

THE ROYAL AIR FORCES ASSOCIATION
REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020



**THE ROYAL AIR FORCES ASSOCIATION
REPORT AND FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2020

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**THE ROYAL AIR FORCES ASSOCIATION
REFERENCE AND ADMINISTRATIVE DETAILS**

YEAR ENDED 31 DECEMBER 2020

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

TRUSTEE MEMBERS OF THE COUNCIL

President	Air Marshal Sir Baz North KCB OBE MA FRAeS
Chairman	Air Vice-Marshal J Cliffe CB OBE
Vice Chairman	Dr B Pattison OBE
Honorary Treasurer	Mr P Tagg
Elected Members	Dr B Pattison OBE Mr M J Blackman Squadron Leader D Gibson RAF Mr C H Goss MA Mr I L McEnnis DipNEBSM AInstAM (Dip) Mr A P Rees Mrs B Dennett Stannard Mr P Ramrayka MBA CIHM FIHM FIHEEM FRSP

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

YEAR ENDED 31 DECEMBER 2020

Area Representatives	Mr F C Barrett MBE (South East and Eastern) Mr D Chappell (Northern) Mrs M Addison (Wales, Midlands and South Western) Mrs S Kidston (Scotland and Northern Ireland) Air Commodore A Neal AFC FRAeS (European)
Members appointed by the Royal Air Force	Air Commodore G A Opie MDA MA BSc FCIPD RAF Wing Commander A Morris MBE RAF Warrant Officer M Rees-Martin
RAF Benevolent Fund Representative	Air Commodore R Atherton
Appointed Member	Ms F Barber Ms S Barber Mrs P Bearblock Air Vice-Marshal M Neal OBE CEng FIET
SENIOR MANAGEMENT TEAM	
Secretary General	Mr N Bunting OBE CDir FIOD MCMi
Director of Welfare and Policy	Mr R O'Connor MA
Director of Branch and Membership Operations	Group Captain D Rowlands MA Chartered MCIPD
Director of Marketing, Fundraising and Trading	Ms R Huxford MInstF
Chief Finance Officer	Mr A Wilkinson-Sharpe FCCA (until 31 March 2021) Mrs K Parkin JP BSc (Hons) ACMA CGMA MCIPP ACIPD (from 12 April 2021)
Chief People Officer	Mrs A Hunter FCIPD (until 31 December 2020)
Chief Information Officer	Mr P Sherwin BSc (Hons) MBCS
Group Company Secretary	Mrs V Hall FCG

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

YEAR ENDED 31 DECEMBER 2020

PROFESSIONAL ADVISORS

Auditors	RSM UK Audit LLP, St Philips Point, Temple Row, Birmingham B25AF
Bankers	Lloyds Bank plc, Law Courts Branch, 222 Strand, London WC2R 1BB
Investment Managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Rothschild & Co, New Court, St Swithin's Lane, London EC4N 8AL
Solicitors	Freeths LLP, One Colton Square, Leicester, LE1 1QH Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London EC4R 1BE

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT
YEAR ENDED 31 DECEMBER 2020**

The Trustees of The Royal Air Forces Association (the Association) present this report and the financial statements of the Association for the year ended 31 December 2020. The financial statements have been prepared based on the accounting policies set out in note 2 to the financial statements and comply with the Royal Charter.

Mission

Our purpose and reason for existence is enshrined within the charitable objective set out at Article two of our Royal Charter, which states: "The object for which the Association is established is to promote, through the comradeship engendered by its members, the welfare by charitable means of all serving and former members of Our Air Forces, their spouses and dependants, together with the widows and widowers and dependants of those who died whilst serving or subsequently."

Activities

- We are one of the oldest military charities, with a **90-year history** of support to the RAF community.
- We offer support to a **community of one million people**.
- We have a thriving network of **70,000 members** across **90 countries** in **300 branches**.

In 2020

- **We supported more than 80,000 individuals** to remain active, thriving and valued members of their local communities.
- Our dedicated **helpline looked after over 45,000 enquiries**.
- We reduced loneliness and isolation by making over **109,000 friendship and welfare check calls to over 35,000 members of the RAF family**.
- **Over 2,000 beneficiaries received regular weekly calls** supported by over 800 new volunteers.
- **6,243 beneficiaries were supported by Op CONNECT, our emergency response to COVID-19**.
- We had a field force of **1,100 highly trained welfare volunteers**, who supported over 4,000 welfare cases of which 2,387 received one to one support. 89% felt listened to and that their needs were understood and fully met.
- **Over 52% of RAF community welfare financial cases** were managed by our welfare volunteers.
- **We sourced over £4.8m** in almonised funds for our beneficiaries.
- **Our support, training and advice hubs empowered over 4,540 people by helping them to increase their own resilience or support the mental wellbeing of others**.
- Our **four retirement accommodation complexes** in the UK **allowed 150 people to retain their independence** - with a helping hand available on-site should they need it.
- **More than 400 children received high-quality childcare** in a welcoming and safe environment at our RAFA Kidz nurseries on UK military bases.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Activities (continued)

- We relieved key elements of everyday life which can cause pressure, such as helping our serving RAF community to keep strong relationships with their loved ones.
- 3,857 people visited our Navigating Dementia online hub.
- 531 members of the RAF community took part in our online 'Finding it Tough?' mental wellbeing programme.
- More than 840 beneficiaries received our support in applying for the Armed Forces Compensation scheme, securing over £427k in awards.
- We secured over £1.4m for Branch Clubs from the Armed Forces Covenant Fund.
- We supported Branch Clubs to obtain over £1.0m in Government Funding.
- Our free Wi-Fi was used over 150,000 times.
- Our innovative online entertainment programme was viewed more than 1.5 million times across the world, keeping people connected with the RAF past and present.

Impact of COVID-19 and our response

The World Health Organisation declared COVID-19 a global pandemic on 11 March 2020, following which the UK Government made a series of recommendations culminating in a prolonged nationwide lockdown commencing on 23 March 2020. A resurgence in cases in the UK during the Autumn and Winter of 2020 resulted in the introduction of further lockdowns and restrictions which are only now beginning to be eased. While vaccines have been developed and a mass-vaccination programme is underway, considerable uncertainty remains. During 2020 the Associations' Board of Trustees (the Council) has confronted uncertainty head on, and this will continue in 2021.

The impact of COVID-19 on the Association has been significant. As with all charities, the Association's ability to fundraise has been severely affected with the majority of planned activities in 2020 being cancelled. The Association acted swiftly to take advantage of the various appropriate forms of government support, including furlough.

The Association had to change how it delivered existing services while responding to both new needs and increasing demand. The respite hotels had to close during the lockdown and face-to-face casework and befriending were not possible. At the same time, the demand for our welfare services increased dramatically as the effects of isolation and social distancing became apparent. We responded by delivering services virtually, and introducing our Op CONNECT welfare service which has supported over 30,000 potentially vulnerable members of the RAF community. In response to the pandemic, the Council had to consider decisive and significant action to protect the work of the Association to meet the needs of the RAF community for the long-term. The difficult decision to repurpose the respite care hotels and to reshape the organisation to position it for the future resulted in the unfortunate need for redundancies.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Impact of COVID-19 and our response (continued)

The Association has adopted a five-stage approach in responding to the pandemic:

- Address the immediate challenges that COVID-19 presents to the Association and stakeholders.
- Manage the short to medium-term financial challenges.
- Create a detailed plan to return the Association to 'scale' as quickly as possible.
- Reimagine the next normal, the implications for the Association and how the charity should reinvent and position itself.
- Change the structures, processes and services delivered by the Association, addressing the new, emerging need, the changing landscape and the available resources.

To ensure the Association comes through the pandemic and is positioned to meet the post-COVID welfare needs of the RAF community, the Council reviewed the charity's strategic objectives. In doing this, the Council reaffirmed that the primary purpose of the Association is to promote, through comradeship engendered by its members, the welfare by charitable means of the RAF community - i.e. it is a welfare charity. The Council also agreed that the charity's strategic objectives will remain relevant in a post-COVID environment, although achieving these objectives will require the Association to adapt to societal and economic changes caused by the pandemic. The Council is approaching the challenges ahead with an open mind, strong leadership, agile management, and evidence-based decision-making to ensure the Association makes the most effective use of its limited and constrained resources. In support of this, the Council has adopted the following strategic 'design principles':

1. Decisions will be evidence-based; where necessary data is unavailable, the Association will invest in research.
2. The needs of the majority of beneficiaries will be put before all else.
3. The charity's funds will be used to best effect in delivering welfare support to the RAF community.
4. The charity will strive for maximum scale and reach in its delivery of services, while still providing specialist services to niche groups wherever practicable.
5. The Association recognises the value of volunteers and will promote and support them, be they members or not.
6. The charity will seek out opportunities to partner with other organisations to the mutual benefit of its beneficiaries.
7. The charity will adopt digital tools and ways of working to enhance the efficiency, compliance, and effectiveness of its outputs.

Op CONNECT

In March 2020 the Association developed Op CONNECT, a four-pronged, immediate response to the COVID-19 pandemic to address the issues of isolation and loneliness, anxiety and access to food / hygiene products. Each of the four emergency projects complemented, enhanced and extended existing welfare services and they were launched immediately after the lockdown began. The projects were managed by a skeleton crew of employees (over 50% of employees were furloughed), with the support of enthusiastic members and volunteers.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Op CONNECT (continued)

The four emergency projects provided over 500 doorstep drops of food & hygiene products, over 109,000 telephone welfare checks were made to higher-risk individuals and a seven-day on demand helpline was established. By the end of 2020, over 2,000 people were receiving weekly befriending calls and over 800 volunteers had been recruited and trained, digitally supported and managed to help us deliver Op CONNECT. The Association wishes to acknowledge and thank all its volunteers and is particularly grateful to CGI, ICAP, MBDA, Raytheon, Rolls Royce and Sage and their employees for supporting the projects. Our innovative online entertainment program, Project ENTERTAIN, was viewed more than 1.5 million times across the world, keeping people connected with the RAF past and present. It delivered a daily, wide-ranging schedule of Facebook Live and Zoom sessions including low-impact fitness, tap dancing, drill tuition, aviation history, concerts and sing-alongs, quizzes, read and watch/recipes and guest interviewees.

The success of Op CONNECT highlighted an increased and unmet need for services to address loneliness and isolation and the four projects have been incorporated into the Association's permanent welfare services. Project HELPLINE and BAGDROP supported over 6,200 beneficiaries and has been incorporated into the Association's welfare casework service. Project ENTERTAIN, which was re-introduced during the second lockdown, will, during 2021, be evolved into 'Air Mail+'. Project OUTREACH has been combined with the Association's befriending service under the banner of 'Connections For Life'.

Welfare strategy

Our welfare strategy aims to provide the RAF community with person-centred, proactive and easy-to-access support and services that will enhance their health, financial security and independence. It also integrates a bespoke portfolio of assistance from the State, the Association and other specialist providers to enable the members of the RAF community to overcome barriers they face throughout their lives. In 2020, over 80,000 members of the RAF community who required practical, emotional or financial assistance were supported by the Association. This was made possible by our thriving network of members and supporters who volunteered their time to support the Association and our employees.

