

The RAF Benevolent Fund Housing Trust Limited

Annual Report and Financial Statements

Year ended 31 December 2021

Companies House No: 1058896
Charity Commission 264636
OSCR SC038218

Directors and Trustees

Air Vice-Marshal Chris Elliot CB CBE MA BSc (Chair)
Wing Commander Sarah Davis MBA MSc FCIPD
Ms Victoria Fakehinde BSc (Hons) ACMA CGMA
Air Commodore Paul Hughesdon MA
Mr Al Bennett (until 27 May 2021)
Mr Emrys Rogers
Mr Patrick Aylmer (appointed 1 July 2021)

Secretary

Air Commodore Paul Higgins (resigned 3 September 2021)
Ms Rachel Kramer (appointed 3 September 2021 and resigned 22 October 2021)
Ms Victoria Fakehinde BSc (Hons) ACMA CGMA (appointed 22 October 2021)

Independent Auditors

Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

Bankers

Barclays Bank Plc,
1 Churchill Place
London
E14 5HP

Solicitors

Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

HBJ Gateley
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

Registered office

67 Portland Place
London
W1B 1AR

Directors' Report

The Directors, who are also the Trustees of the charitable company, present their report and financial statements for the year ended 31 December 2021.

Principal activity

The RAF Benevolent Fund Housing Trust Limited (RAFBF Housing Trust Ltd) is a charitable company limited by guarantee and is a wholly owned subsidiary of The Royal Air Force Benevolent Fund. Its sole activity is to hold and operate properties for beneficiaries of the RAF Benevolent Fund (RAFBF). The Company is financed and controlled by the RAFBF and assists in the attainment of its objectives by the purchase of properties for occupation by beneficiaries. These properties are let as rentals, where the rents charged take into account the means of beneficiaries. The Company takes responsibility for insurance, external repairs and redecorations, and the preservation of the main structures and installations. Further details of the activities and policies of the RAFBF and its subsidiaries are included in its Annual Report, a copy of which may be obtained by writing to the registered office at the address shown on page 1 or by accessing it at the Fund's website www.rafbf.org.

Public benefit

As stated in the principal activity section, the RAFBF Housing Trust Ltd's sole activity is to hold and operate properties for beneficiaries of the RAFBF. It exists to provide security and support to particularly vulnerable beneficiaries through the provision of bespoke housing solutions.

When reviewing the Company's aims and objectives, and in planning future activities and policies, the Directors have given careful consideration to the Charity Commission's general guidance on public benefit and to its supplementary guidance on public benefit and fee charging. The Company uses the published Joseph Rowntree Foundation's Minimum Income Standard figures to assist with assessing financial need. This provides a highly respected sector standard that represents the minimum income required to provide a socially inclusive standard of living in the UK. In addition to this, the Company allows additional expenditure for mortgage, rent, council tax, childcare and formal carer costs. Disability benefits are disregarded as income. Where a contribution is invited towards the costs of occupying a residential property, the beneficiary's means based on the above standard are always considered. No eligible member of the RAF Family is prevented from benefiting from the support of the RAFBF and this means that the rental income charged is considerably below the market rate.

2021 Review

During 2021, six properties were purchased at a cost of £2M, two others had adaptations worth £66K and eight properties were sold realising £2.2M proceeds on disposal and a net profit over the book value of £1.3M. From a welfare perspective, two of the properties purchased enabled the relocation of existing Housing Trust occupants to more suitable accommodation. The remaining purchases supported wounded, injured or sick service personnel to transition from the RAF into adapted accommodation and live independently.

2021 rental income of £1M remains largely unchanged, with the considered application of welfare principles such as ability to pay and Local Housing Allowance rates being taken into account when calculating an affordable rent.

Future plans of the Company

The Company intends to continue to hold and operate properties on behalf of the beneficiaries of the RAFBF for the foreseeable future. The ongoing impact of Covid-19 on the Company has been considered and is not anticipated to have a major effect on the operations of the Company.

The balance sheet remains strong with net assets of £13.4M. This includes an amount due to the RAFBF, the parent undertaking, of £11.3M. Whilst this debt is technically payable on demand the trustees of the RAFBF are committed to providing continued support to the Company. On this basis the Directors have reviewed the RAFBF Housing Trust Ltd and consider that adequate resources continue to be available to fund the activities for the foreseeable future. The Directors are of the view that the Company is a going concern.

