



ROYAL AIR FORCE CENTRAL FUND ANNUAL REPORT



Registered Company Number: 8555984 Charity Registered in England and Wales: 1152560
Charity Registered in Scotland: SC044299

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TRUSTEES

Dr E Molloy	Chair
Warrant Officer J Crossley	
Mr J C Michaelson	
Mrs S Bridgeland	
Mrs A Farmery	
Group Captain M Williams	<i>appointed 8 July 2019</i>
Air Vice-Marshal J Ellis	<i>appointed 31 July 2018, resigned 10 April 2019</i>
Air Marshal M Wigston	<i>appointed 17 April 2020</i>
Group Captain C Baker	

FINANCE AND RISK COMMITTEE MEMBERS

Group Captain M Williams	Chair & Trustee Member
Group Captain A Portlock	
Squadron Leader K Tinkler	
Mr B Cartledge	
Wing Commander S Brewin	<i>appointed 11 September 2019</i>
Mr J C Michaelson	<i>appointed 27 July 2018, resigned 8 November 2019</i>

GRANTS COMMITTEE MEMBERS

Warrant Officer J Crossley	Chair & Trustee Member
Group Captain J East	
Mr M Nurse	
Squadron Leader I Shepherd	
Warrant Officer J Wall	<i>appointed 6 March 2019</i>
Warrant Officer S Cotman	<i>appointed 6 March 2019</i>
Squadron Leader G MacKay	<i>appointed 6 March 2019</i>
Warrant Officer M Ratten	<i>appointed 2 October 2019</i>
Warrant Officer J Alpert	<i>appointed 2 October 2019</i>
Squadron Leader P Lockett	<i>appointed 25 February 2020</i>
Squadron Leader S Patterson	<i>appointed 25 February 2020</i>
Warrant Officer L Simpson	<i>appointed 6 March 2019, resigned 25 February 2020</i>
Warrant Officer B Milner	<i>appointed 27 September 2018, resigned 6 March 2019</i>
Squadron Leader E O'Brien	<i>appointed 27 September 2018, resigned 2 October 2019</i>

REMUNERATION COMMITTEE MEMBERS

Mrs A Farmery

Chair & Trustee Member
appointed Chair 29 March 2019

Group Captain M Williams
Warrant Officer J Crossley
Air Marshal M Wigston

Trustee Member
Trustee Member
Trustee Member
appointed 27 July 2018, resigned 29 March 2019

INVESTMENT COMMITTEE MEMBERS

Mr J C Michaelson

Chair & Trustee Member

Mrs S Bridgeland

Trustee Member

Group Captain M Williams

Trustee Member

PRINCIPAL OFFICERS OF THE CHARITY

Mrs N Griske

Company Secretary

Mr R Perriam

Chief Executive Officer
appointed 3 June 2019

REGISTERED ADDRESS

Hurricane Block
Headquarters Air Command
RAF High Wycombe
Buckinghamshire
HP14 4UE

PRINCIPAL OFFICE

Counswood House
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North Dean
Buckinghamshire
HP14 4NW



PROFESSIONAL ADVISORS

INVESTMENT MANAGERS

Allianz Global Investors Europe GmbH
199 Bishopsgate
London
EC2M 3TY

Insight Investment Global ABS Fund
(Issued by Insight Investment Funds Management Limited)
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London
EC4V 4LA

PROPERTY INVESTMENT MANAGERS

Resigned 16 August 2019

Cazenove Capital Management
12 Moorgate
London
EC2R 6DA

REGISTERED AUDITORS

Mazars LLP
6 Sutton Plaza
Sutton Court Road
Sutton
SM1 4FS

LEGAL ADVISORS

Charles Russell LLP
5 Fleet Place
London
EC4M 7RD

Russell-Cooke LLP
2 Putney Hill
London
SW15 6AB

BANKERS

Barclays Bank PLC
4 Waterside Way
The Lakes
Bedford Road
Northampton
NN4 7XD

The Trustees, who are also directors of the Royal Air Force Central Fund for the purposes of company law, present their report and audited financial statements for the year ended 31 December 2019. The financial statements have been prepared in accordance with the provisions of the Statement of Recommended Practice "Accounting & Reporting by Charities" (FRS102) and in line with current statutory requirements, the Charity's Constitution and applicable Accounting Standards in the United Kingdom.



2019

A MESSAGE FROM THE CHAIR

2019 has been another great year for RAF Sport with many of our teams and individuals winning at Inter-Service level and above. Whilst that success is down to the hard work and dedication of the competitors and support staff, the RAF Central Fund has played its part in providing funding for the equipment and infrastructure that underpins RAF Sport.



As you will see in this report, over 13,000 personnel benefitted from funding via their Sports Association* with over 900 of them at RAF representative level. The RAF Central Fund also provided additional funding for sports and physical activity in over 20 stations benefitting 5,000 personnel, whilst 1,700 received support from individual sports grants and 400 more through the Mechanics Endowment Fund.

The Board of Trustees have now focused the Fund's strategic direction on sport and physical activity due to the positive impact sports play on people's lives. This focus aligns with the RAF's approach of placing sports at the very heart of its activities. With a new CEO and Board of Trustees now in place and a strong team in support, our charity is better equipped than ever to deliver on the mission of the Fund, satisfy its ambitions for innovation and form new collaborations and partnerships.

We look forward to supporting many more years of RAF sporting success and providing the opportunity for each and every serving RAF person to have the opportunity to enjoy an active lifestyle.



Eamonn Molloy

Dr Eamonn Molloy
Chair, RAF Central Fund

*(figures provided by the Sports Associations)

A MESSAGE FROM THE CEO

I was delighted to join the RAF Central Fund in the summer of 2019 following a 20+ year career in the commercial fitness and sports national governing body sectors. My grandfather served in the RAF in the Second World War and so the opportunity to use my skills and experience to support personnel through the RAF Central Fund was one that was just too good to pass up.



Over the course of 2019, I learned a great deal about the Fund, its stakeholders and beneficiaries. I came to understand that after 100 years of supporting RAF personnel there are naturally many interpretations, myths and misunderstandings as to what the RAF Central Fund does. My appointment allowed for a review of our charity's strategy, the headlines of which can be found in the following pages. It will be up to me and my team to ensure that our updated strategy is clearly and concisely conveyed at every opportunity. It is important that RAF personnel have clarity on how and what the RAF Central Fund can (and cannot) do to support them to reach their full potential through sport and physical activity.

A handwritten signature in black ink, appearing to be 'R Perriam', written in a fluid, cursive style.

Ross Perriam
CEO, RAF Central Fund



2019



TRUSTEES' REPORT FOR THE YEAR ENDED

31 DECEMBER 2019

HISTORY

The Royal Air Force Central Fund (the Fund) can trace its origins back to the early formative period of the Royal Air Force. During 1919 to 1922 the Air Council Central Fund was established to collate monies originally donated by both commissioned and non-commissioned RAF personnel to support the welfare of others in the RAF from disbanded RAF units.

The Fund was briefly separated into two central institute funds with objectives to provide non-public welfare support to both officers and other ranks prior to subsequent re-unification and amalgamation into the Air Ministry Non-Public Fund in 1923. The Air Ministry Non-Public Fund reiterated the original object of the Fund to 'improve the amenities of service life for the benefit of serving personnel'.

The Air Ministry Non-Public Fund was supplemented in 1937 by the creation of the RAF Central Reserve Fund. Following a reserves transfer from the Air Ministry Non-Public Fund in 1940, the RAF Central Reserve Fund's name was shortened to the RAF Central Fund in 1943. In 1945 the aims of the Fund were widened to include grant making to Command Central Funds and charitable organisations.

