

# RAF Association Annual Report

Report and Financial Statements  
Year ended 31 December 2018



**Patron: Her Majesty The Queen**  
Registered Charity 226686 (England & Wales), SC037673 (Scotland).

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“The Association has now been at the forefront of providing welfare support and friendship to the RAF family for almost 90 years.”



# Reference and administrative details

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<b>REGISTERED CHARITY NUMBERS</b>	226686 (England and Wales), SC037673 (Scotland)
<b>PRINCIPAL OFFICE</b>	Atlas House, 41 Wembley Road, Leicester LE3 1UT
<b>PATRON</b>	Her Majesty The Queen
<b>LIFE VICE-PRESIDENTS</b>	Marshal of the Royal Air Force The Lord Stirrup KG GCB AFC FRAeS FCMI Marshal of the Royal Air Force Sir Keith Williamson GCB AFC (deceased May 2018) Air Chief Marshal Sir Stephen Dalton KCB ADC BSc FRAeS CCMI RAF Air Chief Marshal Sir Joseph Gilbert KCB CBE LLD (hc) Air Chief Marshal Sir Andrew Pulford GCB CBE ADC Air Chief Marshal Sir Glenn Torpy GCB CBE DSO ADC BSc(Eng) FRAeS Air Marshal Sir John Kemball KCB CBE DL Air Marshal Sir Dusty Miller KBE Air Marshal P O Sturley CB MBE BSc FRAeS Air Vice-Marshal P Liddell CB BSc CEng FIET FRAeS Air Vice-Marshal N Bairsto CB MBE Air Commodore A H Vaughan OBE BA FIMgt
<b>HONORARY VICE-PRESIDENT</b>	Air Chief Marshal Sir Stephen Hillier KCB CBE DFC ADC MA RAF
<b>TRUSTEE MEMBERS OF THE COUNCIL</b>	
President	Air Marshal Sir Baz North KCB OBE MA FRAeS
Chairman	Air Vice-Marshal J Cliffe CB OBE
Vice Chairman	Dr B Pattison OBE
Honorary Treasurer	Mr P Tagg
Elected members	Dr B Pattison OBE (re-elected May 2018) Mr M J Blackman (re-elected May 2018) Group Captain R J Whittingham FRAeS RAF (R'td) (retired May 2018) Mrs J A Boothman (retired May 2018) Squadron Leader D Gibson RAF (re-elected May 2018) Mr C Goss MA (re-elected May 2018) Mr I L McEnnis DipNEBSM AInstAM (Dip) (re-elected May 2018) Mr A P Rees (re-elected May 2018) Mrs B Dennett Stannard (elected May 2018) Mrs H Little (elected May 2018, resigned August 2018) Mr P Ramrayka MBA CIHM FIHM FIHEEM FRSPH (appointed August 2018)

Area representatives	Mr F C Barrett MBE (South East and Eastern) Mr G Bridgman (Wales, Midlands and South Western) Mr R Chandler BEM (Scotland and Northern Ireland) Mr M Watkins (Northern) (until January 2018) Mr D Chappell (Northern) (from January 2018) Mr B Darke MBE (European)
Members appointed by the Royal Air Force	Air Commodore G A Opie MDA MA BSc FCIPD RAF Wing Commander A Morris RAF Warrant Officer W S Swiggs
RAF Benevolent Fund representatives	Air Commodore A Neal AFC FRAS (to February 2018) Mrs R Atherton (from November 2018)
Appointed members	Ms F Barber Ms S Barber Mrs P Bearblock Air Vice-Marshal M Neal OBE CEng FIET (from February 2018)

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## EXECUTIVE DIRECTORS

Secretary General	Mr N Bunting CDir FIOD MCMI
Director of Finance	Mr A Wilkinson-Sharpe FCCA
Director of Governance and Risk	Mrs V Hall ACIS
Director of Welfare and Policy	Mr R O'Connor MA
Director of Membership	Mr D Rowlands MA Chartered MCIPD RAFR
Director of Marketing, Fundraising and Trading	Ms R Huxford MInstF
Director of HR and Volunteering	Mrs A Hunter FCIPD
Chief Information Officer	Mr P Sherwin

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## PROFESSIONAL ADVISORS

Auditors	RSM UK Audit LLP, St Philips Point, Temple Row, Birmingham B2 5AF
Bankers	Lloyds Bank plc, Law Courts Branch, 222 Strand, London WC2R 1BB
Investment Managers	Rathbones Investment Management Limited, 1 Curzon Street, London W1J 5FB
Solicitors	Freeth Cartwright LLP, One Colton Square, Leicester LE1 1QH Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London EC4R 1BE

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# Trustees' report

**Year ended 31 December 2018**

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The Trustees of The Royal Air Forces Association (the Association) present this report and the financial statements of the Association for the year ended 31 December 2018. The financial statements have been prepared based on the accounting policies set out in note two to the financial statements and comply with the Royal Charter.

## **Mission**

Our purpose and reason for existence is enshrined within the charitable objective set out at Article Two of our Royal Charter, which states:

“The object for which the Association is established is to promote, through the comradeship engendered by its members, the welfare by charitable means of all serving and former members of Our Air Forces, their spouse and dependants, together with the widows and widowers and dependants of those who died whilst serving or subsequently.”

## Activities

2018 marked the centenary of the Royal Air Force (RAF) and the Association proudly played a key role in the national programme of commemoration.

The Association has now been at the forefront of providing welfare support and friendship to the RAF family for almost 90 years. Over that time, we have seen the needs of the RAF family change significantly. During 2018, the Association launched a 2018–2030 strategy, designed to ensure that we continue to meet these evolving needs as our Association reaches its own centenary.

In the past four years, demand for the Association's welfare services has grown by 47 per cent. In 2018, over 85,000 members of the RAF family who required practical, emotional or financial assistance were supported by the Association. This was made possible by our network of over 74,000 members, the 3,800 people who volunteered their time to support the Association (including our highly-trained field force of over 1,000 welfare volunteers) and our professional employees.

The Association's robust volunteer recruitment and training process continued to play a central role in building and maintaining a highly competent welfare volunteer field force undertaking casework and befriending. The nationally-accredited training we provide is unique within the military charity sector and ensures that we provide the very highest quality support to vulnerable members of the RAF family. We are proud that our pioneering approach received national recognition during 2018: the Association was a finalist in both the Third Sector Awards for Volunteer Team of the Year and the Training Journal Awards in the Best Public Service/ Not-for-Profit Programme category.

In 2018, the Association also developed an innovative approach to the ongoing management and monitoring of our welfare volunteers. All are provided with regularly continual professional development opportunities and a new volunteer management model has been introduced to ensure that they are supported both practically and emotionally.

We also successfully piloted the use of the internationally-validated Short Warwick-Edinburgh Mental Wellbeing Scale to monitor the impact of the welfare services delivered by our volunteers on the mental wellbeing of the individuals they assist. This will be rolled out nationally during 2019.

The three central themes of our welfare output in 2018 continued to be improving mental wellbeing, reducing social isolation and keeping RAF family members strong and connected.

Research indicates that the incidence of mental ill health is no higher among the current or veteran military communities than among the general population. The important difference between military and civilian communities is that negative attitudes regarding mental ill health are significantly higher among the UK military than the general population.

Providing Mental Health First Aid England and Dementia Friends training for our employees and volunteers has made an important contribution to improving their knowledge regarding mental health issues. During 2018, we successfully piloted the extension of this provision to the families of serving RAF personnel (and key members of their local communities such as school head teachers) on three RAF stations. This initiative will be extended in 2019 to a further ten stations and a new bespoke training course will be designed to meet the specific needs of the RAF family.

2018 was the third year of operation for our national befriending service, designed to reduce the loneliness within the RAF veteran community. 520 individuals were supported during 2018 by friendships created through our specially-trained volunteers. Other key services which addressed social isolation issues included respite care and holidays provided by our Wings Break hotels and chalets (from which 2,688 guests benefitted), lunch clubs and our sheltered and independent living schemes at four locations across the UK, which accommodated 93 residents.



“ The three central themes of our welfare output in 2018 continued to be improving mental wellbeing, reducing social isolation and keeping RAF family members strong and connected ”

## Activities (continued)

We also developed our efforts to keep serving families strong and connected: around 23,000 people stayed in the contact houses we support on RAF stations, 564 children were able to benefit from a bedtime story even when their parent was serving away, thanks to Storybook Wings, and 10,000 serving personnel a month logged on to the free Wi-Fi we provided in 43 areas across 14 sites to keep in touch with family and friends. We also trained 68 partners (at RAF Benson, Coningsby, Cranwell, Scampton, Waddington and Wittering) to become registered childminders: one project which addressed two major issues (employment and childcare) faced by serving families.

Robust insight and research are at the heart of the planning and development of all our welfare services and during 2018 we undertook a significant project to obtain characteristics data from over 4,000 members of the RAF family. The report will be published in 2019 and will enable the Association (and the other military charities and organisations with whom we work) to better design and deliver welfare services to meet defined needs. Our management of the RAF Families Federation has also played a key role in capturing evidence on issues which concern serving RAF personnel and their families – and in sharing this with military and government decision-makers.

