

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

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

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

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

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PROFESSIONAL ADVISORS

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

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

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

Our charitable object and activities for the public benefit

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

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

Delivering against our 2022 aims and objectives

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

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

In 2022

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

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

Structure

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

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

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

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

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

The following committees meet on a quarterly basis:

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

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

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

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

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

Our Vision

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

Connected

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

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

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

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

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

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

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

Empowered

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

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

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

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

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

Resilient

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

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

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

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

RAF Families Federation

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

RAFAKidz

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

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Fundraising

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

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

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

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

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

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

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

Governance

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

Public benefit

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

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

FINANCIAL REVIEW

Income

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

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

Expenditure

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

Investment policy and performance

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

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

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

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

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

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

Reserves policy

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

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

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

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

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

Pensions

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

Risk Management

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

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

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

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

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

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

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

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

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

The Board of Trustees (The Council)

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

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

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

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

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

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

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

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

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

Council Meetings

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

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

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

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

Committee Structure

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

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

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

Delegated Authority

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

Branches and Areas

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

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

Annual Conference

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

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

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

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

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

Subsidiaries

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

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

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

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

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

Remuneration Policy

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

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

Remuneration Review and Annual Pay Award

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

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

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

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

Future outlook

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

Auditor

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

Trustees' responsibilities in relation to financial statements

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards. The law applicable to charities in England and Wales, Scotland and Northern Ireland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the Association and the Group, and of the incoming resources and application of resources of the Association and the Group for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities Statement of Recommended Practice (SORP).
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and the Group and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, The Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the Royal Charter. They are also responsible for safeguarding the assets of the Association and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

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

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

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

This report was approved by the Trustees on 17 May 2023 and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'A N C Reid', written in a cursive style.

Air Vice-Marshal A N C Reid
CB OStJ MBChB MSc DRCOG DAvMed FFOM

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

Opinion

We have audited the financial statements of the Royal Air Forces Association (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Group and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2022 and of the group's and parent charity's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 20 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Audit procedures performed by the engagement team included:

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

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

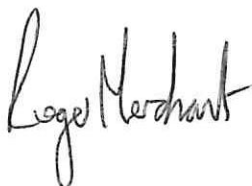
- enquiries of management in so far as they related to the financial statements;
- testing of journals in particular journal entries posted by unusual users, postings with unusual descriptions, postings with unusual dates and postings with unusual and material amounts;
- evaluating whether there was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

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

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Roger Merchant
Senior Statutory Auditor

Date...14 JUNE 2023...

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

THE ROYAL AIR FORCES ASSOCIATION

**GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	2,536	127	2,663	4,793
Donations – assets gifted from closed branches	28	380	-	380	1,015
Charitable Activities:	6	3,651	2,738	6,389	4,520
Other Trading Activities:					
Trading income		845	-	845	456
Grand Draw and other fundraising income		1,619	-	1,619	1,145
Investment Income and Interest	5	662	-	662	577
Total Income		9,693	2,865	12,558	12,506
EXPENDITURE:					
Cost of Raising Funds		1,968	-	1,968	1,660
Charitable Activities:					
Residential & Respite Care Home		1,665	-	1,665	2,407
Friendship & Welfare Support		8,258	3,191	11,449	9,665
Other Support Costs		827	-	827	592
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	19
Interest on Defined Benefit Pension Liabilities		(13)	-	(13)	11
Total Expenditure	7	12,722	3,191	15,913	14,354

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (including consolidated income and expenditure account)
AT 31 DECEMBER 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Net (Losses)/gains on investment assets	14(b)	(2,173)	-	(2,173)	2,575
Net (expenditure)/income		(5,202)	(326)	(5,528)	727
Other recognised losses:					
Net losses on revalued assets		(608)		(608)	-
Actuarial (losses)/gain on defined benefit pension scheme	11	(47)	-	(47)	839
Net movement in funds		(5,857)	(326)	(6,183)	1,566
Reconciliation of Funds					
Total Funds Brought Forward		31,230	2,341	33,571	32,005
Transfer between funds		(220)	220	-	-
Total Funds Carried Forward		25,153	2,235	27,388	33,571

All income and expenditure derive from continuing activities.

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

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES
AT 31 DECEMBER 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
INCOME:					
Donations, Legacies and Subscriptions	3	2,534	43	2,577	4,793
Donations – assets gifted from closed branches	28	380		380	1,015
Charitable Activities:	6	594	2,738	3,332	2,723
Other Trading Activities:					
Grand Draw and other fundraising income		1,619		1,619	1,145
Investment Income and Interest	5	662		662	577
Total Income		5,789	2,781	8,570	10,253
EXPENDITURE					
Cost of Raising Funds		957	-	957	1,030
Charitable Activities:					
Residential & Respite Care Home		1,505	-	1,505	2,355
Friendship & Welfare Support		5,478	3,173	8,651	8,097
Other Support Costs		879	-	879	606
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	19
Interest on Defined Benefit Pension Liabilities		(13)	-	(13)	11
Total Expenditure	7	8,823	3,173	11,996	12,118

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
AT 31 DECEMBER 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Net (losses)/gains on investment assets	14(b)	(2,169)	-	(2,169)	2,575
Net (expenditure)/income		(5,203)	(392)	(5,595)	710
Other recognised losses:					
Net losses on revalued assets		(608)	-	(608)	-
Actuarial (losses)/gain on defined benefit pension scheme	11	(47)	-	(47)	839
Net movement in funds		(5,857)	(392)	(6,249)	1,549
Reconciliation of Funds					
Total Funds Brought Forward		31,079	2,241	33,320	31,771
Transfer between funds		(220)	220	-	-
Total Funds Carried Forward		25,002	2,069	27,071	33,320

All income and expenditure derive from continuing activities.

