (including transaction costs) and is subsequently adjusted to reflect the investors' share of the profit or loss, other comprehensive income and equity of the joint venture.

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 Association 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 Association 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 (SOFA) when the Association 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 and subscriptions is included when receivable. Legacies are accounted for as soon as entitlement, probability and a monetary value can be established. The sums due under the contract from the MoD is included as income in the period it is earned.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Income (continue)

Fundraising income is included in income in the period in which the Association becomes entitled to receipt. Trading income is recognised as earned.

Investment income is included when receivable.

Income from charitable activities is included in income in the period in which the Association 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 Association 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.

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

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

Support costs, which include the secretariat, finance, information technology and human resources, have been allocated to cost of raising funds and charitable activities on the most appropriate basis. Secretariat and finance costs have been allocated on the basis of time spent. Information technology costs have been allocated on the basis of equipment usage. Human Resource costs have been allocated on the basis of staff numbers.

Grants

Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant or when the Trustees have agreed to pay the grant without condition.

Intangible fixed assets

Intangible assets are initially recorded at cost and subsequently measured at cost net of accumulated amortisation and any impairment loss. Amortisation is provided for on all intangible assets at rates calculated to write off the cost of each asset less its residual value evenly over its expected useful economic lives as follows:

- Software	over 15 years
------------	---------------

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

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

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently measured at cost or valuation net of depreciation and any impairment loss. The Association and each subsidiary will capitalise items over the value of £500. 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:

- Freehold properties	2% on cost
- Short leasehold properties	over the terms of the leases
- Computer equipment	25% on cost
- Other equipment and furniture	between 15% and 25% on net book value
- Motor vehicles	25% on net book value/over 15 years

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.

Revaluation of Properties

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in Other Gains and Losses in the Statement of Financial Activities.

Investments

Long term investments are classified as fixed assets. Short-term investments are classified as current assets.

Listed investments are stated at fair value at the balance sheet date. Unlisted investments are stated at cost less impairment at the balance sheet date. Both realised and unrealised gains and losses are shown in the Statement of Financial Activities. The fair value of the investments quoted on a recognised stock exchange is the quoted bid price.

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value in gains/losses in Investment Assets are recognised in the Statement of Financial Activities.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

Financial instruments

The Group 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 Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group 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.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Financial assets

Trade debtors, group debtors and other debtors

Trade debtors, group debtors and other debtors (including accrued income) 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 Group after deducting all of its liabilities.

Other creditors and accruals

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.

Derecognition of financial assets and liabilities

A 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.

Pension costs

The Association operates a defined benefit pension scheme that closed to new entrants in December 2000 and to future accrual on 31 December 2012.

Contributions are paid to the scheme in accordance with the recommendations of the scheme actuary.

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Financial Activities. The interest costs and the interest on assets are shown as a net amount of income or expenditure as appropriate. Other adjustments are included within employee costs.

As detailed in note 11, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high quality corporate bond of equivalent currency and term of the scheme liabilities. Full updated actuarial valuations are obtained triennially and are reviewed in the following two years at each balance sheet date. The defined benefit pension scheme asset or liability is presented separately after other net assets on the face of the balance sheet.

The assets relating to the pension scheme are held separately from those of the Association in separate trustee administered funds.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Pension costs (continued)

The Association also contributes to individual employees' personal stakeholder pension arrangements, where employees are not members of the defined benefit scheme. Contributions payable are charged to the Statement Of Financial Activities as they become payable. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

Termination payments

The best estimate of the expenditure required to settle an obligation for termination benefits, is recognised immediately as an expense, when the Group is demonstrably committed to terminate the employment of an employee, or to provide termination benefits.

Operating lease agreements

Rentals under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Volunteers

No amounts are included in the financial statements to reflect the value of work undertaken by volunteers.

3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Group				
Donations				
Residential and respite care homes	-	29	29	78
Armed Forces Covenant Fund Trust	-	1,027	1,027	-
Others	1,612	215	1,827	2,628
Legacies	2,886	-	2,886	4,272
Subscriptions	885	-	885	978
	<hr/>	<hr/>	<hr/>	<hr/>
	5,383	1,271	6,654	7,956
	<hr/>	<hr/>	<hr/>	<hr/>
	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Association				
Donations				
Residential and respite care homes	-	29	29	78
Armed Forces Covenant Fund Trust	-	1,027	1,027	-
Others	1,612	107	1,719	2,719
Legacies	2,886	-	2,886	4,272
Subscriptions	885	-	885	978
	<hr/>	<hr/>	<hr/>	<hr/>
	5,383	1,163	6,546	8,047
	<hr/>	<hr/>	<hr/>	<hr/>

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

4. SUBSIDIARIES

During the year, the Association owned the whole of the share capital of RAFATRAD Limited, RAFA Housing Limited, RAFA Clubs Limited and RAFA Kidz Limited.

The activity of RAFATRAD Limited (Company No. 03455255) is the sale of commemorative items and memorabilia and the provision of fundraising, membership and marketing products to the Association and its branches.

The activity of RAFA Housing Limited (Registered number IP17723R) is that of the provision of independent housing for retired members of the RAF family based in Storrington, West Sussex.

RAFA Clubs Limited (Company No. 11927089) is currently not trading.

The activity of RAFA Kidz Limited (Company No. 11927027) is that of operating nurseries and out of school clubs.