As one of the oldest military charities, with a 90-year history of support to the RAF community, the Association is committed to delivering needs-led, evidenced-based welfare services. The Association is working alongside the other principal welfare case working military charities, the Royal British Legion and SSAFA, to:

- Develop an overview of our collective reach, work and impact.
- Share information on various on- and off-line training methods.
- Review standard client consent declarations.
- Consider how we better support individuals / households digitally.
- Develop common standards on CMS²¹.

In 2020 we launched a research study to identify the longer-term effects of COVID-19 on the RAF community. This evidence will inform the future development of services.

¹ The Client Management System (CMS / CMS2) (controlled by the Confederation of British Service Organisations (COBSEO) and managed by SSAFA)

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Emotional and mental wellbeing

Our national befriending service, designed to reduce the loneliness within the RAF veteran community, continued during 2020 although it was transformed from a face-to-face to telephone service in response to the pandemic. Following the success of Project OUTREACH the two services have been amalgamated and now form 'Connections For Life'. The Association's ethos is that once you are part of the RAF community, you are always part of it. That is why we are determined to do all we can to make sure no one feels alone. Connections For Life "fights loneliness through friendship" and will continue to match caring, friendly volunteers with those experiencing isolation, and will proactively contact potentially vulnerable members of the RAF community to check on their welfare.

Improving mental wellbeing continues to be a key theme for the Association. A new bespoke mental wellbeing training course for non-serving members of the RAF community, 'Finding it Tough?' (FiT) was developed during late 2019. Originally designed as a face-to-face training course, in response to the lockdown a shorter, online version was developed and has been delivered to over 530 individuals. The FiT course helps people to recognise that everyone struggles with life from time to time. We discuss how the special experience of being part of the wider RAF community can also come with challenges and suggest practical strategies to help improve resilience. In line with our commitment to providing the highest quality support for the RAF community, the training is Quality Marked, and participants are encouraged to take part in a long-term research study to determine its effectiveness.

Development work also continued to provide a bespoke online hub for people in the serving RAF community who are caring for family members with dementia. Research by Alzheimer's Society suggests that an estimated 70,000 people with an RAF background have dementia. In 2018 an Association study, which sought to understand the social, geographical and biological characteristics of the RAF community, revealed that 9% of serving RAF personnel had unpaid caring responsibilities for an older adult. The Association teamed up with Alzheimer's Society and CGI to create the first phase of our new 'Navigating Dementia' project, an online hub. The hub complements the support already provided by the RAF by linking individuals with other RAF carers and families affected by dementia, providing a vital knowledge hub and steering them towards further resources and support. The hub had over 3,800 unique visitors during 2020.

Housing and respite breaks

Other welfare services included respite care and holidays provided by our Wings Break hotels and chalets, lunch clubs and our sheltered and independent living schemes at four locations across the UK.

All respite care and holiday services had to close in March 2020 as a result of COVID-related restrictions. The pandemic particularly affected the Wings Break Hotels (Rothbury House and Flowerdown House), as the majority of the hotels' guests were in COVID-19 'higher risk' categories. COVID-19, the introduction of social distancing and the shielding of vulnerable groups has considerably changed the landscape of the respite care market and considerable challenges were identified in re-opening the Wings Break Hotels, giving rise to a significant risk for the Association. The two Wings Break Hotels have historically struggled to achieve full occupancy, requiring considerable subsidy from the charity and the level of cost of providing respite breaks to a limited number of beneficiaries was significant. The need to maintain a COVID-safe environment with enhanced infection-control practices and social distancing would have increased costs, further reduced guest numbers and diminished the quality of the guests' experience. At the same time, Op CONNECT had identified other considerable unmet needs, which the Association needed to respond to if possible.

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YEAR ENDED 31 DECEMBER 2020**

Housing and respite breaks (continued)

Against this background, and following consultation with affected employees, in July 2020 the Council agreed reluctantly to cease the delivery of organic respite care, resulting in the permanent closure of Rothbury House and Flowerdown House as Wings Break facilities for respite guests. However, the Council is committed to meeting the needs of those who, ordinarily, would visit Wings Break facilities for respite care breaks through alternative means. Research has since been carried out to determine the best future use of both hotel sites. In February 2021, the Council decided that, based on the findings of this research, Rothbury House should be retained by the Association and (subject to local authority permissions) be converted to retirement accommodation. A long-term lease agreement for Flowerdown House has been agreed with the YMCA Dulverton Group, a Somerset-based charity.

The Association's holiday services re-opened in September supporting 180 guests.

The Association operates four sheltered housing schemes, in Melton Mowbray, Moffat, Rothbury and, through RAFA Housing Limited, Storrington, which in total are home to 150 tenants.

Financial support

In 2020, over 4,500 cases were supported by our stand-alone welfare caseworkers. In addition to this, our branches supported many thousands more cases locally. The Association, via the military charity sector grant system and the Client Management System (CMS) (controlled by the Confederation of British Service Organisations (COBSEO) and managed by SSAFA) almonised over £3m, principally from the RAF Benevolent Fund, in financial support for these beneficiaries.

Additionally, the Association received more than 840 Armed Forces Compensation Scheme and war pension enquiries, and provided specialist advice and support to secure £327k in compensation for beneficiaries.

Support to the serving

We also maintained our efforts to keep serving families strong and connected through: our support to contact houses on RAF stations; Storybook Wings (which allowed children to benefit from a bedtime story even when their parent was serving away); and Doodle Boxes² which were issued to children and parents across 21 stations. Our free Wi-Fi provided in 43 facilities across 14 stations / MOD sites and to 82 houses used for welfare purposes by the RAF, kept serving personnel in touch with family and friends and was used over 150,000 times in 2020.

RAF Families Federation

Our management of the RAF Families Federation has also played a key role in capturing evidence on issues which concern serving RAF personnel and their families – and in sharing this with military and Government decision-makers. RAF Families Federation evidence on family life is frequently cited in the report by Andrew Selous MP, 'Living in our Shoes: Understanding the needs of UK Armed Forces Families'³ that was commissioned by the Secretary of State for Defence. The Association is delighted that, having managed the Families Federation contract since its inception in 2007, it has been awarded the contract by the RAF for a further five years.

² Doodle Boxes are memory boxes created by the children of the deployed to remind them of home.

³ [Living in our shoes: understanding the needs of UK Armed Forces families | RAF Families Federation \(raf-ff.org.uk\)](https://www.raf-ff.org.uk)

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

RAFA Kidz

The RAF's Community Needs Assessment (CNA) identified the provision of childcare as a critical area of need and in 2019 we were approached by the RAF to assist further in alleviating this need through the development of a new strand of work. Through our subsidiaries, we took responsibility for the nurseries at RAF Odiham and RAFC Cranwell during 2019, and the nursery at RAF Digby in January 2020. We now support over 400 children and their families, which directly contributes to both the charitable objects of the Association and its strategic welfare aim.

Membership

Since 2014, over 43,000 new members have joined the Association, bringing the current membership (as of 31 December 2020) to 69,000. Recruitment is across all age groups and over half of those serving in the RAF today are members of the Association. The vital role played by our members cannot be overstated; many thousands volunteer their time to deliver welfare services, raise essential funds, provide comradeship and support to each other, manage our branch and branch club network and help in countless other ways.

Branches

There are approximately 300 RAF Association branches located across the UK and in 18 other countries across the world. Branches are charities in their own right, managed by their branch committees but subject to the Association's Royal Charter, Rules, Byelaws and Standard Regulations.

Branches maintain contact at local level with the Serving and ex-Service community, provide welfare support and raise funds. For social purposes, some branches have members' clubs affiliated to them. During 2020 the Association was successful in securing over £1.4 million of funding for 31 branches from the Armed Forces Covenant Fund Trust through their Veterans' Community Centres programme. This funding was restricted for approved renovations and improvements to the branches' clubs. The Association also supported four branches through its own branch property grant scheme.

Branches were unable to meet face-to-face during much of 2020 due to COVID-restrictions and their clubs have been temporarily closed. Branches have worked hard to maintain contact with their members, including delivering an outreach programme to those over 70 years old.

The Association has supported its branches and branch clubs throughout the year with guidance on the restrictions and the government support available to them, enabling them to claim over £1 million in grants and furlough support. This income is recorded in the branches' and clubs' financial statements, which are not consolidated with those of the Association.

**THE ROYAL AIR FORCES ASSOCIATION
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Volunteering

The Association's robust volunteer recruitment and training process continued to play a central role in building and maintaining a highly competent welfare volunteer field force, undertaking casework and Connections For Life (CFL). Face-to-face training sessions were curtailed in 2020 due to COVID, but over 1,000 volunteers attended online training. All our welfare volunteers are provided with regular continual professional development opportunities, and our volunteers are supported both practically and emotionally through our Community Support team. The impact of the welfare services delivered by our volunteers on the mental wellbeing of the individuals they assist is monitored using the internationally validated Short Warwick-Edinburgh Mental Wellbeing Scale. The Association remains the only military charity to provide nationally accredited training to its welfare volunteers.

Fundraising

As part of the Association's commitment to the highest possible standards of fundraising, we did our utmost throughout 2020 to ensure that all our activities were compliant with legislative, regulatory and best practice standards. We have been registered with the Fundraising Regulator since its inception in 2016, demonstrating our commitment to the Code of Fundraising Practice and the Fundraising Promise.

Successful fundraising is critical to the sustained financial health of the Association and our ability to provide support to the RAF community. The pandemic has had a significant effect on all areas of our fundraising activity, but the generosity of our members, branches, volunteers and supporters in response to our emergency appeals has been vital in replacing some of our lost income. The main sources of fundraising income during 2020 were gifts in wills, volunteer fundraising activities, donations from individuals, grants from trusts and foundations and funding and gifts in kind from corporate partnerships.

The Association is grateful for the support shown to its work by all those who funded it during 2020. Support to the Association from trusts, foundations and other organisations came from a number of sources. Some wish to remain anonymous but others included:

Ann Jane Green Trust
Annington Trust
Armed Forces Covenant Fund Trust
Aerosuperbatics Ltd
Asali
Aviation Focus Group
B D Thomas Charitable Trust
Community Foundation for Lancashire
CGI
CTC London Ltd
Davis-Rubens Charitable Trust
Edith Murphy Foundation
Foundation Scotland
Gerald Bentall Charitable Trust
Green Hall Foundation
Hilda Farr Charitable Trust
I.M.L.D. Forde Charitable Trust
JP Morgan Chase

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
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Fundraising (continued)

Fujitsu
Leicestershire and Rutland Community Foundation
Lillie C Johnson Charitable Trust
Lockheed Martin UK
Masonic Charitable Foundation
Maud Elkington Charitable Trust
Mazars Charitable Trust
MBDA
Michael Watson Charitable Trust
Mr & Mrs William Donald's Memorial Trust
Pukaar News
Rare Tea Company
Raytheon UK
Rigby Foundation
Sage
Selkirk No 2 Trust
Sir Donald and Lady Edna Wilson Charitable Trust
Sir Jeremiah Colman Gift Trust
The DCMS and National Lottery Community Fund
The Ministry of Defence and the Cabinet Office
The Scottish Government
Wilkin & Sons
TP ICAP
Vichai Srivaddhanaprabha Foundation
Western Power Distribution

During 2020, all our interactions with the general public were carried out by our employees and volunteers, except for two suppliers whose services we employed to interact directly with the public to administer our Weekly Lotto and to support our Christmas TV campaign. We ensured that contracts, which included fundraising compliance clauses, were in place with these suppliers, and with all corporate partners who raised funds for us. As part of our work to ensure compliance with fundraising regulation and best practice, we monitored our suppliers constantly to ensure they met the same high standards we expected of our own fundraisers. The Association has a Fundraising Complaints Policy and has processes in place to protect vulnerable donors. During 2020 we received no complaints about our fundraising, whether carried out by us directly or by the two suppliers in relation to Lotto or the Christmas TV campaign.