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

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS
AT 31 DECEMBER 2022

	Notes	Group		Association	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Fixed assets:					
Intangible assets	12	1,026	1,302	1,015	1,302
Tangible assets:					
Properties	13	4,840	5,404	4,365	4,996
Equipment and furniture	13	400	579	287	393
		6,266	7,285	5,667	6,691
Investments:					
Investments	14	21,472	25,265	21,275	25,265
Programme related investments					
- loan to branches		125	129	125	129
Total fixed assets		27,863	32,679	27,067	32,085
Current assets:					
Assets held for resale	15	300	550	300	550
Stocks		294	392	-	-
Debtors	16	421	305	1,291	1,156
Cash at bank and in hand		2,730	4,041	2,248	3,560
Total current assets		3,745	5,288	3,839	5,266
Current liabilities:					
Creditors: amounts falling due within one year	17	(3,952)	(4,127)	(3,835)	(4,031)
Net current (liabilities)/assets		(207)	1,161	4	1,235
Total assets less current liabilities		27,656	33,840	27,071	33,320
Creditors: amounts falling due after more than one year	18	(269)	(269)	-	-
Net assets including pension scheme liability		27,387	33,571	27,071	33,320

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (continued)
AT 31 DECEMBER 2022

	Notes	Group		Association	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Funds:					
Restricted funds	20	2,234	2,341	2,069	2,241
Unrestricted funds:					
Designated funds	21	15,734	18,932	15,734	18,932
General funds		9,419	12,298	9,268	12,147
Total funds		27,387	33,571	27,071	33,320

The financial statements on pages 21 to 60 were approved and authorised for issue by the Trustees on 17 May 2023 and signed on their behalf by:



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

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION STATEMENTS OF CASHFLOWS
AT 31 DECEMBER 2022

	Notes	Group		Association	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash out flows from operating activities	23	(3,288)	(2,562)	(3,568)	(2,611)
<hr/>					
Cash flows from investing activities					
Investment income		662	577	662	577
Interest payable		(17)	(19)	(17)	(19)
Receipt of Kaupthing Singer and Friedlander monies		-	10	-	10
Payments to acquire intangible fixed assets		(74)	-	(62)	-
Payments to acquire tangible fixed assets		(141)	(115)	(72)	(51)
Assets for resale		330	-	330	-
Payments to acquire investments		(1,923)	(3,015)	(1,723)	(3,015)
Receipts from disposals of investments		3,363	4,591	3,363	4,591
Net cash provided by investing activities		2,200	2,029	2,481	2,093
<hr/>					
Cash flows from financing activities					
Decrease in loans to branches		4	2	4	2
(Decrease)/increase in deposits by branches		(227)	190	(229)	190
Net cash from financing activities		(223)	192	(225)	192
<hr/>					
Change in cash and cash equivalents in the year		(1,311)	(341)	(1,312)	(326)
<hr/>					
Cash and cash equivalents at the beginning of the year	24	4,041	4,382	3,560	3,886
<hr/>					
Cash and cash equivalents at the end of the year	24	2,730	4,041	2,248	3,560

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

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting Estimates

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

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

Investment properties are valued at their fair value based on an open market value for existing use of the properties. The valuations are made by a qualified Chartered Surveyor, using a variety of assumptions to determine the valuation of the investment's properties taking account of the fact that the properties are tenanted under lease and providing an income stream rather than being immediately available to occupy. Any changes in these assumptions would impact on the carrying value of these investment properties.

Critical area of judgement

The Trustees believe there is no critical area of judgment.

2. PRINCIPAL ACCOUNTING POLICIES

General information

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

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

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and to include investment properties at fair value, and in accordance with applicable United Kingdom Accounting Standards. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102), the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

Basis of preparation (continued)

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

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

Monetary amounts in the financial statements are rounded to the nearest £1,000. The financial statements are presented in sterling which is also the functional currency of the Association.

Going Concern

As set out in the Trustees report on Page 4, Council has given due regard to the increased pressure on income streams brought about since the pandemic and have concluded that the positive general reserves, healthy cash and investment balances, grant opportunities and continued support of its regular contributors, means that the going concern basis remains appropriate for the preparation of these financial statements.

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

Consolidation

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

Fund accounting

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income

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

Income in the form of donations and subscriptions is included when receivable. Legacies are accounted for as soon as entitlement, probability and a monetary value can be reliably determined. The sums due under the contract from the MoD is included as income in the period it is earned.

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

Investment income is included when receivable.

Income from charitable activities is included in income in the period in which the Association becomes entitled to receipt.