During the year we also began research partnerships with leading academic institutions and specialist organisations regarding key issues which affect the RAF family. One of these is an ongoing project with the Alzheimer's Society to identify the needs of serving RAF families who have caring responsibilities for people affected by dementia and to seek solutions to the challenges that they face. Another, with the University of Nottingham, considers whether Narrative Exposure Therapy could help veterans contextualise traumatic experiences and seeks to improve understanding of suicidal behaviours in veterans and the associated triggers. Our work with Edinburgh University will further knowledge regarding the health and social profile of ex-service working age personnel in Scotland.

Since 2014, over 33,000 new members have joined the Association, bringing the current membership to 74,000. Recruitment is across all age groups and over half of the RAF are now members of the Association. The vital role played by our members cannot be overstated; many thousands volunteer their time to deliver welfare services, raise essential funds, provide comradeship and support to each other and help in countless other ways. As a member-led welfare charity it is important that all members can contribute to the future direction of the Association and it was agreed by delegates at our 2018 annual conference to undertake a feasibility study into a new membership voting structure whereby each member would have a right to an individual vote.

During 2018, the Association continued to further develop the organisational resilience required to support the changing needs of the RAF family and of our members both effectively and safely. Public scrutiny of charities has continued to increase throughout 2018 and the Association is committed to having the rigorous governance in place that is rightly expected of us. The Association recognises that the delivery of its membership, welfare and fundraising activities depend on its reputation. In 2018 the Association invested in its underpinning information infrastructure, resulting in key advancements in information management and cyber security. The Association also established a new governance and risk team to support all aspects of its work. We also restructured our marketing and fundraising services in order to develop the capacity and capability needed to communicate better with our supporters, and generate higher levels of income to meet anticipated future welfare service requirements.

Throughout 2018, the RAF's centenary year, the Association worked closely in partnership with the RAF and its four main charities as part of the RAF 100 Appeal. We were heavily involved in the programme of national and regional celebrations and the ongoing work to create a legacy which will inspire future generations.



“ Robust insight and research are at the heart of the planning and development of all our welfare services ”



## Fundraising

As part of the Association's commitment to the highest possible standards of fundraising, we did our utmost throughout 2018 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.

During 2018, all our interactions with the general public were carried out by our employees and volunteers, except for two suppliers whose services we employed to interact directly with the public to promote our weekly Wings Lotto. We ensured that contracts which included fundraising compliance clauses were in place with these suppliers, and with all corporate partners who raised funds for us. As part of our work to ensure compliance with fundraising regulation and best practice, we monitored our suppliers constantly to ensure they met the same high standards we expect of our own fundraisers. Over the past 12 months, we also continued to undertake significant efforts to ensure compliance with the new General Data Protection Regulation (GDPR), which came into effect in May 2018. We remain entirely committed to protecting the personal information of our supporters and beneficiaries. This work will continue during 2019 and beyond.

The main sources of fundraising income were gifts in wills, volunteer fundraising activities, donations from individuals, grants from trusts and foundations and funding from corporate partnerships. Successful fundraising is critical to the sustained financial health of the Association and our ability to provide support to the RAF family. The Association is grateful for the support shown to its work by all those who funded it during 2018. Our particular thanks go to HM Treasury LIBOR Grants, whose funding has been critical to the first three years of our befriending service.

### We are also extremely grateful to the other trusts and foundations which supported the Association during 2018:

- Ann Jane Green Trust
- Big Lottery Fund – Awards for All
- Carmen Butler-Charteris Charitable Trust
- Coventry-Mercia Lions Clubs Charitable Trust
- Davis Rubens Charitable Trust
- Diseworth Heritage Trust
- Edith Lilian Harrison 2000 Foundation
- Everest Trust
- Forces Trust
- Frank Russon Charitable Trust
- Gerald Bentall Charitable Trust
- Helen Jean Cope Charity
- HM Treasury LIBOR Grants
- I M L D Forde Charitable Trust
- James Wise Charitable Trust
- Masonic Charitable Foundation
- Mazars Charitable Trust
- Mr and Mrs William Donald's Charitable Trust
- Nationwide Swindon Branch
- Normanby Foundation
- Out of the Blue Foundation
- P F Charitable Trust
- R S Brownless Charitable Trust
- RAF Club
- Red Arrows Trust
- Royal British Legion Scotland Women's Section
- Schroder Charity Trust
- Sir Donald and Lady Edna Charitable Trust
- Sir Jeremiah Colman Gift Trust
- Stanley Smith Charitable Trust
- The Thomas Cook Children's Charity
- UK Garrison
- Ulverscroft Foundation
- Yorkshire Building Society Charitable Foundation

## External assistance

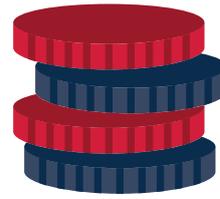
The main sources of income were fundraising campaigns, including community fundraising (particularly that undertaken by branches) and individual giving, together with gifts generously given in wills. Successful fundraising is critical to the sustained financial health of the Association and our ability to provide support to the RAF family.

## Public benefit

We have taken due regard and complied with the Charity Commission's general guidance on public benefit.

Support provided by the Association is not restricted to its members, any member of the RAF family is eligible. Welfare support is provided free of charge to recipients, while sheltered housing and residential schemes are subject to reasonable rent and service charges. Fees are charged for welfare breaks at the Wings Break hotels; however, the hotels are heavily subsidised, thereby keeping costs down and making them affordable to the wider RAF family. Additionally, further financial assistance is available to individuals after a confidential financial assessment.

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.



“Successful fundraising is critical to the sustained financial health of the Association and our ability to provide support”



## Financial review

During the year, the consolidated income raised from members, volunteers, the general public and investments was £15,619k, an increase of 7.7 per cent (2017: £14,496k).

Accurate predictions of income are extremely difficult due to uncertainty surrounding donations including legacies, and the impact of economic and other external factors. In 2018 legacy income was £2,757k, a fall of £1,864k from 2017.

The annual Wings Appeal remains an important source of funding, raising £1,291k, an increase of £16k from 2017. Investment income of £809k fell by 19.7 per cent year-on-year but was in line with expectations (2017: £1,008k). Investment income was underpinned by robust investment performance in challenging market conditions, which saw the Association's investment portfolio out-perform the benchmark and its charity peer group.

In 2018 expenditure of £14,716k was £614k above the 2017 level. Over £10,450k supported residential and Wings Breaks hotels and activities providing friendship and welfare support. There have been no significant changes to the nature of the charitable activities and there has been no decrease in levels of service. Costs of raising funds increased by £828k; driven by a fundraising review during 2018, which culminated in a strategy of investment in new fundraising initiatives, continuing the drive to diversify income.

RAFATRAD Limited, the Association's trading and publishing arm, made an operating profit in 2018 of £67k (operating loss in 2017 of £76k), the result of a significant business restructure during 2017, which resulted in an entire business relocation to Atlas House. There will therefore be a donation to the Association this year of £60k (£nil 2017). The plan to bring RAFATRAD Limited back to sustained profitability is still working well with further projects around cost efficiency, product diversity and increased market share taking place during 2019.

RAFA Housing Limited, the Association's independent living scheme, made an operating loss in 2018 of £29k (operating loss in 2017 of £5k) due to the ongoing investment in compliance and infrastructure. The net assets of RAFA Housing Limited are consolidated at Group level.

The Association's investment portfolio of £24,121k reflects a reduction in market value of £1,695k from 2017. The overall reduction stems from a very difficult year for the market and a year which saw a 12 per cent reduction in the value of the FTSE. The performance of the Association's investment portfolio when compared with the charity sector peer group and the agreed benchmark was strong by comparison during a very turbulent year. The Association has no current plans to sell any of its investments as its financial plan generates sufficient income to cover the costs of delivering its charitable activities. The Association's Investment Manager has, however, been instructed to be ever more vigilant during a time of economic and political uncertainty.

The deficit in the defined benefit pension scheme at 31 December 2018 has been calculated in accordance with FRS102 regulations. The amount of the deficit has fallen from £1,621k in 2017 to £256k at the end of 2018. The fall is a result of a change in actuarial assumptions, which take account of current economic conditions. The Association made additional payments of £457k in 2018 (£444k in 2017) into the scheme and remains firmly committed to reducing the deficit and in the long term eradicating it completely.



“ Accurate predictions of income are extremely difficult due to uncertainty surrounding donations including legacies, and the impact of economic and other external factors ”

## Investment policy and performance

The Trustees (known as 'Council') have the power to invest any of the funds of the Association not immediately required for the purposes of the Association in accordance with the provisions of the Trustee Act 2000.

The Trustee-appointed investment manager, Rathbones Investment Management Limited, is managed by Council and assisted through independent oversight provided by Asset Risk Consultants.

The investment portfolio comprises three main elements: (1) an unrestricted fund, (2) the Formby Branch Deposit fund, and (3) the Branch Deposit Fund, a pooled fund of monies held in trust for and invested on behalf of the Association's branches. The Association continues to reinvest dividend income back into the portfolio, which amounted to £719k during 2018 (£961k in 2017).