Governance

Public scrutiny of charities has continued throughout 2020 and we recognise the importance of demonstrating both the impact of our services and the integrity with which we operate. The Association is committed to meeting the highest standards of governance in all its activities and to ensuring that everyone who acts in the name of the Association, volunteers, employees, and members, meets the highest standards of conduct and probity. The Association has adopted the Charity Governance Code and conducts an annual review against the Code to support continuous improvement. Further details are provided later in this report.

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Public benefit

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

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

FINANCIAL REVIEW

Income

During the year, the consolidated income raised from members, volunteers, the general public, and investments was £13,922k, a decrease of 14 per cent (2019: £16,236k). Accurate predictions of income are extremely difficult due to uncertainty surrounding donations including legacies, and the impact of economic and other external factors. In 2020 legacy income was £2,886k (£4,272k in 2019), a reduction of £1,386k from 2019. The annual Wings Appeal was significantly reduced due to COVID-restrictions in 2020 but the Association's emergency appeals raised over £230k with branches donating an additional £590k. Investment income of £864k decreased by 15.5% year-on-year reflecting a volatile year with markets impacted by COVID, Brexit and the US election (2019: £1,023k). Despite the challenging market conditions, the Association's investment performance was robust, out-performing the benchmark and its charity peer group.

During the year the group received Government Job Retention Scheme grant income of £1,138k for staff furlough which has enabled the Association to retain staff during the period.

Expenditure

In 2020 expenditure of £17,240k was £31k above the 2019 level (£17,209k). £14,824k (2019: £12,596k) was spent on charitable activities. 87.3p on every pound raised was spent on welfare activities. Due to the COVID-19 pandemic the Council reluctantly decided to cease the provision of organic respite care, permanently closing Rothbury House Hotel and Flowerdown House Hotel. A wider reshaping of the organisation was undertaken to ensure that the Association was able to generate savings of c£2,000k while delivering the very best support to current and future beneficiaries. This resulted in 91 redundancies.

RAFATRAD

RAFATRAD Limited, the Association's trading and publishing arm, made an operating loss in 2020 of £38k (operating loss in 2019 of £47k). This was primarily due to the cancellation of air shows due to COVID-19, although a significant increase in online retailing made up in part for this. The Trustees anticipate that some trading, particularly air show events, should resume in late 2021 and that a breakeven position will be generated as a result. RAFATRAD has reduced its expenditure to bring it in line with its activity levels for the forecastable future.

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RAFA Housing

RAFA Housing Limited, the Association's independent living scheme, made an operating profit in 2020 of £29k (operating profit in 2019 of £61k) This was in line with expectations, with the income and expenditure of RAFA Housing Limited largely unaffected by COVID-19. Although face-to-face contact with tenants at RAFA Housing was not possible during lockdown and some contractor works had to be delayed, services are now largely back to normal.

RAFA Kidz

RAFA Kidz Limited continued to operate its early years' nursery activity, taking over the operation of the nursery at RAF Digby in January 2020. Our preschool nurseries, operated by RAFA Kidz Limited and its charitable subsidiary, RAFA Kidzone Limited, continued to open throughout lockdown, offering childcare for our key workers. Whilst income is impacted, by managing our costs and accessing the Government's furlough scheme, we made a deficit of £300k over the year.

The net assets of subsidiaries are consolidated at Group level.

Investment policy and performance

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

The investment portfolio comprises three main elements managed by Rathbones: (1) an unrestricted fund, (2) the Formby Branch Deposit fund, and (3) the Branch Deposit Fund, a pooled fund of monies held in trust for and invested on behalf of the Association's branches. The Rothschild Fund is also a pooled fund held in trust for and invested on behalf of the Association's branches. The Association continues to reinvest dividend income back into the portfolio, which amounted to £747k during 2020 (£658k in 2019).

The Association's investments were reviewed at quarterly committee meetings in 2020 and performance reported to the Council. The review of the investment managers planned for 2020 was not undertaken due to COVID-19 and the significant market volatility. It is planned to undertake this review again in 2022. The Association will continue to employ the services of Asset Risk Consultants throughout 2021 to provide analysis and evaluation of investment performance, which serves to enhance the decision-making capability of the Finance and Investment Committee.

The Association's investment portfolio of £22,812k (2019: £26,782k) reflects a reduction in market value of £3,970k from 2019 in light of the uncertainty and volatility in the financial markets caused by COVID-19, Brexit and the US election. That aside, the performance of the Association's investment portfolio when compared with the charity sector peer group and the agreed benchmark was strong by comparison during this turbulent time. Cash holdings are optimised to mitigate any need to sell any fund investment holdings to reduce any associated market risk. Higher levels of cash are currently being held during this time of economic uncertainty.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Pensions

The deficit in the defined benefit pension scheme at 31 December 2020 has been calculated in accordance with FRS102 regulations. The amount of the deficit has increased from £430k in 2019 to £830k at the end of 2020. The increase is primarily due to the agreed suspension of employer contributions in 2020, due to the challenges faced by the Association due to COVID. The Association made additional payments of £105k in 2020 (£506k in 2019) into the scheme and remains firmly committed to reducing the deficit and in the long term eradicating it completely. The Association has agreed a revised recovery plan with the Pension Trustees and the Regulator, reflecting the likely income of the Association in 2021 and 2022.

Reserves policy

The reserves policy was reviewed by the Council in November 2020. Trustees have adopted a prudent approach to ensure that the Association holds enough reserves to respond to current and future welfare needs quickly and effectively. Reserves planning is a key component of the Association's strategic planning process, the Council regularly review the level of reserves to ensure that funds are available to deliver our welfare services and programmes and to secure the long-term sustainability of the Association. From research undertaken in recent years, the Association is aware of a growing need among the younger generation and this need is likely to grow. Linked to this uncertainty is a trend of cuts in social welfare budgets across the UK and there is evidence of increasing levels of social isolation and loneliness amongst all ages.

There is also the risk associated with having a large value investment portfolio where political uncertainty throughout the USA, China, the UK and mainland Europe has resulted in a high level of volatility in the financial markets, which could lead to a larger correction at any time. Taking all these factors into account, the Trustees have adopted a reserves policy which seeks to mitigate risks associated with holding large value investments and property assets.

The Association adopts a forward-looking strategic risk-based outlook on the needs of the RAF community and consequently does not use short-term measures focusing on a limited number of months' operating costs. The Finance and Investment Committee reviews the Medium-Term Financial Plan (a rolling plan looking forward 5 years) in response to the needs of the RAF community at each of its meetings and makes recommendation to the Council on the management of financial risks. However, the Association is heavily reliant on voluntary income from fundraising, legacies and donations, which is not guaranteed, and which was particularly affected by COVID-19 throughout 2020. The Trustees have therefore agreed to maintain a minimum level of unrestricted free reserves to cover the costs associated with normal operations over a 12-month period to address the risks of COVID -19 to the delivery of our services and programmes to beneficiaries, members and employees. In addition, as considerable uncertainty remains about the continuing impact of the pandemic on voluntary income in 2021, the Trustees have also agreed to underwrite any deficit in the fundraising target included in the 2021 budget from the reserves to maintain the welfare services.

At the end of December 2020, consolidated general unrestricted reserves totalled £11,515k (£14,049k in 2019) including charity assets of £6,229k (£6,376k in 2019). Consolidated free reserves (net general reserves) at the end of December 2020 totalled £5,286k (£7,673k in 2019), which the Association is holding to fund 2021 operational expenditure of up to twelve months and are therefore in-line with the stated reserves policy, however a prudent approach is being adopted to ensure that strategic transformation projects can be funded. Restricted reserves, funds received for specific activity, increased from £1,769k in 2019 to £2,551k at the end of December 2020.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Reserves policy (continued)

The Council has designated funds of £18,769k (2019 £20,335k) to be used to undertake multi-year activity to increase our welfare services, reaching more of the RAF community, respond to the implications of the COVID-19 pandemic, support our plans to increase and diversify our income in the long-term, and support the improvement of our back-office functions to divert more expenditure towards our beneficiaries.

Risk Management

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

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

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

- *Failure to sustain a large and engaged membership.* Plans include recruitment campaigns, improved retention by engaging with personnel leaving the RAF, and improving engagement with current membership.
- *Failure to deliver quality and safe services.* Mitigation includes regular reviews of policies, KPIs and assurance sources, Council/ Committee oversight, employment of professionally qualified staff, safer recruitment processes and training of employees and volunteers.
- *Branch and Club governance and compliance failure.* The Council has identified regulatory compliance at branch level as a strategic risk, with concerns about the wider reputational risk that the Association faces by a decentralised structure where branches are separate charities but operating under a shared name and constitution. The Association has undertaken considerable activity to ensure that branch committees understand their responsibilities as charity trustees and to provide guidance and advice. Between October 2018 and February 2020, 23 branch governance workshops were delivered, and a Branch Governance Action Plan has been agreed with the Charity Commission to mitigate further the risk while supporting branches.
- *Long term financial sustainability and short-term cash flow failure.* Mitigation plans include financial planning and performance monitoring, both in terms of annual budgets, reserves and investments, subject to ongoing Committee and Council oversight, continuing to invest in fundraising capacity and diversification of income streams.
- *External threats.* Mitigation plans include collaboration with other charities and organisations, developing unique service propositions and diversification of service provision.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Risk Management (continued)

- *Loss of operational capability.* Plans include development of business continuity plans, cyber security, and a range of processes to ensure recruitment and retention of appropriately qualified and trained employees and volunteers.
- *Significant change management projects.* Mitigation plans include development of business cases, project risk registers, and oversight by project governance boards, SMT and committees.
- *Information risk.* Data is recognised as a strategic asset and protected accordingly. The Association employs professionally qualified staff who regularly review cyber and data policies and processes and has recently achieved Cyber Essentials Plus certification.
- *Corporate governance failure and group legislative / regulatory failure.* Mitigation includes regular reviews of policies, Council, Committee and / or subsidiary Board oversight, employment of professionally qualified staff and mandatory training.

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

The Council considers that the major risks facing the Association include the ongoing and long-term impact on its activities and incomes resulting from the current COVID-19 pandemic, including the continued pressure on fundraising, the threat of reduced income from events generally and the increased cost in meeting demands for its welfare services.

The Council is satisfied that, notwithstanding the increase in risk due to COVID-19, all risks are being appropriately addressed. The Association also recognises that the pandemic presents opportunities both at a strategic and operational level which the charity will continue to explore over the coming months.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

The Association is an international organisation with 69,500 members and in the region of 300 branches in the UK and overseas. It is also the ultimate parent undertaking of four trading subsidiaries (RAFATRAD Limited, Royal Air Forces Association Housing, RAFA Kidz Limited, RAFA Kidzone Limited) and two non-active companies (RAFA Clubs Limited and RAFA Kidz Wings Limited).