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

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

Expenditure

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

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

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

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

Grants

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets

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

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

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

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

Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently measured at cost or valuation net of depreciation and any impairment loss. The Association and each subsidiary will capitalise items over the value of £500. Depreciation is provided for on all tangible fixed assets at rates calculated to write each asset down to its estimated value evenly over its expected useful economic lives as follows:

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

*These fixed asset classes have been combined in Note 13

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

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

Revaluation of Properties

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

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

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investments

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

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

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

Stocks

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

Financial instruments

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

Pension costs

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

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

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

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

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

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

Operating lease agreements

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

Volunteers

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

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Group				
Donations				
Armed Forces Covenant Fund Trust	-	29	29	211
Others	578	98	676	1,453
Legacies	986	-	986	2,158
Subscriptions	972	-	972	971
	2,536	127	2,663	4,793
	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Association				
Donations				
Armed Forces Covenant Fund Trust	-	29	29	211
Others	576	14	590	1,453
Legacies	986	-	986	2,158
Subscriptions	972	-	972	971
	2,534	43	2,577	4,793

4. SUBSIDIARIES

During the year, the Association owned the whole of the share capital of RAFATRAD Limited, RAFA Housing Limited, RAFA Events Limited (formerly RAFA Clubs Limited) and RAFA Kidz Limited.

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

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

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

RAFA Wellbeing Limited was incorporated during the year on 21 April 2022 for the purpose of providing wellbeing services. The company has not yet traded.

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

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

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

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

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

4. SUBSIDIARIES (continued)

RAFA Kidz Wings Limited has been dormant for the year ended 31 December 2022.

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

During the year RAFATRAD Limited charged the Association £194k (2021: £169k) in respect of Air Mail and RAF Association branded goods. Also, during the year, the Association charged RAFATRAD Limited £25k (2021: £25k) in respect of premises recharges, RAF Association branded goods and accountant costs.

During the year the Association charged RAFA Housing Limited £26k (2021: £28k) and at the year end the Association owed £50k (2021: £52k) to RAFA Housing Limited. During the year, there have been recharges between the Association and RAFA Kidz Limited for various expenses, the net movement amounted to £NIL (2021: £nil).

Profit made from RAFA Events Limited during the year has been donated to the parent charity RAF Association under deed of covenant.

5. INVESTMENT INCOME AND INTEREST

Group and Association	2022 £'000	2021 £'000
UK listed investments	511	450
Branch and other loans	1	3
Properties	150	124
	662	577

6. INCOME FROM CHARITABLE ACTIVITIES

Group	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Accommodation fees	499	-	499	431
Grants and fundraising income	201	2,738	2,939	2,428
Nursery funds	2,951	-	2,951	1,649
UK government Coronavirus job retention scheme	-	-	-	12
	3,651	2,738	6,389	4,520

The group received £Nil (2021: £6,087) under the UK government Coronavirus job retention scheme which has been allocated to trading income within other trading activities.

Association	Unrestricted Funds £'000	Restricted Funds £'000	Total 2022 £'000	Total 2021 £'000
Accommodation fees	305	-	305	245
Grants and fundraising income	289	2,738	3,027	2,476
UK government Coronavirus job retention scheme	-	-	-	2
	594	2,738	3,332	2,723

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

7. TOTAL EXPENDITURE

Group

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2022 £'000	Total 2021 £'000
Costs of raising funds:					
Direct costs	1,013	-	950	1,963	1,654
Allocated support costs	-	5	-	5	7
Charity's charitable activities					
Direct costs	4,842	-	5,056	9,898	8,288
Allocated support costs	1,968	528	1,538	4,034	4,376
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	18
Interest on Defined Benefit Pension Liabilities	-	-	(13)	(13)	11
	7,823	533	7,548	15,904	14,354

	Notes	2022 £'000	2021 £'000
Allocated support costs:			
Heat and light		-	26
Other site costs		54	46
Advertising and promotions		73	134
Printing and stationery		133	106
Telephone		58	54
Insurance		143	117
Repairs and maintenance		29	57
Depreciation and amortisation		597	607
Reversal of Depreciation on Rothbury	13	(64)	-
Management fee		14	-
Other expenditure		597	703
Other equipment		31	25
Staff costs		1,972	2,272
Governance costs		402	236
		4,039	4,383

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

- Land and buildings payments of £29k (2021: £40k)
- Equipment payments of £12k (2021: £14k)

The costs of raising funds includes Wings Appeal rebates allocated to branches totalling £66k (2021: £40k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

7. TOTAL EXPENDITURE (continued)

Support costs include £100k (2021: £75k). in respect of additional payments into the defined benefit pension scheme
Total expenditure includes auditors' remuneration of £53k (2021: £49k), and a loss on disposal of fixed assets of £13k (2021: £71k).

Fees payable to auditors and its associates in respect of non-audit are for Tax compliance £6k (2021: £6k) and other services £22k (2021: £19k).