RAFA Kidz Limited owns RAFA Kidzone Limited (Company No. 08418367 and Charity registration No. 1154822) which is an incorporated charity registered in England and Wales. The activity of RAFA Kidzone Limited is to enhance the development and education of children by offering inclusive and appropriate play and learning facilities.

RAFA Kidz Limited owns RAFA Kidz Wings Limited (Company No. 12372814). RAFA Kidz Wings Limited is currently dormant.

The results of the subsidiaries and the amounts included within the Group Statement of Financial Activities, are as follows:

	RAFA HL RAFATRAD	RAFA Clubs	RAFA Kidz	RAFA Kidzone
	2020	2020	2020	2020
	£'000	£'000	£'000	£'000
Income	176	451	-	729
Expenditure	(148)	(489)	-	(1,029)
Surplus/loss for the financial period	28	(38)	-	54

All of the income and expenditure is unrestricted for both years except for £108k which is included within the income for RAFA Kidzone Limited in the current year and is restricted.

The aggregate of the assets, liabilities and funds of the subsidiary companies at 31 December were:

	RAFA HL RAFATRAD	RAFA Clubs	RAFA Kidz	RAFA Kidzone
	2020	2020	2020	2020
	£'000	£'000	£'000	£'000
Assets	783	540	-	208
Liabilities	(301)	(614)	-	(29)
Funds (Share capital and reserves)	482	(74)	-	179

**THE ROYAL AIR FORCES ASSOCIATION
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4. SUBSIDIARIES (continued)

RAFA Kidz Wings Limited was incorporated on 20 December 2019 and has been dormant for its first period up to 31 December 2020.

The registered office of all subsidiaries is Atlas House, 41 Wembley Road, Leicester LE3 1UT.

During the year RAFATRAD Limited charged the Association £148k (2019: £328k) in respect of Air Mail and RAF Association branded goods. Also, during the year, the Association charged RAFATRAD Limited £25k (2019: £131k) in respect of premises recharges, RAF Association branded goods and accountant costs. At the year end the Association was owed £552k (2019: £419k) by RAFATRAD Limited.

During the year the Association charged RAFA Housing Limited £9k (2019: £nil) and at the year end the Association owed £39k (2019: £68k) to RAFA Housing Limited. During the year, there have been recharges between the Association and RAFA Kidz Limited for various expenses, the net movement amounted to £167k (2019: £141k). At the year end the Association was owed £359k (2019: £190k) by RAFA Kidz.

5. INVESTMENT INCOME AND INTEREST

Group and Association	2020 £'000	2019 £'000
UK listed investments	747	787
Cash deposits	3	6
Branch and other loans	-	1
Properties	114	229
	864	1,023

All investment income and interest is unrestricted for both years.

6. INCOME FROM CHARITABLE ACTIVITIES

Group	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Accommodation fees	458	-	458	1,160
Grants and fundraising income	167	3,089	3,256	2,805
Nursery fees	1,076	-	1,076	261
UK government Coronavirus job retention scheme	1,085	-	1,085	-
	2,786	3,089	5,875	4,226

The group received a further £53,109 (2019: £nil) under the UK government Coronavirus job retention scheme which has been allocated to trading income within other trading activities.

THE ROYAL AIR FORCES ASSOCIATION
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6. INCOME FROM CHARITABLE ACTIVITIES (continued)

Association	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Accommodation fees	321	-	321	1,001
Grants and fundraising income	162	3,089	3,251	2,720
UK government Coronavirus job retention scheme	892	-	892	-
	<u>1,375</u>	<u>3,089</u>	<u>4,464</u>	<u>3,721</u>

7. TOTAL EXPENDITURE

Group

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2020 £'000	Total 2019 £'000
Costs of raising funds:					
Direct costs	1,257	-	880	2,137	4,078
Allocated support costs	-	3	-	3	134
Charity's charitable activities					
Direct costs	4,873	-	5,051	9,924	7,289
Allocated support costs	2,054	467	2,379	4,900	5,307
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	(10)
Interest on Defined Benefit Pension Liabilities	-	-	7	7	2
Share of the reduction in value of the joint venture, due to the dispersal of the joint venture funds, as intended (see note 14)	-	-	252	252	409
	<u>8,184</u>	<u>470</u>	<u>8,586</u>	<u>17,240</u>	<u>17,209</u>

THE ROYAL AIR FORCES ASSOCIATION
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7. TOTAL EXPENDITURE (continued)

	2020	2019
	£'000	£'000
Allocated support costs:		
Heat and light	3	45
Other site costs	52	64
Advertising and promotions	225	287
Printing and stationery	108	58
Telephone	61	46
Insurance	226	128
Repairs and maintenance	27	66
Depreciation and amortisation	470	508
Other expenditure	1,292	1,169
Other equipment	26	52
Staff costs	2,054	2,203
Governance costs	359	815
	<u>4,903</u>	<u>5,441</u>

Included within total expenditure are payments under operating leases as follows:

- Land and buildings payments of £47k (2019 - £52k)
- Equipment payments of £8k (2019 - £23k)

The costs of raising funds includes Wings Appeal rebates allocated to branches totalling £23k (2019 - £199k).