A subsequent comprehensive review of RAF charitable funds in 1959 resulted in the Command Central Funds being amalgamated into the Fund, which was then formally registered as a charity in 1963.

The RAF Sports Lottery was established by the Fund in 1993 to generate funding to support sporting activities and endeavours of RAF personnel.

The Mechanics Endowment Fund was amalgamated into the Fund in 2007, carrying the restriction that funds can only be utilised to provide benefit to RAF trainees, with an emphasis towards those trainees within the engineering disciplines where possible.



AIMS AND OBJECTIVES

The Memorandum and Articles of Association defines the Fund's object as a charity that is:

Specifically restricted to the general benefit of members or former members of the Royal Air Force and their dependants in such charitable ways as the Trustees think fit.

This object presents the Trustees with wide powers, enabling them to provide charitable assistance to the RAF Community, primarily via charitable grants.

The core vision of the Fund, to provide support to those serving in the RAF today and on an enduring basis, continues to underpin the ethos and activities of the charity. From the Fund's origins back in 1919, through to the present day, the Fund has remained steadfast in its duty to support those who serve in the RAF. Working directly alongside those we support ensures the Fund is able to remain focused on and react quickly to their evolving needs.

As noted in previous reports, the Trustees, being cognisant of the ongoing need for the Fund to evolve and modernise to meet the changing challenges the serving RAF Community will face over the next century, initiated a programme of ongoing strategic review which is intended to refine the prioritisation and focus of the Fund's activities within our underlying charitable objects.

The appointment of a new Chief Executive in 2019 served as a natural catalyst for such a review and it was during this process that a number of RAF charities were identified as providing reactive support for serving and ex-service personnel. The Board agreed that by taking a more proactive approach and focusing 'upstream' to help serving personnel develop greater mental and physical resilience through sport and physical activity it could help alleviate pressure not only on the personnel themselves but on other stakeholders in the sector.



As a result, the following Vision, Mission and strategic objectives for the next three years were agreed:

VISION

For all serving personnel to develop their full potential through sport and physical activity.

MISSION

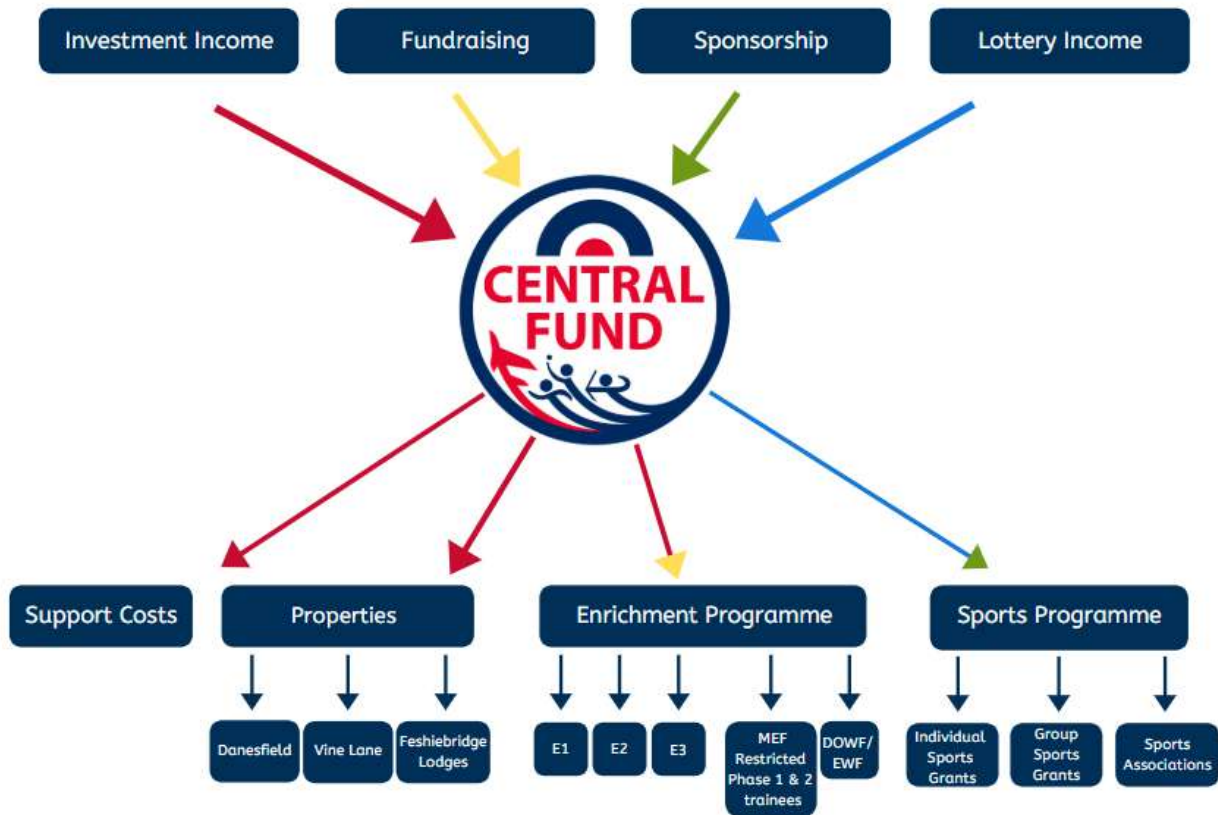
To enable all serving RAF personnel to access sporting opportunities and physical activities.

STRATEGIC OBJECTIVES

- Broaden understanding of how the challenges of service life affect the RAF community with regards to health and fitness.
- Develop and deliver flexible, accessible support programmes that reach those most in need.
- Significantly increase awareness of its work within the RAF community.
- Manage the charity as effectively and efficiently as possible.
- Grow and sustain the resources required to meet the needs of its beneficiaries.

Success criteria were put in place to ensure that progress was made towards achieving the new mission.

THE FOLLOWING MODEL OUTLINES THE RAF CENTRAL FUND'S INCOME AND FUNDING PROGRAMMES:



2019 has been a great success in terms of the numbers of people trying a new sport through the 49 RAF Sports Associations and their sub-disciplines (1,171*). This constant influx of new participants is vital for the health of RAF personnel as well as the health of the associations that underpin sport in the RAF. At the other end of the spectrum, 2019 also witnessed a disproportionately high number of successes at inter-service and international competitions which can be directly attributed to the commitment and dedication of those competing at this level and the support they receive. Our aim in the coming years is to grow our resources to support more RAF personnel with their mental and physical health and resilience through access to sport and physical activity. Inevitably, the increased opportunities will lead to even greater successes in their chosen disciplines.

We look forward to supporting our beneficiaries regardless of their ability or current levels of activity.

*As reported through RAF Sports Associations 2019 new member engagement reports



GRANT MAKING

As previously noted, the Fund seeks principally to meet its objectives through the provision of support as a grant making charity.

Stations, groups and individuals are encouraged to apply to the Fund for grants that meet the Fund's criteria to support, encourage and develop the serving RAF community. Details of current grants criteria, administrative guidance and bid forms are provided on approach to the Fund and in 2019 were also provided on the Fund's website (www.rafcf.org.uk) along with general guidance to support the enrichment grant programme. Work started in 2019 to automate the processing of grant applications and this work is expected to continue until there is a fully automated process in place.

Applications for support towards activities undertaken via the RAF Sports Associations are invited annually and are subject to an initial assessment by a committee of members of the Fund's senior leadership team, supported by the Directorate of RAF Sport and the RAF Sports Federation, prior to recommendation to the Board of Trustees for consideration. Applications are assessed against five principles which are outlined in the documentation and communicated to the Associations by their RAF Central Fund Ambassador.

