

# 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**

<b>REGISTERED CHARITY NUMBERS</b>	226686 (England and Wales), SC037673 (Scotland)
<b>PRINCIPAL OFFICE</b>	Atlas House, 41 Wembley Road, Leicester, LE3 1UT
<b>PATRON</b>	Her Majesty The Queen
<b>LIFE VICE-PRESIDENTS</b>	<p>Marshal of the Royal Air Force The Lord Stirrup KG GCB AFC FRAeS FCMI</p> <p>Air Chief Marshal Sir Stephen Dalton GCB ADC BSc FRAeS CCMl</p> <p>Air Chief Marshal Sir Joseph Gilbert KCB CBE</p> <p>Air Chief Marshal Sir Glenn Torpy GCB CBE DSO BSc (Eng) FRAeS</p> <p>Air Chief Marshal Sir Andrew Pulford GCB CBE</p> <p>Air Chief Marshal Sir Stephen Hillier GCB CBE DFC MA</p> <p>Air Marshal Sir John Kemball KCB CBE DL (Died June 2021)</p> <p>Air Marshal Sir Dusty Miller KBE</p> <p>Air Marshal P O Sturley CB MBE BSc FRAeS</p> <p>Air Vice-Marshal P Liddell CB BSc CEng FIET FRAeS</p> <p>Air Vice-Marshal N Bairsto CB MBE</p> <p>Air Commodore A H Vaughan OBE BA FIMgt</p> <p>Dr B Pattinson, OBE (from January 2022)</p>

**TRUSTEE MEMBERS OF THE COUNCIL**

<b>President</b>	Air Marshal Sir Baz North KCB OBE MA FRAeS
<b>Chairman</b>	Air Vice-Marshal J Cliffe CB OBE
<b>Vice Chairman</b>	<p>Air Vice-Marshal M Neal OBE CEng FIET (from October 2021)</p> <p>Dr B Pattinson, OBE (to October 2021)</p>
<b>Honorary Treasurer</b>	Mr P Tagg
<b>Elected Members</b>	<p>Dr B Pattison OBE (to October 2021)</p> <p>Mr M J Blackman (to October 2021)</p> <p>Squadron Leader D Gibson RAF (to October 2021)</p> <p>Mr C H Goss MA (to October 2021)</p> <p>Mr I L McEnnis DipNEBSM AInstAM (Dip) (to October 2021)</p> <p>Mr A P Rees (to October 2021)</p> <p>Mrs B Dennett Stannard (to October 2021)</p> <p>Mr P Ramrayka MBA CIHM FIHM FIHEEM (to October 2021)</p> <p>FRSP</p>

**THE ROYAL AIR FORCES ASSOCIATION  
REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)**

**YEAR ENDED 31 DECEMBER 2021**

<b>Area Representatives</b>	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)
<b>Members appointed by the Royal Air Force</b>	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)
<b>RAF Benevolent Fund Representative</b>	Air Commodore R Atherton (to October 2021)
<b>Appointed Member</b>	Ms F Barber Ms S Barber Mrs P Bearblock Air Vice-Marshal M Neal OBE CEng FIET
<b>SENIOR MANAGEMENT TEAM</b>	
<b>Secretary General</b>	Mr N Bunting OBE CDir FIOD MCMI
<b>Director of Welfare and Policy</b>	Mr R O'Connor MA
<b>Director of Branch and Membership Operations</b>	Group Captain D Rowlands MA Chartered MCIPD
<b>Director of Marketing, Fundraising and Trading</b>	Ms R Huxford MBE MInstF
<b>Chief Finance Officer</b>	Mr A Wilkinson-Sharpe FCCA (until March 2021) Mrs K Parkin JP BSc (Hons) ACMA CGMA MCIPP ACIPD (from April 2021)
<b>Chief Information Officer</b>	Mr P Sherwin BSc (Hons) MBCS
<b>Group Company Secretary</b>	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**

<b>Auditors</b>	RSM UK Audit LLP, St Philips Point, Temple Row, Birmingham B2 5AF
<b>Bankers</b>	Lloyds Bank plc, Law Courts Branch, 222 Strand, London WC2R 1BB
<b>Investment Managers</b>	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Rothschild & Co, New Court, St Swithin's Lane, London EC4N 8AL
<b>Solicitors</b>	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 particular 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.