The Association's investments were reviewed at two committee meetings in 2018 and performance reported to Council. The Association also undertook an independent triennial review of the performance of the investment manager during the 2017 year following which Rathbones were re-appointed for a further three years and Rothschild appointed as a new investment manager for new funds. The Association will continue to employ the services of Asset Risk Consultants throughout 2019 to provide analysis and evaluation of investment performance, which serves to enhance the decision-making capability of the Investment Committee.

## Reserves policy

The reserves policy is subject to continuous review by Council in recognition of the ever-changing political and economic environment.

Trustees have adopted a prudent approach to ensure that the Association holds enough reserves in order to quickly and effectively respond to welfare needs, current and future. The size of the future welfare commitment is difficult to quantify but is likely to rise because of recent intensive operations such as those in Afghanistan and the broader Middle East. From research undertaken in recent years, the Association is aware of a growing need among the younger generation and with more and more serving personnel becoming members of the Association, this need is likely to grow. Linked to this uncertainty is a trend of cuts in social welfare budgets across the UK. There is also the risk associated with having a large value investment portfolio where political uncertainty throughout the USA, China, the UK and mainland Europe has resulted in a high level of volatility in the financial markets, which could lead to a larger correction at any time. Taking all these factors into account, the Trustees have adopted a reserves policy, which seeks to mitigate risks associated with holding large value investments and property assets.

The Association adopts a forward-looking strategic outlook on the needs of the RAF family and consequently does not use short-term measures focusing on a limited number of months' operating costs, although due consideration is given to costs associated with normal continuing operations over a 12-month period.

At the end of December 2018 consolidated general unrestricted reserves totalled £13,886k (£12,425k in 2017) including Charity assets of £7,614k (£5,842k in 2017). Consolidated free reserves (net general reserves) at the end of December 2018 totalled £6,271k (£6,583k in 2017), which the Association is holding to fund 2019 operational expenditure of up to 12 months and are therefore in-line with the stated reserves policy, however a prudent approach is being adopted to ensure that strategic transformation projects can be funded. Restricted reserves grew from £1,338k in 2017 to £1,806k at the end of December 2018.

## Structure, governance and management

The Association is a registered charity governed by a 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 Care Quality Commission and Fundraising Regulator. 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 74,000 members and branches in the UK and overseas. Branches are separate organisations from the Association, although they share the same objective and constitution and, as such branches are required to register as charities in accordance with the relevant local jurisdiction. 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. Following a Conference resolution in May 2018, the Association has been reviewing whether their branches should continue to be separate charities or whether they should merge with the Association. A report on 'One Charity' will be presented to Conference in May 2019.

The Association has a trading subsidiary, RAFATRAD Limited, which publishes a quarterly members' magazine (Air Mail), undertakes fulfilment activity for the charity, operates the Association's contact centre and sells commemorative items and memorabilia. RAFATRAD Limited is a company limited by shares incorporated under Companies Act 2006. Royal Air Forces Association Housing Limited (RAFA Housing Limited) has been a wholly owned subsidiary since January 2017. It is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, regulated by the FCA. RAFA Housing is a registered provider of social housing regulated by the Regulator of Social Housing (formerly known as the Homes and Communities Agency).

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. Council will use the Charity Governance Code for larger charities to assess its own performance and has agreed to carry out a board effectiveness review in 2019.

## Composition of the Board of Trustees (Council)

The Council is the Association's Board of Trustees and is collectively accountable to the Association's members and other stakeholders for the long term success of the Association. 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, holding the Secretary General and Senior Management Team to account for the Association's performance, standards of conduct and corporate governance. The composition of Council is prescribed by the Association's Rules and Byelaws and comprises:

- The President of Council – elected by the Annual Conference of the Association in 2017 for a period of three years
- The Chairman of Council – elected by the Annual Conference of the Association in 2016 for a period of three years and subject to re-election at Conference 2019
- The Treasurer of Council – elected by the Annual Conference of the Association in 2012 and re-elected in 2015 and 2017 for a further term of three years
- The Vice-Chairman of Council – elected from among the members of Council in 2012 and re-elected in 2018 for a further term of three years
- Eight elected members elected by the branches of the Association in 2018 for a term of office of three years
- Five area representatives elected by Area Councils in 2015 for a term of office of two years and re-elected in 2017 for a further period of two years. New area representatives will be appointed by the newly elected Area Councils to take office at the expiry of Annual Conference in May 2019
- Three service representatives – appointed by the Royal Air Force for a maximum term of nine years
- An RAF Benevolent Fund representative – nominated by the RAF Benevolent Fund in November 2018 for a term of office of three years
- Up to a maximum of four co-opted Trustees – selected by interviewing candidates to fill specific skill sets

The Trustees who served during 2018 are shown on pages one and two.

When new Trustees are elected or appointed, a formal induction on the work of the Association and their roles and responsibilities is provided. Further training and development is provided to meet specific needs. Trustees receive annual refresher training on health and safety, data protection, safeguarding and in 2018 training and development sessions were also held in relation to cyber security, finance and the Charity Code of Governance. In addition, executive directors work closely with Trustees on matters within their areas of responsibility as and when required.

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

## 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'). Council may exercise all powers conferred on it by the Governance Handbook and in accordance with the Charities Act 2011 and other applicable legislation. Council has five scheduled meetings each year.

The Board 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 each Committee's terms of reference, which were reviewed in 2018.

## Committee Structure

Throughout the year the work of Council was supported by Committees. Each Committee has written terms of reference approved by Council and comprise a combination of Council members and co-opted committee members as determined by Council.

Committees generally meet in advance of Council meetings and minutes of meetings are provided to Council, together with any recommendations.

Council has also appointed designated lead Trustees for health and safety (Squadron Leader D Gibson), safeguarding (Air Commodore C G A Opie) and whistleblowing (Ms F Barber).

Committee	Chair	Number of members	Number of meetings
Finance and Investment	Mr P Tagg	5	4
Fundraising and Communications	Mr I McEnnis	7	4
Branch and Membership	Ms D Dennett Stannard	8	4
Information	AVM M Neal	5	4
Welfare	Ms F Barber	8	4
Annual Conference	Mr A Rees	5	6
Audit	Mr I Gawn	4	2
Nominations and Remuneration	AVM J Cliffe	4	1

## Delegated authority

Council reviews its scheme of delegated authority on an annual basis. Notwithstanding any delegation, Council remains collectively accountable for the work of the Association. Day-to-day management of the Association is delegated to the Secretary General and his team.

## Senior management remuneration

Executive senior management consists of Secretary General, Director of Membership, Director of Welfare and Policy, Director of Marketing, Fundraising and Trading, Director of Finance, Director of HR and Volunteering, Chief Information Officer and Director of Governance and Risk. Council, through the Nominations and Remunerations Committee, sets pay and conditions for all employees, including the senior management executive. Employee pay scales are reviewed annually in August and any changes are effected from 1 January each year. Salary benchmarking is undertaken using data from the Office for National Statistics (ONS) and surveys by Croner and XperTHR. The Association has introduced the Living Wage on a discretionary basis and voluntarily recognises GMB for collective bargaining for statutory activity including pay. Senior management remuneration is shown at note ten of the accounts.

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

During the year, Trustees reviewed the Association's Risk Management Policy and agreed its risk appetite. The Association does not generally have an appetite for high exposure risks but recognises that delivering upon the ambitious strategic aims and objectives outlined in the Strategic Plan 2018–2030 will involve a degree of risk-taking and uncertainty. As such, there is an appetite for higher levels of risk where appropriate to deliver upon 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, while recognising a balanced assessment must be taken as, in many cases, there are risks attached to both doing something and doing nothing.

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

- Regulatory compliance. Mitigation includes regular reviews of policies, Council, Committee and/or working party oversight, employment of professionally qualified staff and mandatory training
- Long term financial sustainability and short-term cash flow failure. Mitigation plans include financial planning and performance monitoring, both in terms of annual budgets, reserves and investments, subject to ongoing Committee and Council oversight; investing in fundraising capacity and diversification of income streams
- Maintaining a large membership base. Plans include recruitment campaigns at RAF stations, improved retention by engaging with personnel leaving the RAF and improving contact with current membership
- External market threats. Mitigation plans include collaboration with other charities and organisations, developing unique service propositions and diversification of service provision
- Loss of operational capability. Plans include development of business continuity plans, cyber security and a range of processes to ensure recruitment and retention of appropriately qualified and trained employees and volunteers
- Significant change management projects. Mitigation plans include development of business cases, project risk registers and oversight by project governance boards, Senior Management Team (SMT) and Committees

Operational risk registers are also subject to regular review by the appropriate Council Committee so that assurance is provided to Council that such risks are being effectively managed.

## Trustees' responsibilities in relation to financial statements

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

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

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

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

This report was approved by the Trustees on 3 April 2019 and signed on its behalf by:



**J Cliffe CB OBE**

Air Vice-Marshal  
Chairman of the Council



# 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 2018 which comprise the Consolidated and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2018 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue

## 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. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## 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 9, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [frc.org.uk/auditorsresponsibilities](http://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.