Organisational structure and governance

The Directors of the Company shall at all times be not less than three and not more than twelve, and shall include the Controller of the Royal Air Force Benevolent Fund ex-officio, who shall be the Chair of the Board and shall also include such members of the Grants Committee of the Fund as shall from time to time be nominated by the RAFBF. The Directors may appoint any member of the Company as a director either to fill a casual vacancy or by way of addition to the Directors. Any member so appointed shall retain office only until the next AGM but will then be eligible for re-election. The business of the Company shall be managed by the Directors but may be delegated to any director and/or any employee of the Company employed in connection with the management of the affairs of the Company. In practice this is the Company Secretary, who is appointed by the Directors.

The Company has no employees but pays a charge for the use of RAFBF staff to carry out the operational activity.

Major risks and uncertainties

Trustees of the RAFBF have overall responsibility for managing risks faced by the Charity and its subsidiary entities. Therefore the identification of major risks associated with the Housing Trust operation, is carried out as part of the risk management process of the RAFBF.

The major risks, as identified by the Trustees, have been reviewed and appropriate mitigation measures put in place to manage downside risks and take advantage of opportunities presented. The major risks identified as having the potential to affect the reputation and subsequent successful performance of the RAFBF and hence the RAFBF Housing Trust Ltd along with mitigating actions are:

- Failure to maintain long-term financial sustainability due to insufficient income and costs increases driven by inflation. This risk is being mitigated by conducting a review of the Housing Trust operating model, including its purpose, cost drivers and rent charging procedures. Agreed actions will be implemented on a phased basis, premised on the underlying principle that the Trust exists to provide support to particularly vulnerable members of the RAF Family. The RAFBF is also committed to providing continued institutional support to the Housing Trust.
- Failure to meet the needs of the RAF Family due to a number of reasons including relying on third parties to provide excellent and timely services, who are then not able to carry out this work to an acceptable standard; and not being innovative and responsive to the changing needs of the RAF Family. This risk is being mitigated through working closely with key stakeholders including the RAF, working with suppliers who share our values and engaging closely with sister charities.

- Failure in our safeguarding processes that results in harm to our beneficiaries. This risk is being mitigated by ensuring that we have robust safeguarding policies in place which are reviewed regularly. Staff, directors and trustees receive appropriate training and are made aware of these policies.
- failure to comply with all statutory and landlord regulations, across all nations: mitigated by professional advice from our surveyors; sector awareness; as well as membership of the Cobseo Housing Cluster and Scottish Landlord Associations.
- Climate change is a key emerging risk, and we will respond by ensuring that our decisions on purchasing and managing our properties are legally compliant, setting aside funds to do so.

Reserves policy

As a wholly owned subsidiary of the Royal Air Force Benevolent Fund (the "parent charity"), the reserves of the RAFBF Housing Trust Ltd are considered along with the reserves of the parent charity.

Free reserves are the resources the Company has or can make available to spend for any or all of the Company's purposes once it has met its commitments and covered its other planned expenditure. The RAFBF Housing Trust Ltd has free reserves of £0.9M as at 31 December 2021 (2020: £0.6M). This amount is represented by net current assets excluding the amount owed to the parent charity.

On the basis of the continued support from the parent charity, the Directors have decided that the minimum level of reserves held should be sufficient to cover about six months operating costs to fund the on-going programme of maintaining the Company's property portfolio. The minimum requirement on 31 December 2021 was £0.6M.

The reserves policy is reviewed each year by the parent charity as part of the annual planning process. Performance against the reserves policy is monitored during the year as part of regular financial management and is reflected as a key performance indicator at Board level. Full details of the parent charity financial position can be obtained from the Annual Report and Accounts which are available on request from 67 Portland Place, London, W1B 1AR or from www.rafbf.org.

Going concern

The Directors have given consideration to the Company reporting a net current liability position as a result of the large balance owed to the parent undertaking. However, the Company has been assured that the Royal Air Force Benevolent Fund has no intention of calling upon this debt and has received written confirmation to this effect. The Directors have also given consideration to the impact of the Covid-19 pandemic and concluded that the financial strength of the parent undertaking, despite the impact of the crisis and, in view of its own income and expenditure forecasts, the Company will be able to continue to operate for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial review

The Statement of Financial Activities (SOFA) for the year is set out on page 11 of the financial statements and shows a surplus of £0.7M (2020: £0.1M).