Association

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2022 £'000	Total 2021 £'000
Costs of raising funds:					
Direct costs	752	-	205	957	1,030
Charity's charitable activities					
Direct costs	2,345	-	4,860	7,205	6,837
Allocated support costs	1,826	490	1,514	3,830	4,221
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	19
Interest on Defined Benefit Pension Liabilities	-	-	(13)	(13)	11
	4,923	490	6,583	11,996	12,118

	Notes	2022 £'000	2021 £'000
Allocated support costs:			
Heat and light		-	26
Other site costs		53	35
Advertising and promotions		73	135
Printing and stationery		131	105
Telephone		55	50
Insurance		134	109
Repairs and maintenance		28	56
Depreciation and amortisation		554	565
Reversal of Depreciation on Rothbury	13	(64)	-
Other expenditure		568	695
Other equipment		31	25
Staff costs		1,825	2,153
Governance costs		442	267
		3,830	4,221

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

8. GRANTS PAYABLE

Group and Association	2022	2021
	£'000	£'000
Welfare grants to individuals	140	95
Association property grants to branches	35	6
Armed Forces Covenant Fund Trust grants paid to branches	158	583
	333	684

9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2021: £nil). Trustees expenses of £24,524 (2021: £4,777) were reimbursed for directly incurred travel, accommodation and subsistence expenses to 8 trustees (2021: 8 trustees).

10. STAFF COSTS

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Wages and salaries	6,842	6,242	4,263	4,673
Social security costs	647	571	459	461
Employer contributions to defined contributions schemes	261	209	199	168
	7,750	7,022	4,921	5,302

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

	Group		Association	
	2022	2021	2022	2021
	Number	Number	Number	Number
Welfare	54	44	54	44
Membership	17	20	17	20
Headquarters	70	60	70	60
Families Federation Service	16	10	16	10
Merchandise	11	7	-	-
Social Housing	1	1	-	-
Childcare	145	63	-	-
	314	205	157	134

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

10 STAFF COSTS (Continued)

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

Group and Association	2022 Number	2021 Number
£60,001 to £70,000	4	3
£80,001 to £90,000	2	4
£90,001 to £100,000	2	1
£100,001 to £110,000	1	-
£120,001 to £130,000	-	1
	9	9

9 employees (2021: 9) earning more than £60k participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £98k (2021: £27k).

The total employee benefits of the key management personnel of the Association were £363k (2021: £453k), which includes salary, employers' national insurance contribution, employers' pension contribution, all allowances, redundancy and notice period payments (as applicable).

11. PENSION SCHEMES (Group and Association)

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

The most recent actuarial valuation of the scheme was carried out as at 1 January 2022 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £17,775,000 which represents 98 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. In valuing the fund, it was assumed that the investment return would be 4.45 per cent per annum compound. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

A full actuarial valuation was carried out at 1 January 2022 and updated as at 31 December 2022 by a qualified independent actuary. The major assumptions used by the actuary were:

	2022	2021
Rate of increase of pensions in payment	3.1%	3.4%
Discount rate	4.7%	1.9%
Inflation assumption (RPI)	3.1%	3.3%

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

	2022 Years	2021 Years
Retiring today (currently aged 65):		
Males	21.8	21.7
Females	23.9	23.9
Retiring in 20 years (currently aged 45):		
Males	22.7	22.7
Females	24.8	24.8

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

11. PENSION SCHEMES (continued)

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme at 31 December 2022 were:

	2022	2021
	£'000	£'000
Bonds	1,555	4,130
Equities	2,393	2,630
Insurance contracts	3,959	5,312
Diversified funds	2,259	2,594
LDI funds	1,809	2,930
Net current assets	170	53
Total assets	12,145	17,649
Net of interest and costs	(53)	(84)
Employers' contributions	100	75
Actuarial gain / (losses) on defined benefit pension scheme	(47)	839
Balance sheet movement during year	-	830
	2022	2021
	£'000	£'000
Fair value of scheme assets	12,145	17,649
Present value of scheme liabilities	(12,112)	(17,016)
Surplus in the scheme	33	633
Restriction on recognition of scheme surplus	(33)	(633)
Total liability recognised	-	-

Under FRS 102, a pension scheme asset should only be recognised to the extent that the Association is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Given that this is unlikely, especially given current market volatility, the pension fund actuarial gain in 2021 of £1,472,000 was recognised in the accounts to the extent that it reversed the accumulated deficit at that time of £839,000. The release was capped at that amount, due to the requirements of FRS 102, meaning the remaining gain of £633,000 was not taken to the statement of other recognised gains and losses in the Statement of Financial Activities. During 2022 the fund had an actuarial loss in valuation of £600,000 and as this is still within the unrecognised asset value this movement value is not reflected in the Statement of Financial Activities. Therefore, there remains a net asset of £33,000 which will be the start point for any movement in the fund in the accounting period 2023.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

11. PENSION SCHEMES (continued)

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

Analysis of the amounts charged to Statement of Financial Activities

	2022	2021
	£'000	£'000
Expenses paid by the scheme	66	73

Analysis of financial element of pensions cost

	2022	2021
	£'000	£'000
Interest on assets	329	226
Interest on pension scheme liabilities	(316)	(237)
Net income/(cost)	13	(11)

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

	2022	2021
	£'000	£'000
Gain on asset return	(5,134)	420
Experience gain on liabilities	(471)	183
Changes in assumptions underlying the present value of the scheme liabilities	4,958	869
Actuarial gain/(loss) recognised in Statement of Financial Activities	(647)	1,472
Cumulative actuarial loss recognised in Statement of Financial Activities	(2,346)	(1,699)

Changes in the present value of defined benefit obligations

	2022	2021
	£'000	£'000
Opening defined benefit obligation	17,016	18,556
Interest cost	316	237
Actuarial experience gain/(loss) on liabilities	471	(183)
Actuarial gain on changes in assumptions	(4,958)	(869)
Benefits paid	(733)	(725)
Closing defined benefit obligation	12,112	17,016

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

11. PENSION SCHEMES (continued)

Changes in the fair value of plan assets	2022 £'000	2021 £'000
Opening plan assets	17,649	17,726
Interest on assets	329	226
Gain/(loss) on asset return	(5,134)	420
Contributions by employer	100	75
Benefits paid	(733)	(725)
Expenses paid by the scheme	(66)	(73)
Closing defined benefit obligation	<u>12,145</u>	<u>17,649</u>

The actual return on plan assets was adverse: £4,805k (2021 favourable: £646k).