<b>Committee</b>	<b>Chair</b>	<b>Number of members</b>	<b>Number of meetings</b>
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.

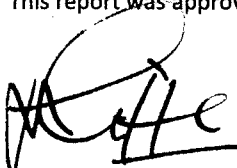
**THE ROYAL AIR FORCES ASSOCIATION  
TRUSTEES' REPORT (CONTINUED)  
YEAR ENDED 31 DECEMBER 2021**

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:

A handwritten signature in black ink, appearing to read 'J Cliffe', is written over a circular stamp that is partially visible.

**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.

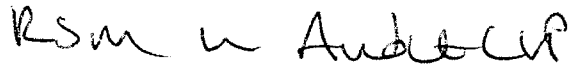
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## 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

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
<b>INCOME:</b>					
<b>Donations and Legacies</b>	3	4,352	441	4,793	6,654
Donations – assets gifted from closed branches	28	1,015	-	1,015	(951)
<b>Charitable Activities:</b>	6	2,128	2,392	4,520	5,875
<b>Other Trading Activities:</b>					
Trading income		456	-	456	302
Grand Draw and other fundraising income		1,145	-	1,145	1,178
<b>Investment Income</b>	5	577	-	577	864
<b>Total Income</b>		<b>9,673</b>	<b>2,833</b>	<b>12,506</b>	<b>13,922</b>
<b>EXPENDITURE:</b>					
<b>Cost of Raising Funds</b>		1,660	-	1,660	2,140
<b>Charitable Activities:</b>					
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
<b>Other Expenditure:</b>					
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
<b>Total Expenditure</b>	7	<b>11,311</b>	<b>3,043</b>	<b>14,354</b>	<b>17,240</b>

**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
<b>Net gains on investment assets</b>	14(b)	2,575	-	2,575	27
<b>Net (expenditure)/income</b>		937	(210)	727	(3,291)
<b>Other recognised losses:</b>					
Actuarial gain/(losses) on defined benefit pension scheme	11	839	-	839	(427)
<b>Net movement in funds</b>		1776	(210)	1,566	(3,718)
<b>Reconciliation of Funds</b>					
<b>Total Funds Brought Forward</b>		29,454	2,551	32,005	35,723
<b>Total Funds Carried Forward</b>		<b>31,230</b>	<b>2,341</b>	<b>33,571</b>	<b>32,005</b>

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
<b>INCOME:</b>					
<b>Donations and Legacies</b>	3	4,352	441	4,793	6,546
Donations – assets gifted from closed branches	28	1,015	-	1,015	(951)
<b>Charitable Activities:</b>	6	331	2,392	2,723	4,464
<b>Other Trading Activities:</b>					
Grand Draw and other fundraising income		1,145	-	1,145	1,178
<b>Investment Income</b>	5	577	-	577	864
<b>Total Income</b>		<b>7,420</b>	<b>2,833</b>	<b>10,253</b>	<b>12,101</b>
<b>EXPENDITURE</b>					
<b>Cost of Raising Funds</b>		1,030	-	1,030	1,765
<b>Charitable Activities:</b>					
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
<b>Other Expenditure:</b>					
Interest Paid on Branch Deposits		19	-	19	17
Interest on Defined Benefit Pension Liabilities		11	-	11	7
<b>Total Expenditure</b>	7	<b>9,083</b>	<b>3,035</b>	<b>12,118</b>	<b>14,911</b>