Enrichment grant applications under £5,000 and meeting certain criteria are assessed by a committee of senior Fund managers whilst those over £5,000 are considered by the Grants Committee to ensure they meet the Fund's objectives and provide maximum benefits and value for our beneficiaries. The Grants Committee consists of a panel of serving personnel who are selected to ensure that all serving RAF personnel are fairly and appropriately represented.



The Grants Committee can approve grant applications up to £50,000. Grants in excess of £50,000 if approved in principle by the Committee will be referred to the Board of Trustees for consideration at the next meeting.

Applications for support towards individual sports grants are subject to a process of internal assessment prior to review by the Sports Grant Panel. The Sports Grant Panel consists of Fund senior managers, supported by a representative from the Directorate of RAF Sport and the RAF Sports Federation. The Panel has authority to approve grants to an individual maximum of £5,000. Grants in excess of £5,000 are recommended to the CEO and those in excess of £25,000 are recommended to the Grants Committee.

The Fund continues to work closely with its beneficiary community and the RAF Community Support team to help RAF stations and units strategically manage their sports and physical activity needs and to identify and prioritise key areas which will benefit from support.

The focus of the Fund for 2019 remains consistent with the prior year, concentrating on funding applications that encourage all serving personnel to participate in sporting activities to promote their physical fitness, resilience, teamwork, confidence and wider personal development goals.

The Fund currently assesses the impact of its funding through retrospective reporting on indicators such as the usage of facilities and new member engagement coupled with anecdotal feedback from supported Stations, projects and individuals. The Fund is seeking to establish more formalised impact assessment indicators and expects to have those ready in the near future.



OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The Trustees recognise the two principles of public benefit and believe that the objectives and activities of the Fund formally meet these principles by:

- Assisting the promotion of military efficiency.
- Providing RAF personnel with the necessary skills to carry out the RAF contribution to the Defence of the United Kingdom and its interests.

As noted above, the Fund seeks to concentrate support around its current objective:

For all serving personnel to develop their full potential through sport and physical activity.

Working towards this vision assists in the promotion of military efficiency which underpins esprit de corps and team working, whilst additionally encouraging personnel to develop the character, spirit and attitude to face challenges and danger associated with military service. As a result, the Fund provides a benefit not only to our direct beneficiary group but additionally to the general public in helping to provide personnel who are motivated, have high morale and are willing to serve the needs of their country and that of its public, at all times.

The Trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

STRATEGIC REPORT

The foci for the Fund for 2019 was to operate closer to the cash flows provided by its income streams in order to preserve the Funds longer term future. This, combined with the new strategic objectives, resulted in the achievements documented in the following pages.

BROADEN UNDERSTANDING OF HOW THE CHALLENGES OF SERVICE LIFE AFFECT THE RAF COMMUNITY WITH REGARDS TO HEALTH AND FITNESS

At the end of 2019, the Fund commissioned YouGov to undertake a survey of serving RAF personnel to establish their sporting and physical activity needs and challenges. The survey will commence in February 2020 with the results expected in April.



DEVELOP AND DELIVER FLEXIBLE ACCESSIBLE SUPPORT PROGRAMMES THAT REACH THOSE MOST IN NEED

RAF SPORT ASSOCIATION SUPPORT

90

RAF SPORTS FUNDED



1,171*

NEW MEMBERS

£1,124,405

VALUE OF ASSOCIATION FUNDING



13,000+*

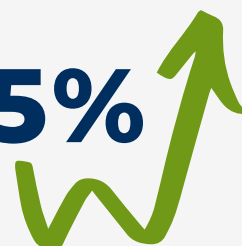
PERSONNEL SUPPORTED

INDIVIDUAL SUPPORT

1,747 TOTAL NUMBER OF GRANTS AWARDED

36.5%

2018 COMPARISON (GRANTS AWARDED)



TOTAL VALUE OF AWARDED GRANTS

£546,921

902
RAF LEVEL GRANTS

£378,305
VALUE OF RAF LEVEL GRANTS

845
DEVELOPMENT LEVEL GRANTS

£168,613
VALUE OF DEVELOPMENT LEVEL GRANTS

STATION LEVEL SUPPORT

44 NUMBER OF
ENRICHMENT GRANTS

22

RAF STATIONS
SUPPORTED

VALUE OF
ENRICHMENT GRANTS

£549,504

NUMBER OF STATION OVERSEAS VISITS

23 GRANTS TOTALLING
£51,422
ACROSS **14** STATIONS



5,200 EST.

PERSONNEL SUPPORTED
THROUGH ENRICHMENT GRANTS

100%

2018

COMPARISON
(GRANTS AWARDED)



MECHANICS ENDOWMENT FUND

5

MEF GRANTS
AWARDED

£96,187.37

VALUE OF
MEF GRANTS



400

PERSONNEL SUPPORTED
THROUGH MEF GRANTS

SIGNIFICANTLY INCREASE AWARENESS OF ITS WORK WITHIN THE RAF COMMUNITY

The Fund worked hard in 2019 to grow new relationships and strengthen existing ones with its stakeholders in order to promote its work, build partnerships and ultimately benefit more serving RAF personnel.



13
COMMITTEE
MEETINGS HELD

23 MEETINGS WITH
OTHER RAF CHARITIES

6 RAF SLT
MEETINGS

16
STATIONS VISITED

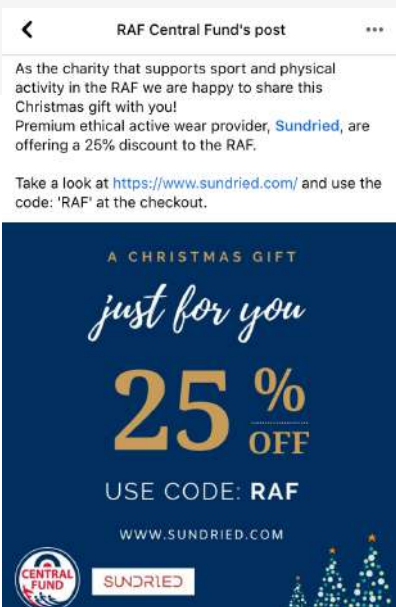


520
LOTTERY
WINNERS

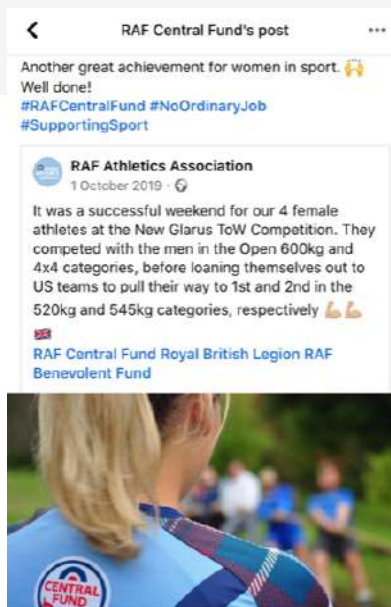


13,000+
BENEFICIARIES SUPPORTED

Following the appointment of a new Marketing and Communications Manager at the start of Q4 a new marketing strategy was written and the Fund was able to start clarifying its role and position. New brand guidelines supported the strategy to consistently identify the Fund as a recognised charity within the RAF. A more structured and regular use of social media increased the Fund’s followers by 16% across all channels. By the end of 2019 there was greater clarity amongst the stakeholders as to who the Central Fund was and how it supported RAF Sport and physical activity.



Bringing partnership offers to RAF serving personnel.



Sharing Sports Association news and stories.



Documenting opportunities to meet beneficiaries face to face.