RSM UK Audit LLP, Statutory Auditor, St Philips Point,  
Temple Row, Birmingham B2 5AF

Date 26/04/2019

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

# Consolidated statement of financial activities

## Year ended 31 December 2018

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>INCOME</b>					
<b>Donations and legacies</b>	3	5,953	471	6,424	9,065
Donations: assets gifted from closed branches	30	3,210	-	3,210	-
<b>Income from charitable activities:</b>					
Residential and respite care homes	6	1,385	1,780	3,165	2,574
<b>Income from other trading activities:</b>					
Trading income	4	867	-	867	550
Grand Draw and other fundraising income		1,083	-	1,083	699
<b>Investment income</b>	5	809	-	809	1,008
<b>Other income:</b>					
Share of net profit in joint venture	13	61	-	61	600
<b>Total income</b>		<b>13,368</b>	<b>2,251</b>	<b>15,619</b>	<b>14,496</b>
<b>EXPENDITURE</b>					
<b>Cost of raising funds</b>		4,218	-	4,218	3,390
<b>Expenditure on charitable activities:</b>					
Residential and respite care home		2,905	126	3,031	3,175
Friendship and welfare support		4,653	1,513	6,166	6,224
Grants		441	144	585	840
Other support costs		669	-	669	414
<b>Other expenditure:</b>					
Interest paid on branch deposits		10	-	10	2
Interest on defined benefit pension					
Liabilities		37	-	37	57
<b>Total expenditure</b>	<b>7</b>	<b>12,933</b>	<b>1,783</b>	<b>14,716</b>	<b>14,102</b>

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>Net (losses)/gains on investment assets</b>	13	(1,684)	-	(1,684)	1,887
<b>Net (expenditure)/income</b>		(1,249)	468	(781)	2,281
<b>Transfer between funds</b>	20	-	-	-	-
		(1,249)	468	(781)	2,281
<b>Other recognised gains/(losses):</b>					
Gains on revaluation of fixed assets for the charity's own use	12	985	-	985	-
Actuarial gains on defined benefit pension scheme	11	1,088	-	1,088	293
<b>Net movement in funds</b>		824	468	1,292	2,574
<b>Reconciliation of funds</b>					
<b>Total funds brought forward</b>		31,610	1,338	32,948	30,374
<b>Total funds carried forward</b>		<b>32,434</b>	<b>1,806</b>	<b>34,240</b>	<b>32,948</b>

All income and expenditure derive from continuing activities.

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

# Association statement of financial activities

## Year ended 31 December 2018

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>INCOME</b>					
<b>Donations and legacies</b>	3	5,953	471	6,424	8,638
Donations: assets gifted from closed branches	30	3,210	-	3,210	-
<b>Income from charitable activities:</b>					
Residential and respite care homes	6	1,385	1,780	3,165	2,574
<b>Income from other trading activities:</b>					
Grand Draw and other fundraising income		1,083	-	1,083	699
<b>Investment income</b>	5	809	-	809	1,008
<b>Total income</b>		<b>12,440</b>	<b>2,251</b>	<b>14,691</b>	<b>12,919</b>
<b>EXPENDITURE</b>					
<b>Cost of raising funds</b>		3,388	-	3,388	2,764
<b>Expenditure on charitable activities:</b>					
Residential and respite care home		2,905	126	3,031	3,175
Welfare support		4,653	1,513	6,166	6,224
Grants		441	144	585	840
Other support costs		669	-	669	414
<b>Other expenditure:</b>					
Interest paid on branch deposits		10	-	10	2
Interest on defined benefit pension		37	-	37	57
<b>Total expenditure</b>	<b>7</b>	<b>12,103</b>	<b>1,783</b>	<b>13,886</b>	<b>13,476</b>

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>Net (losses)/gains on investment assets</b>	13	(1,684)	-	(1,684)	1,887
<b>Net (expenditure)/income</b>		(1,347)	468	(879)	1,330
<b>Transfer between funds</b>	20	-	-	-	-
		(1,347)	468	(879)	1,330
<b>Other recognised gains/(losses):</b>					
Gains on revaluation of fixed assets for the charity's own use	12	985	-	985	-
Actuarial gains on defined benefit pension scheme	11	1,088	-	1,088	293
<b>Net movement in funds</b>		726	468	1,194	1,623
<b>Reconciliation of funds</b>					
<b>Total funds brought forward</b>		30,579	1,338	31,917	30,294
<b>Total funds carried forward</b>		<b>31,305</b>	<b>1,806</b>	<b>33,111</b>	<b>31,917</b>

All income and expenditure derive from continuing activities.

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

# Consolidated and Association balance sheets

## Year ended 31 December 2018

	Notes	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>					
<b>Tangible assets:</b>					
Properties	12	7,458	5,519	7,071	5,206
Equipment and furniture	12	1,863	1,472	1,749	1,363
		9,321	6,991	8,820	6,569
<b>Investments:</b>					
Investments	13	24,121	23,206	23,460	22,606
Programme related investments – loan to branches	14	139	152	139	152
<b>Total fixed assets</b>		<b>33,581</b>	<b>30,349</b>	<b>32,419</b>	<b>29,327</b>
<b>Current assets:</b>					
Assets held for resale	15	1,990	-	1,990	-
Stocks		221	151	95	9
Debtors	16	802	584	859	747
Cash at bank and in hand		2,586	7,358	2,327	7,006
<b>Total current assets</b>		<b>5,599</b>	<b>8,093</b>	<b>5,271</b>	<b>7,762</b>
<b>Current liabilities:</b>					
Creditors: amounts falling due within one year	17	(4,396)	(3,585)	(4,323)	(3,551)
<b>Net current assets</b>		1,203	4,508	948	4,211
<b>Total assets less current liabilities</b>		<b>34,784</b>	<b>34,857</b>	<b>33,367</b>	<b>33,538</b>
Creditors: amounts falling due after more than one year	18	(288)	(288)	-	-
<b>Net assets excluding pension scheme liability</b>		34,496	34,569	33,367	33,538
Defined benefit pension scheme liability	11	(256)	(1,621)	(256)	(1,621)
<b>Total net assets including pension scheme liability</b>		<b>34,240</b>	<b>32,948</b>	<b>33,111</b>	<b>31,917</b>

	Notes	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>FUNDS</b>					
<b>Income funds:</b>					
Restricted funds	20	1,806	1,338	1,806	1,338
<b>Unrestricted funds:</b>					
Designated funds	21	18,340	20,375	18,340	20,375
General funds		13,886	12,425	13,221	11,825
Pension scheme deficit	11	(256)	(1,621)	(256)	(1,621)
<b>Net general funds</b>		13,630	10,804	12,965	10,204
Non-charitable funds	4	464	431	-	-
<b>Total funds</b>		<b>34,240</b>	<b>32,948</b>	<b>33,111</b>	<b>31,917</b>

The financial statements on pages 20 to 58 were approved and authorised for issue by the Trustees on 3 April 2019 and signed on their behalf by:



**J Cliffe CB OBE**

Air Vice-Marshal

Chairman of the Council

# Consolidated and Association statements of cashflows

## Year ended 31 December 2018

	Notes	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>	23	(2,397)	(1,386)	(2,408)	(1,406)
<b>Cash flows from investing activities:</b>					
Investment income		796	1,001	796	1,001
Interest receivable		13	7	13	7
Interest payable		(10)	(2)	(10)	(2)
Receipt of Kaupthing Singer and Friedlander monies		11	54	11	54
Payments to acquire tangible fixed assets		(1,735)	(601)	(1,631)	(568)
Receipts from disposals of fixed assets		-	-	-	-
Payments to acquire investments		(2,087)	(1,331)	(2,087)	(1,331)
Receipts from disposals of investments		758	3,007	758	3,007
Cash acquired on acquisition		-	318	-	-
<b>Net cash (used in)/provided by investing activities</b>		(2,254)	2,453	(2,150)	2,168
<b>Cash flows from financing activities:</b>					
Decrease/(increase)in loans to branches		13	(15)	13	(15)
(Increase)/decrease in deposits by branches		(134)	15	(134)	15
<b>Net cash used in financing activities</b>		(121)	-	(121)	-
<b>Change in cash and cash equivalents in the year</b>		(4,772)	1,067	(4,679)	762
<b>Cash and cash equivalents at the beginning of the year</b>		7,358	6,291	7,006	6,244
<b>Total cash and cash equivalents at the end of the year</b>	<b>24</b>	<b>2,586</b>	<b>7,358</b>	<b>2,327</b>	<b>7,006</b>

## Helping Emily achieve a Paralympic dream

Sergeant Jon Caffrey has been an RAF Policeman for 22 years. His five year old daughter, Emily has bilateral perisylvian polymicrogyria and cerebral palsy. When he approached the RAF Association for a grant to buy a bespoke specialist saddle for her, we were glad to help. He said:

“She loves riding. It’s excellent mental and physical therapy. Our ultimate goal is to get Emily onto the Olympic Pathway. The new saddle allows Emily to compete against able-bodied competitors more effectively. We are so pleased that the RAF Association was able to help us.”