**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		<b>31,079</b>	<b>2,241</b>	<b>33,320</b>	<b>31,771</b>

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	2020	2021	2020
		£'000	£'000	£'000	£'000
<b>Fixed assets:</b>					
<b>Intangible assets</b>	12	1,302	1,689	1,302	1,689
<b>Tangible assets:</b>					
Properties	13	5,404	6,229	4,996	5,843
Equipment and furniture	13	579	689	393	522
		<hr/>	<hr/>	<hr/>	<hr/>
		7,285	8,607	6,691	8,054
<b>Investments:</b>					
Investments	14	25,265	22,812	25,265	22,812
Programme related investments					
- loan to branches		129	131	129	131
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total fixed assets</b>		32,679	31,550	32,085	30,997
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Current assets:</b>					
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
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current assets</b>		5,288	5,799	5,266	5,718
<b>Current liabilities:</b>					
Creditors: amounts falling due within one year	17	(4,127)	(4,235)	(4,031)	(4,114)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		1,161	1,564	1,235	1,604
<b>Total assets less current liabilities</b>		33,840	33,114	33,320	32,601
Creditors: amounts falling due after more than one year	18	(269)	(279)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets excluding pension scheme liability</b>		33,571	32,835	33,320	32,601
Defined benefit pension scheme asset/(liability)	11	-	(830)	-	(830)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets including pension scheme liability</b>		33,571	32,005	33,320	31,771
		<hr/>	<hr/>	<hr/>	<hr/>

**THE ROYAL AIR FORCES ASSOCIATION**  
**CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (continued)**  
**AT 31 DECEMBER 2021**

	Notes	Group		Association	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
<b>Funds:</b>					
<b>Income funds:</b>					
Restricted funds	20	2,341	2,551	2,241	2,443
<b>Unrestricted funds:</b>					
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)
<b>Net general funds</b>		<b>12,274</b>	<b>10,687</b>	<b>12,147</b>	<b>10,559</b>
Non-charitable funds		24	(2)	-	-
<b>Total funds</b>		<b>33,571</b>	<b>32,005</b>	<b>33,320</b>	<b>31,771</b>

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	2020	2021	2020
		£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>	23	(2,562)	(2,158)	(2,611)	(2,295)
<hr/>					
<b>Cash flows from investing activities</b>					
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
<b>Net cash provided by investing activities</b>		2,029	3,648	2,093	3,707
<hr/>					
<b>Cash flows from financing activities</b>					
Decrease in loans to branches		2	1	2	1
Decrease in deposits by branches		190	547	190	547
<b>Net cash from financing activities</b>		192	548	192	548
<hr/>					
<b>Change in cash and cash equivalents in the year</b>		(341)	2,038	(326)	1,960
<b>Cash and cash equivalents at the beginning of the year</b>		4,382	2,344	3,886	1,926
<b>Cash and cash equivalents at the end of the year</b>	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)
---------------------	---

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**

<b>Group</b>	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total 2021 £'000</b>	<b>Total 2020 £'000</b>
<b>Donations</b>				
Residential and respite care homes	-	-	-	29
Armed Forces Covenant Fund Trust	-	211	211	1,027
Others	1,223	230	1,453	1,827
<b>Legacies</b>	<b>2,158</b>	<b>-</b>	<b>2,158</b>	<b>2,886</b>
<b>Subscriptions</b>	<b>971</b>	<b>-</b>	<b>971</b>	<b>885</b>
	<b>4,352</b>	<b>441</b>	<b>4,793</b>	<b>6,654</b>

<b>Association</b>	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total 2021 £'000</b>	<b>Total 2020 £'000</b>
<b>Donations</b>				
Residential and respite care homes	-	-	-	29
Armed Forces Covenant Fund Trust	-	211	211	1,027
Others	1,223	230	1,453	1,719
<b>Legacies</b>	<b>2,158</b>	<b>-</b>	<b>2,158</b>	<b>2,886</b>
<b>Subscriptions</b>	<b>971</b>	<b>-</b>	<b>971</b>	<b>885</b>
	<b>4,352</b>	<b>441</b>	<b>4,793</b>	<b>6,546</b>

**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  
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**4. SUBSIDIARIES (continued)**

The results of the subsidiaries and the amounts included within the Group Statement of Financial Activities, are as follows:

	<b>RAFA HL 2021 £'000</b>	<b>RAFATRAD 2021 £'000</b>	<b>RAFA Events 2021 £'000</b>	<b>RAFA Kidz 2021 £'000</b>	<b>RAFA Kidzone 2021 £'000</b>
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:

	<b>RAFA HL 2021 £'000</b>	<b>RAFATRAD 2021 £'000</b>	<b>RAFA Events 2021 £'000</b>	<b>RAFA Kidz 2021 £'000</b>	<b>RAFA Kidzone 2021 £'000</b>
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.