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

The Board of Trustees (Council)

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

The Council recognises that good governance is fundamental to the success of the charity and is committed to continuous improvement in terms of its own effectiveness, the governance of all group companies and branch governance. The Council has adopted the Charity Governance Code for larger charities and assesses annually how it meets the principles, outcomes and recommended practice. Where areas for improvement are identified an action plan is agreed and its implementation is monitored by the Council. In 2020, the Council reviewed its assurance processes to ensure the Association's corporate governance arrangements appropriately match the complexity and scale, and associated risks, of its activities and structure.

The Council acknowledges that protecting people from harm is a governance priority. During 2020 the Association commissioned an independent audit of its safeguarding activities by the Social Care Institute of Excellence. The audit concluded that significant progress had been made in recent years in the development of quality assurance and governance to support the development of safeguarding which, in many ways, represents practice that is more advanced and established than may be seen in the wider sector. Nevertheless the report identified further areas for improvement and the Council has approved an action plan to implement these.

The composition of the Council is prescribed by the Association's Rules and Byelaws and comprises up to 24 trustees:

- The President of Council, elected triennially at Annual Conference. Air Marshal Sir Baz North KCB OBE MA FRAeS was re-elected for a second term in 2020.
- The Chairman of Council, elected triennially at Annual Conference. Air Vice-Marshal John Cliffe CB OBE was re-elected for a second term in 2019.
- The Treasurer of Council. Mr Philip Tagg was re-elected for a final third term in 2020.
- Eight elected members. Elections are held triennially and are next due to be held in 2021.
- Five area representatives elected by Area Councils. Elections are held triennially and are due in 2022.
- Three service representatives nominated by the Royal Air Force.
- A representative nominated by the RAF Benevolent Fund. The Fund has confirmed that it will no longer nominate a representative when the current term of office held by the incumbent expires in 2021.
- Up to a maximum of four co-opted trustees.

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

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

The Board of Trustees (Council) (continued)

The Charity Governance Code recommends a trustee board of no more than 12 members and the Council has expressed its intention to reduce its size. The Council is consulting with branches on its proposals and expects to submit appropriate resolutions to Annual Conference in October 2021.

The Council approved a skills matrix in 2020 and an audit has been undertaken to identify any gaps which can be addressed through trustee recruitment and/ or development. The Council has established a Nominations Committee to oversee trustee recruitment in line with the skills matrix. When new Trustees are elected or appointed, a formal induction on the work of the Association and Trustees' roles and responsibilities is provided. The Council, either as a whole or through its sub-committees, also receives ongoing briefings and training from senior management and external advisors in key areas such as risk management, safeguarding, data protection, fundraising, financial management. Further training and development is provided to meet specific needs and Trustees receive annual (online) refresher training on health and safety, equality and diversity and cyber security etc.

The Council has appointed designated lead Trustees for Health and Safety (Squadron Leader D Gibson RAF), Safeguarding (Air Commodore G A Opie RAF), and Whistleblowing (Ms F Barber).

Council Meetings

The powers of the Council are set out in the Royal Charter, Rules, and Byelaws which are supplemented by the Standard Regulations governing the Areas, Regions, Branches and Branch Clubs (collectively the 'Governance Handbook'). The Council may exercise all powers conferred on it by the Governance Handbook and in accordance with the Charities Act 2011 and other applicable legislation. The Council usually holds five face-face meetings each year, although in 2020 it held six meetings (five of which were held virtually) to respond to the challenges of COVID-19. The Council has also adopted a procedure for making decisions ex-committee. All ex-committee decisions are subject to ratification at the next Council meeting.

Committee Structure

Throughout the year the work of the Council was supported by Committees. Each Committee has written terms of reference approved by the Council. Terms of reference are reviewed at least every three years and will next be reviewed in 2021. Members of the committees are a combination of Association Trustees and personnel co-opted as determined by the Council.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Committee Structure (continued)

Committee	Chair	Number of members	Number of meetings
Finance and Investment	Mr P Tagg	6	4
Fundraising and Communications	Mr C Goss	7	4
Branch and Membership	Mrs B Dennett Stannard	10	4
Information	AVM M Neal	7	4
Welfare	Ms F Barber	8	4
Annual Conference	Mr A Rees	6	3
Audit	Mr I Gawn	5	2
Remuneration	AVM J Cliffe	3	1

Committees generally meet in advance of Council meetings, with minutes of meetings being provided to the Council, together with any recommendations. In 2020 the Council also agreed to establish two new committees: a Safeguarding Committee (to replace the previous Safeguarding Working Group) and a Nominations Committee. The Association is currently seeking an independent Chair for the Safeguarding Committee.

The Council is also supported by ad hoc working groups or task and finish groups. All such groups have written terms of reference with minutes and recommendations presented to the Council. During 2020 the Council established a COVID-19 Working Group (now the Council Strategy Working Group) comprising the Chairman and Vice-Chairman of Council, President, Chairs of the Welfare, Branch and Membership, Fundraising and Communication and Information Committees and the Secretary General. The Working Group met weekly throughout 2020 and expects to continue to meet every two weeks until Step 4 of the Government's Roadmap out of COVID-19 restrictions has been implemented.

Delegated Authority

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

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Branches and Areas

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

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

The Association has been working with the Charity Commission and branches throughout 2020 to provide guidance and support to branches to improve their governance. With effect from 1 September 2020, the Trustees approved revised Byelaws and new Branch Regulations as part of this work and these will be subject to ratification at the next Annual Conference, currently planned for October 2021.

In response to a resolution at Conference 2019, the Association has been reviewing the administrative tier between branches and the Council to ensure that its structures are fit and ready for the future and able to deliver the Association's strategy to 2030. As a member-led welfare charity it is important that all members can contribute to the future direction of the Association and consultation on a new structure was underway as the pandemic arrived and the country went into lockdown.

The consultation included proposals to amend the Royal Charter and Rules, but these could not be progressed due the pandemic, which resulted in the cancellation of the Area Conferences and the Annual Conference in 2020. To address one of the key issues identified in the current Area structure, with effect from 1 September 2020 the Council rebalanced the existing five Areas, equalising as far as possible the number of branches in each UK Area and combining into a single Area all branches outside the UK. The Council is also still considering how to implement a further 2019 Conference resolution to enfranchise the membership, in particular those groups such as serving personnel and those on the central rolls, that are not represented by the current branch delegate system.

Annual Conference

Although Annual Conference could not take place in 2020 due to the pandemic and government restrictions, the Council implemented an alternative, hybrid, arrangement to meet the minimum governance requirements. RSM UK Audit LLP were re-elected as auditors of the Association following a postal and email vote. Air Marshal Sir Baz North KCB OBE MA FRAeS was re-elected unopposed as President and Mr Philip Tagg was re-elected unopposed as Treasurer. The reports by the Chairman of Council, Treasurer and Secretary General were presented via a webinar and branches were provided with an opportunity to raise questions both in advance and during the presentation. The webinar recording, together with all questions and answers were made available for Association members.

The 2021 Annual Conference is planned for October. As part of its contingency planning, the Council is consulting with branches to amend the Byelaws to allow, on a temporary basis, branches to be able to vote on Conference resolutions by post or online in advance of Annual Conference. This is designed to enable all branches to participate in decision making should attendance at large indoor gatherings continue to be restricted or branch delegates do not feel comfortable attending a face-to-face Conference.

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Subsidiaries

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

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

RAFA Kidz Limited is a wholly owned subsidiary company limited by shares incorporated under Companies Act 2006. It operates pre-school nurseries in accordance with the Early Years Foundation Stage at RAF Odiham and wrap-around care at RAF Digby. RAFA Kidzone Limited, a company limited by guarantee and registered charity, is a wholly owned subsidiary of RAFA Kidz and operates a pre-school nursery and wrap-around care at RAFC Cranwell. Both RAFA Kidz Limited and RAFA Kidzone Limited are registered with Ofsted.

RAFA Clubs Limited and RAFA Kidz Wings Limited are both companies limited by shares incorporated under Companies Act 2006. RAFA Kidz Wings Limited is a subsidiary of RAFA Kidz Limited. Neither RAFA Clubs nor RAFA Kidz Wings traded in 2020.

Remuneration Policy

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

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

Remuneration Review and Annual Pay Award

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

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Remuneration Review and Annual Pay Award (continued)

Employees earning over £60,000 per annum are shown at note 10 of the accounts. This includes the senior management team which comprised eight employees during 2020: Secretary General, Director of Branch and Membership Operations, Director of Welfare and Policy, Director of Marketing, Fundraising and Trading, Chief Finance Officer, Chief Information Officer, Chief People Officer and Group Company Secretary. With effect from 1 January 2021 there is no longer a Chief People Officer role.

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

Future outlook

The Association has risen to the challenge of fulfilling emerging and changing welfare needs whilst continuing to manage the impact of the COVID-19 pandemic on revenue generation of the Association and its subsidiaries into 2021, particularly in relation to our ability to fundraise. As such, the charity and its subsidiaries will continue to review how to best deliver their much-needed services. The Council considers that the actions taken in 2020, combined with the past prudent approach to accumulating investments and cash backed unrestricted reserves, places the Association in a strong position to not only survive the pandemic, but to continue to affect the wider RAF community.

Trustees' responsibilities in relation to financial statements

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

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

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

**THE ROYAL AIR FORCES ASSOCIATION
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2020**

Trustees' responsibilities in relation to financial statements (continued)

In so far as the Trustees are aware:

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

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

This report was approved by the Trustees on 2 SEPTEMBER 2021 and signed on its behalf by:



Air Vice-Marshal J Cliffe CB OBE
Chairman of the Council

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

Opinion

We have audited the financial statements of the Royal Air Forces Association (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Group and Association Statement of Financial Activities, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2020 and of the group's and parent charity's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

THE ROYAL AIR FORCES ASSOCIATION

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

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 23, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

THE ROYAL AIR FORCES ASSOCIATION

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and parent charitable company operates in and how the group and parent charitable company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2011, the parent charitable company's governing document and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents, inspecting correspondence with local tax authorities and evaluating advice received from internal/external advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are Keeping Children Safe in Education under section 175 of the Education Act 2002, the Childcare Act 2006, the UK General Data Protection Regulation (UK GDPR), Health and Safety at Work Act 1974 and the Regulator of Social Housing Regulatory Standards (both Economic and Consumer standards). We performed audit procedures to inquire of whether the group and parent charity are in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls and capital and maintenance activities, as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, and unusual transactions and transactions entered into outside the normal course of business, challenging judgements and estimates.

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

THE ROYAL AIR FORCES ASSOCIATION

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

Use of our report

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

Handwritten signature in blue ink that reads "RSM UK Audit LLP".