The Association expects to contribute £100k to its defined benefit pension plans in the year ended 31 December 2023.

The Association also contributes to a Workplace Pension Scheme at a rate of 4% of each member's gross salary, or 5% for those staff who participate in the salary sacrifice scheme which was introduced in April 2022. The pension cost for the year for the Group is £261k (2021: £209k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

12. INTANGIBLE FIXED ASSETS

Group	Computer software £'000	Total £'000
Cost or valuation:		
At 1 January 2022	1,820	1,820
Additions	74	74
At 31 December 2022	1,894	1,894
Amortisation:		
At 1 January 2022	518	518
Charge for year	350	350
At 31 December 2022	868	868
Net book Value:		
At 31 December 2022	1,026	1,026
At 31 December 2021	1,302	1,302

Association	Computer software £'000	Total £'000
Cost or valuation:		
At 1 January 2022	1,820	1,820
Additions	62	62
At 31 December 2022	1,882	1,882
Amortisation:		
At 1 January 2022	517	517
Charge for year	350	350
At 31 December 2022	867	867
Net book Value:		
At 31 December 2022	1,015	1,015
At 31 December 2021	1,302	1,302

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

13. TANGIBLE FIXED ASSETS

Group	Notes	Properties		Equipment and Furniture £'000	Total £'000
		Freehold £'000	Short Leasehold £'000		
Cost or valuation:					
At 1 January 2022		7,248	59	2,074	9,381
Additions		40	-	101	141
Disposals		(7)	(4)	(351)	(362)
Revaluation of Rothbury		(608)	-	-	(608)
Transfers		(12)	-	12	-
At 31 December 2022		6,661	55	1,836	8,552
Depreciation:					
At 1 January 2022		1,875	28	1,495	3,398
Charge for year		134	1	113	248
Depreciation on disposal		(1)	(4)	(265)	(270)
Revaluation of Rothbury	7	(64)	-	-	(64)
Transfers		(93)	-	93	-
At 31 December 2022		1,851	25	1,436	3,313
Net book Value:					
At 31 December 2022		4,810	30	400	5,241
At 31 December 2021		5,373	31	579	5,983
Association					
		Properties		Equipment and Furniture £'000	Total £'000
		Freehold £'000	Short Leasehold £'000		
Cost or valuation:					
At 1 January 2022		6,521	59	1,605	8,185
Additions		34	-	38	72
Disposals		-	(4)	(227)	(231)
Revaluation of Rothbury		(608)	-	-	(608)
At 31 December 2022		5,947	55	1,416	7,418
Depreciation:					
At 1 January 2022		1,556	28	1,212	2,796
Charge for year		122	1	83	206
Depreciation on disposals		-	(4)	(166)	(170)
Revaluation of Rothbury	7	(64)	-	-	(64)
At 31 December 2022		1,614	25	1,129	2,768
Net book Value:					
At 31 December 2022		4,335	30	287	4,652
At 31 December 2021		4,965	31	393	5,389

Asset value a freehold property has been adjusted to reflect cost following prior re-classification of the asset.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

14. INVESTMENTS

Group	Fair Value		Historical Cost	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
a) Fixed assets				
Listed investments	18,425	22,263	12,990	13,024
Investment properties	3,047	3,002	759	759
	<u>21,472</u>	<u>25,265</u>	<u>13,749</u>	<u>13,783</u>

Association	Fair Value		Historical Cost	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
a) Fixed assets				
Listed investments	18,228	22,263	12,741	13,024
Investment properties	3,047	3,002	759	759
	<u>21,275</u>	<u>25,265</u>	<u>13,500</u>	<u>13,783</u>

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

Movements on fair value during the year - Group

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2022	22,263	3,002	25,265
Additions	1,843	80	1,923
Disposals	(3,318)	(45)	(3,363)
Net investment gains	(2,183)	10	(2,173)
Transfer to Formby Branch creditor	(180)	-	(180)
31 December 2022	<u>18,425</u>	<u>3,047</u>	<u>21,472</u>

Movements on fair value during the year - Association

	Listed Investments £'000	Investment property £'000	Total £'000
1 January 2022	22,263	3,002	25,265
Additions	1,643	80	1,723
Disposals	(3,318)	(45)	(3,363)
Net investment gains	(2,179)	10	(2,169)
Transfer to Formby Branch creditor	(181)	-	(181)
31 December 2022	<u>18,228</u>	<u>3,047</u>	<u>21,275</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

14. INVESTMENTS (continued)

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

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

The Group held an interest in a jointly controlled entity, The RAF 100 Appeal (Company No. 09977273 and Registered Charity No. 1167398) which is a company not having a share capital. The Group has guaranteed an amount of £1 contribution to assets of the charity in the event of it being wound up.