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**5. INVESTMENT INCOME AND INTEREST**

<b>Group and Association</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
UK listed investments	450	747
Cash deposits	-	3
Branch and other loans	3	-
Properties	124	114
	<b>577</b>	<b>864</b>

All investment income and interest is unrestricted for both years.

**6. INCOME FROM CHARITABLE ACTIVITIES**

	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total 2021 £'000</b>	<b>Total 2020 £'000</b>
<b>Group</b>				
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
	<b>2,128</b>	<b>2,392</b>	<b>4,520</b>	<b>5,875</b>

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.

	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total 2021 £'000</b>	<b>Total 2020 £'000</b>
<b>Association</b>				
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
	<b>331</b>	<b>2,392</b>	<b>2,723</b>	<b>4,464</b>

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**7. TOTAL EXPENDITURE**

**Group**

	<b>Employee and related costs £'000</b>	<b>Depreciation and amortisation £'000</b>	<b>Other costs £'000</b>	<b>Total 2021 £'000</b>	<b>Total 2020 £'000</b>
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
	<b>7,029</b>	<b>607</b>	<b>6,718</b>	<b>14,354</b>	<b>17,240</b>

	<b>2021 £'000</b>	<b>2020 £'000</b>
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
	<b>4,383</b>	<b>4,903</b>

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**  
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**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

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**8. GRANTS PAYABLE**

<b>Group and Association</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Welfare grants to individuals	95	26
Association property grants to branches	6	7
Armed Forces Covenant Fund Trust grants paid to branches	583	526
	<b>684</b>	<b>559</b>

**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**

	<b>Group</b>		<b>Association</b>	
	<b>2021 £'000</b>	<b>2020 £'000</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
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
	<b>7,022</b>	<b>8,089</b>	<b>5,302</b>	<b>6,503</b>

Included in the staff costs above is an amount of £nil (2020: £235,281) which relates to the total restructuring costs for the organisations.

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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:

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
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	-	-
	<b>205</b>	<b>239</b>	<b>134</b>	<b>173</b>

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:

<b>Group and Association</b>	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
£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
	<b>9</b>	<b>11</b>

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  
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**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:

	<b>2021</b>	<b>2020</b>
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:

	<b>2021</b>	<b>2020</b>
	<b>Years</b>	<b>Years</b>
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:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Total assets</b>	<b>17,649</b>	<b>17,726</b>
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	17,649	17,726
Present value of scheme liabilities	(17,016)	(18,556)
<b>Surplus/(deficit) in the scheme</b>	<b>633</b>	<b>(830)</b>
Restriction on recognition of scheme surplus	(633)	-
<b>Total liability recognised</b>	<b>-</b>	<b>(830)</b>

**THE ROYAL AIR FORCES ASSOCIATION  
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**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**

	<b>2021 £'000</b>	<b>2020 £'000</b>
Expenses paid by the scheme	73	58

**Analysis of financial element of pensions cost**

	<b>2021 £'000</b>	<b>2020 £'000</b>
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**

	<b>2021 £'000</b>	<b>2020 £'000</b>
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**

	<b>2021 £'000</b>	<b>2020 £'000</b>
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

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**11. PENSION SCHEMES (continued)**

<b>Changes in the fair value of plan assets</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
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)
Closing defined benefit obligation	<u>17,649</u>	<u>17,726</u>

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**

<b>Group and Association</b>	<b>Computer software £'000</b>	<b>Total £'000</b>
<b>Cost or valuation:</b>		
At 1 January 2021	1,890	1,890
Disposals	(70)	(70)
At 31 December 2021	<u>1,820</u>	<u>1,820</u>
<b>Amortisation:</b>		
At 1 January 2021	201	201
Charge for year	326	326
Amortisation on disposals	(9)	(9)
At 31 December 2021	<u>518</u>	<u>518</u>
<b>Net book Value:</b>		
At 31 December 2021	<u>1,302</u>	<u>1,302</u>
At 31 December 2020	<u>1,689</u>	<u>1,689</u>

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).