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

Date 21st September 2021

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

**THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
INCOME:					
Donations and Legacies	3	5,383	1,271	6,654	7,956
Donations – assets gifted from closed branches	30	(951)	-	(951)	1,375
Donation in kind on acquisition		-	-	-	128
Charitable Activities:	6	2,786	3,089	5,875	4,226
Other Trading Activities:					
Trading income		302	-	302	418
Grand Draw and other fundraising income		1,178	-	1,178	1,110
Investment Income	5	864	-	864	1,023
Total Income		9,562	4,360	13,922	16,236
EXPENDITURE:					
Cost of Raising Funds		2,140	-	2,140	4,212
Charitable Activities:					
Residential & Respite Care Home		2,878	34	2,912	3,756
Friendship & Welfare Support		7,640	3,327	10,967	7,656
Grants		65	86	151	308
Other Support Costs		790	4	794	876
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	(10)
Interest on Defined Benefit Pension Liabilities		7	-	7	2
Share of the reduction in value of the joint venture, due to the distribution of the joint venture funds, as intended	14	252	-	252	409
Total Expenditure	7	13,789	3,451	17,240	17,209

THE ROYAL AIR FORCES ASSOCIATION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
Net gains on investment assets	14(b)	27	-	27	3,010
Net (expenditure)/income		(4,200)	909	(3,291)	2,037
Gross transfers between funds		127	(127)	-	-
Net (expenditure)/income		(4,073)	782	(3,291)	2,037
Other recognised losses:					
Actuarial losses on defined benefit pension scheme	11	(427)	-	(427)	(554)
Net movement in funds		(4,500)	782	(3,718)	1,483
Reconciliation of Funds					
Total Funds Brought Forward		33,954	1,769	35,723	34,240
Total Funds Carried Forward		29,454	2,551	32,005	35,723

All income and expenditure derive from continuing activities.

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

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
INCOME:					
Donations and Legacies	3	5,383	1,163	6,546	8,047
Donations – assets gifted from closed branches	30	(951)	-	(951)	1,375
Charitable Activities:	6	1,375	3,089	4,464	3,721
Other Trading Activities:					
Grand Draw and other fundraising income		1,178	-	1,178	1,110
Investment Income	5	864	-	864	1,023
Total Income		7,849	4,252	12,101	15,276
EXPENDITURE					
Cost of Raising Funds		1,765	-	1,765	3,778
Charitable Activities:					
Residential & Respite Care Home		2,757	34	2,791	3,573
Welfare Support		6,055	3,327	9,382	7,335
Grants		65	86	151	308
Other Support Costs		794	4	798	876
Other Expenditure:					
Interest Paid on Branch Deposits		17	-	17	(10)
Interest on Defined Benefit Pension Liabilities		7	-	7	2
Total Expenditure	7	11,460	3,451	14,911	15,862

THE ROYAL AIR FORCES ASSOCIATION
ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
Net gains on investment assets	14(b)	27	-	27	3,010
Net (expenditure)/income		(3,584)	801	(2,783)	2,424
Gross transfers between funds		127	(127)	-	-
Net (expenditure)/income		(3,457)	674	(2,783)	2,424
Other recognised losses: Actuarial losses on defined benefit pension scheme	11	(427)	-	(427)	(554)
Net movement in funds		(3,884)	674	(3,210)	1,870
Reconciliation of Funds					
Total Funds Brought Forward		33,212	1,769	34,981	33,111
Total Funds Carried Forward		29,328	2,443	31,771	34,981

All income and expenditure derive from continuing activities.

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

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS
AT 31 DECEMBER 2020

	Notes	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets:					
Intangible assets	12	1,689	-	1,689	-
Tangible assets:					
Properties	13	6,229	6,376	5,843	5,988
Equipment and furniture	13	689	2,200	522	2,054
		<hr/>	<hr/>	<hr/>	<hr/>
		8,607	8,576	8,054	8,042
Investments:					
Investments	14	22,812	26,782	22,812	26,530
Programme related investments					
- loan to branches	15	131	132	131	132
		<hr/>	<hr/>	<hr/>	<hr/>
Total fixed assets		31,550	35,490	30,997	34,704
Current assets:					
Assets held for resale	16	580	1,415	580	1,415
Stocks		435	335	-	8
Debtors	17	402	619	1,252	1,073
Cash at bank and in hand		4,382	2,344	3,886	1,926
		<hr/>	<hr/>	<hr/>	<hr/>
Total current assets		5,799	4,713	5,718	4,422
Current liabilities:					
Creditors: amounts falling due within one year	18	(4,235)	(3,767)	(4,114)	(3,715)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		1,564	946	1,604	707
Total assets less current liabilities		<hr/>	<hr/>	<hr/>	<hr/>
		33,114	36,436	32,601	35,411
Creditors: amounts falling due after more than one year	19	(279)	(283)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets excluding pension scheme liability		32,835	36,153	32,601	35,411
Defined benefit pension scheme liability	11	(830)	(430)	(830)	(430)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets including pension scheme liability		32,005	35,723	31,771	34,981

THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION BALANCE SHEETS (continued)
AT 31 DECEMBER 2020

	Notes	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Funds:					
Income funds:					
Restricted funds	21	2,551	1,769	2,443	1,769
Unrestricted funds:					
Designated funds	22	18,769	20,335	18,769	20,335
General funds		11,517	13,688	11,389	13,307
Pension scheme deficit	11	(830)	(430)	(830)	(430)
Net general funds		10,687	13,258	10,559	12,877
Non-charitable funds		(2)	361	-	-
Total funds		32,005	35,723	31,771	34,981

The financial statements on pages 29 to 67 were approved and authorised for issue by the Trustees on 8 SEPT 2021 and signed on their behalf by:


Air Vice-Marshal J Cliffe CB OBE
Chairman of the Council

**THE ROYAL AIR FORCES ASSOCIATION
CONSOLIDATED AND ASSOCIATION STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash flows from operating activities	24	(2,158)	(2,241)	(2,295)	(2,309)
<hr/>					
Cash flows from investing activities					
Investment income		861	1,017	861	1,017
Interest receivable		3	6	3	6
Interest payable		(17)	10	(17)	10
Receipt of Kaupthing Singer and Friedlander monies		13	-	13	-
Payments to acquire intangible fixed assets		(461)	-	(461)	-
Payments to acquire tangible fixed assets		(86)	(983)	(17)	(920)
Receipts from disposals of fixed assets		13	832	13	832
Payments to acquire investments		(313)	(1,018)	(313)	(1,018)
Receipts from disposals of investments		3,635	1,706	3,625	1,706
Cash funds transfer on acquisition		-	154	-	-
Net cash provided by investing activities		3,648	1,724	3,707	1,633
<hr/>					
Cash flows from financing activities					
Decrease in loans to branches		1	7	1	7
Decrease in deposits by branches		547	268	547	268
Net cash from financing activities		548	275	548	275
<hr/>					
Change in cash and cash equivalents in the year		2,038	(242)	1,960	(401)
<hr/>					
Cash and cash equivalents at the beginning of the year		2,344	2,586	1,926	2,327
<hr/>					
Cash and cash equivalents at the end of the year	25	4,382	2,344	3,886	1,926

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

1. Critical accounting estimates and areas of judgement

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

2. Principal Accounting Policies

General information

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

The address of the charity's registered office and principal place of business is Atlas House, 41 Wembley Road, Leicester LE3 1UT. The group consists of the Association and its subsidiaries as set out in note 4. The nature of the group's operations are set out in the Trustees' Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and to include investment properties at fair value, and in accordance with applicable United Kingdom Accounting Standards. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland including the adoption of the amendments issued in December 2017 (FRS102), the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

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

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

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

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

Going Concern

The Council acknowledges that the unprecedented level of uncertainty caused by COVID-19 and rapidly changing circumstances mean that the judgements and estimates required by management are more challenging than under normal circumstances.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Going Concern (continued)

As set out in the Trustees Report on page 24, the Council has given due regard to the increased pressure on income streams brought about by the pandemic and have concluded that the positive level of general reserves, a healthy cash and investments balance, the benefit of Government measures and support as well as the continued support of its regular contributors, means the going concern basis remains appropriate for the preparation of these financial statements.

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

Consolidation

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

Joint Ventures

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

Fund accounting

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

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

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

Income

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

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

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Income (continue)

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

Investment income is included when receivable.

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

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

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

Expenditure

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

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

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

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

Grants

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

Intangible fixed assets

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

- Software	over 15 years
------------	---------------

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

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

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Tangible fixed assets

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

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

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

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

Revaluation of Properties

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

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

Investments

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

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

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

Stocks

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

Financial instruments

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

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

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Financial assets

Trade debtors, group debtors and other debtors

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

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

Financial liabilities and equity

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

Other creditors and accruals

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

Derecognition of financial assets and liabilities

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

Pension costs

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

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

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

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

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

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

2. Principal Accounting Policies (continued)

Pension costs (continued)

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

Termination payments

The best estimate of the expenditure required to settle an obligation for termination benefits, is recognised immediately as an expense, when the Group is demonstrably committed to terminate the employment of an employee, or to provide termination benefits.

Operating lease agreements

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

Volunteers

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

3. DONATIONS, LEGACIES AND SUBSCRIPTIONS

	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Group				
Donations				
Residential and respite care homes	-	29	29	78
Armed Forces Covenant Fund Trust	-	1,027	1,027	-
Others	1,612	215	1,827	2,628
Legacies	2,886	-	2,886	4,272
Subscriptions	885	-	885	978
	<hr/> 5,383	<hr/> 1,271	<hr/> 6,654	<hr/> 7,956
	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Association				
Donations				
Residential and respite care homes	-	29	29	78
Armed Forces Covenant Fund Trust	-	1,027	1,027	-
Others	1,612	107	1,719	2,719
Legacies	2,886	-	2,886	4,272
Subscriptions	885	-	885	978
	<hr/> 5,383	<hr/> 1,163	<hr/> 6,546	<hr/> 8,047

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

4. SUBSIDIARIES

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

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

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

RAFA Clubs Limited (Company No. 11927089) is currently not trading.

The activity of RAFA Kidz Limited (Company No. 11927027) is that of operating nurseries and out of school clubs.

RAFA Kidz Limited owns RAFA Kidzone Limited (Company No. 08418367 and Charity registration No. 1154822) which is an incorporated charity registered in England and Wales. The activity of RAFA Kidzone Limited is to enhance the development and education of children by offering inclusive and appropriate play and learning facilities.

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

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

	RAFA HL RAFATRAD	RAFA Clubs	RAFA Kidz	RAFA Kidzone
	2020	2020	2020	2020
	£'000	£'000	£'000	£'000
Income	176	451	-	729
Expenditure	(148)	(489)	-	(1,029)
Surplus/loss for the financial period	28	(38)	-	54

All of the income and expenditure is unrestricted for both years except for £108k which is included within the income for RAFA Kidzone Limited in the current year and is restricted.

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

	RAFA HL RAFATRAD	RAFA Clubs	RAFA Kidz	RAFA Kidzone
	2020	2020	2020	2020
	£'000	£'000	£'000	£'000
Assets	783	540	-	208
Liabilities	(301)	(614)	-	(29)
Funds (Share capital and reserves)	482	(74)	-	179

**THE ROYAL AIR FORCES ASSOCIATION
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4. SUBSIDIARIES (continued)

RAFA Kidz Wings Limited was incorporated on 20 December 2019 and has been dormant for its first period up to 31 December 2020.