# Notes to the financial statements

## Year ended 31 December 2018

### 1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

### 2. PRINCIPAL ACCOUNTING POLICIES

#### General information

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

The address of the charity's registered office and principal place of business is Atlas House, 41 Wembley Road, Leicester LE3 1UT.

The Group consists of the Association and its two 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 (FRS102) issued on 16 July 2014, 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) and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

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

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

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

#### Going concern

The accounts have been prepared on a going concern basis. Having carried out a detailed review of the Association's and Group's resources and the challenges presented by the current economic climate, the Trustees are satisfied that the Association and Group have sufficient cash flows to meet their liabilities as they fall due for at least one year from the date of the approval of the accounts.

There are no significant financial uncertainties which the Trustees consider are a significant risk to the ability of the Association or the Group to trade as a going concern in the foreseeable future.

#### Consolidation

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

## Joint ventures

Entities in which the group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method. Under the equity method of accounting, an equity investment is initially recognised at transaction price (including transaction costs) and is subsequently adjusted to reflect the investors' share of the profit or loss, other comprehensive income and equity of the joint venture.

## Fund accounting

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

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

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

## Income

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

Income in the form of donations and subscriptions is included when receivable. Legacies are accounted for as soon as entitlement, probability and a monetary value can be established. The grant 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.

## 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.

## Exceptional items

Exceptional items are disclosed separately where that degree of prominence is necessary in order to give a true and fair view.

## 2. PRINCIPAL ACCOUNTING POLICIES CONTINUED

### Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently measured at cost or valuation net of depreciation and any impairment loss. 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** – two per cent on cost
- **Short leasehold properties** – over the terms of the leases
- **Computer equipment** – 25 per cent on cost
- **Other equipment and furniture** – between 15 per cent and 25 per cent on net book value
- **Motor vehicles** – 25 per cent on net book value/over 15 years

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

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

### Revaluation of properties

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

Revaluation gains and losses are recognised in 'other gains and losses' in the Statement of Financial Activities.

### Investments

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

Listed investments are stated at fair value at the balance sheet date. Unlisted investments are stated at cost less impairment at the balance sheet date. Both realised and unrealised gains and losses are shown in the SOFA. 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 while a reliable measure of fair value is available without undue cost or effort. Changes in fair value in gains/losses in 'investment assets' in the Statement of Financial Activities.

### Stocks

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

### Financial instruments

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

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

### Financial assets

#### Trade debtors, group debtors and other debtors

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

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

#### Financial liabilities and equity

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

## Other creditors and accruals

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

## Derecognition of financial assets and liabilities

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

## Pension costs

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

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

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the SOFA. 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 SOFA 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 SOFA on a straight line basis over the lease term.

## Volunteers

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



### 3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

GROUP AND ASSOCIATION	2018 £'000	2017 £'000
<b>Donations:</b>		
Residential and respite care homes	288	89
Others	2,583	3,108
Legacies	2,757	4,621
Subscriptions	796	820
<b>Association donations and legacies</b>	<b>6,424</b>	<b>8,638</b>
Net assets of RAFA Housing Limited on acquisition	-	427
<b>Total group donations and legacies</b>	<b>6,424</b>	<b>9,065</b>

### 4. SUBSIDIARIES

The Association owns the whole of the share capital of both RAFATRAD Limited and RAFA Housing Limited.

The activity of RAFATRAD Limited is publishing the official journal of the Association, selling advertising space, the sale of commemorative items and memorabilia and supplying fundraising equipment to branches of the Association.

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

The results of the subsidiaries and the amounts included within the Consolidated Statement of Financial Activities, after the elimination of intra-group transactions, are as follows:

	RAFA Housing Ltd 2018 £'000	RAFATRAD Ltd 2018 £'000	Intra-group transactions 2018 £'000	Total 2018 £'000	Total 2017 £'000
<b>Income:</b>					
Trading income	156	1,163	(452)	867	550
	156	1,163	(452)	867	550
<b>Expenditure:</b>					
Trading costs	(186)	(1,096)	-	(1,282)	(977)
	(186)	(1,096)	-	(1,282)	(977)
<b>Total surplus/(loss) for the financial year</b>	<b>(30)</b>	<b>67</b>			

During the year RAFATRAD Limited charged the Association £452k (2017: £351k) in respect of Air Mail and RAF Association branded goods. At the year end the Association was owed £194k (2017: £251k) by RAFATRAD Limited.

#### 4. SUBSIDIARIES CONTINUED

The aggregate of the assets, liabilities and funds of the subsidiary companies at 31 December 2018 were:

	2018 £'000	2017 £'000
Assets	1,024	1,004
Liabilities	(560)	(573)
<b>Total funds (share capital and reserves)</b>	<b>464</b>	<b>431</b>

The registered office of both subsidiaries is Atlas House, 41 Wembley Road, Leicester LE3 1UT.

#### 5. INVESTMENT INCOME AND INTEREST

GROUP AND ASSOCIATION	2018 £'000	2017 £'000
UK listed investments	719	961
Cash deposits	13	6
Branch and other loans	-	1
Properties	77	40
<b>Total investment income and interest</b>	<b>809</b>	<b>1,008</b>

#### 6. INCOME FROM RESIDENTIAL AND RESPITE CARE HOMES

GROUP AND ASSOCIATION	2018 £'000	2017 £'000
Accommodation fees	1,146	1,118
Other income	2,019	1,456
<b>Total income from residential and respite care homes</b>	<b>3,165</b>	<b>2,574</b>

## 7. TOTAL EXPENDITURE

ASSOCIATION	Employee and related costs £'000	Depreciation £'000	Other costs £'000	Total 2018 £'000	Total 2017 £'000
<b>Costs of raising funds:</b>					
Direct costs	518	-	2,809	3,327	2,711
Allocated support costs	-	61	-	61	53
<b>Charity's charitable activities:</b>					
Direct costs	3,685	-	1,125	4,810	5,221
Allocated support costs	1,982	304	3,355	5,641	5,432
<b>Other expenditure:</b>					
Interest paid on branch deposits	-	-	10	10	2
Interest on defined benefit pension liabilities	-	-	37	37	57
<b>Total expenditure</b>	<b>6,185</b>	<b>365</b>	<b>7,336</b>	<b>13,886</b>	<b>13,476</b>

	2018 £'000	2017 £'000
<b>Allocated support costs:</b>		
Heat and light	63	24
Other site costs	46	34
Advertising and promotions	442	676
Printing and stationery	91	106
Telephone	75	57
Insurance	133	108
Repairs and maintenance	61	15
Depreciation	365	374
Other expenditure	1,493	1,802
Other equipment	336	46
Staff costs	1,982	1,793
Governance costs	615	450
<b>Total allocated support costs</b>	<b>5,702</b>	<b>5,485</b>

GROUP	Employee and related costs £'000	Depreciation £'000	Other costs £'000	Total 2018 £'000	Total 2017 £'000
<b>Costs of raising funds:</b>					
Direct costs	761	-	3,371	4,132	3,337
Allocated support costs	-	86	-	86	53
<b>Charity's charitable activities:</b>					
Direct costs	3,685	-	1,125	4,810	5,221
Allocated support costs	1,982	304	3,355	5,641	5,432
<b>Other expenditure:</b>					
Interest paid on branch deposits	-	-	10	10	2
Interest on defined benefit pension liabilities	-	-	37	37	57
<b>Total expenditure</b>	<b>6,428</b>	<b>390</b>	<b>7,898</b>	<b>14,716</b>	<b>14,102</b>

	2018 £'000	2017 £'000
<b>Allocated support costs:</b>		
Heat and light	63	24
Other site costs	46	34
Advertising and promotions	442	676
Printing and stationery	91	106
Telephone	75	57
Insurance	133	108
Repairs and maintenance	61	15
Depreciation	390	374
Other expenditure	1,493	1,802
Other equipment	336	46
Staff costs	1,982	1,793
Governance costs	615	450
<b>Total allocated support costs</b>	<b>5,727</b>	<b>5,485</b>

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

- Land and buildings payments of £28k (2017 – £25k)
- Equipment payments of £24k (2017 – £43k)

The costs of raising funds includes Wings Appeal rebates allocated to branches, totalling £208k (2017 – £152k).

Support costs include £449k in respect of additional payments into the defined benefit pension scheme, (2017 – £444k). Total expenditure includes Auditor's remuneration of £6k (2017: £38k) and a profit on disposal of fixed assets of £3k (2017: £nil).

## 8. GRANTS PAYABLE

GROUP AND ASSOCIATION	2018 £'000	2017 £'000
Welfare grants to individuals	24	61

## 9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2017 – £nil).

Trustees expenses of £43,590 were reimbursed for directly incurred travel and subsistence expenses (2017 – £29,263) to 25 Trustees (2017: 25 Trustees).

## 10. STAFF COSTS

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	5,597	5,238	5,415	5,089
Social security costs	501	416	488	404
Employer contributions to defined contributions schemes	472	382	463	405
<b>Total staff costs</b>	<b>6,571</b>	<b>6,036</b>	<b>6,366</b>	<b>5,898</b>

The average number of employees throughout the year, calculated on a full-time equivalent basis, analysed by location was:

	GROUP		ASSOCIATION	
	2018 number	2017 number	2018 number	2017 number
Welfare	85	86	85	86
Membership	30	31	30	31
Headquarters and RAFATRAD	56	46	52	44
Families Federation Service	10	11	10	11
RAFA Housing Limited	1	1	-	-
<b>Average staff total</b>	<b>182</b>	<b>175</b>	<b>177</b>	<b>172</b>

The average number of employees (head count) during the year was 244 (2017: 208).