The RAF100 Appeal was a joint venture between the Association and three other charities. The investment is accounted for under the equity method. The registered office of The RAF100 Appeal is 67 Portland Place, London, W1B 1AR.

RAF100 Appeal has ceased trading and made neither profit nor loss for the current year. The investment is included at a nil balance within the accounts. The Association received £16k final residual balance in the year.

The Association holds investments of £106 (2021: £105) representing the entire ordinary share capital of its subsidiary, companies which are eliminated on the group consolidation, details of the subsidiary companies are given in note 4 of the accounts.

Overseas investments

	Branch Deposit Fund £'000	Formby Branch Fund £'000	Total £'000
2022			
North America	2,028	123	2,151
European	317	14	331
Asia Pacific	619	46	665
Emerging market	66	-	66
Global	2,965	182	3,147
	5,995	365	6,360
2021			
North America	2,959	127	3,086
European	436	19	455
Asia Pacific	836	61	897
Emerging Market	177	-	177
Global	3,825	236	4,061
	8,233	443	8,676

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

14. INVESTMENTS (continued)

b) Net gains on investment assets-Group

Association	2022 £'000	2021 £'000
Net loss on listed investments	(2,179)	2,279
Net gains on investment properties	10	286
Net gains on current asset investments		10
	(2,169)	2,575

b) Net gains on investment assets-Association

Group	2022 £'000	2021 £'000
Net loss on listed investments	(2,183)	2,279
Net gains on investment properties	10	286
Net gains on current asset investments	-	10
	(2,173)	2,575

The Revaluation Reserve of £8,221k (2021: £12,765k) included within the unrestricted funds within the balance sheet of both the Group and Association, arises on the year end fair value of investments and freehold property held at fair value, less their historical costs.

15. ASSETS HELD FOR RESALE

Group and Association	2022 £'000	2021 £'000
Freehold properties	300	550

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	86	53	79	51
Amounts due from subsidiaries	-	-	918	865
Prepayments and accrued income	267	183	213	173
Other debtors	68	69	81	67
	421	305	1,291	1,156

Within the Association, amounts due from subsidiaries includes £100,000 (2021: £100,000) which is due after more than one year.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Taxation and social security costs	248	176	219	136
Other creditors	518	288	393	223
Accruals and deferred income	561	630	550	587
Deposits by branches	1,630	1,907	1,630	1,907
Formby Branch	995	1,126	995	1,126
Amounts owed to subsidiaries	-	-	48	52
	3,952	4,127	3,835	4,031

Deposits by branches are held in a separate portfolio of investments comprising UK listed investments and cash deposits, managed by either Rathbones Investment Management Limited or Rothchild's & Co.

When the branched request the funds, investments are sold to crystallise the funds and paid to branches

The amounts included in accruals and deferred income can be analysed as follows:

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Accruals	313	374	306	343
Deferred income	248	256	244	244
	561	630	550	587

Included in accruals is an amount of £Nil (2021: £33k) in respect of unpaid pension contributions.

Movement in deferred income:	Group	Association
	£'000	£'000
2022 opening balance	256	244
Release during the year	(256)	(244)
2022 donations, fulfilment income and grants in advance	248	244
2022 closing balance	248	244

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

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

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Deferred income – capital grant	269	269	-	-
	269	269	-	-

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

19. OPERATING LEASE COMMITMENTS

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

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Equipment:				
Due within one year	20	9	16	9
Due between two and five years	13	19	13	19
Land and buildings:				
Due within one year	16	51	8	16
Due between two and five years	55	24	15	15
Vehicles:				
Due within one year	65	-	56	-
Due between two and five years	5	-	-	-
	174	103	108	59

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

20. RESTRICTED FUNDS

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

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

20. RESTRICTED FUNDS (continued)

Association	At 1 January 2021 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2021 £'000
Eastern Area Chalet Fund	109	22	(4)	-	127
Homes Refurbishment	151	-	-	-	151
Flowerdown House	113	-	-	-	113
Rothbury House	49	-	(37)	-	12
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	-	-	-	361
Conway Legacy (Formerly known as Ivor Maloney)	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
National Memorial Arboretum	-	14	-	-	14
Preston Office	50	-	(50)	-	-
Forces in Mind Trust	142	-	-	(142)	-
Storybook Wings	4	-	-	-	4
RAF Benevolent Fund Grants	229	2,241	(2,169)	-	301
Libor	105	-	(22)	(83)	-
Vehicle fund for Areas	56	-	(56)	-	-
Volunteer Welfare Officers	8	-	-	-	8
Wexford	58	-	-	-	58
Befriending	-	57	-	83	140
Veterans	501	211	(583)	-	129
Rothbury	-	168	-	-	168
Military Coworking	-	85	(82)	142	145
Other Restricted Funds	388	35	(32)	-	391
	2,443	2,833	(3,035)	-	2,241
Group					
Digby Nursery Fund	108	-	(8)	-	100
	2,551	2,833	(3,043)	-	2,341

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

During the year £220k was transferred from the General Fund to the Restricted Fund, being a reinstatement of the Conway Funds.