2019 witnessed a steady increase of social media followers over the year. Facebook was identified as the Fund's highest performing social media channel.



CAMPAIGN CASE STUDY: '100 YEARS, 100 STORIES'

A social media campaign was launched in celebration of the Fund's centenary. Beneficiaries stories were received from grant recipients, Sports Lottery winners and individuals who had enjoyed usage of the sporting facilities at the Fund's properties.

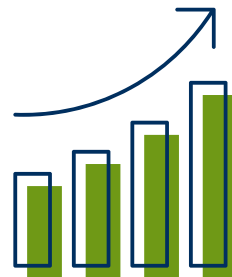


I have just been awarded Elite Athlete Status (EAS) , one of currently 12 members in the whole of the Royal Air Force. This has enabled me to train at wakeboarding full time before the next Wakeboarding World Championships in early 2020.

I currently represent Great Britain in the Masters category. On my first appearance for Team GB I won a bronze medal, placing me 3rd in the Masters Ladies category in March 2018 at the World Wakeboarding Championships in Buenos Aires, Argentina.

Wakeboarding is an expensive sport and the RAF Central Fund grant has allowed me to replace some of my kit this year. I simply wouldn't be able to remain as competitive in the sport if it wasn't for charitable donations such as this one. It helps all participants from grass roots up to national level, I really appreciate the support!

Cpl Sarah Partridge - RAF Odiham



13.8%
FACEBOOK FOLLOWER
INCREASE OVER
CAMPAIGN



5.2k
ENGAGEMENT
WITH POST



MANAGE ITS CHARITY AS EFFECTIVELY AND EFFICIENTLY AS POSSIBLE

As previously documented, the decision was made by the Board in November 2018 to safeguard the Fund's long term future and ability to support its beneficiaries and allocate funding for 2019 more closely aligned with Sports Lottery income levels. This was a change from the previous Boards' commitment to fund the sports grant programme from reserves and resulted in a reduction in funding of £498,590 on the previous year.

In order to mitigate the impact on the Associations in future, the Fund communicated the new set of funding priorities well in advance of the funding period:

- **Legal or Regulatory Requirement.** Items or activities that are essential to allow each sport to continue; such elements would include insurance, affiliation fees and first aid requirements.
- **Recruitment Activity.** Elements of funding that can be directly attributed to increasing participation in the sport, such as specifically including promoting diversity, RAF inter-Station championships or specific recruitment events.
- **Retention at Development Level.** Such costs would include elements to support the development of individuals who have been recruited into an Association to ensure their continued development in order to encourage continued participation e.g. training events.
- **Retention at Representative Level.** Such costs would include elements to support the development of individuals at representative (RAF/UKAF) level, e.g. team kit or representative level coaching.
- **Indirect Retention.** Such costs would include items such as Overseas Visits and medals, which do not directly increase participation or improve performance.

In addition to the above priorities, the Fund also initiated partnerships with sports equipment and clothing manufacturers and suppliers in 2019 that would help the funding pot go further in the years to come. The aim is that from 2021 the Fund will be able to meet the needs of its beneficiaries whilst operating a balanced budget.

2019 also witnessed the continuation of improvements to the financial and charitable governance of the Fund. Existing policies and processes were reviewed and where necessary updated e.g. the organisation's risk register and new ones such as a Board Skills Matrix and Board Risk Appetite were introduced amongst others.

GROW AND SUSTAIN THE RESOURCES REQUIRED TO MEET THE NEEDS OF ITS BENEFICIARIES

PROPERTIES

FESHIEBRIDGE



The conversion of the Feshiebridge facility into four 3-bedroom lodges and two apartments was completed in 2019. The lodges opened for RAF personnel in December 2019 and generated £24,000 of bookings in the first month. The lodges are prioritised and subsidised for serving RAF personnel to use for holidays with their families, outward bound courses or to decompress. Non-serving personnel will be able to use them at full market rate in order to generate additional income for its charitable aims.



VINE LANE

The cricket ground and pavilion at Vine Lane are used by RAF cricket on an infrequent basis. The Fund will therefore explore how the site could be better utilised for the benefit of its beneficiaries whilst taking into consideration the requirements of RAF Sport. The Local Council are under pressure to provide additional housing in the area which could generate development partnership opportunities, whilst considering the potential financial, reputational and environmental impacts involved.



DANESFIELD

The site at Danesfield continues to be utilised on a daily basis by serving RAF personnel in order to take part in Force Development and team building activities. Danesfield is the Home for Sport for RAF Rowing and RAF Canoeing Associations and is being considered by RAF Open Water Swimming. Paddlers and rowers take part in 5-6 events per year at the water sports centre in addition to their club sessions throughout the Summer.



THE RAF SPORTS LOTTERY

The RAF Sports Lottery continues to be the number one source of income for the Fund with total players increasing by just over 3.5% during the year to 17,770. There were over 500 winners in 2019 and the work that started in November to review the operating model will result in more money for sport and even more winners from late 2020 onwards.

OTHER OPPORTUNITIES

The nature of most fundraising is through sporting or physical activity challenges and therefore it was only fitting that a three year fundraising strategy was created in 2019 to start building an additional income stream for the Fund. The foundations of the strategy were laid in late 2019 with goals and activities set ready to be delivered in the 2020 financial period. The Fund also registered with Just Giving to facilitate its fundraising income.

As previously highlighted, work was started in 2019 to source partner suppliers of sports equipment and clothing. The goal of the partnerships is to ensure that value for money is achieved on the individual and Sports Association funding spend which allows for more beneficiaries to be supported. The mechanism by which this is to be achieved is to be agreed but will likely be through improved pricing or a contribution to the Fund per £1 of spend.





ORGANISATIONAL STRUCTURE AND GOVERNANCE

The Trustees Board is responsible for setting the strategic direction of the Fund whilst the day-to-day management of the Fund is the responsibility of the Chief Executive Officer.

The Chief Executive Officer has delegated authority to determine operating policies, manage operational planning, budgets, property and staffing resources to support the strategic and policy framework of the Board and is responsible for the effective and efficient management of the Fund.

Trustees delegate authority to the Chief Executive Officer to authorise budgeted expenditure to a limit of £50,000 and to approve items of un-budgeted expenditure subject to an individual item maximum of £25,000 where this does not represent more than a 10% variance from approved financial forecasts. Details of un-budgeted expenditure approvals are presented to the Trustees at every Board meeting.

The Trustees of the Fund have constituted four Committees: the Finance and Risk Committee; the Grants Committee; the Investment Committee and the Remuneration Committee in accordance paragraph 11 of the Fund's Articles of Association. The Fund's Trustees set clear terms of reference for the Committees (that were updated in 2019) and receive regular reports on their activities. The Board seeks to recruit an additional serving Trustee to ensure resilience for quorate decisions to be made.

The Board sought to strengthen their membership and skills base in 2019, resulting in the successful recruitment and appointment to the Board of Air Vice-Marshal J R Ellis. Unfortunately, due to promotion to Chief of the Air Staff, Mike Wigston had to step down to avoid any conflicts of interest and to allow him to focus on his new role.



THE FINANCE AND RISK COMMITTEE

The Trustees delegate the oversight of the Fund's finance and risk governance and policies to the Finance & Risk Committee and to ensure these are aligned with the Fund's charitable and strategic objectives. The Committee are required to meet at least biannually and met three times during 2019 to implement the Fund's financial strategy.

The Trustees delegate authority to the Committee to approve budgeted expenditure in excess of £50,000 and major single items of unbudgeted expenditure to a maximum of £50,000, subject to an annual limit of £200,000. Details of all un-budgeted expenditure approvals are presented to the Trustees at every Board meeting.