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**13. TANGIBLE FIXED ASSETS**

Group	Properties			Total £'000
	Freehold £'000	Short Leasehold £'000	Equipment and Furniture £'000	
<b>Cost or valuation:</b>				
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	7,248	59	2,074	9,381
<b>Depreciation:</b>				
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	1,875	28	1,495	3,398
<b>Net book Value:</b>				
At 31 December 2021	5,373	31	579	5,983
At 31 December 2020	6,197	32	689	6,918

Association	Properties			Total £'000
	Freehold £'000	Short Leasehold £'000	Equipment and Furniture £'000	
<b>Cost or valuation:</b>				
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	6,521	59	1,605	8,185
<b>Depreciation:</b>				
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	1,556	28	1,212	2,796
<b>Net book Value:</b>				
At 31 December 2021	4,965	31	393	5,389
At 31 December 2020	5,811	32	522	6,365

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**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
<b>a) Fixed assets</b>				
Listed investments	22,263	20,973	13,024	12,834
Investment properties	3,002	1,839	759	165
	<b>25,265</b>	<b>22,812</b>	<b>13,783</b>	<b>12,999</b>

Association	Fair Value		Historical Cost	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>a) Fixed assets</b>				
Listed investments	22,263	20,973	13,024	12,834
Investment properties	3,002	1,839	759	165
	<b>25,265</b>	<b>22,812</b>	<b>13,783</b>	<b>12,999</b>

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	<b>22,263</b>	<b>3,002</b>	<b>25,265</b>

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**

	<b>Share of joint venture</b>	
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
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:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Income	-	-
Expenditure	-	(115)
Net expenditure	-	(115)

The Association's share of RAF100 Appeal's assets and liabilities is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
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.

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**14. INVESTMENTS (continued)**

**Overseas investments**

	<b>Branch Deposit Fund £'000</b>	<b>Fund – Formby Branch £'000</b>	<b>Total £'000</b>
<b>2021</b>			
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
	<b>8,233</b>	<b>443</b>	<b>8,676</b>
<b>2020</b>			
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
	<b>10,274</b>	<b>475</b>	<b>10,749</b>

**b) Net gains on investment assets**

<b>Group and Association</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
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
	<b>2,575</b>	<b>27</b>

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.

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**15. ASSETS HELD FOR RESALE**

	<b>2021</b>	<b>2020</b>
<b>Group and Association</b>	<b>£'000</b>	<b>£'000</b>
Freehold properties	550	580

**16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>305</b>	<b>402</b>	<b>1,156</b>	<b>1,252</b>

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**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>4,127</b>	<b>4,235</b>	<b>4,031</b>	<b>4,114</b>

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.



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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:

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accruals	374	252	343	238
Deferred income	256	215	244	209
	<b>630</b>	<b>467</b>	<b>587</b>	<b>447</b>

Included in accruals is an amount of £33k (2020: £37k) in respect of unpaid pension contributions.

<b>Movement in deferred income:</b>	<b>Group</b>	<b>Association</b>
	<b>£'000</b>	<b>£'000</b>
2021 opening balance	215	209
Release during the year	(210)	(209)
2021 donations, fulfilment income and grants in advance	251	244
2021 closing balance	<b>256</b>	<b>244</b>

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**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred income – capital grant	269	279	-	-
	<b>269</b>	<b>279</b>	<b>-</b>	<b>-</b>

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**19. OPERATING LEASE COMMITMENTS**

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

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>103</b>	<b>92</b>	<b>59</b>	<b>53</b>