During the year, £50k was transferred from Flying Scholarship to Storybook wings and Doodle boxes to help provide additional activity packs for children of RAF personnel.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

21. DESIGNATED FUNDS

Group and Association	At 1 January 2022 £'000	Movement £'000	At 31 December 2022 £'000
Fixed Assets	3,375	-	3,375
Membership Innovation	346	-	346
Investment Fund	4,310	(710)	3,600
Welfare Fund	8,000	(2,000)	6,000
Property Repairs and Maintenance	750	-	750
Defined Benefit Pension Scheme	1,988	(488)	1,500
Rothbury	163	-	163
	18,932	(3,198)	15,734

Group and Association	At 1 January 2021 £'000	Expenditure £'000	At 31 December 2021 £'000
Fixed Assets	3,375	-	3,375
Membership Innovation	346	-	346
Investment Fund	4,310	-	4,310
Welfare Fund	8,000	-	8,000
Property Repairs and Maintenance	750	-	750
Defined Benefit Pension Scheme	1,988	-	1,988
Rothbury	-	163	163
	18,769	163	18,932

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

A designated fund of £3,375k is held to replace fixed assets as required, and also a £750k maintenance reserve to maintain infrastructure integrity of the property portfolio.

A membership innovation fund of £346k is allocated to fund innovation potential within the membership offering.

A designated Fund of £1,988k was created in 2019 to cover any future shortfall of the defined benefit pension scheme resulting from adverse financial markets movements and the resulting impact on the scheme assets. This is has been reduced in the year to £1,500 in light of the assets of the fund performing well in light of the present value of obligations, and that the fund is 98% funded. This designation will enable accommodation of any ongoing volatility of the markets.

The investment fund designation of £3,600k accounts for the continued uncertainties in the financial markets relating to the global political and trade uncertainties. The Trustees believe this is sufficient to withstand a significant market correction.

Whilst it is difficult to quantify with any degree of uncertainty, it is widely believed that the welfare needs of the Association's beneficiaries will continue to evolve and changing needs have been identified. As a result of the welfare provision fund of £6,000k is set aside to enable research, design and implementation of welfare products and services.

The Rothbury House fund is designated for the purpose of conversion to an independent living facility and is currently valued at £163k.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2022 are represented by:			
Intangible fixed assets	1,026	-	1,026
Tangible fixed assets	5,240	-	5,240
Investments	21,472	-	21,472
Loans to branches	125	-	125
Current assets	1,511	2,234	3,745
Current liabilities	(3,952)	-	(3,952)
Creditors due after more than one year	(269)	-	(269)
Total net assets	25,153	2,234	27,387
Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2022 are represented by:			
Intangible fixed assets	1,015	-	1,015
Tangible fixed assets	4,651	-	4,651
Investments	21,275	-	21,275
Loans to branches	125	-	125
Current assets	1,770	2,069	3,839
Current liabilities	(3,835)	-	(3,835)
Total net assets	25,002	2,069	27,071

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

22. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2021 are represented by:			
Intangible fixed assets	1,302	-	1,302
Tangible fixed assets	5,983	-	5,983
Investments	25,265	-	25,265
Loans to branches	129	-	129
Current assets	2,947	2,341	5,288
Current liabilities	(4,127)	-	(4,127)
Creditors due after more than one year	(269)	-	(269)
Total net assets	31,230	2,341	33,571

Association:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2021 are represented by:			
Intangible fixed assets	1,302	-	1,302
Tangible fixed assets	5,389	-	5,389
Investments	25,265	-	25,265
Loans to branches	129	-	129
Current assets	3,025	2,241	5,266
Current liabilities	(4,031)	-	(4,031)
Total net assets	31,079	2,241	33,320

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

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

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Net (expenditure)/income	(5,528)	727	(5,595)	710
Adjustments for:				
Gifted properties	(380)	(1,015)	(380)	(1,015)
Contributions to defined benefit scheme	(100)	(75)	(100)	(75)
Expenses borne by pension scheme	66	73	66	73
Depreciation charges	248	281	206	239
Amortisation charges	350	326	350	326
Gain on sale of investment properties	-	(10)	-	-
Loss on disposal of fixed assets	92	10	60	29
Fair value (losses)/gains on investments	2,172	(2,780)	2,169	(2,780)
Deficit on intangible assets	-	61	-	61
Investment income	(662)	(577)	(662)	(577)
Return on defined benefit scheme assets	(329)	(226)	(329)	(226)
Interest paid	17	19	17	19
Interest on defined benefit pension liabilities	316	237	316	237
Decrease in assets for resale	250	545	250	545
Decrease in stock	98	43	-	-
(Increase)/decrease in debtors	(116)	97	(135)	96
Increase/(decrease) in creditors	218	(298)	199	(273)
Net cash (used in) operating activities	(3,288)	(2,562)	(3,568)	(2,611)

24. CASH AND CASH EQUIVALENTS

	Group		Association	
	2022	2021	2021	2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents represent:				
Cash at bank	1,794	1,503	1,312	1,022
Cash held by investment managers	936	2,538	936	2,538
	2,730	4,041	2,248	3,560

25. LEGACIES

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

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

26. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £756k (2021: £662k) to the Association which is included in Wings Appeal income. The Association returned £66k (2021: £40k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition, £6k (2021: £4k) was paid to the branches in respect of Wings Appeal expenditure and these expenses are included in the cost of raising funds.