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

<b>GROUP AND ASSOCIATION</b>	<b>2018 number</b>	<b>2017 number</b>
£60,000 to £69,999	2	-
£70,000 to £79,999	1	2
£80,000 to £89,999	4	3
£90,000 to £99,999	-	1
£100,000 to £109,999	1	-
<b>Pay banding total</b>	<b>8</b>	<b>6</b>

Eight employees (2017: six) earning more than £60,000 participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £59,248 (2017: £40,064).

The total employee benefits of the key management personnel of the Association were £777k (2017: £672k).



## 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 2016 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £14,761,000, which represented only 83 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. In valuing the fund, it was assumed that the investment return would be 5.5 per cent per annum compound. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

A full actuarial valuation was carried out at 1 January 2016 and updated on 31 December 2018 by a qualified independent actuary. The major assumptions used by the actuary were:

	2018	2017
Rate of increase of pensions in payment	3.3%	3.3%
Discount rate	2.9%	2.6%
Inflation assumption (RPI)	3.3%	3.3%

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

	2018 years	2017 years
<b>Retiring today (currently aged 65):</b>		
Males	21.8	21.9
Females	23.5	23.6
<b>Retiring in 20 years (currently aged 45):</b>		
Males	22.8	23.0
Females	24.4	24.5

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme at 31 December 2018 were:

	2018 £'000	2017 £'000
Bonds	2,578	3,484
Equities	3,273	5,072
Property	1,189	1,146
Insurance contracts	5,759	6,766
Diversified funds	1,637	-
LDI funds	942	-
Net current assets	62	112
<b>Total assets</b>	<b>15,440</b>	<b>16,580</b>

	2018 £'000	2017 £'000
Fair value of scheme assets	15,440	16,580
Present value of scheme liabilities	(15,696)	(18,201)
<b>Total deficit in the scheme</b>	<b>(256)</b>	<b>(1,621)</b>

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:

<b>ANALYSIS OF THE AMOUNTS CHARGED TO STATEMENT OF FINANCIAL ACTIVITIES</b>	2018 £'000	2017 £'000
Past service cost	100	-
Expenses paid by the scheme	43	31
<b>Total</b>	<b>143</b>	<b>31</b>

<b>ANALYSIS OF FINANCIAL ELEMENT OF PENSIONS COST</b>	2018 £'000	2017 £'000
Interest on assets	426	439
Interest on pension scheme liabilities	(463)	(496)
<b>Total net cost</b>	<b>(37)</b>	<b>(57)</b>

## 11. PENSION SCHEMES (GROUP AND ASSOCIATION) CONTINUED

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

	2018 £'000	2017 £'000
(Loss)/gain on asset return	(1,213)	700
Experience gain on liabilities	25	-
Changes in assumptions underlying the present value of the scheme liabilities	2,276	(407)
Actuarial gain recognised in Statement of Financial Activities	1,088	293
<b>Total cumulative actuarial (loss) recognised in Statement of Financial Activities</b>	<b>(2,190)</b>	<b>(3,278)</b>

### Changes in the present value of defined benefit obligations

	2018 £'000	2017 £'000
Opening defined benefit obligation	18,201	18,157
Past service cost	100	-
Interest cost	463	496
Experience gain on liabilities	(25)	-
Gain/(loss) on changes in assumptions	(2,276)	407
Benefits paid	(767)	(859)
<b>Total closing defined benefit obligation</b>	<b>15,696</b>	<b>18,201</b>

### Changes in the fair value of plan assets

	2018 £'000	2017 £'000
Opening plan assets	16,580	15,887
Interest on assets	426	439
(Loss)/gain on asset return	(1,213)	700
Contributions by employer	457	444
Benefits paid	(767)	(859)
Expenses paid by the scheme	(43)	(31)
<b>Total closing defined benefit obligation</b>	<b>15,440</b>	<b>16,580</b>

The actual return on plan assets was (£787k) (2017: £1,139).

The Association expects to contribute £470k to its defined benefit pension plans in the year ended 31 December 2019.

The Association also contributes to a WPP scheme. The Association's contribution to the scheme is 9 per cent or 10 per cent of each member's gross salary and the pension cost for the year was £452k (2017 – £378k).

## 12. TANGIBLE FIXED ASSETS

GROUP	PROPERTIES			
	Freehold £'000	Short leasehold £'000	Equipment and furniture £'000	Total £'000
<b>Cost or valuation:</b>				
At 1 January 2018	7,380	59	3,321	10,760
Additions	1,090	-	645	1,735
Revaluation	985	-	-	985
At 31 December 2018	9,455	59	3,966	13,480
<b>Depreciation:</b>				
At 1 January 2018	1,896	24	1,849	3,769
Charge for year	135	1	254	390
At 31 December 2018	2,031	25	2,103	4,159
<b>Net book value:</b>				
At 31 December 2018	7,424	34	1,863	9,321
At 31 December 2017	5,484	35	1,472	6,991

ASSOCIATION	PROPERTIES			
	Freehold £'000	Short leasehold £'000	Equipment and furniture £'000	Total £'000
<b>Cost or valuation:</b>				
At 1 January 2018	6,786	59	3,001	9,846
Additions	1,010	-	621	1,631
Revaluation	985	-	-	985
At 31 December 2018	8,781	59	3,622	12,462
<b>Depreciation:</b>				
At 1 January 2018	1,615	24	1,638	3,277
Charge for year	129	1	235	365
At 31 December 2018	1,744	25	1,873	3,642
<b>Net book value:</b>				
At 31 December 2018	7,037	34	1,749	8,820
At 31 December 2017	5,171	35	1,363	6,569

Freehold property with a carrying amount of £1,567 was revalued at 31 December 2018 by an employee of the Association, who is a member of the Royal Institution of Chartered Surveyors, on an existing use open market value basis.

## 13. INVESTMENTS

GROUP	FAIR VALUE		HISTORICAL COST	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>a) Fixed assets:</b>				
Listed investments	21,104	21,470	16,419	14,883
Investment properties	2,169	949	165	165
Investment in joint venture	661	600	661	600
Loan to joint venture	32	32	32	32
Long term savings bond	155	155	155	155
<b>Total investments</b>	<b>24,121</b>	<b>23,206</b>	<b>17,432</b>	<b>15,835</b>

ASSOCIATION	FAIR VALUE		HISTORICAL COST	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>a) Fixed assets:</b>				
Listed investments	21,104	21,470	16,419	14,883
Investment properties	2,169	949	165	165
Loan to joint venture	32	32	32	32
Long term savings bond	155	155	155	155
<b>Total investments</b>	<b>23,460</b>	<b>22,606</b>	<b>16,771</b>	<b>15,235</b>

It is the Association's intention to undertake a professionally reviewed valuation of the investment properties every five years. The last professional valuation was at 30 November 2010 and was undertaken by Frank Marshall & Co, qualified chartered surveyors. The Trustees consider the valuation at the 31 December 2018 to be not materially different to the 30 November 2010 valuation and the valuation is therefore the Trustees' estimated fair value, but it is our intention to have these professionally valued in 2019. 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

	Listed investments £'000	Investment property £'000	Joint venture £'000	Long term savings bond £'000	Total £'000
1 January 2018	21,470	949	32	155	22,606
Additions	2,087	1,220	-	-	3,307
Disposals	(758)	-	-	-	(758)
Net investment losses	(1,695)	-	-	-	(1,695)
<b>Total 31 December 2018</b>	<b>21,104</b>	<b>2,169</b>	<b>32</b>	<b>155</b>	<b>23,460</b>

The net investment losses reflect the revaluation of investments at the year end.  
No one investment represents more than 5 per cent of the portfolio by market value.

## Investment in joint venture

	SHARE OF JOINT VENTURE	
	2018 £'000	2017 £'000
Carrying value at beginning of year	600	-
Share of net income in joint venture	61	600
<b>Total carrying value at end of year</b>	<b>661</b>	<b>600</b>

The Group holds the following interest in a jointly controlled entity:

Name of undertaking Held directly:	Class of shareholdings	Proportion of nominal value held	Nature of business
The RAF100 Appeal	Ordinary	25%	Non-trading company

The RAF100 Appeal is a joint venture between the Association and three other charities. The Association has a 25 per cent equity shareholding and voting rights in the RAF100 Appeal. The investment is accounted for under the equity method. The registered office of The RAF100 Appeal is 67 Portland Place, London W1B 1AR.

A summary of the Association's share of RAF100 Appeal's results is shown below:

	2018 £'000	2017 £'000
Income	318	610
Expenditure	(257)	(10)
<b>Total net income</b>	<b>61</b>	<b>600</b>

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

	2018 £'000	2017 £'000
Current assets	667	630
Current liabilities	(6)	(30)
<b>Total net assets</b>	<b>661</b>	<b>600</b>

The Association holds an investment of £100 (2017: £100) representing the entire ordinary share capital of its subsidiary, RAFATRAD Limited which is eliminated in the group consolidation.