**20. RESTRICTED FUNDS**

<b>Association</b>	<b>At 1 January 2021 £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Transfers £'000</b>	<b>At 31 December 2021 £'000</b>
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
	<b>2,443</b>	<b>2,833</b>	<b>(3,035)</b>	<b>-</b>	<b>2,241</b>
<b>Group</b>					
Digby Nursery Fund	108	-	(8)	-	100
	<b>2,551</b>	<b>2,833</b>	<b>(3,043)</b>	<b>-</b>	<b>2,341</b>

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**20. RESTRICTED FUNDS (continued)**

Association	At 1 January 2020 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2020 £'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
<b>Group</b>					
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**

<b>Group and Association</b>	<b>At 1 January 2021 £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Transfers £'000</b>	<b>At 31 December 2021 £'000</b>
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
	<b>18,769</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>18,932</b>

<b>Group and Association</b>	<b>At 1 January 2020 £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Transfers £'000</b>	<b>At 31 December 2020 £'000</b>
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
	<b>20,335</b>	<b>-</b>	<b>-</b>	<b>(1,566)</b>	<b>18,769</b>

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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**

<b>Group:</b>	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total Funds £'000</b>
<b>Funds balances at 31 December 2021 are represented by:</b>			
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	-	-	-
<b>Total net assets</b>	<b>31,230</b>	<b>2,341</b>	<b>33,571</b>
<b>Association:</b>	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total Funds £'000</b>
<b>Funds balances at 31 December 2021 are represented by:</b>			
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	-	-	-
<b>Total net assets</b>	<b>31,079</b>	<b>2,241</b>	<b>33,320</b>

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**22. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)**

<b>Group:</b>	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total Funds £'000</b>
<b>Funds balances at 31 December 2020 are represented by:</b>			
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)
<b>Total net assets</b>	<b>29,454</b>	<b>2,551</b>	<b>32,005</b>
<b>Association:</b>	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total Funds £'000</b>
<b>Funds balances at 31 December 2020 are represented by:</b>			
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)
<b>Total net assets</b>	<b>29,328</b>	<b>2,443</b>	<b>31,771</b>

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

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	(2,562)	(2,158)	(2,611)	(2,295)

**24. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	4,041	4,382	3,560	3,886

**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.



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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:

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets:</b>				
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.

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Investment properties	-	(410)
Assets held for resale	1,015	(541)
	<b>1,015</b>	<b>(951)</b>

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
<b>INCOME:</b>				
Donations and Legacies	3	5,383	1,271	6,654
Donations – assets gifted from closed branches	28	(951)	-	(951)
<b>Charitable Activities:</b>	6	2,786	3,089	5,875
<b>Other Trading Activities:</b>				
Trading income		302	-	302
Grand Draw and other fundraising income		1,178	-	1,178
<b>Investment Income</b>	5	864	-	864
<b>Total Income</b>		<b>9,562</b>	<b>4,360</b>	<b>13,922</b>
<b>EXPENDITURE:</b>				
<b>Cost of Raising Funds</b>		2,140	-	2,140
<b>Charitable Activities:</b>				
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
<b>Other Expenditure:</b>				
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
<b>Total Expenditure</b>	7	<b>13,789</b>	<b>3,451</b>	<b>17,240</b>

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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
<b>INCOME:</b>				
Donations and Legacies	3	5,383	1,163	6,546
Donations – assets gifted from closed branches	28	(951)	-	(951)
<b>Charitable Activities:</b>	6	1,375	3,089	4,464
<b>Other Trading Activities:</b>				
Grand Draw and other fundraising income		1,178	-	1,178
<b>Investment Income</b>	5	864	-	864
<b>Total Income</b>		<b>7,849</b>	<b>4,252</b>	<b>12,101</b>
<b>EXPENDITURE</b>				
<b>Cost of Raising Funds</b>		1,765	-	1,765
<b>Charitable Activities:</b>				
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
<b>Other Expenditure:</b>				
Interest Paid on Branch Deposits		17	-	17
Interest on Defined Benefit Pension Liabilities		7	-	7
<b>Total Expenditure</b>	7	<b>11,460</b>	<b>3,451</b>	<b>14,911</b>

THE ROYAL AIR FORCES ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2021

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