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

During the year RAFATRAD Limited charged the Association £148k (2019: £328k) in respect of Air Mail and RAF Association branded goods. Also, during the year, the Association charged RAFATRAD Limited £25k (2019: £131k) in respect of premises recharges, RAF Association branded goods and accountant costs. At the year end the Association was owed £552k (2019: £419k) by RAFATRAD Limited.

During the year the Association charged RAFA Housing Limited £9k (2019: £nil) and at the year end the Association owed £39k (2019: £68k) to RAFA Housing Limited. During the year, there have been recharges between the Association and RAFA Kidz Limited for various expenses, the net movement amounted to £167k (2019: £141k). At the year end the Association was owed £359k (2019: £190k) by RAFA Kidz.

5. INVESTMENT INCOME AND INTEREST

Group and Association	2020 £'000	2019 £'000
UK listed investments	747	787
Cash deposits	3	6
Branch and other loans	-	1
Properties	114	229
	864	1,023

All investment income and interest is unrestricted for both years.

6. INCOME FROM CHARITABLE ACTIVITIES

Group	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Accommodation fees	458	-	458	1,160
Grants and fundraising income	167	3,089	3,256	2,805
Nursery fees	1,076	-	1,076	261
UK government Coronavirus job retention scheme	1,085	-	1,085	-
	2,786	3,089	5,875	4,226

The group received a further £53,109 (2019: £nil) under the UK government Coronavirus job retention scheme which has been allocated to trading income within other trading activities.

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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6. INCOME FROM CHARITABLE ACTIVITIES (continued)

Association	Unrestricted Funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Accommodation fees	321	-	321	1,001
Grants and fundraising income	162	3,089	3,251	2,720
UK government Coronavirus job retention scheme	892	-	892	-
	<u>1,375</u>	<u>3,089</u>	<u>4,464</u>	<u>3,721</u>

7. TOTAL EXPENDITURE

Group

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2020 £'000	Total 2019 £'000
Costs of raising funds:					
Direct costs	1,257	-	880	2,137	4,078
Allocated support costs	-	3	-	3	134
Charity's charitable activities					
Direct costs	4,873	-	5,051	9,924	7,289
Allocated support costs	2,054	467	2,379	4,900	5,307
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	(10)
Interest on Defined Benefit Pension Liabilities	-	-	7	7	2
Share of the reduction in value of the joint venture, due to the dispersal of the joint venture funds, as intended (see note 14)	-	-	252	252	409
	<u>8,184</u>	<u>470</u>	<u>8,586</u>	<u>17,240</u>	<u>17,209</u>

THE ROYAL AIR FORCES ASSOCIATION
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7. TOTAL EXPENDITURE (continued)

	2020	2019
	£'000	£'000
Allocated support costs:		
Heat and light	3	45
Other site costs	52	64
Advertising and promotions	225	287
Printing and stationery	108	58
Telephone	61	46
Insurance	226	128
Repairs and maintenance	27	66
Depreciation and amortisation	470	508
Other expenditure	1,292	1,169
Other equipment	26	52
Staff costs	2,054	2,203
Governance costs	359	815
	4,903	5,441
	4,903	5,441

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

- Land and buildings payments of £47k (2019 - £52k)
- Equipment payments of £8k (2019 - £23k)

The costs of raising funds includes Wings Appeal rebates allocated to branches totalling £23k (2019 - £199k).

Support costs include £92k in respect of additional payments into the defined benefit pension scheme, (2019 - £470k). Total expenditure includes auditors' remuneration of £29k (2019: £27k), and a loss on disposal of fixed assets of £16k (2019: £10k).

Fees payable to RSM UK Audit LLP and its associates in respect of non-audit are for Tax compliance £6k (2019: £3k) and other services £19k (2019: £17k).

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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7. TOTAL EXPENDITURE (continued)

Association

	Employee and related costs £'000	Depreciation and amortisation £'000	Other costs £'000	Total 2020 £'000	Total 2019 £'000
Costs of raising funds:					
Direct costs	1,028	-	737	1,765	3,648
Allocated support costs	-	-	-	-	130
Charity's charitable activities					
Direct costs	3,551	-	4,803	8,354	6,811
Allocated support costs	1,945	437	2,386	4,768	5,281
Other expenditure					
Interest Paid on Branch Deposits	-	-	17	17	(10)
Interest on Defined Benefit Pension Liabilities	-	-	7	7	2
	6,524	437	7,950	14,911	15,862

	2020 £'000	2019 £'000
Allocated support costs:		
Heat and light	3	45
Other site costs	38	64
Advertising and promotions	221	287
Printing and stationery	107	58
Telephone	61	46
Insurance	224	128
Repairs and maintenance	24	66
Depreciation and amortisation	437	478
Other expenditure	1,273	1,169
Other equipment	26	52
Staff costs	1,945	2,203
Governance costs	409	815
	4,768	5,411

**THE ROYAL AIR FORCES ASSOCIATION
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8. GRANTS PAYABLE

Group and Association	2020	2019
	£'000	£'000
Welfare grants to individuals	26	33
Association property grants to branches	7	-
Armed Forces Covenant Fund Trust grants paid to branches	526	-
	<u>559</u>	<u>33</u>

9. TRANSACTIONS WITH TRUSTEES

The Trustees neither received nor waived any emoluments during the year (2019 - £nil). Trustees expenses of £10,435 were reimbursed for directly incurred travel and subsistence expenses (2019 - £47,794) to 24 trustees (2019: 23 trustees).

10. STAFF COSTS

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	7,125	6,610	5,665	5,813
Social security costs	592	561	504	509
Employer contributions to defined contributions schemes	372	513	334	486
	<u>8,089</u>	<u>7,684</u>	<u>6,503</u>	<u>6,808</u>

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

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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10. STAFF COSTS (continued)

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

	Group		Association	
	2020 Number	2019 Number	2020 Number	2019 Number
Welfare	69	84	69	84
Membership	29	30	29	30
Headquarters	65	60	65	64
Families Federation Service	10	10	10	10
RAFATRAD	6	8	-	-
RAFA Housing	1	1	-	-
RAFA Kidz (inc Kidzone)	59	36	-	-
	<u>239</u>	<u>229</u>	<u>173</u>	<u>188</u>

The average number of employees (head count) during the year was 313 (2019: 313).

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

Group and Association	2020 Number	2019 Number
£60,001 to £70,000	2	2
£70,001 to £80,000	2	-
£80,001 to £90,000	5	6
£90,001 to £100,000	1	-
£120,001 to £130,000	1	1
	<u>11</u>	<u>9</u>

11 employees (2019: 9) earning more than £60,000 participated in an Association defined contribution pension scheme. Employer contributions to individual stakeholder schemes were £62,069 (2019: £57,086).

The total employee benefits of the key management personnel of the Association were £897k (2019: £907k), which includes Salary, Employers National Insurance Contribution, Employers Pension Contribution, all allowances, redundancy and notice period payments.

11. PENSION SCHEMES (Group and Association)

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

The most recent actuarial valuation of the scheme was carried out as at 1 January 2019 by an independent actuary using the projected unit method. This valuation showed that the value of the scheme's assets was £15,990,000 which represented only 91 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. In valuing the fund, it was assumed that the investment return would be 5.5 per cent per annum compound. The scheme deficit is secured against a charge on the Association's headquarters Atlas House at Leicester.

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

11. PENSION SCHEMES (continued)

A full actuarial valuation was carried out at 1 January 2019 and updated as at 31 December 2020 by a qualified independent actuary. The major assumptions used by the actuary were:

	2020	2019
Rate of increase of pensions in payment	3.0%	2.9%
Discount rate	1.3%	1.9%
Inflation assumption (RPI)	3.0%	2.9%

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

	2020	2019
	Years	Years
Retiring today (currently aged 65):		
Males	21.7	21.6
Females	23.9	23.7
Retiring in 20 years (currently aged 45):		
Males	22.7	22.6
Females	24.7	24.5

The Association's assets were transferred from Legal and General with-profits policy to managed fund investments on 15 January 2010. The Association's assets in the scheme at 31 December 2020 were:

	2020	2019
	£'000	£'000
Bonds	3,315	3,151
Equities	2,801	4,020
Property	1,010	1,226
Insurance contracts	5,885	5,859
Diversified funds	2,393	1,908
LDI funds	2,145	818
Net current assets	177	51
Total assets	<u>17,726</u>	<u>17,033</u>
	2020	2019
	£'000	£'000
Fair value of scheme assets	17,726	17,033
Present value of scheme liabilities	(18,556)	(17,463)
Deficit in the scheme	<u>(830)</u>	<u>(430)</u>

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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11. PENSION SCHEMES (continued)

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

Analysis of the amounts charged to Statement of Financial Activities	2020 £'000	2019 £'000
Expenses paid by the scheme	58	88
	<hr/> <hr/>	<hr/> <hr/>
Analysis of financial element of pensions cost	2020 £'000	2019 £'000
Interest on assets	318	442
Interest on pension scheme liabilities	(325)	(444)
Net cost	<hr/> (7) <hr/>	<hr/> (2) <hr/>
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the actuarial gain / (loss) on defined benefit pension scheme	2020 £'000	2019 £'000
Gain on asset return	1,048	1,523
Experience gain/(loss) on liabilities	58	(133)
Changes in assumptions underlying the present value of the scheme liabilities	(1,533)	(1,944)
Actuarial loss recognised in Statement of Financial Activities	<hr/> (427) <hr/>	<hr/> (554) <hr/>
Cumulative actuarial loss recognised in Statement of Financial Activities	<hr/> (3,171) <hr/>	<hr/> (2,744) <hr/>
	<hr/> <hr/>	<hr/> <hr/>
Changes in the present value of defined benefit obligations	2020 £'000	2019 £'000
Opening defined benefit obligation	17,463	15,696
Interest cost	325	444
Experience (gain)/loss on liabilities	(58)	133
Loss on changes in assumptions	1,533	1,944
Benefits paid	(707)	(754)
Closing defined benefit obligation	<hr/> 18,556 <hr/>	<hr/> 17,463 <hr/>

**THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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11. PENSION SCHEMES (continued)

Changes in the fair value of plan assets	2020 £'000	2019 £'000
Opening plan assets	17,033	15,440
Interest on assets	318	442
Gain on asset return	1,048	1,523
Contributions by employer	92	470
Benefits paid	(707)	(754)
Expenses paid by the scheme	(58)	(88)
Closing defined benefit obligation	<u>17,726</u>	<u>17,033</u>

The actual return on plan assets was £1,366k (2019: £1,965k).

The Association expects to contribute £100k to its defined benefit pension plans in the year ended 31 December 2021.

The Association also contributes to a WPP scheme. With effect from 1 August 2020 the Association reduced its contribution to the scheme from 9 per cent or 10 per cent to 4 per cent of each member's gross salary and the pension cost for the year was £369k (2019 - £506k).