Support costs include £92k in respect of additional payments into the defined benefit pension scheme, (2019 - £470k). Total expenditure includes auditors' remuneration of £29k (2019: £27k), and a loss on disposal of fixed assets of £16k (2019: £10k).

Fees payable to RSM UK Audit LLP and its associates in respect of non-audit are for Tax compliance £6k (2019: £3k) and other services £19k (2019: £17k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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7. TOTAL EXPENDITURE (continued)

Association

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2020 £'000	Total 2019 £'000
Costs of raising funds:					
Direct costs	1,028	-	737	1,765	3,648
Allocated support costs	-	-	-	-	130
Charity's charitable activities					
Direct costs	3,551	-	4,803	8,354	6,811
Allocated support costs	1,945	437	2,386	4,768	5,281
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	(10)
Interest on Defined Benefit Pension Liabilities	-	-	7	7	2
	6,524	437	7,950	14,911	15,862

	2020 £'000	2019 £'000
Allocated support costs:		
Heat and light	3	45
Other site costs	38	64
Advertising and promotions	221	287
Printing and stationery	107	58
Telephone	61	46
Insurance	224	128
Repairs and maintenance	24	66
Depreciation and amortisation	437	478
Other expenditure	1,273	1,169
Other equipment	26	52
Staff costs	1,945	2,203
Governance costs	409	815
	4,768	5,411

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8. GRANTS PAYABLE

Group and Association	2020	2019
	£'000	£'000
Welfare grants to individuals	26	33
Association property grants to branches	7	-
Armed Forces Covenant Fund Trust grants paid to branches	526	-
	<u>559</u>	<u>33</u>

9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2019 - £nil). Trustees expenses of £10,435 were reimbursed for directly incurred travel and subsistence expenses (2019 - £47,794) to 24 trustees (2019: 23 trustees).

10. STAFF COSTS

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	7,125	6,610	5,665	5,813
Social security costs	592	561	504	509
Employer contributions to defined contributions schemes	372	513	334	486
	<u>8,089</u>	<u>7,684</u>	<u>6,503</u>	<u>6,808</u>

Included in the staff costs above is an amount of £235,281 which relates to the total restructuring costs for the organisations.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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10. STAFF COSTS (continued)

The average number of employees throughout the year, calculated on a full-time equivalent basis, analysed by location was:

	Group		Association	
	2020 Number	2019 Number	2020 Number	2019 Number
Welfare	69	84	69	84
Membership	29	30	29	30
Headquarters	65	60	65	64
Families Federation Service	10	10	10	10
RAFATRAD	6	8	-	-
RAFA Housing	1	1	-	-
RAFA Kidz (inc Kidzone)	59	36	-	-
	<u>239</u>	<u>229</u>	<u>173</u>	<u>188</u>

The average number of employees (head count) during the year was 313 (2019: 313).

The number of employees whose emoluments for the year fell within the following bands was:

Group and Association	2020 Number	2019 Number
£60,001 to £70,000	2	2
£70,001 to £80,000	2	-
£80,001 to £90,000	5	6
£90,001 to £100,000	1	-
£120,001 to £130,000	1	1
	<u>11</u>	<u>9</u>

11 employees (2019: 9) earning more than £60,000 participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £62,069 (2019: £57,086).

The total employee benefits of the key management personnel of the Association were £897k (2019: £907k), which includes Salary, Employers National Insurance Contribution, Employers Pension Contribution, all allowances, redundancy and notice period payments.

11. PENSION SCHEMES (Group and Association)

The Association operates a defined benefit pension scheme, which closed to new entrants in December 2000 and to future accrual on 31 December 2012. The assets of the scheme are held separately from those of the Association in an independently administered fund. Contributions are based upon the recommendations of a qualified actuary.

The most recent actuarial valuation of the scheme was carried out as at 1 January 2019 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £15,990,000 which represented only 91 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. In valuing the fund, it was assumed that the investment return would be 5.5 per cent per annum compound. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

11. PENSION SCHEMES (continued)

A full actuarial valuation was carried out at 1 January 2019 and updated as at 31 December 2020 by a qualified independent actuary. The major assumptions used by the actuary were:

	2020	2019
Rate of increase of pensions in payment	3.0%	2.9%
Discount rate	1.3%	1.9%
Inflation assumption (RPI)	3.0%	2.9%

The mortality assumptions used in the valuation of the pension liabilities were:

	2020	2019
	Years	Years
Retiring today (currently aged 65):		
Males	21.7	21.6
Females	23.9	23.7
Retiring in 20 years (currently aged 45):		
Males	22.7	22.6
Females	24.7	24.5

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme at 31 December 2020 were:

	2020	2019
	£'000	£'000
Bonds	3,315	3,151
Equities	2,801	4,020
Property	1,010	1,226
Insurance contracts	5,885	5,859
Diversified funds	2,393	1,908
LDI funds	2,145	818
Net current assets	177	51
Total assets	<u>17,726</u>	<u>17,033</u>
	2020	2019
	£'000	£'000
Fair value of scheme assets	17,726	17,033
Present value of scheme liabilities	(18,556)	(17,463)
Deficit in the scheme	<u>(830)</u>	<u>(430)</u>

**THE ROYAL AIR FORCES ASSOCIATION
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11. PENSION SCHEMES (continued)

In accordance with FRS102, provision has been made by the Association for the deficit of the scheme. This is reflected in the financial statements as follows:

Analysis of the amounts charged to Statement of Financial Activities

	2020	2019
	£'000	£'000
Expenses paid by the scheme	58	88

Analysis of financial element of pensions cost

	2020	2019
	£'000	£'000
Interest on assets	318	442
Interest on pension scheme liabilities	(325)	(444)
Net cost	(7)	(2)

Analysis of the actuarial gain / (loss) on defined benefit pension scheme

	2020	2019
	£'000	£'000
Gain on asset return	1,048	1,523
Experience gain/(loss) on liabilities	58	(133)
Changes in assumptions underlying the present value of the scheme liabilities	(1,533)	(1,944)
Actuarial loss recognised in Statement of Financial Activities	(427)	(554)
Cumulative actuarial loss recognised in Statement of Financial Activities	(3,171)	(2,744)

Changes in the present value of defined benefit obligations

	2020	2019
	£'000	£'000
Opening defined benefit obligation	17,463	15,696
Interest cost	325	444
Experience (gain)/loss on liabilities	(58)	133
Loss on changes in assumptions	1,533	1,944
Benefits paid	(707)	(754)
Closing defined benefit obligation	18,556	17,463

**THE ROYAL AIR FORCES ASSOCIATION
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11. PENSION SCHEMES (continued)

Changes in the fair value of plan assets	2020 £'000	2019 £'000
Opening plan assets	17,033	15,440
Interest on assets	318	442
Gain on asset return	1,048	1,523
Contributions by employer	92	470
Benefits paid	(707)	(754)
Expenses paid by the scheme	(58)	(88)
Closing defined benefit obligation	<u>17,726</u>	<u>17,033</u>

The actual return on plan assets was £1,366k (2019: £1,965k).

The Association expects to contribute £100k to its defined benefit pension plans in the year ended 31 December 2021.

The Association also contributes to a WPP scheme. With effect from 1 August 2020 the Association reduced its contribution to the scheme from 9 per cent or 10 per cent to 4 per cent of each member's gross salary and the pension cost for the year was £369k (2019 - £506k).

12. INTANGIBLE FIXED ASSETS

Group and Association	Computer software £'000	Total £'000
Cost or valuation:		
At 1 January 2020	-	-
Additions	461	461
Transfer from tangible fixed assets	1,429	1,429
At 31 December 2020	<u>1,890</u>	<u>1,890</u>
Amortisation:		
At 1 January 2020	-	-
Charge for year	111	111
Transfer from tangible fixed assets	90	90
At 31 December 2020	<u>201</u>	<u>201</u>
Net book Value:		
At 31 December 2020	<u>1,689</u>	<u>1,689</u>
At 31 December 2019	<u>-</u>	<u>-</u>

THE ROYAL AIR FORCES ASSOCIATION
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13. TANGIBLE FIXED ASSETS

Group	Properties		Equipment and Furniture £'000	Total £'000
	Freehold £'000	Short Leasehold £'000		
Cost or valuation:				
At 1 January 2020	8,346	59	3,896	12,301
Additions	19	-	67	86
Disposals	-	-	(195)	(195)
Transfers	-	-	(1,446)	(1,446)
At 31 December 2020	8,365	59	2,322	10,746
Depreciation:				
At 1 January 2020	2,003	26	1,696	3,725
Charge for year	165	1	193	359
Depreciation on disposal	-	-	(166)	(166)
Transfer to Intangible fixed assets	-	-	(90)	(90)
At 31 December 2020	2,168	27	1,633	3,828
Net book Value:				
At 31 December 2020	6,197	32	689	6,918
At 31 December 2019	6,343	33	2,200	8,576
Association				
Association	Properties		Equipment and Furniture £'000	Total £'000
	Freehold £'000	Short Leasehold £'000		
Cost or valuation:				
At 1 January 2020	7,662	59	3,499	11,220
Additions	9	-	8	17
Disposals	-	-	(195)	(195)
Transfer to Intangible fixed assets	-	-	(1,429)	(1,429)
At 31 December 2020	7,671	59	1,883	9,613
Depreciation:				
At 1 January 2020	1,707	26	1,445	3,178
Charge for year	153	1	172	326
Depreciation on disposals	-	-	(166)	(166)
Transfer to Intangible fixed assets	-	-	(90)	(90)
At 31 December 2020	1,860	27	1,361	3,248
Net book Value:				
At 31 December 2020	5,811	32	522	6,365
At 31 December 2019	5,955	33	2,054	8,042

**THE ROYAL AIR FORCES ASSOCIATION
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13. TANGIBLE FIXED ASSETS (continued)

Freehold property with a carrying amount of £1,796k (2019: £1,850k) was revalued at 31 December 2019 by an employee of the Association, who is a member of the Royal Institution of Chartered Surveyors, on an existing use open market value basis. The historical cost of the freehold property carried at valuation is £468k (2019: £468k).