Income

Income is made up of received rent, bank interest, legacy income and profit on the disposal of properties. There was an increase in income from £1.9M in 2020 to £2.4M in 2021, which is due to an increase in the profit on disposal of properties. In 2021 there was also a £0.1M contribution from the Ministry of Defence towards adaptations on 2 properties.

Expenditure

Charitable expenditure decreased from £1.8M in 2020 to £1.7M in 2021. This was primarily due to reduced repairs and maintenance in the year, a continuing impact of the Covid-19 pandemic. It was difficult to secure contracts for work to be done because contractors were not available due to high levels of demand after Covid restrictions were removed. However, for the first time, we show attributable staff costs, that offset the decline. Costs are likely to increase in 2022 as the market recovers and inflation in the building industry impacts on the cost of our support.

Tangible fixed assets

As at 31 December 2021, the Trust owned 203 properties (2020: 205). During the year, 6 properties were purchased (2020: 3) and 8 were sold (2020: 6), resulting in a net decrease of 2 properties.

Total cost of new properties was £2.0M (2020: £0.9M). Sales proceeds of properties amounted to £2.2M (2020: £1.5M) and profits on these sales were £1.3M (2020: £0.9M).

The Directors recognise that the market value of the properties which are included in the balance sheet at cost, in all probability is materially different from the net book value at £23.8M (2020: £23.3M)

Directors

The Directors during the year, and up to the date of approval of the financial statements, are as shown on page 1.

Governing Document

The objects for which the Company is established are set out in the Memorandum of Association dated 2 June 1972. The Articles of Association of the Company were approved by a written resolution by the Directors on 24 June 2003.

Statement of Directors' responsibilities

The Directors (who are also trustees of the RAFBF Housing Trust Ltd for the purposes of charity law) are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the outgoing resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures which are disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

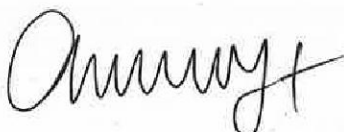
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the board on 19 May 2022



Victoria Fakehinde
Director/Company Secretary

Date: 21 July 2022

Independent auditors' report to the members and the directors of The RAF Benevolent Fund Housing Trust Limited

Opinion

We have audited the financial statements of The RAF Benevolent Fund Housing Trust Limited for the year ended 31 December 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 charitable company's state of affairs as at 31 December 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors (who are also trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend

to liquidate the charitable company or to cease operations, or have no realistic alternative to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and under the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under those Acts.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the charitable company by discussions with directors and updating our understanding of the sector in which the charitable company operates.

Laws and regulations of direct significance in the context of the charitable company include The Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and guidance issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud

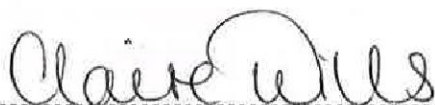
through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

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 is available on the Financial Reporting Council's website at: 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's directors as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members and directors as a body, for our audit work, for this report, or for the opinions we have formed.



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Claire Wills (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants 71 Queen Victoria Street,
London, EC4V 4BE

Statutory Auditors

Date: 28 July 2022

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2021

(incorporating income and expenditure account)

		2021 £	2020 £
Income from:	Note		
Legacies		1,524	8,000
Charitable activities		964,385	974,163
Other activities		<u>1,410,296</u>	<u>876,029</u>
Total income	2	<u>2,376,205</u>	<u>1,858,192</u>
 Expenditure on charitable activity	 3	 <u>(1,686,901)</u>	 <u>(1,770,436)</u>
Net income		<u>689,304</u>	<u>87,756</u>
 Net movement in funds		 689,304	 87,756
 Total funds brought forward		 <u>12,684,037</u>	 <u>12,596,281</u>
Total funds carried forward		<u>13,373,342</u>	<u>12,684,037</u>

All funds are unrestricted.

There are no recognised gains or losses in either period other than as disclosed above.

All incoming and outgoing resources arise from continuing activities.