12. INTANGIBLE FIXED ASSETS

Group and Association	Computer software £'000	Total £'000
Cost or valuation:		
At 1 January 2020	-	-
Additions	461	461
Transfer from tangible fixed assets	1,429	1,429
At 31 December 2020	<u>1,890</u>	<u>1,890</u>
Amortisation:		
At 1 January 2020	-	-
Charge for year	111	111
Transfer from tangible fixed assets	90	90
At 31 December 2020	<u>201</u>	<u>201</u>
Net book Value:		
At 31 December 2020	<u>1,689</u>	<u>1,689</u>
At 31 December 2019	<u>-</u>	<u>-</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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13. TANGIBLE FIXED ASSETS

Group	Properties			Total £'000
	Freehold £'000	Short Leasehold £'000	Equipment and Furniture £'000	
Cost or valuation:				
At 1 January 2020	8,346	59	3,896	12,301
Additions	19	-	67	86
Disposals	-	-	(195)	(195)
Transfers	-	-	(1,446)	(1,446)
At 31 December 2020	8,365	59	2,322	10,746
Depreciation:				
At 1 January 2020	2,003	26	1,696	3,725
Charge for year	165	1	193	359
Depreciation on disposal	-	-	(166)	(166)
Transfer to Intangible fixed assets	-	-	(90)	(90)
At 31 December 2020	2,168	27	1,633	3,828
Net book Value:				
At 31 December 2020	6,197	32	689	6,918
At 31 December 2019	6,343	33	2,200	8,576
Association				
Association	Properties			Total £'000
	Freehold £'000	Short Leasehold £'000	Equipment and Furniture £'000	
Cost or valuation:				
At 1 January 2020	7,662	59	3,499	11,220
Additions	9	-	8	17
Disposals	-	-	(195)	(195)
Transfer to Intangible fixed assets	-	-	(1,429)	(1,429)
At 31 December 2020	7,671	59	1,883	9,613
Depreciation:				
At 1 January 2020	1,707	26	1,445	3,178
Charge for year	153	1	172	326
Depreciation on disposals	-	-	(166)	(166)
Transfer to Intangible fixed assets	-	-	(90)	(90)
At 31 December 2020	1,860	27	1,361	3,248
Net book Value:				
At 31 December 2020	5,811	32	522	6,365
At 31 December 2019	5,955	33	2,054	8,042

**THE ROYAL AIR FORCES ASSOCIATION
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13. TANGIBLE FIXED ASSETS (continued)

Freehold property with a carrying amount of £1,796k (2019: £1,850k) was revalued at 31 December 2019 by an employee of the Association, who is a member of the Royal Institution of Chartered Surveyors, on an existing use open market value basis. The historical cost of the freehold property carried at valuation is £468k (2019: £468k).

14. INVESTMENTS

Group	Fair Value		Historical Cost	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
a) Fixed assets				
Listed investments	20,973	23,326	12,834	15,639
Investment properties	1,839	3,049	165	165
Investment in joint venture	-	252	-	252
Long term savings bond	-	155	-	155
	<u>22,812</u>	<u>26,782</u>	<u>12,999</u>	<u>16,211</u>

Association	Fair Value		Historical Cost	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
a) Fixed assets				
Listed investments	20,973	23,326	12,834	15,639
Investment properties	1,839	3,049	165	165
Long term savings bond	-	155	-	155
	<u>22,812</u>	<u>26,530</u>	<u>12,999</u>	<u>15,959</u>

It is the Association's intention to undertake a professionally reviewed valuation of the investment properties every five years. The last professional valuation was at 30 November 2010 and was undertaken by Frank Marshall & Co, qualified chartered surveyors. The Trustees consider the valuation at the 31 December 2020 to be not materially different to the 30 November 2010 valuation and the valuation is therefore the Trustees' estimated fair value, but it is our intention to have these professionally valued in 2021. The basis of valuation is the open market value of the long leasehold interests in the property, subject to existing tenancies.

Movements on fair value during the year - Association

	Listed Investments £'000	Investment property £'000	Long term savings bond £'000	Total £'000
1 January 2020	23,326	3,049	155	26,530
Additions	313	40	-	353
Disposals	(2,830)	(1,100)	(155)	(4,085)
Net investment gains	164	(150)	-	14
31 December 2020	<u>20,973</u>	<u>1,839</u>	<u>-</u>	<u>22,812</u>

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

**THE ROYAL AIR FORCES ASSOCIATION
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14. INVESTMENTS (continued)

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

Investment in joint venture

	Share of joint venture	
	2020	2019
	£'000	£'000
Carrying value at beginning of year	252	661
Share of net expenditure in joint venture	(252)	(409)
Carrying value at end of year	-	252

The Group holds an interest in a jointly controlled entity, The RAF100 Appeal (Company No. 09977273 and Registered Charity No. 1167398) which is a company not having a share capital. The Group has guaranteed an amount of £1 contribution to assets of the charity in the event of it being wound up.

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

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

	2020	2019
	£'000	£'000
Income	-	27
Expenditure	(115)	(436)
Net expenditure	(115)	(409)

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

	2020	2019
	£'000	£'000
Current assets	214	264
Current liabilities	(214)	(12)
Net assets	-	252

The results for the current year are based on the draft financial statements for the year ended 31 December 2020. The prior year figures were based on the management accounts prepared up to 31 October 2019.

The Association holds investments of £105 (2019: £105) representing the entire ordinary share capital of its subsidiary, companies which are eliminated on the group consolidation, details of the subsidiary companies are given in note 4 of the accounts.

THE ROYAL AIR FORCES ASSOCIATION
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14. INVESTMENTS (continued)

Overseas investments

	Branch Deposit		Total £'000
	Branch Deposit Fund £'000	Fund – Formby Branch £'000	
2020			
North America	3,602	154	3,756
European	385	17	402
Asia Pacific	1,427	80	1,507
Emerging market	495	-	495
Global	4,365	224	4,589
	<u>10,274</u>	<u>475</u>	<u>10,749</u>
2019			
North America	3,053	149	3,202
European	306	13	319
Asia Pacific	1,071	51	1,122
Emerging Market	118	-	118
Global	3,262	159	3,421
	<u>7,810</u>	<u>372</u>	<u>8,182</u>

b) Net gains on investment assets

Group and Association	2020 £'000	2019 £'000
Net gains on listed investments	14	2,910
Net gains on current asset properties	-	100
Net gains on current asset investments		
- Kaupthing Singer and Friedlander distribution (see note 26)	13	-
	<u>27</u>	<u>3,010</u>

The Revaluation Reserve of £11,141k (2019: £11,953k) included within the unrestricted funds within the balance sheet of both the Group and Association, arises on the year end fair value of investments and freehold property held at fair value, less their historical costs.

15. LOANS TO BRANCHES

Included under this heading is an amount of £nil (2019 - £4,442) falling due within one year.

THE ROYAL AIR FORCES ASSOCIATION
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16. ASSETS HELD FOR RESALE

Group and Association	2020 £'000	2019 £'000
Freehold properties	580	1,415

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade debtors	23	166	21	115
Amounts due from subsidiaries	-	-	911	644
Prepayments and accrued income	321	392	294	304
Other debtors	58	61	26	10
	402	619	1,252	1,073

Within the Association, amounts due from subsidiaries includes £50,000 (2019: £50,000) which is due after more than one year. Within the Group, other debtors includes £nil (2019: £22,725) which is due after more than one year.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Taxation and social security costs	281	164	263	151
Other creditors	830	668	708	606
Accruals and deferred income	467	825	447	780
Deposits by branches	1,717	1,170	1,717	1,170
Form by Branch	940	940	940	940
Amounts owed to subsidiaries	-	-	39	68
	4,235	3,767	4,114	3,715

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

THE ROYAL AIR FORCES ASSOCIATION
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18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

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

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Accruals	252	487	238	462
Deferred income	215	338	209	318
	<u>467</u>	<u>825</u>	<u>447</u>	<u>780</u>

Included in accruals is an amount of £37k (2019 - £131k) in respect of unpaid pension contributions.

	Group £'000	Association £'000
Movement in deferred income:		
2020 opening balance	338	318
Release during the year	(333)	(318)
2020 donations and subscriptions in advance	210	209
2020 Closing balance	<u>215</u>	<u>209</u>

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

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

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred income – capital grant	279	283	-	-
	<u>279</u>	<u>283</u>	<u>-</u>	<u>-</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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20. OPERATING LEASE COMMITMENTS

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

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Equipment:				
Due within one year	11	10	10	10
Due between two and five years	33	-	27	-
Land and buildings:				
Due within one year	40	46	13	13
Due between two and five years	8	40	3	7
	<u>92</u>	<u>96</u>	<u>53</u>	<u>30</u>

21. RESTRICTED FUNDS

Association	At	Income	Expenditure	Transfers	At
	1 January				31 December
	2020	£'000	£'000	£'000	2020
	£'000	£'000	£'000	£'000	£'000
Eastern Area Chalet Fund	84	32	(7)	-	109
Homes Refurbishment	151	-	-	-	151
Richard Peck House	82	-	-	(82)	-
Flowerdown House	113	5	(5)	-	113
Rothbury House	38	12	(1)	-	49
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	-	-	-	361
Sussexdown Residents' Fund	60	-	-	(60)	-
Ivor Maloney	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
Talking Air Mail	(2)	-	-	2	-
Preston Office	51	-	(1)	-	50
Forces in Mind Trust	63	165	(86)	-	142
Storybook Wings	4	-	-	-	4
RAF Benevolent Fund Grants	197	2,693	(2,661)	-	229
Libor	109	-	(4)	-	105
Vehicle fund for Areas	56	-	-	-	56
Volunteer Welfare Officers	12	-	(4)	-	8
Wexford	66	9	(17)	-	58
Befriending	-	17	(30)	13	-
Veterans	-	1,027	(526)	-	501
Other Restricted Funds	205	292	(109)	-	388
	<u>1,769</u>	<u>4,252</u>	<u>(3,451)</u>	<u>(127)</u>	<u>2,443</u>
Group					
Digby Nursery Fund	-	108	-	-	108
	<u>1,769</u>	<u>4,360</u>	<u>(3,451)</u>	<u>(127)</u>	<u>2,551</u>

THE ROYAL AIR FORCES ASSOCIATION
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21. RESTRICTED FUNDS (continued)

Group and Association	At 1 January 2019 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 December 2019 £'000
Eastern Area Chalet Fund	84	4	(4)	-	84
Homes Refurbishment	151	-	-	-	151
Richard Peck House	82	-	-	-	82
Flowerdown House	115	38	(40)	-	113
Rothbury House	34	34	(30)	-	38
Richard Peck House Stairlift	11	-	-	-	11
Respite Care and Welfare	361	806	(806)	-	361
Sussexdown Residents' Fund	60	-	-	-	60
Ivor Maloney	86	-	-	-	86
Scottish Development Fund	22	-	-	-	22
Talking Air Mail	16	-	(18)	-	(2)
Preston Office	52	2	(3)	-	51
Forces in Mind Trust	(2)	86	(21)	-	63
Storybook Wings	4	2	(2)	-	4
RAF Benevolent Fund Grants	207	1,408	(1,418)	-	197
Libor	109	2	(2)	-	109
Vehicle fund for Areas	56	-	-	-	56
Volunteer Welfare Officers	12	69	(69)	-	12
Wexford	66	13	(13)	-	66
Befriending	89	178	(267)	-	-
Other Restricted Funds	191	305	(291)	-	205
	<u>1,806</u>	<u>2,947</u>	<u>(2,984)</u>	<u>-</u>	<u>1,769</u>

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

Transfers from unrestricted funds to restricted funds have been made to support the objectives of the restricted funds. Transfers from restricted funds to unrestricted fund is representative of the Richard Peck House Fund ceasing to be restricted upon the sale of the property, and Sussexdown Residents' Fund being reclassified as unrestricted.