The Finance Committee membership was strengthened during 2019 by the appointment of Wing Commander S Brewin following the resignation of John Michaelson.

THE GRANTS COMMITTEE

The Trustees delegate the disbursement of grants to the Grants Committee. The Grants Committee is required to meet at least biannually and met to consider awards on three occasions during 2019.

The Fund Trustees have delegated authority to award single grants up to £50,000 within the limits of their annual budget to the Committee. Details of Committee grants are presented to the Trustees at every Trustee meeting.

Grants are awarded throughout the RAF to a diverse range of projects which support the serving RAF community and their immediate support networks. Where possible, a contribution is made by capital project applicants and all requests for funding must be supported by an application which includes details of project delivery, maintenance costs and a realistic business case where applicable.

The Fund seeks to work closely with other Service charities such as the Nuffield Trust, the RAF Benevolent Fund, the RAF Charitable Trust and the Royal Air Forces Association to provide maximised benefit to the serving RAF community.

The Grants Committee continued to encourage serving RAF representation and following the resignations of Warrant Officer B Milner and Squadron Leader E O'Brien it appointed Warrant Officer J Wall, Warrant Officer S Cotman, Squadron Leader G Mackay, Warrant Officer J Alpert, and Warrant Officer L Simpson to its membership.

THE REMUNERATION COMMITTEE

The Remuneration Committee was constituted by the Board of Trustees to provide an oversight, review and advisory role to the Board with regards to the remuneration of the Fund's senior management and employees.

The Remuneration Committee provides recommendations to the Board of Trustees with regards to all employee remunerations, including key management personnel, based on annual review of sector benchmarks. The Committee remain cognisant of the Fund's intent to attract and retain talented and committed employees who can help the Fund realise its objectives to maximise support to RAF personnel both now and into the future. To achieve this, the Remuneration Committee seeks to ensure salaries reflect the appropriate market rate of pay for a comparable job in the relevant job market and are subject to regular review to ensure employee rewards remain appropriate.

In 2019, Mrs A Farmery was appointed as Chair of the remuneration committee whilst Air Marshal Mike Wigston resigned due to his being appointed Chief of the Air Staff.

THE INVESTMENT COMMITTEE

The Investment Committee was constituted by the Board of Trustees to provide an oversight, review and advisory role to the Board with regards to the Funds' investments.

The Committee is established to oversee the Fund's investment governance, including philosophy, risk appetite and policies, and ensure these are aligned with the Fund's charitable and strategic objectives. The Trustees authorise the Committee to monitor the Fund's investments against the Fund's investment philosophy, risk appetite and policies.

ROYAL AIR FORCE CENTRAL FUND TRADING LTD

The Fund has one wholly-owned subsidiary, RAF Central Fund Trading Ltd, which became active in 2018, details of which can be found at the back of this report.

SENIOR LEADERSHIP TEAM

2019 saw the culmination of the Chief Executive Officer (CEO) recruitment process during which time the CEO's delegated authority continued to be administered by the Chief Operating Officer (COO). Throughout the eight months that the CEO role was gapped, the team coped well with managing the day to day operations of the charity. Additional legal and financial outsourced support was put in place to support the COO and Trustees were on hand to mentor each of the Heads of Department. The new CEO started in post in June at which point the authority was handed over and the Board were able to lessen their day-to-day support. This appointment was followed up some months later with the recruitment of a new Marketing and Communications Manager meaning that the Fund had a full senior leadership team by the year end.

The Fund's internal procedures and policies continued to develop during 2019, as the Senior Leadership Team completed best practice reviews, implementing amendments or new processes where appropriate, such as the Board Skills Matrix, a new risk register incorporating the Board's risk appetite and a series of new process and practices related to the letting of Feshiebridge Lodges. The ongoing review of the sports grant programme procedures and documentation during the year identified a number of areas where best practice updates have strengthened controls and led to the production of clearer application forms and guidance.

With the Fund only having two Sports Lottery licence holders, a third application was submitted in 2019 for the new CEO which has now been confirmed by the Gambling Commission.



2019



RISK MANAGEMENT

The Trustees review the major risks facing the Fund within the annual business planning process. The Trustees continue to identify significant risks to the Fund and to implement procedures to both mitigate risk and to minimise potential impact should risks materialise. The Trustees identified the following as the significant potential risks facing the Fund for 2019/20:

- A significant fall in investment performance or value adversely affecting the ability of the Fund to provide support to its beneficiaries.
- Reduction in Sports Lottery income.
- Loss of key staff and inadequate working conditions.
- Staff lacking adequate leadership.
- Inadequate resource for crisis.
- Inadequate payment processes.
- Unexpected change in demand from beneficiaries.
- Health & Safety breach at one of the Fund's properties.
- Failure to meet regulatory compliance standards (charitable / gambling).
- Failure of RAF leadership support.
- Failure of good relationships with other RAF Charities.
- IT infrastructure is compromised.
- Multiple charities working in the sports space.

Regular review of the progress of the Lottery is undertaken by both the Board and the Finance and Risk Committee, supported by both a rolling re-forecast of budgets, marketing and regular scenario planning.

Professional Investment Managers were employed by the Trustees to advise and manage the Fund's investments. The performance of the investment portfolio and the Investment Managers were subject to review at each Investment Committee meeting. The Investment strategy is considered at least annually by the Board of Trustees. The Investment Committee reviews the Fund's investments on a regular basis and in 2019 employed an Investment consultant to review the Fund's Investment Strategy and to recommend other investment funds to reduce the Fund's Investment Risk.

The Investment Committee worked closely with the Investment Managers to ensure that the current series of investment disinvestments were timed to minimise the overall impact on the value of the portfolio and associated income generation. The Finance Manager receives monthly updates from the Investment Managers and provides 'early warning' financial briefings to both the Finance & Risk Committee and Investment Committee at each meeting.

The Fund has continued during 2019 to progress the ongoing process of ensuring that all key procedures are documented and made available. Key compliance and regulatory responsibilities and positions are duplicated wherever possible and training provided to support their continuance. Appropriate notice periods are employed to minimise the risk of unstaffed positions, with senior management and the Board seeking to ensure appropriate succession plans are developed and subject to regular reviews.

To ensure that compliance is achieved with the Gambling Commission, the Sports Lottery game has been outsourced to a sector specialist External Lottery Manager (ELM). Whilst acknowledging that the selected ELM is subject to regulatory compliance review directly from the regulator, the Fund employ the services of an external sector specialist to assist in the preliminary and pre-draw assessment of the ELM on a biennial basis.

The 2019 ELM assurance report does not indicate any matters of compliance or regulatory concern, however the Board will continue to monitor the ongoing annual external assurance reviews to ensure compliance continues to be appropriately achieved.

Being cognisant of the enduring requirement for the Fund to remain best placed to support RAF personnel, the need for additional managerial and support staff is regularly reviewed so that the evolving core operational activity of the Fund can be achieved.

Trustees are satisfied that the arrangements for managing the potentially significant risks identified are adequate, mitigate the risks noted to an appropriate level and are subject to sufficiently rigorous monitoring and control. This is further demonstrated with no adjustments having been recommended by the Fund's auditors to the Financial Statements.



Additionally, the Charity operates systems of internal control which are designed to provide reasonable assurance against material misstatement or loss. They include:

- An annual operating budget which is approved and reviewed by the Trustees.
- Regular consideration by the Finance and Risk Committee and Trustees of financial results against the budget and other indicators.
- Regular consideration by the Trustees of Investment Management results against benchmarks.
- Delegation of day-to-day management authority and segregation of duties.