14. INVESTMENTS

Group	Fair Value		Historical Cost	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
a) Fixed assets				
Listed investments	20,973	23,326	12,834	15,639
Investment properties	1,839	3,049	165	165
Investment in joint venture	-	252	-	252
Long term savings bond	-	155	-	155
	<u>22,812</u>	<u>26,782</u>	<u>12,999</u>	<u>16,211</u>

Association	Fair Value		Historical Cost	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
a) Fixed assets				
Listed investments	20,973	23,326	12,834	15,639
Investment properties	1,839	3,049	165	165
Long term savings bond	-	155	-	155
	<u>22,812</u>	<u>26,530</u>	<u>12,999</u>	<u>15,959</u>

It is the Association's intention to undertake a professionally reviewed valuation of the investment properties every five years. The last professional valuation was at 30 November 2010 and was undertaken by Frank Marshall & Co, qualified chartered surveyors. The Trustees consider the valuation at the 31 December 2020 to be not materially different to the 30 November 2010 valuation and the valuation is therefore the Trustees' estimated fair value, but it is our intention to have these professionally valued in 2021. The basis of valuation is the open market value of the long leasehold interests in the property, subject to existing tenancies.

Movements on fair value during the year - Association

	Listed Investments £'000	Investment property £'000	Long term savings bond £'000	Total £'000
1 January 2020	23,326	3,049	155	26,530
Additions	313	40	-	353
Disposals	(2,830)	(1,100)	(155)	(4,085)
Net investment gains	164	(150)	-	14
31 December 2020	<u>20,973</u>	<u>1,839</u>	<u>-</u>	<u>22,812</u>

The net investment gains reflect the revaluation of investments at the year end.

**THE ROYAL AIR FORCES ASSOCIATION
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14. INVESTMENTS (continued)

No one investment represents more than 5 per cent of the portfolio by market value.

Investment in joint venture

	Share of joint venture	
	2020	2019
	£'000	£'000
Carrying value at beginning of year	252	661
Share of net expenditure in joint venture	(252)	(409)
Carrying value at end of year	-	252

The Group holds an interest in a jointly controlled entity, The RAF100 Appeal (Company No. 09977273 and Registered Charity No. 1167398) which is a company not having a share capital. The Group has guaranteed an amount of £1 contribution to assets of the charity in the event of it being wound up.

The RAF100 Appeal is a joint venture between the Association and three other charities. The investment is accounted for under the equity method. The registered office of The RAF100 Appeal is 67 Portland Place, London, W1B 1AR.

A summary of the Association's share of RAF100 Appeal's results is shown below:

	2020	2019
	£'000	£'000
Income	-	27
Expenditure	(115)	(436)
Net expenditure	(115)	(409)

The Association's share of RAF100 Appeal's assets and liabilities is as follows:

	2020	2019
	£'000	£'000
Current assets	214	264
Current liabilities	(214)	(12)
Net assets	-	252

The results for the current year are based on the draft financial statements for the year ended 31 December 2020. The prior year figures were based on the management accounts prepared up to 31 October 2019.

The Association holds investments of £105 (2019: £105) representing the entire ordinary share capital of its subsidiary, companies which are eliminated on the group consolidation, details of the subsidiary companies are given in note 4 of the accounts.

THE ROYAL AIR FORCES ASSOCIATION
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14. INVESTMENTS (continued)

Overseas investments

	Branch Deposit		Total £'000
	Branch Deposit Fund £'000	Fund – Formby Branch £'000	
2020			
North America	3,602	154	3,756
European	385	17	402
Asia Pacific	1,427	80	1,507
Emerging market	495	-	495
Global	4,365	224	4,589
	<u>10,274</u>	<u>475</u>	<u>10,749</u>
2019			
North America	3,053	149	3,202
European	306	13	319
Asia Pacific	1,071	51	1,122
Emerging Market	118	-	118
Global	3,262	159	3,421
	<u>7,810</u>	<u>372</u>	<u>8,182</u>

b) Net gains on investment assets

Group and Association	2020 £'000	2019 £'000
Net gains on listed investments	14	2,910
Net gains on current asset properties	-	100
Net gains on current asset investments		
- Kaupthing Singer and Friedlander distribution (see note 26)	13	-
	<u>27</u>	<u>3,010</u>

The Revaluation Reserve of £11,141k (2019: £11,953k) included within the unrestricted funds within the balance sheet of both the Group and Association, arises on the year end fair value of investments and freehold property held at fair value, less their historical costs.

15. LOANS TO BRANCHES

Included under this heading is an amount of £nil (2019 - £4,442) falling due within one year.

THE ROYAL AIR FORCES ASSOCIATION
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16. ASSETS HELD FOR RESALE

Group and Association	2020 £'000	2019 £'000
Freehold properties	580	1,415

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade debtors	23	166	21	115
Amounts due from subsidiaries	-	-	911	644
Prepayments and accrued income	321	392	294	304
Other debtors	58	61	26	10
	402	619	1,252	1,073

Within the Association, amounts due from subsidiaries includes £50,000 (2019: £50,000) which is due after more than one year. Within the Group, other debtors includes £nil (2019: £22,725) which is due after more than one year.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Taxation and social security costs	281	164	263	151
Other creditors	830	668	708	606
Accruals and deferred income	467	825	447	780
Deposits by branches	1,717	1,170	1,717	1,170
Form by Branch	940	940	940	940
Amounts owed to subsidiaries	-	-	39	68
	4,235	3,767	4,114	3,715

Deposits by branches are held in a separate portfolio of investments comprising UK listed investments and cash deposits, managed by either Rathbones Investment Management Limited or Rothchilds.