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22. DESIGNATED FUNDS

Group and Association	At	Income	Expenditure	Transfers	At
	1 January				2020
	2020	£'000	£'000	£'000	2020
	£'000	£'000	£'000	£'000	£'000
Fixed Assets	3,375	-	-	-	3,375
Homes Review	86	-	-	(86)	-
Membership Innovation	346	-	-	-	346
Investment Fund	4,310	-	-	-	4,310
Homes Fund	1,355	-	-	(1,355)	-
Welfare Fund	1,500	-	-	6,500	8,000
Property Repairs and Maintenance	7,375	-	-	(6,625)	750
Defined Benefit Pension Scheme	1,988	-	-	-	1,988
	20,335	-	-	(1,566)	18,769

Group and Association	At	Income	Expenditure	Transfers	At
	1 January				2019
	2019	£'000	£'000	£'000	2019
	£'000	£'000	£'000	£'000	£'000
Council Projects	18	-	-	(18)	-
Other Projects	413	-	-	(413)	-
Fixed Assets	4,562	-	-	(1,187)	3,375
Homes Review	86	-	-	-	86
Membership Innovation	346	-	-	-	346
Investment Fund	2,505	-	-	1,805	4,310
Homes Fund	1,500	-	-	(145)	1,355
Investment in Strategic Growth Fund	3,114	-	-	(3,114)	-
Welfare Fund	902	-	-	598	1,500
Property Repairs and Maintenance	4,894	-	-	2,481	7,375
Defined Benefit Pension Scheme	-	-	-	1,988	1,988
	18,340	-	-	1,995	20,335

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22. DESIGNATED FUNDS (Continued)

In support of the plan to 2023 the Trustees have approved a number of changes to designated funds. The value of the property fund has been reduced following the reshaping of the Association in response to COVID-19 and changed ways of working.

A designated fund of £1,988k was created in 2019 to cover any future shortfall on the defined benefit pension scheme resulting from adverse financial market movements and the resulting impact on the scheme assets. This is still considered valid in light of the impact of COVID-19 on markets and the initial suspension and subsequent reduction of employer contributions to the pension scheme, as more particularly referred to in note 11.

A full review of the membership offering is planned for 2021 and 2022 and it is therefore believed that the Membership Innovation fund of £346k is still valid.

The Investment Fund, remains at £4,310k to take account of the continued uncertainties seen in the financial markets resulting from the ongoing uncertainties around COVID-19 and global political and trade uncertainties. The Trustees believe that this fund is sufficient to withstand a significant market correction.

Whilst difficult to quantify with any degree of uncertainty it is widely believed that the Welfare needs of the Association's beneficiaries will continue to evolve with increasing complexity and considerable unmet need has been identified as a result of the COVID pandemic. The Trustees have therefore increased the amounts set aside for Welfare delivery by £6,500k to £8,000k to enable research, design and implementation of Welfare products and services to be undertaken.

The Homes Review and Homes Fund have been released following the decision to cease delivering organic respite care for Rothbury House and Flowerdown House.

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23. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2020 are represented by:			
Intangible fixed assets	1,689	-	1,689
Tangible fixed assets	6,918	-	6,918
Investments	22,812	-	22,812
Loans to branches	131	-	131
Current assets	3,248	2,551	5,799
Current liabilities	(4,235)	-	(4,235)
Creditors due after one year	(279)	-	(279)
Pension provision	(830)	-	(830)
Total net assets	29,454	2,551	32,005
Association:			
	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2020 are represented by:			
Intangible fixed assets	1,689	-	1,689
Tangible fixed assets	6,365	-	6,365
Investments	22,812	-	22,812
Loans to branches	131	-	131
Current assets	3,275	2,443	5,718
Current liabilities	(4,114)	-	(4,114)
Pension provision	(830)	-	(830)
Total net assets	29,328	2,443	31,771

THE ROYAL AIR FORCES ASSOCIATION
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23. ANALYSIS OF NET ASSETS BETWEEN FUNDS (Continued)

Group:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2019 are represented by:			
Tangible fixed assets	8,576	-	8,576
Investments	26,782	-	26,782
Loans to branches	132	-	132
Current assets	2,944	1,769	4,713
Current liabilities	(3,767)	-	(3,767)
Creditors due after one year	(283)	-	(283)
Pension provision	(430)	-	(430)
Total net assets	33,954	1,769	35,723
Association:			
	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Funds balances at 31 December 2019 are represented by:			
Tangible fixed assets	8,042	-	8,042
Investments	26,530	-	26,530
Loans to branches	132	-	132
Current assets	2,653	1,769	4,422
Current liabilities	(3,715)	-	(3,715)
Pension provision	(430)	-	(430)
Total net assets	33,212	1,769	34,981

**THE ROYAL AIR FORCES ASSOCIATION
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24. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net (expenditure)/income	(3,291)	2,037	(2,783)	2,424
Adjustments for:				
Donation gift in kind	-	(128)	-	-
Gifted properties	951	(1,375)	951	(1,375)
Share of joint venture	252	409	-	-
Contributions to defined benefit scheme	(92)	(470)	(92)	(470)
Expenses borne by pension scheme	58	88	58	88
Depreciation charges	359	508	326	478
Amortisation charges	111	-	111	-
Amortisation of capital grant	(4)	(5)	-	-
Loss on disposal of fixed assets	16	10	16	10
Gains on investments	(27)	(2,978)	(27)	(2,978)
Deficit on fixed assets	-	378	-	378
Investment income	(864)	(1,023)	(864)	(1,023)
Return on defined benefit scheme assets	(318)	(442)	(318)	(442)
Interest paid	17	(10)	17	(10)
Interest on defined benefit pension liabilities	325	444	325	444
Decrease in assets for resale	294	1,170	294	1,170
(Increase)/decrease in stocks	(100)	(114)	8	87
Decrease/(increase) in debtors	234	184	(169)	(214)
(Decrease) in creditors	(79)	(924)	(148)	(876)
Net cash (used in) by operating activities	<u>(2,158)</u>	<u>(2,241)</u>	<u>(2,295)</u>	<u>(2,309)</u>

25. CASH AND CASH EQUIVALENTS

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents represent:				
Cash at bank	1,853	1,465	1,357	1,047
Cash held by investment managers	2,529	879	2,529	879
	<u>4,382</u>	<u>2,344</u>	<u>3,886</u>	<u>1,926</u>

26. LEGACIES

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

**THE ROYAL AIR FORCES ASSOCIATION
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27. CONTINGENT ASSET

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

28. RELATED PARTY TRANSACTIONS

The branches forwarded Wings Appeal income of £121k (2019: £967k) to the Association which is included in Wings Appeal income. The Association returned £23k (2019: £199k) to the branches for them to use for their own welfare funds which is included in expenditure. In addition, £1k (2019: £9k) was paid to the branches in respect of Wings Appeal expenditure and these expenses are included in the cost of raising funds.

Membership subscription rebates of £91k (2019: £146k) are to be paid to branches are included in expenditure.

The Association paid interest of £18k (2019: £10k) to the branches holding deposit accounts with the Association (see note 14). The Association received interest of £nil (2019: £1k) from branches that have received loans from the Association (see note 15).

29. FINANCIAL INSTRUMENTS

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

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Financial assets:				
Equity instruments measured at fair value through net income / expenditure	20,973	23,326	20,973	23,326

30. DONATIONS – GIFTED PROPERTY ASSETS

During the year, the Royal Air Forces Association branches at Aberdare, Stanley and Penzance closed resulting in three properties being transferred to The Royal Air Forces Association for £nil consideration.

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

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

	2020	2019
	£'000	£'000
Investment properties	(410)	880
Assets held for resale	(541)	495
	<u>(951)</u>	<u>1,375</u>

All properties transferred are classified as Unrestricted Funds.

Shortly after the year end a further property for resale was gifted to the Association at a value of £350k.

THE ROYAL AIR FORCES ASSOCIATION
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31. PRIOR YEAR GROUP STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total £'000
INCOME:				
Donations and Legacies	3	7,575	381	7,956
Donations – assets gifted from closed branches	29	1,375	-	1,375
Donation in kind on acquisition		128	-	128
Charitable Activities:				
Residential and respite care homes	6	1,399	2,566	3,965
Nursery fees		261	-	261
Other Trading Activities:				
Trading income		418	-	418
Grand Draw and other fundraising income		1,110	-	1,110
Investment Income	5	1,023	-	1,023
Total Income		<u>13,289</u>	<u>2,947</u>	<u>16,236</u>
EXPENDITURE:				
Cost of Raising Funds		4,212	-	4,212
Charitable Activities:				
Residential & Respite Care Home		3,710	46	3,756
Friendship & Welfare Support		4,883	2,773	7,656
Grants		148	160	308
Other Support Costs		871	5	876
Other Expenditure:				
Interest Paid on Branch Deposits		(10)	-	(10)
Interest on Defined Benefit Pension Liabilities		2	-	2
Share of net loss in joint venture		409	-	409
Total Expenditure	7	<u>14,225</u>	<u>2,984</u>	<u>17,209</u>
Net gains on investment assets	13	3,010	-	3,010
Net income/(expenditure)		<u>2,074</u>	<u>(37)</u>	<u>2,037</u>
Other recognised losses:				
Actuarial losses on defined benefit pension scheme	11	(554)	-	(554)
Net movement in funds		<u>1,520</u>	<u>(37)</u>	<u>1,483</u>
Reconciliation of Funds				
Total Funds Brought Forward		32,434	1,806	34,240
Total Funds Carried Forward		<u>33,954</u>	<u>1,769</u>	<u>35,723</u>

THE ROYAL AIR FORCES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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31. PRIOR YEAR ASSOCIATION STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total £'000
INCOME:				
Donations and Legacies	3	7,666	381	8,047
Donations – assets gifted from closed branches		1,375	-	1,375
Charitable Activities:				
Residential and respite care homes	6	1,155	2,566	3,721
Other Trading Activities:				
Grand Draw and other fundraising income		1,110	-	1,110
Investment Income	5	1,023	-	1,023
Total Income		<u>12,329</u>	<u>2,947</u>	<u>15,276</u>
EXPENDITURE				
Cost of Raising Funds		3,778	-	3,778
Charitable Activities:				
Residential & Respite Care Home		3,527	46	3,573
Welfare Support		4,562	2,773	7,335
Grants		148	160	308
Other Support Costs		871	5	876
Other Expenditure:				
Interest Paid on Branch Deposits		(10)	-	(10)
Interest on Defined Benefit Pension Liabilities		2	-	2
Total Expenditure	7	<u>12,878</u>	<u>2,984</u>	<u>15,862</u>
Net gains on investment assets	13	3,010	-	3,010
Net income/(expenditure)		<u>2,461</u>	<u>(37)</u>	<u>2,424</u>
Other recognised losses:				
Actuarial loss on defined benefit pension scheme	11	(554)	-	(554)
Net movement in funds		<u>1,907</u>	<u>(37)</u>	<u>1,870</u>
Reconciliation of Funds				
Total Funds Brought Forward		31,305	1,806	33,111
Total Funds Carried Forward		<u>33,212</u>	<u>1,769</u>	<u>34,981</u>