## 13. INVESTMENTS CONTINUED

### Overseas investments

	Branch deposit		
	Branch deposit fund £'000	Fund – Formby Branch £'000	Total £'000
<b>2018</b>			
North America	202	124	326
European	-	25	25
Asia Pacific	-	19	19
Emerging market	151	-	151
Global	84	307	391
<b>Total 2018 investments</b>	<b>437</b>	<b>475</b>	<b>912</b>
<b>2017</b>			
North America	-	119	119
European	-	32	32
Asia Pacific	-	-	-
Emerging market	165	-	165
Global	118	63	181
<b>Total 2017 investments</b>	<b>283</b>	<b>214</b>	<b>497</b>

### b) Net (losses)/gains on investment assets

GROUP AND ASSOCIATION	2018 £'000	2017 £'000
Net (losses)/gains on listed investments	(1,695)	1,379
Net gains on investment properties	-	454
<b>Net gains on current asset investments:</b>		
Kaupthing Singer and Friedlander distribution (see note 26)	11	54
<b>Total investments</b>	<b>(1,684)</b>	<b>1,887</b>

## 14. LOANS TO BRANCHES

Included under this heading is an amount of £16,970 (2017 – £14,241) falling due within one year.

## 15. ASSETS HELD FOR RESALE

<b>GROUP AND ASSOCIATION</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Freehold properties	1,990	-

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

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2018 £'000</b>	<b>2017 £'000</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Trade debtors	139	65	41	-
Amounts due from subsidiaries	-	-	194	251
Prepayments and accrued income	407	472	405	464
Other debtors	256	47	219	32
<b>Total debtors</b>	<b>802</b>	<b>584</b>	<b>859</b>	<b>747</b>

## 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Taxation and social security costs	130	126	128	126
Other creditors	576	239	527	217
Accruals and deferred income	1,821	1,217	1,799	1,205
Deposits by branches	902	1,036	902	1,036
Formby Branch	967	967	967	967
<b>Total creditors</b>	<b>4,396</b>	<b>3,585</b>	<b>4,323</b>	<b>3,551</b>

Deposits by branches are held in a separate portfolio of investments comprising UK listed investments and cash deposits, managed by Rathbones Investment Management Limited.

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

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Accruals	515	510	505	503
Due to branches	8	8	8	8
Due to third parties	925	401	925	401
Deferred income	373	298	361	293
<b>Total accruals and deferred income</b>	<b>1,821</b>	<b>1,217</b>	<b>1,799</b>	<b>1,205</b>

Included in accruals is an amount of £58k (2017 – £49k) in respect of unpaid pension contributions.

	GROUP £'000	ASSOCIATION £'000
<b>Movement in deferred income:</b>		
2018 opening balance	298	293
Release during the year	(203)	(203)
2018 donations and subscriptions in advance	278	271
<b>Total deferred income</b>	<b>373</b>	<b>361</b>

Deferred income comprises membership subscription income in advance (£224k), donations in advance (£46k) and other deferred income (£91k).

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

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred income – capital grant	288	288	-	-
<b>Total creditors</b>	<b>288</b>	<b>288</b>	<b>-</b>	<b>-</b>

## 19. OPERATING LEASE COMMITMENTS

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

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Equipment:</b>				
Due within one year	24	25	24	25
Due between two and five years	6	39	6	39
<b>Land and buildings:</b>				
Due within one year	28	25	20	17
Due between two and five years	42	32	11	-
Due greater than five years	30	30	-	-
<b>Total operating lease commitments</b>	<b>130</b>	<b>151</b>	<b>61</b>	<b>81</b>

## 20. RESTRICTED FUNDS

GROUP AND ASSOCIATION	At 1 January 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2018 £'000
Eastern Area Chalet Fund	82	3	(1)	-	84
Homes Refurbishment	151	-	-	-	151
Richard Peck House	51	73	(42)	-	82
Flowerdown House	45	93	(23)	-	115
Rothbury House	30	21	(17)	-	34
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	391	41	(71)	-	361
Sussexdown Residents' Fund	60	-	-	-	60
Ivor Conway	86	-	-	-	86
Scottish Development Fund	20	2	-	-	22
Talking Air Mail	11	5	-	-	16
Preston Office	34	20	(2)	-	52
Forces in Mind Trust	-	25	(27)	-	(2)
Storybook Wings	3	2	(1)	-	4
RAF Benevolent Fund Grants	56	1,567	(1,416)	-	207
Libor	135	1	(27)	-	109
Vehicle fund for Areas	35	23	(2)	-	56
Volunteer Welfare Officers	10	2	-	-	12
Wexford	18	91	(43)	-	66
Befriending	73	125	(109)	-	89
Other restricted funds	36	157	(2)	-	191
<b>Total restricted funds</b>	<b>1,338</b>	<b>2,251</b>	<b>(1,783)</b>	<b>-</b>	<b>1,806</b>

GROUP AND ASSOCIATION	At 1 January 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2017 £'000
Eastern Area Chalet Fund	68	16	(2)	-	82
Homes Refurbishment	151	-	-	-	151
Richard Peck House	50	18	(17)	-	51
Flowerdown House	37	10	(2)	-	45
Rothbury House	41	12	(23)	-	30
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	346	115	(70)	-	391
Sussexdown Residents' Fund	60	-	-	-	60
Ivor Conway	90	-	(4)	-	86
Scottish Development Fund	16	9	(5)	-	20
Talking Air Mail	6	5	-	-	11
Preston Office	12	23	(1)	-	34
Forces in Mind Trust	8	11	(19)	-	-
Storybook Wings	1	2	-	-	3
RAF Benevolent Fund Grants	-	1,188	(1,132)	-	56
Libor	-	153	(18)	-	135
Vehicle fund for Areas	-	35	-	-	35
Volunteer Welfare Officers	-	10	-	-	10
Wexford	-	33	(15)	-	18
Befriending	-	127	(54)	-	73
Other restricted funds	36	1	(1)	-	36
<b>Total restricted funds</b>	<b>933</b>	<b>1,768</b>	<b>(1,363)</b>	<b>-</b>	<b>1,338</b>

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.

## 21. DESIGNATED FUNDS

GROUP AND ASSOCIATION	At 1 January 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2018 £'000
Council Projects	18	-	-	-	18
Other Projects	413	-	-	-	413
Fixed Assets	4,562	-	-	-	4,562
Homes Review	86	-	-	-	86
Membership Innovation	346	-	-	-	346
Investment Fund	4,200	-	(1,695)	-	2,505
Homes Fund	1,500	-	-	-	1,500
Investment in Strategic Growth Fund	3,250	-	(136)	-	3,114
Welfare Fund	1,000	-	(98)	-	902
Property Repairs and Maintenance	5,000	-	(106)	-	4,894
<b>Total restricted funds</b>	<b>20,375</b>	<b>-</b>	<b>(2,035)</b>	<b>-</b>	<b>18,340</b>

GROUP AND ASSOCIATION	At 1 January 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2017 £'000
Heritage Fund	1,205	-	-	(1,205)	-
Council Projects	18	-	-	-	18
Other Projects	413	-	-	-	413
Fixed Assets	6,562	-	-	(2,000)	4,562
Homes Review	86	-	-	-	86
Membership Innovation	346	-	-	-	346
Investment Fund	4,200	-	-	-	4,200
Homes Fund	1,500	-	-	-	1,500
Investment in Strategic Growth Fund	3,250	-	-	-	3,250
Welfare Fund	1,000	-	-	-	1,000
Property Repairs and Maintenance	-	-	-	5,000	5,000
<b>Total restricted funds</b>	<b>18,580</b>	<b>-</b>	<b>-</b>	<b>1,795</b>	<b>20,375</b>

In support of the 2020 direction the Association has approved a number of designated funds. The 'Heritage Fund' was set aside to maintain the aims and ethos of the Association and as this is thought to be at the centre of the 2020 direction of travel, this fund has been undesignated and now features as part of general undesignated reserves and therefore business as usual. Funds have been set aside under 'Other Projects' for expenditure on one-off welfare grants to projects such as contact houses.

The 'Fixed Assets' reserve has been reviewed and is the amount required to fund the none property assets used by the charity in the delivery of its charitable objectives. 'Homes Review Fund' is to take forward measures to improve the business operation of the three respite homes and 'Membership Innovation' is for development of measures to sustain membership. During 2017, a new property fund of £5m was created in recognition of the significant ongoing investment requirement in property assets and was agreed by Council in September 2017.

The 'Investments Fund' is a prudent sum to cover unforeseen fluctuations in the value of holdings following Brexit and to accommodate a natural correction following the recent increase in the portfolio. The Homes Fund is £1.5m to cover the estimated value of the RAF Benevolent Fund share of Rothbury House and Flowerdown House. The 'Investment Projects Fund' is £3.25m to cover the development and re-engineering of core systems as well as the achievement of long term growth and sustainability through investment in people and infrastructure. The 'Welfare Fund' is £1m to cover the growing but unquantifiable welfare demand.