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

The amounts included in accruals and deferred income can be analysed as follows:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Accruals	252	487	238	462
Deferred income	215	338	209	318
	<u>467</u>	<u>825</u>	<u>447</u>	<u>780</u>

Included in accruals is an amount of £37k (2019 - £131k) in respect of unpaid pension contributions.

	Group £'000	Association £'000
Movement in deferred income:		
2020 opening balance	338	318
Release during the year	(333)	(318)
2020 donations and subscriptions in advance	210	209
2020 Closing balance	<u>215</u>	<u>209</u>

Within the Group and Association, deferred income comprises membership subscription income, Government funding and deposits received in advance.

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

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred income – capital grant	279	283	-	-
	<u>279</u>	<u>283</u>	<u>-</u>	<u>-</u>

THE ROYAL AIR FORCES ASSOCIATION
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20. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are set out below:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Equipment:				
Due within one year	11	10	10	10
Due between two and five years	33	-	27	-
Land and buildings:				
Due within one year	40	46	13	13
Due between two and five years	8	40	3	7
	<u>92</u>	<u>96</u>	<u>53</u>	<u>30</u>

21. RESTRICTED FUNDS

Association	At 1 January 2020 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2020 £'000
	Eastern Area Chalet Fund	84	32	(7)	-
Homes Refurbishment	151	-	-	-	151
Richard Peck House	82	-	-	(82)	-
Flowerdown House	113	5	(5)	-	113
Rothbury House	38	12	(1)	-	49
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	-	-	-	361
Sussexdown Residents' Fund	60	-	-	(60)	-
Ivor Maloney	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
Talking Air Mail	(2)	-	-	2	-
Preston Office	51	-	(1)	-	50
Forces in Mind Trust	63	165	(86)	-	142
Storybook Wings	4	-	-	-	4
RAF Benevolent Fund Grants	197	2,693	(2,661)	-	229
Libor	109	-	(4)	-	105
Vehicle fund for Areas	56	-	-	-	56
Volunteer Welfare Officers	12	-	(4)	-	8
Wexford	66	9	(17)	-	58
Befriending	-	17	(30)	13	-
Veterans	-	1,027	(526)	-	501
Other Restricted Funds	205	292	(109)	-	388
	<u>1,769</u>	<u>4,252</u>	<u>(3,451)</u>	<u>(127)</u>	<u>2,443</u>
Group					
Digby Nursery Fund	-	108	-	-	108
	<u>1,769</u>	<u>4,360</u>	<u>(3,451)</u>	<u>(127)</u>	<u>2,551</u>

THE ROYAL AIR FORCES ASSOCIATION
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21. RESTRICTED FUNDS (continued)

Group and Association	At 1 January 2019 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2019 £'000
Eastern Area Chalet Fund	84	4	(4)	-	84
Homes Refurbishment	151	-	-	-	151
Richard Peck House	82	-	-	-	82
Flowerdown House	115	38	(40)	-	113
Rothbury House	34	34	(30)	-	38
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	806	(806)	-	361
Sussexdown Residents' Fund	60	-	-	-	60
Ivor Maloney	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
Talking Air Mail	16	-	(18)	-	(2)
Preston Office	52	2	(3)	-	51
Forces in Mind Trust	(2)	86	(21)	-	63
Storybook Wings	4	2	(2)	-	4
RAF Benevolent Fund Grants	207	1,408	(1,418)	-	197
Libor	109	2	(2)	-	109
Vehicle fund for Areas	56	-	-	-	56
Volunteer Welfare Officers	12	69	(69)	-	12
Wexford	66	13	(13)	-	66
Befriending	89	178	(267)	-	-
Other Restricted Funds	191	305	(291)	-	205
	<u>1,806</u>	<u>2,947</u>	<u>(2,984)</u>	<u>-</u>	<u>1,769</u>

The purpose of each fund is as stated above except for the Respite Care and Welfare fund, which represents an aggregation of each Areas Respite Care funds, which have the common purpose of contributing towards welfare breaks for eligible individuals.

Transfers from unrestricted funds to restricted funds have been made to support the objectives of the restricted funds. Transfers from restricted funds to unrestricted fund is representative of the Richard Peck House Fund ceasing to be restricted upon the sale of the property, and Sussexdown Residents' Fund being reclassified as unrestricted.

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22. DESIGNATED FUNDS

Group and Association	At	Income	Expenditure	Transfers	At
	1 January				2020
	2020	£'000	£'000	£'000	2020
	£'000	£'000	£'000	£'000	£'000
Fixed Assets	3,375	-	-	-	3,375
Homes Review	86	-	-	(86)	-
Membership Innovation	346	-	-	-	346
Investment Fund	4,310	-	-	-	4,310
Homes Fund	1,355	-	-	(1,355)	-
Welfare Fund	1,500	-	-	6,500	8,000
Property Repairs and Maintenance	7,375	-	-	(6,625)	750
Defined Benefit Pension Scheme	1,988	-	-	-	1,988
	20,335	-	-	(1,566)	18,769

Group and Association	At	Income	Expenditure	Transfers	At
	1 January				2019
	2019	£'000	£'000	£'000	2019
	£'000	£'000	£'000	£'000	£'000
Council Projects	18	-	-	(18)	-
Other Projects	413	-	-	(413)	-
Fixed Assets	4,562	-	-	(1,187)	3,375
Homes Review	86	-	-	-	86
Membership Innovation	346	-	-	-	346
Investment Fund	2,505	-	-	1,805	4,310
Homes Fund	1,500	-	-	(145)	1,355
Investment in Strategic Growth Fund	3,114	-	-	(3,114)	-
Welfare Fund	902	-	-	598	1,500
Property Repairs and Maintenance	4,894	-	-	2,481	7,375
Defined Benefit Pension Scheme	-	-	-	1,988	1,988
	18,340	-	-	1,995	20,335

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22. DESIGNATED FUNDS (Continued)

In support of the plan to 2023 the Trustees have approved a number of changes to designated funds. The value of the property fund has been reduced following the reshaping of the Association in response to COVID-19 and changed ways of working.