BALANCE SHEET

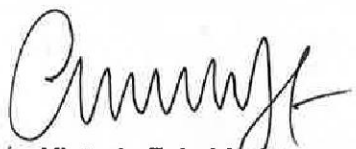
as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	6	<u>23,785,827</u>	<u>23,254,215</u>
Current assets			
Debtors	7	15,784	26,388
Cash at bank and in hand		<u>1,271,460</u>	<u>839,329</u>
		<u>1,287,244</u>	<u>865,717</u>
Creditors: amounts falling due within one year	8	<u>(11,699,729)</u>	<u>(11,435,895)</u>
Net current liabilities		<u>(10,412,485)</u>	<u>(10,570,178)</u>
Net assets		<u>13,373,342</u>	<u>12,684,037</u>
Unrestricted general funds		<u>13,373,342</u>	<u>12,684,037</u>

The notes on pages 14 to 18 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Approved and authorised for issue by the Board on 19 May 2022 and signed on its behalf by:



Victoria Fakehinde

Director/Company Secretary

Date:

21 July 2022

Company registration number: 01058896

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Net cash inflow from operating activities	299,070	(745,771)
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	2,190,438	1,517,123
Payments to acquire tangible fixed assets	(2,057,377)	(927,768)
Net cash provided by investing activities	133,061	589,355
Change in cash and cash equivalents	432,131	(156,416)
Cash and cash equivalents at beginning of year	839,329	995,745
Cash and cash equivalents at end of year	1,271,460	839,329
Reconciliation of net income to net cash flow from operating activities		
Net income for the year ended 31 December	689,304	87,756
Adjustments for		
Depreciation charges	632,644	617,273
Profit on disposal of fixed assets	(1,297,316)	(874,680)
Decrease in debtors	10,604	116,542
Increase/(decrease) in creditors	263,834	(692,662)
	299,070	(745,771)
Analysis of cash and cash equivalents		
Current account	1,271,460	839,329
Analysis of changes in net debt		
Current account:		
As at 1 January	839,329	995,745
Movement in year	432,131	(156,416)
As at 31 December	1,271,460	839,329

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting Policies

Accounting convention

These financial statements are prepared on a going concern basis, under the historical cost convention.

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Charitable Company is a public benefit entity for the purposes of FRS 102 and therefore the Charity also prepared its financial statements in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (The FRS 102 Charities SORP), the Companies Act 2006, the Charities Act 2011 and Charities Accounts (Scotland) Regulations 2006 as amended by The Charities Accounts (Scotland) Amendment (No. 2) Regulations 2014.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Going concern

The Directors have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions, including the impact of the Covid-19 pandemic, that might cast significant doubt on the ability of the Company to continue as a going concern. The Directors have made this assessment for a period of at least one year from the date of approval of the financial statements.

The most significant assets included on the Company's balance sheet are fixed assets, the purchase of which is facilitated by a loan from the parent charity, Royal Air Force Benevolent Fund (RAFBF). Amounts due to the RAFBF are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The Directors have given consideration to the Company having reported a net current liability position as at 31 December 2021 as a result of the large balance owed to RAFBF. However, the trustees of the RAFBF are committed to providing continued institutional support to the Company for the foreseeable future and have provided written confirmation to the Directors of the Company to this effect.

The group is in a healthy position at 31 December 2021 with cash balances of £7.4M and net current assets of £15.5M. The Directors therefore have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing financial statements.

Rental income

Rental income is accounted for on the basis of amounts received in the accounting period. In the opinion of the Directors, this policy is appropriate in view of the uncertainty over whether the rental income, which is not a contractual commitment, can be collected.

Other income

Other income consists of the net realised gain on the sale of properties (8 sold in 2021).

Fixed assets and depreciation

Fixed assets that cost more than £5,000 are capitalised and included at cost, including any incidental expense at acquisition.

Depreciation is provided on freehold and long leasehold properties at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	over 50 years
Leasehold buildings	-	over the periods of the leases or 50 years, if shorter

Freehold land is not depreciated.

A full year of depreciation is charged in the year of acquisition and none in the year of disposal. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Expenditure

All resources expended relate to the one charitable activity undertaken by the Company. Property repair and renewal expenses are written off to the Statement of Financial Activities as they are incurred. The Company has no employees but pays a charge for the use of RAFBF staff to carry out the operational activity. The charge for staff costs was introduced in the current financial statements and the prior year figures have been stated to include these costs.

Recognition of liabilities

Expenditure approved for payment but not paid are recorded as liabilities in the balance sheet. Current liabilities consist of amounts expected to be settled within 12 months from the balance sheet date.