BREXIT IMPACT

Whilst exiting from the EU has continued to contribute to market volatility it has yet to impact on the regulatory environment. The Fund is reviewing its investment strategy to mitigate the effect on investments following the decision to leave the EU and will seek to keep up-to-date with the latest developments in the regulatory environment.

COVID-19 IMPACT

At this point in time it is not possible to fully consider the impacts arising from COVID-19, however the trustees have considered the possible risks and have put in place measures to maintain income and reduce future expenditure if required. The position will be kept under constant review and the trustees will as required take necessary steps to ensure the group continues as a going concern.





LEGAL STATUS AND ORGANISATION

CONSTITUTION

The Fund is a registered charitable company limited by guarantee, a Company registered in England & Wales 8555984, Charity registered in England & Wales 1152560 and a Charity registered in Scotland SC044299.

The Fund is governed by its Board of Trustees as established within its Memorandum and Articles of Association dated 4 June 2013 (as adopted by a special resolution passed as a written resolution on 29 March 2019). The Articles determine that the Board must consist of a minimum of three Trustees with a condition that a Serving Trustee cannot be appointed to the Board unless the number of Non-Serving Trustees is at least equal to the number of Serving Trustees subsequent to the appointment.

Trustees are appointed by election at a Board General Meeting for a three year term and can serve no more than three consecutive terms. A quorum of Trustees is required for the transaction of business which consists of at least two Non-Serving Trustees and two Serving Trustees unless there is only one Non-Serving Trustee appointed, whereby a quorum is one Non-Serving and one Serving Trustee.

Trustees have established a clear policy and procedures for dealing with conflicts and the authorisation thereof, in accordance with Charity Commission guidelines.



TRUSTEE INDUCTION AND TRAINING

All new trustees receive a personalised induction programme. The programmes are designed to cover the key strategic aims of the Charity, its operational framework, its finances and future plans. The induction additionally provides details of the Charity's regulatory and statutory reporting requirements, including those of the Charity Commission, OSCR and Companies House.

The Trustees are invited to an annual 'Away-Day' during which they review any significant updates of regulatory or governance importance. Trustees are expected to have visited all of the Fund's properties within twelve months of appointment and are invited to attend a Grants Committee and Finance and Risk Committee meeting within the first year of appointment.

Trustees are additionally invited to attend internal and suitable external Trustee training courses to ensure an appropriate and on-going understanding is maintained within the Board with regards to significant issues such as: governance; the role and responsibilities of the Trustees; understanding charity finance and investments; identifying and managing risks and strategic planning.





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FINANCIAL REVIEW

LOTTERY

As previously highlighted, lottery ticket numbers continued to grow in 2019 helping gross Lottery income for the year (£2.88 million) achieve 99% of its budget; up 2 % on 2018. The Lottery is now generating an income on par with pre-suspension levels.

The Lottery, operating as a weekly Society Lottery, awards prizes totalling £25,000 each week. The cost of awarding these prizes in 2019, together with External Lottery Manager Fees and overhead costs totalled £1,595,222 for the twelve months of play. The Lottery generated a net surplus during 2019 which was fully utilised in-year within the sports grant programme.

INVESTMENTS

The Fund's investment portfolio of £35.6 million (2018: £30.5million) is managed by Allianz Global Investors ('AGI') and is invested in Allianz pooled funds. AGI has permitted operating ranges for the investment categories of UK Equities, UK Gilts, UK Index Linked Trackers and UK Corporate bonds.

AGI are expected to meet a relative-return investment performance target over a rolling 3 year period (measurement commenced 1 January 2004) and deliver an agreed amount of annual income. For 2019, AGI posted a return of 18.5% (2018: -6.5%) against the benchmark of 16.2% (2018: -6.3%).

The Trustees continue to invest in alternatives in order to diversify the nature of their investments.

In 2019 the Charity divested from its property investment fund managed by Cazenove Capital Management ('Cazenove') and invested in Insight Global ABS Fund.

The market value of the portfolio at 31 December 2019 stood at £5,533,485 (2018: £0). The Cazenove portfolio was disposed of at value of £5,478,479 (2018: £5,722,708). The Fund re-invested the monies with Insight Global ABS Fund. Carrying value at year end was £4,991,465, with income of £1,093. This income was re-invested in the portfolio. £499,422 (2018: £574,083) of the value of the invested portfolio at 31 December 2019 is deemed to represent restricted Mechanics Endowment Fund investments. In addition to the Mechanics Endowment Fund monies invested within the Insight portfolio £147,552 was held within an investment with CCLA.

During 2019 AGI investment income delivered £693,325 (2018: £1,218,801) against an initial target for the year of £1,212,959 (2018: £1,252,688). This target was revised down in year, with a transfer of assets from UK equities to Global equities in order to mitigate risk. The income was utilised to support the 2019 Grants programme. No income delivery target was set with Cazenove Capital Management however it is noted that the fund delivered £176,461 (2018: £219,713) of income during the year. Income receipts generated within the Cazenove portfolio were automatically reinvested within the portfolio.

The Fund also holds investments in the BlackRock Charinco Common Investment Fund with a market value at the 31 December 2019 of £14,830 (2018: £14,511). The investments are held to support the Feshiebridge Lodge Fund. The investment generated £837 income (2018: £622).

The Charity additionally holds £147,511 (2018: £146,716) of funds within the COIF Charities Deposit Fund which represents that element of the restricted Mechanics Endowment Fund not invested within the Insight Global ABS Fund. Interest earned on the deposits is automatically reinvested within the Fund.

Prior to the application of unrealised market movements on investments, the continued support by the Board to the sports grant programme during the period of Lottery re-growth resulted in the Fund showing a year-end deficit of £728,734. Following the application of £4,923,959 realised and unrealised investment market gains, the Fund noted a year-end surplus of £4,195,225 (2018: deficit £3,035,155).

Following application of the unrealised market gains on investments, total funds increased from £38,807,365 in 2018 to £43,002,590 at the 2019 year-end.

Lottery income, income from the investment portfolio and other minor income streams, supported total Fund income for the year of £4,117,229.



LONG TERM INCOME PROTECTION

The investment strategy that has been put in place seeks to protect in real terms the value of the investment portfolio at a level that will be able to deliver the desired income stream in order to finance expected annual expenditure. This strategy is reviewed every three years against forecast yields and estimated income needs.

DIRECT COSTS

Direct costs have routinely been met from unrestricted investment income generated in the year of application, therefore Trustees have been content to maintain zero unrestricted reserves. The balance of the expendable endowed fund at year-end was £38,638,579 (2018: £32,361,679), of which £40,260,033 (2018: £31,271,604) represented invested funds.

The Fund has the following designated funds:

- **RAF Central Fund Vine Lane, RAF Central Fund Danesfield and Feshiebridge.** Funding generated by activities at the three respective sites which is deemed by the Trustees as required to support their respective on-going maintenance and activities.
- **Sports Lottery Fund.** Funds designated for future utilisation for the benefit of sport in the RAF.
- **Contingency: RAF Sports Board Pension Fund.** At the 2019 year-end there is sufficient uncertainty with regards to the exact status of the Fund's pension situation to deem it inappropriate to recognise a provision for future payments in respect of past service of former employees.

The Fund has the following restricted fund:

- **Mechanics Endowment Fund.** Funds whereby expenditure is restricted for the benefit of RAF trainees, especially those in the engineering disciplines.

FINANCIAL RESERVES

The application of the long term income protection policy has historically allowed the Fund to maintain the expendable endowment fund at a level whereby the Trustees have been able to apply a policy of meeting direct expenditure through application of the investment income generated.