A designated fund of £1,988k was created in 2019 to cover any future shortfall on the defined benefit pension scheme resulting from adverse financial market movements and the resulting impact on the scheme assets. This is still considered valid in light of the impact of COVID-19 on markets and the initial suspension and subsequent reduction of employer contributions to the pension scheme, as more particularly referred to in note 11.

A full review of the membership offering is planned for 2021 and 2022 and it is therefore believed that the Membership Innovation fund of £346k is still valid.

The Investment Fund, remains at £4,310k to take account of the continued uncertainties seen in the financial markets resulting from the ongoing uncertainties around COVID-19 and global political and trade uncertainties. The Trustees believe that this fund is sufficient to withstand a significant market correction.

Whilst difficult to quantify with any degree of uncertainty it is widely believed that the Welfare needs of the Association's beneficiaries will continue to evolve with increasing complexity and considerable unmet need has been identified as a result of the COVID pandemic. The Trustees have therefore increased the amounts set aside for Welfare delivery by £6,500k to £8,000k to enable research, design and implementation of Welfare products and services to be undertaken.

The Homes Review and Homes Fund have been released following the decision to cease delivering organic respite care for Rothbury House and Flowerdown House.

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23. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2020 are represented by:			
Intangible fixed assets	1,689	-	1,689
Tangible fixed assets	6,918	-	6,918
Investments	22,812	-	22,812
Loans to branches	131	-	131
Current assets	3,248	2,551	5,799
Current liabilities	(4,235)	-	(4,235)
Creditors due after one year	(279)	-	(279)
Pension provision	(830)	-	(830)
Total net assets	29,454	2,551	32,005
Association:			
	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2020 are represented by:			
Intangible fixed assets	1,689	-	1,689
Tangible fixed assets	6,365	-	6,365
Investments	22,812	-	22,812
Loans to branches	131	-	131
Current assets	3,275	2,443	5,718
Current liabilities	(4,114)	-	(4,114)
Pension provision	(830)	-	(830)
Total net assets	29,328	2,443	31,771

THE ROYAL AIR FORCES ASSOCIATION
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23. ANALYSIS OF NET ASSETS BETWEEN FUNDS (Continued)

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2019 are represented by:			
Tangible fixed assets	8,576	-	8,576
Investments	26,782	-	26,782
Loans to branches	132	-	132
Current assets	2,944	1,769	4,713
Current liabilities	(3,767)	-	(3,767)
Creditors due after one year	(283)	-	(283)
Pension provision	(430)	-	(430)
Total net assets	33,954	1,769	35,723
Association:			
	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2019 are represented by:			
Tangible fixed assets	8,042	-	8,042
Investments	26,530	-	26,530
Loans to branches	132	-	132
Current assets	2,653	1,769	4,422
Current liabilities	(3,715)	-	(3,715)
Pension provision	(430)	-	(430)
Total net assets	33,212	1,769	34,981

**THE ROYAL AIR FORCES ASSOCIATION
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24. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net (expenditure)/income	(3,291)	2,037	(2,783)	2,424
Adjustments for:				
Donation gift in kind	-	(128)	-	-
Gifted properties	951	(1,375)	951	(1,375)
Share of joint venture	252	409	-	-
Contributions to defined benefit scheme	(92)	(470)	(92)	(470)
Expenses borne by pension scheme	58	88	58	88
Depreciation charges	359	508	326	478
Amortisation charges	111	-	111	-
Amortisation of capital grant	(4)	(5)	-	-
Loss on disposal of fixed assets	16	10	16	10
Gains on investments	(27)	(2,978)	(27)	(2,978)
Deficit on fixed assets	-	378	-	378
Investment income	(864)	(1,023)	(864)	(1,023)
Return on defined benefit scheme assets	(318)	(442)	(318)	(442)
Interest paid	17	(10)	17	(10)
Interest on defined benefit pension liabilities	325	444	325	444
Decrease in assets for resale	294	1,170	294	1,170
(Increase)/decrease in stocks	(100)	(114)	8	87
Decrease/(increase) in debtors	234	184	(169)	(214)
(Decrease) in creditors	(79)	(924)	(148)	(876)
Net cash (used in) by operating activities	<u>(2,158)</u>	<u>(2,241)</u>	<u>(2,295)</u>	<u>(2,309)</u>

25. CASH AND CASH EQUIVALENTS

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents represent:				
Cash at bank	1,853	1,465	1,357	1,047
Cash held by investment managers	2,529	879	2,529	879
	<u>4,382</u>	<u>2,344</u>	<u>3,886</u>	<u>1,926</u>

26. LEGACIES

The Association is aware of a number of legacies to be received due to the legacy pipeline information but these are difficult to quantify as the monetary value is uncertain and cannot be established.