## 22. ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
<b>Funds balances at 31 December 2018 are represented by:</b>			
Tangible fixed assets	9,321	-	9,321
Investments	24,121	-	24,121
Loans to branches	139	-	139
Current assets	3,793	1,806	5,599
Current liabilities	(4,396)	-	(4,396)
Creditors due after one year	(288)	-	(288)
Pension provision	(256)	-	(256)
<b>Total net assets</b>	<b>32,434</b>	<b>1,806</b>	<b>34,240</b>

ASSOCIATION	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
<b>Funds balances at 31 December 2018 are represented by:</b>			
Tangible fixed assets	8,820	-	8,820
Investments	23,460	-	23,460
Loans to branches	139	-	139
Current assets	3,465	1,806	5,271
Current liabilities	(4,323)	-	(4,323)
Pension provision	(256)	-	(256)
Pension provision	(256)	-	(256)
<b>Total net assets</b>	<b>31,305</b>	<b>1,806</b>	<b>33,111</b>

<b>GROUP</b>	<b>Unrestricted funds £'000</b>	<b>Restricted funds £'000</b>	<b>Total funds £'000</b>
<b>Funds balances at 31 December 2017 are represented by:</b>			
Tangible fixed assets	6,991	-	6,991
Investments	23,206	-	23,206
Loans to branches	152	-	152
Current assets	6,755	1,338	8,093
Current liabilities	(3,585)	-	(3,585)
Creditors due after one year	(288)	-	(288)
Pension provision	(1,621)	-	(1,621)
<b>Total net assets</b>	<b>31,610</b>	<b>1,338</b>	<b>32,948</b>

<b>ASSOCIATION</b>	<b>Unrestricted funds £'000</b>	<b>Restricted funds £'000</b>	<b>Total funds £'000</b>
<b>Funds balances at 31 December 2017 are represented by:</b>			
Tangible fixed assets	6,569	-	6,569
Investments	22,606	-	22,606
Loans to branches	152	-	152
Current assets	6,424	1,338	7,762
Current liabilities	(3,551)	-	(3,551)
Pension provision	(1,621)	-	(1,621)
Pension provision	(256)	-	(256)
Pension provision	(256)	-	(256)
<b>Total net assets</b>	<b>30,579</b>	<b>1,338</b>	<b>31,917</b>

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

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Net (expenditure)/income	(781)	2,281	(879)	1,330
<b>Adjustments for:</b>				
Net gain on acquisition of RAFA Housing Limited	-	(427)	-	-
Gifted properties	(3,210)	-	(3,210)	-
Share of joint venture	(61)	(600)	-	-
Contributions to defined benefit scheme	(457)	(444)	(457)	(444)
Expenses borne by pension scheme	43	31	43	31
Past service cost on pension scheme	100	-	100	-
Depreciation charges	390	405	365	382
Loss on disposal of fixed assets	-	187	-	179
Gains on investments	1,684	(1,887)	1,684	(1,887)
Profit on disposal of fixed assets	-	-	-	-
Investment income	(809)	(1,008)	(809)	(1,008)
Return on defined benefit scheme assets	(426)	(439)	(426)	(439)
Interest paid	10	2	10	2
Interest on defined benefit pension liabilities	463	496	463	496
(Increase)/decrease in stocks	(70)	(3)	(86)	1
(Increase)/decrease in debtors	(218)	(17)	(112)	(142)
Increase in creditors	945	37	906	93
<b>Total net cash (used in)/provided by operating activities</b>	<b>(2,397)</b>	<b>(1,386)</b>	<b>(2,408)</b>	<b>(1,406)</b>

## 24. CASH AND CASH EQUIVALENTS

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Cash and cash equivalents represent:</b>				
Cash at bank	1,334	3,541	1,075	3,189
Cash held by investment managers	1,252	3,817	1,252	3,817
<b>Total cash and cash equivalents</b>	<b>2,586</b>	<b>7,358</b>	<b>2,327</b>	<b>7,006</b>

## 25. LEGACIES

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

## 26. CONTINGENT ASSET

The Association has recovered 85.75p in the £ in respect of its claim in the Kaupthing Singer & Friedlander Administration. The Administrators currently estimate that total distributions to unsecured creditors should be a maximum of 86.5p in the £. The asset is not recognised in the accounts as there is no certainty regarding the amount and timing of future distributions.

## 27. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £1,220 (2017: £1,193) to the Association which is included in Wings Appeal income. The Association returned £208k (2017: £152k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition £12,247 (2017: £9,038) 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 £149k (2017: £170k) are to be paid to branches are included in expenditure.

The Association paid interest of £10,006 (2017: £2,437) to the branches holding deposit accounts with the Association (see note 16). The Association received interest of £nil (2017: £925) from branches that have received loans from the Association (see note 14).

## 28. FINANCIAL INSTRUMENTS

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

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Financial assets:</b>				
Debt instruments measured at amortised cost	886	598	945	759
Equity instruments measured at fair value through net income/expenditure	21,104	21,470	21,104	21,470
	21,990	22,068	22,049	22,229
<b>Financial liabilities:</b>				
Debt instruments measured at amortised cost	3,893	3,161	3,834	3,132

## 29. POST BALANCE SHEET EVENTS

There were no significant events arising after the balance sheet date.

## 30. DONATIONS – GIFTED PROPERTY ASSETS

During the year, a number of Royal Air Forces Association branches closed resulting in nine 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.

The following table sets out the fair values of properties transferred and an analysis of their recognition in the Statement of Financial Activities.

	2018 £'000
Investment properties	1,220
Assets held for resale	1,990
<b>Total donations</b>	<b>3,210</b>

All properties transferred are classified as unrestricted funds.

## 31. PRIOR YEAR CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000
<b>INCOME:</b>				
<b>Donations and legacies</b>	3	8,489	576	9,065
<b>Income from charitable activities:</b>				
Residential and respite care homes	6	1,382	1,192	2,574
<b>Income from other trading activities:</b>				
Trading income	4	550	-	550
Grand Draw and other fundraising income		699	-	699
<b>Investment income</b>	5	1,008	-	1,008
Other income				
Share in joint venture RAF100	13	600	-	600
<b>Total income</b>		<b>12,728</b>	<b>1,768</b>	<b>14,496</b>
<b>EXPENDITURE:</b>				
<b>Cost of raising funds</b>		3,389	1	3,390
<b>Expenditure on charitable activities:</b>				
Residential and respite care home		3,134	41	3,175
Friendship and welfare support		5,021	1,203	6,224
Grants		722	118	840
Other support costs		414	-	414
<b>Other expenditure:</b>				
Interest paid on branch deposits		2	-	2
Interest on defined benefit pension liabilities		57	-	57
<b>Total expenditure</b>	<b>7</b>	<b>12,739</b>	<b>1,363</b>	<b>14,102</b>
<b>Net gains on investment assets</b>	13	1,887	-	1,887
<b>Net income</b>		1,876	405	2,281
<b>Transfer between funds</b>	20	-	-	-
		1,876	405	2,281
<b>Other recognised gains/(losses):</b>				
Actuarial gains on defined benefit pension scheme	11	293	-	293
<b>Net movement in funds</b>		2,169	405	2,574
<b>Reconciliation of funds</b>				
<b>Total funds brought forward</b>		29,441	933	30,374
<b>Total funds carried forward</b>		<b>31,610</b>	<b>1,338</b>	<b>32,948</b>

**31. PRIOR YEAR CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES CONTINUED**

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000
<b>INCOME:</b>				
<b>Donations and legacies</b>	3	8,062	576	8,638
<b>Income from charitable activities:</b>				
Residential and respite care homes	6	1,382	1,192	2,574
<b>Income from other trading activities:</b>				
Grand Draw and other fundraising income		699	-	699
<b>Investment income</b>	5	1,008	-	1,008
<b>Total income</b>		<b>11,151</b>	<b>1,768</b>	<b>12,919</b>
<b>EXPENDITURE:</b>				
<b>Cost of raising funds</b>		2,763	1	2,764
<b>Expenditure on charitable activities:</b>				
Residential and respite care home		3,134	41	3,175
Welfare support		5,021	1,203	6,224
Grants		722	118	840
Other support costs		414	-	414
<b>Other expenditure:</b>				
Interest paid on branch deposits		2	-	2
Interest on defined benefit pension liabilities		57	-	57
<b>Total expenditure</b>	<b>7</b>	<b>12,113</b>	<b>1,363</b>	<b>13,476</b>
<b>Net gains on investment assets</b>	13	1,887	-	1,887
<b>Net income</b>		925	405	1,330
<b>Transfer between funds</b>	20	-	-	-
		925	405	1,330
<b>Other recognised gains/(losses):</b>				
Actuarial gains on defined benefit pension scheme	11	293	-	293
<b>Net movement in funds</b>		1,218	405	1,623
<b>Reconciliation of funds</b>				
<b>Total funds brought forward</b>		29,361	933	30,294
<b>Total funds carried forward</b>		<b>30,579</b>	<b>1,338</b>	<b>31,917</b>



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