To generate income to support the enrichment grants programme and Fund administrative, governance and support costs and being cognisant of specialist advice regarding investment income returns, the Board deem it appropriate and necessary to maintain invested reserves at a level of approximately £40 million within total reserves of approximately £42 million.

At the year-end the Fund held total reserves of £43,002,590 including invested reserves of £41,302,658. The Trustees are content that the closing 2019 reserves balance of £43,002,590 is appropriate, given the current fluidity in the investment markets.

The reserves policy is subject to annual review. The balance sheet confirms that the Fund has adequate working capital to meet any obligations as they fall due.





TEGULA

ROYAL AIR FORCE Engineering
40

DARREN BERRIS

Jonathan Elsey
RACING INDEPENDENT

750
MOTOR CLUB

ROYAL AIR FORCE

PLANS FOR FUTURE PERIODS

The core vision of the Fund, to support and enrich the lives of those serving in the RAF today and on an enduring basis, continues to underpin the strategic and operational direction of the Fund. As the Board of Trustees continue to refine and prioritise the direction of the Fund, our central mission and vision remains; to enable all serving RAF personnel to access sporting opportunities and physical activities with the aim of developing their full potential.

Within this wide reaching objective the following aims have been defined as fundamental for the period ending 2020:

- **Insight and Impact:** Consult with our beneficiaries to better understand how the challenges of service life affect their access to sports and physical activity needs.
- **Support programmes:** Use knowledge gained from the consultation to design programs and initiatives that are responsive to the needs of our beneficiaries whilst maximising social value.
- **Marketing and Communications:** Create a marketing strategy to instigate and develop new methods of effective marketing and communications, including digital media channels and increased collaborative working with our charitable and RAF colleagues, to maximise the range and effectiveness of our work.
- **Organisational Governance and effectiveness:** Continue to develop the Fund structure, both at Board, management and staffing levels to provide an extended specialist knowledge base and a flexible and effective workforce, whilst reviewing and expanding processes and activities to meet governance best practice standards.
- **Funding Stability:** To ensure the Fund has sufficiently robust funding bases to provide surety over the longevity of our support to the serving RAF community across its second century of service.

KEY ACTIVITIES PLANNED FOR 2020 INCLUDE:

• COMMISSIONING AN INSIGHT SURVEY

A national partner has been identified who will work with the Fund to conduct a survey that will help highlight the challenges RAF personnel face in accessing sports and physical activities. The results will be analysed, shared with stakeholders and used to inform future initiatives.

• MAXIMISING SPORTS LOTTERY EFFICIENCY

Marketing activities for 2020 will be focused towards strategies and campaigns to consolidate the level of continuing players in the game, whilst continuing to maximise efficiency of the Lottery. Included in this is a review of the lottery model to ensure it generates the best balance of prizes and charitable funding.

• DEVELOPING COMMUNICATION NETWORKS

Effective communication is paramount to both the success of the Sports Lottery game but equally to ensure that those the Charity seeks to assist are aware of the support it can provide.

During 2020 the Fund plans to build its ability to engage with its beneficiaries through both social media platforms and directly through the Fund's CRM system. Work will be undertaken to improve our presence on social media sites and build online communities whilst developing the functionality of the CRM to better inform the Fund's teams and serve the needs of our beneficiaries.

• FUNDING REVIEW

Working in collaboration with our RAF colleagues and building on our existing relationships within the network of collective support charities, the Fund will review the outcomes of our current funding strategies and objectives and work to renew and refresh these for 2021-2024, to ensure our funding provides maximum impact and positive outcomes for our beneficiaries.

• FUNDRAISING

The Fund has created a fundraising strategy for 2020 that aims to generate income through sporting challenges. The monies raised will be used to help serving personnel access sporting opportunities and physical activities.

• ORGANISATION AND GOVERNANCE

During 2020 the Fund will seek to strengthen the breadth of membership, representation and skills base across both the Board and Committees. It will also continue to review its policies, adding new ones where they add governance value and reviewing existing ones to ensure that they remain relevant to the organisation and compliant with current laws.

• FESHIEBRIDGE LODGES

Feshiebridge will become fully operational in 2020 with priority being given to serving RAF personnel to access the lodges to decompress. The lodges will be advertised to the RAF and subsidised to remove barriers to access. Any spare capacity will be offered to non-serving personnel at full market rate in order to ensure the operation breaks even with any profits being used for the Fund's charitable purposes.

• INVESTMENT STRATEGY

The Investment Committee plans to review the Fund's Investment strategy in order to maximise returns for its beneficiaries. This will be finalised before the summer of 2020.

• ESPORTS GRANT FUNDING

In order to maintain the Central Funds relevance in the 21st Century, the Charity provided significant funding to support Esports across the Air Force in 2019. Monies will be allocated to stations in 2020 through the RAFVGEA (RAF Video Gaming Esports Association), based on criteria that has been agreed between the Fund and the RAFVGEA.





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TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

Company law requires the Trustees (who are also directors of the Royal Air Force Central Fund for the purposes of company law) to prepare financial statements that give a true and fair view of the state of affairs of the charitable company at the end of the financial year and of its deficit for the financial year. In doing so the Trustees are required to:

- Select suitable accounting policies and apply them consistently.
- Make sound judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards and Statements of Recommended Practice 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 Charity will continue in operation.

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Charity and enable them to ensure the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

The Trustees are also responsible for the safeguarding of the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



In accordance with Company law, the Fund's Trustees certify:

- There is no relevant audit information of which the Fund's auditors are unaware.
- The Trustees of the Fund have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Fund's auditors are aware of the information.

RAF Central Fund complies with the Fundraising Standards Board Requirements and only utilising agencies that are compliant with the Fundraising Regulations. We aim to meet the highest standards so that supporters and volunteers are able to give and fundraise for the Fund with confidence. No complaints have been received in respect of fundraising during 2019.

AUDITORS

Mazars LLP acted as the Fund auditors during the year.

This report has been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies. The Trustees' and Strategic Report for the year ended 31 December 2019 was approved by the Trustees in their capacity as the Company Directors and signed on behalf of the Trustees:

Dr E Molloy
Chair of Trustees

Dated:



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ROYAL AIR FORCE CENTRAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2019**

Opinion

We have audited the financial statements of Royal Air Force Central Fund (the 'parent charity') and its subsidiary (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance sheets, the Consolidated Statement 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 of the parent charity's affairs as at 31 December 2019 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL AIR FORCE CENTRAL FUND FOR THE YEAR ENDED 31 DECEMBER 2019

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees which includes the Strategic Report and the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report included within the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report included within the Report of the Trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 50 the trustees (who are also the directors of the parent charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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's and the 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 charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Signed:

Nicola Wakefield
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
6 Sutton Plaza, Sutton Court Road, Sutton, Surrey SM1 4FS

Date:

The Royal Air Force Central Fund
Company No: 8555984

Consolidated Statement of Financial Activities (incorporating the Income and Expenditure Account) for the year ended 31 December 2019

	Note	Unrestricted Fund £	Designated Fund £	Expendable Endowment Fund £	Restricted Fund £	Total 2019 £	Total 2018 £
Income	2						1
Donations		24,369	42,400	-	-	66,769	147,967
Charitable Activities		55,967	115,003	-	-	170,970	234,426
Trading Activities		-	2,881,902	-	-	2,881,902	2,830,383
Investment Income		868,950	1,462	-	837	871,249	1,439,868
Other Income		126,339	-	-	-	126,339	11,832
Total Income		1,075,625	3,040,767	-	837	4,117,229	4,664,476
Expenditure	3						
Charitable Activities Raising Funds		871,411	2,028,744	-	94,500	2,994,655	2,737,509
Sports Lottery Operations & Fundraising Trading		-	1,595,222	-	-	1,595,222	1,504,455
Sports Lottery Redevelopment & Relaunch		-	-	-	-	-	112,913
Trading Activities		13,330	-	-	-	13,330	-
Investment Management Costs		-	-	242,756	-	242,756	185,180
Total Expenditure		884,741	3,623,966	242,756	94,500	4,845,963	4,540,057
Net Gains/(Losses) on Investments		-	319	4,936,347	(12,707)	4,923,959	(3,159,574)
Net Income/(Expenditure)		190,884	(582,880)	4,693,591	(106,370)	4,195,225	(3,035,155)
Transfers between Funds		(190,884)	(1,392,425)	1,583,309	-	-	-
Net Movement in Funds		-	(1,975,305)	6,276,900	(106,370)	4,195,225	(3,035,155)
Total Funds Bought Forward		-	5,750,722	32,361,679	694,964	38,807,365	41,842,520
Total Funds Carried Forward		-	3,775,417	38,638,579	588,594	43,002,590	38,807,365

The Group has no recognised gains or losses for the year other than as detailed above.