Membership subscription rebates of £118k (2021: £178k) have been paid to branches are included in expenditure.

The Association paid interest of £17k (2021: £19k) to the branches holding deposit accounts with the Association (see note 14). The Association received interest of £1k (2021: £3K) from branches that have received loans from the Association.

27. FINANCIAL INSTRUMENTS

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

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Financial assets:				
Equity instruments measured at fair value through net income/expenditure	18,625	22,263	18,428	22,263

28. DONATIONS – ASSETS GIFTED FROM CLOSED BRANCHES

During the year, the Royal Air Forces Association branches at Swindon and Storrington closed resulting in two properties being transferred to The Royal Air Forces Association for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The properties transferred were valued at their fair values and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised in the Statement of Financial Activities as Donations – Assets Gifted from Closed Branches.

During the prior year, management clarified ownership of three properties previously held as assets held for sale and investments properties, resulting in an adjustment to the valuation of the total properties held. The following table sets out the fair values of properties transferred and an analysis of their recognition in the Statement of Financial Activities.

	2022	2021
	£'000	£'000
Investment properties	80	-
Assets held for resale	300	1,015
	<u>380</u>	<u>1,015</u>

All properties transferred are classified as Unrestricted Funds.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

29. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
INCOME:				
Donations and Legacies	3	4,352	441	4,793
Donations – assets gifted from closed branches	28	1,015	-	1,015
Charitable Activities:	6	2,128	2,392	4,520
Other Trading Activities:				
Trading income		456	-	456
Grand Draw and other fundraising income		1,145	-	1,145
Investment Income	5	577	-	577
Total Income		9,673	2,833	12,506
EXPENDITURE:				
Cost of Raising Funds		1,660	-	1,660
Charitable Activities:				
Residential & Respite Care Home		2,407	-	2,407
Friendship & Welfare Support		6,622	3,043	9,665
Grants		-	-	-
Other Support Costs		592	-	592
Other Expenditure:				
Interest Paid on Branch Deposits		19	-	19
Interest on Defined Benefit Pension Liabilities		11	-	11
Total Expenditure	7	11,311	3,043	14,354

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

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

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
Net gains on investment assets	14(b)	2,575	-	2,575
Net (expenditure)/income		937	(210)	727
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	839	-	839
Net movement in funds		1,776	(210)	1,566
Reconciliation of Funds				
Total Funds Brought Forward		29,454	2,551	32,005
Total Funds Carried Forward		31,230	2,341	33,571

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

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

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
INCOME:				
Donations and Legacies	3	4,352	441	4,793
Donations – assets gifted from closed branches	28	1,015	-	1,015
 Charitable Activities:	6	331	2,392	2,723
Other Trading Activities:				
Grand Draw and other fundraising income		1,145	-	1,145
 Investment Income	5	577	-	577
Total Income		7,420	2,833	10,253
EXPENDITURE				
Cost of Raising Funds		1,030	-	1,030
Charitable Activities:				
Residential & Respite Care Home		2,355	-	2,355
Welfare Support		5,062	3,035	8,097
Grants		-	-	-
Other Support Costs		606	-	606
Other Expenditure:				
Interest Paid on Branch Deposits		19	-	19
Interest on Defined Benefit Pension Liabilities		11	-	11
Total Expenditure	7	9,083	3,035	12,118

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

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

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2021 £'000
Net gains on investment assets	14(b)	2,575	-	2,575
Net (expenditure)/income		912	(202)	710
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	839	-	839
Net movement in funds		1,751	(202)	1,549
Reconciliation of Funds				
Total Funds Brought Forward		29,328	2,443	31,771
Total Funds Carried Forward		31,079	2,241	33,320

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2022

Subsidiary Organisations

RAFAKidz Limited

Directors:

Nicholas Bunting OBE (Chair)

Rory O'Connor

Kristina Parkin

Rebecca Refell

WO Michelle Rees-Martin

RAFA Kidzone Limited

Directors / Trustees:

Nicholas Bunting OBE (Chair) (until 15 November 2022)

Rachel Huxford MBE (Chair) (from 15 November 2022)

Rory O'Connor (until 1 March 2023)

Kristina Parkin (until 15 November 2022)

Ruth Brutnall (from 15 November 2022)

RAFAKidz Wings Limited

Directors:

Nicholas Bunting OBE (Chair)

Rory O'Connor

Kristina Parkin

RAFA Wellbeing Limited

Directors:

Nicholas Bunting OBE (Chair)

Rory O'Connor

Kristina Parkin

RAFA Housing Limited

Directors / Trustees:

Robert Hingston (Chair) (until 1 February 2023)

Harrinder Rai (Chair) (from 20 April 2023)

Samantha Barber

Nicholas Bunting OBE

Carl Dickinson

Rory O'Connor

Sqn Ldr Dean Gibson

Kristina Parkin

RAFATRAD Limited

Directors:

Nicholas Bunting OBE (Chair)

Chris Goss

Lady Elaine Hillier

Rachel Huxford MBE

Andrew Neal (until 22 October 2022)

George Overton (from 18 April 2023)

Kristina Parkin

RAFA Events Limited

Directors:

Nicholas Bunting OBE (Chair)

Rachel Huxford MBE (from 1 February 2022)

Kristina Parkin