Current liabilities include payments due to the parent undertaking which is technically payable on demand although the trustees of the RAFBF have offered assurances of their continued support to the Company in the form of interest free finance for the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

Taxation

All the Company's income is applied for charitable purposes and therefore the Company is exempt from Corporation Tax.

The Company is not registered for VAT and so all expenditure is shown gross.

Financial instruments

Basic financial instruments are measured at amortised cost.

Critical accounting estimates and areas of judgement

In preparing financial statements it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements. In the view of the Directors in applying the accounting policies adopted, no judgements were required that have a significant effect on the amounts recognised in the financial statements except depreciation, nor do any estimates or assumptions made carry a significant risk of material adjustment in the next financial year.

2. Income

	2021 £	2020 £
Legacies	1,524	8,000
Rental income	964,385	974,163
Bank interest	-	1,349
Profit from the disposal of properties	1,297,316	874,680
Other income (MOD receipts on adaptations)	112,980	-
	2,376,205	1,858,192

3. Resources expended on charitable activities

	2021 £	2020 £
General rates	3,022	2,959
Insurance	15,000	14,001
Repairs and renewals	594,018	849,493
Occupational therapist fees	8,277	-
Legal fees	7,088	-
Property management fees	272,867	281,644
Lease amortisation	12,377	15,974
Property depreciation	620,267	601,299
Audit fees	5,880	4,500
Staff costs	147,650	-
Others	455	566
	1,686,901	1,770,436

Staff costs include:	2021 £	2020 £
Wages and salaries	121,775	-
Pension costs	13,126	-
Social security	12,749	-
	147,650	-

Staff costs relate to 6 people employed by the RAFBF and represents amounts recharged based on their time spent on the Company's operational activity. The recharge of staff costs by RAFBF commenced from 1 January 2021. Prior to this staff costs were borne by RAFBF.

4. Directors' remuneration

None of the Directors has received any remuneration or reimbursement of expenses from the Company. The Directors are deemed key management personnel.

5. Related party transactions

The Company maintains an inter-company balance with the RAF Benevolent Fund, its parent undertaking and the balance owed to the RAF Benevolent Fund as at 31 December 2021 was £11.3M (2020: £11.1M). The movement during the year consisted of payments by the RAF Benevolent Fund for various property maintenance costs and staff costs recharged. Most of the directors are senior executive staff at the RAF Benevolent Fund. There are no other related party transactions that require disclosure.

6. Tangible fixed assets

	Freehold properties £	Long leasehold properties £	Total £
Cost at 1 January 2021	30,064,961	798,665	30,863,626
Additions during the year	2,057,378	-	2,057,378
Disposals during the year	(1,103,340)	(179,825)	(1,283,165)
Cost at 31 December 2021	31,018,999	618,840	31,637,839
Depreciation at 1 January 2021	7,349,769	259,642	7,609,411
Depreciation for the year	620,267	12,376	632,643
Depreciation on disposals during the year	(343,288)	(46,754)	(390,042)
Accumulated depreciation at 31 December 2021	7,626,748	225,264	7,852,012
Net book value: At 31 December 2021	23,392,251	393,576	23,785,827
At 31 December 2020	22,715,192	539,023	23,254,215

The Directors recognise that properties are recorded at historical cost less any charges for depreciation and therefore the market value could be materially different.

7. Debtors

	2021 £	2020 £
Accrued income - legacy	-	1,000
Prepayment	15,784	25,388
	15,784	26,388

8. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	333,407	276,328
The Royal Air Force Benevolent Fund – Gulf Trust	55,770	37,180
Interest free finance provided by the RAF Benevolent Fund	<u>11,310,552</u>	<u>11,122,387</u>
	<u>11,699,729</u>	<u>11,435,895</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, however, the trustees of the Royal Air Force Benevolent Fund are committed to providing continued institutional support to the Company for the foreseeable future.

9. Parent undertaking

In the Directors' opinion, the ultimate parent undertaking is The Royal Air Force Benevolent Fund, incorporated by Royal Charter, and registered in England and Wales (charity number 1081009) and Scotland (charity number: SC038218). Copies of its group financial statements, which include the results of the Company, are available from 67 Portland Place, London, W1B 1AR.

10. Guarantee

In the event of the Company being wound up, each director is liable to pay £1.