**THE ROYAL AIR FORCES ASSOCIATION
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27. CONTINGENT ASSET

The Association has recovered 85.75p in the £ in respect of its claim in the Kaupthing Singer & Friedlander Administration. The Administrators currently estimate that total distributions to unsecured creditors should be a maximum of 86.5p in the £. The asset is not recognised in the accounts as there is no certainty regarding the amount and timing of future distributions.

28. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £121k (2019: £967k) to the Association which is included in Wings Appeal income. The Association returned £23k (2019: £199k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition, £1k (2019: £9k) was paid to the branches in respect of Wings Appeal expenditure and these expenses are included in the cost of raising funds.

Membership subscription rebates of £91k (2019: £146k) are to be paid to branches are included in expenditure.

The Association paid interest of £18k (2019: £10k) to the branches holding deposit accounts with the Association (see note 14). The Association received interest of £nil (2019: £1k) from branches that have received loans from the Association (see note 15).

29. FINANCIAL INSTRUMENTS

The carrying amount of the Group's and Associations financial instruments at 31 December were:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Financial assets:				
Equity instruments measured at fair value through net income / expenditure	20,973	23,326	20,973	23,326

30. DONATIONS – GIFTED PROPERTY ASSETS

During the year, the Royal Air Forces Association branches at Aberdare, Stanley and Penzance closed resulting in three properties being transferred to The Royal Air Forces Association for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The properties transferred were valued at their fair values and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised in the Statement of Financial Activities as Donations – Assets Gifted from Closed Branches.

During the year, management clarified ownership of three properties previously held as assets held for sale and investments properties, resulting in an adjustment to the valuation of the total properties held. The following table sets out the fair values of properties transferred and an analysis of their recognition in the Statement of Financial Activities.

	2020	2019
	£'000	£'000
Investment properties	(410)	880
Assets held for resale	(541)	495
	<u>(951)</u>	<u>1,375</u>

All properties transferred are classified as Unrestricted Funds.

Shortly after the year end a further property for resale was gifted to the Association at a value of £350k.

THE ROYAL AIR FORCES ASSOCIATION
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31. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total £'000
INCOME:				
Donations and Legacies	3	7,575	381	7,956
Donations – assets gifted from closed branches	29	1,375	-	1,375
Donation in kind on acquisition		128	-	128
Charitable Activities:				
Residential and respite care homes	6	1,399	2,566	3,965
Nursery fees		261	-	261
Other Trading Activities:				
Trading income		418	-	418
Grand Draw and other fundraising income		1,110	-	1,110
Investment Income	5	1,023	-	1,023
Total Income		<u>13,289</u>	<u>2,947</u>	<u>16,236</u>
EXPENDITURE:				
Cost of Raising Funds		4,212	-	4,212
Charitable Activities:				
Residential & Respite Care Home		3,710	46	3,756
Friendship & Welfare Support		4,883	2,773	7,656
Grants		148	160	308
Other Support Costs		871	5	876
Other Expenditure:				
Interest Paid on Branch Deposits		(10)	-	(10)
Interest on Defined Benefit Pension Liabilities		2	-	2
Share of net loss in joint venture		409	-	409
Total Expenditure	7	<u>14,225</u>	<u>2,984</u>	<u>17,209</u>
Net gains on investment assets	13	3,010	-	3,010
Net income/(expenditure)		<u>2,074</u>	<u>(37)</u>	<u>2,037</u>
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	(554)	-	(554)
Net movement in funds		<u>1,520</u>	<u>(37)</u>	<u>1,483</u>
Reconciliation of Funds				
Total Funds Brought Forward		32,434	1,806	34,240
Total Funds Carried Forward		<u>33,954</u>	<u>1,769</u>	<u>35,723</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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31. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total £'000
INCOME:				
Donations and Legacies	3	7,666	381	8,047
Donations – assets gifted from closed branches		1,375	-	1,375
Charitable Activities:				
Residential and respite care homes	6	1,155	2,566	3,721
Other Trading Activities:				
Grand Draw and other fundraising income		1,110	-	1,110
Investment Income	5	1,023	-	1,023
Total Income		<u>12,329</u>	<u>2,947</u>	<u>15,276</u>
EXPENDITURE				
Cost of Raising Funds		3,778	-	3,778
Charitable Activities:				
Residential & Respite Care Home		3,527	46	3,573
Welfare Support		4,562	2,773	7,335
Grants		148	160	308
Other Support Costs		871	5	876
Other Expenditure:				
Interest Paid on Branch Deposits		(10)	-	(10)
Interest on Defined Benefit Pension Liabilities		2	-	2
Total Expenditure	7	<u>12,878</u>	<u>2,984</u>	<u>15,862</u>
Net gains on investment assets	13	3,010	-	3,010
Net income/(expenditure)		<u>2,461</u>	<u>(37)</u>	<u>2,424</u>
Other recognised losses:				
Actuarial loss on defined benefit pension scheme	11	(554)	-	(554)
Net movement in funds		<u>1,907</u>	<u>(37)</u>	<u>1,870</u>
Reconciliation of Funds				
Total Funds Brought Forward		31,305	1,806	33,111
Total Funds Carried Forward		<u>33,212</u>	<u>1,769</u>	<u>34,981</u>