The Royal Air Force Central Fund
Company No: 8555984

Consolidated and Charity Balance Sheets as at 31 December 2019

	Note	Group Total 2019 £	Group Total 2018 £	Charity Total 2019 £	Charity Total 2018 £
Fixed Assets:					
Intangible Asset	8	29,411	29,017	29,411	29,017
Tangible Assets	9	1,764,517	660,612	1,764,517	660,612
Heritage Assets	9	47,016	47,016	47,016	47,016
Investments	10	41,302,658	36,369,828	41,302,658	36,369,828
Total Fixed Assets		43,143,602	37,106,473	43,143,602	37,106,473
Current Assets:					
Debtors	11	281,012	290,351	339,468	426,192
Cash at Bank and in Hand		1,390,490	3,179,270	1,344,226	3,036,835
Investments	10	-	-	-	-
Total Current Assets		1,671,502	3,469,621	1,683,694	3,463,027
Creditors: Amounts Falling due Within One Year	12	1,812,514	1,642,894	1,790,456	1,636,300
Net Current (Liabilities)/Assets		(141,012)	1,826,727	(106,762)	1,826,727
Total Assets less Current Liabilities		43,002,590	38,933,200	43,036,840	38,742,772
Creditors: Amounts Falling due After One Year	12	-	125,835	-	125,835
Net Assets		43,002,590	38,807,365	43,036,840	38,807,365
Reserves					
Expendable Endowment Fund	13	38,638,579	32,361,679	38,672,829	32,361,679
Designated Funds		3,775,417	5,750,722	3,775,417	5,750,722
Restricted Funds		588,594	694,964	588,594	694,964
Total Funds		43,002,590	38,807,365	43,036,840	38,807,365

The financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies.

The financial statements on pages 55-72 were approved by the Board of Trustees on July 2020 and were signed on their behalf by:

Dr E Molloy
Chair of Trustees

Trustee

The Royal Air Force Central Fund
Company No: 8555984

Consolidated Statement of Cash Flows for the year ended 31 December 2019

	2019 £	2018 £
Cash flow from Operating Activities		
Net cash used in operating activities	(1,343,280)	(2,290,393)
Cash flows from Investing Activities:		
Dividend Receipts	854,250	1,439,800
Dividend Tax Reclaim	17,834	-
Redevelopment Costs	1,410,098	(280,784)
Interest on Cash Deposits	-	68
Proceeds from Sale of Investments	26,650,044	22,702,496
Payment to Purchase Investments	(28,486,726)	(20,688,884)
Net cash provided by investing activities	(445,500)	3,192,696
Change in Cash & Cash Equivalents	(1,788,780)	902,303
Cash & Cash Equivalents at 1 January	3,179,270	2,276,967
Cash & Cash Equivalents as at 31 December	1,390,490	3,179,270

Notes to the Cash Flow Statement

Reconciliation of net expenditure to net cash flow from operating activities

	2019 £	2018 £
Net income/(expenditure) for the period	4,195,225	(3,035,155)
Adjustment for:		
Losses /(gains) on Investments	(4,923,959)	3,159,574
Investment income	(871,249)	(1,439,800)
Bank interest	-	(68)
Investment Management Fees	(242,756)	(185,180)
Decrease/(Increase) in Debtors	9,339	(43,588)
Grants recognised in excess/(below) of payment	311,765	(742,755)
Increase/(Decrease) in Other Creditors	178,355	(3,421)
Net Cash used in operating activities	(1,343,280)	(2,290,393)

Analysis of Cash & Cash Equivalents

	31 December 2018 £	Cash flow £	31 December 2019 £
Cash in hand	3,179,270	(1,788,780)	1,390,490
Total Cash & Cash Equivalents	3,179,270	(1,788,780)	1,390,490

Notes to the Financial Statements for the Year to 31 December 2019

Principal Accounting Policies 2019

The financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom, the Accounting Regulations issued under the Charities Act 2011, the Statement of Recommended Practice: "Accounting and Reporting by Charities (FRS102)" and the Companies Act 2006. A summary of the significant accounting policies is set out below.

The RAF Central Fund meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s). The Trustees consider it is appropriate for these accounts to be prepared on the going concern basis.

The trustees have reviewed detailed cash flow projections to 31 July 2021 and have agreed detailed budgets for the year ended 31 December 2020. Both sources of income and types of expenditure have been reviewed. Whilst one of the main charitable purposes of the Fund is to support current RAF personnel through individual grants and grants to the sports associations, the level of this necessary expenditure is at the discretion of the trustees and can be adjusted during the year. The trustees have also considered the Group's working capital and capital expenditure requirements. As a result of the foregoing the trustees are satisfied that it is appropriate to prepare the accounts on a going concern basis.

Historical Cost Convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments to market values and are in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities (FRS102)", applicable Accounting Standards and the Charities Act 2011.

Consolidation

The wholly owned trading subsidiary of the Royal Air Force Central Fund, the Royal Air Force Central Fund Trading Ltd (company number: 087475222) was taken out of dormancy in 2018. On this basis, the financial statements are consolidated.

Income

Investment income is accounted for when received and comprises dividend income and interest on cash deposits. Income from Gilts is accounted for net of any previously incurred transaction costs.

Endowed grants are funds returned to the charity following the rare occurrence of a closure of an RAF station and are recognised as soon as receipt is probable and the value of the returned grant monies can be reliably measured.

Other income is recognised on an accruals basis in accordance with the income recognition requirements of FRS102.

Expenditure

All expenditure is accounted for on an accruals basis and is recognised when there is a legal or constructive obligation for the charity to make payment. All costs have been directly attributed to one of the functional categories of expenditure in the Statement of Financial Activities.

Any irrecoverable VAT is charged to the Statement of Financial Activities, or capitalised as part of the cost of the related asset, where appropriate.

Cost of raising funds includes investment managers' fees and the costs in running the RAF Sports Lottery, including prizes.

Notes to the Financial Statements for the Year to 31 December 2019

Principal Accounting Policies 2019 (continued)

Charitable activities consists of grant awards and associated direct and indirectly allocated support costs. Grants payable are charged to the Statement of Financial Activities in the year in which the offer is conveyed to the recipient.

Support costs consist of salary and other expenditure incurred to facilitate the administration and governance of the charity. Support costs are directly attributed to activities where it is possible to allocate to the activity on a basis of use of resource. Where it is not possible to directly attribute support costs, these are apportioned by the estimated percentage of time utilised by employees on each activity.

Taxation Status

The charity is exempt from corporation or income taxation based on the charity applying all of its income and gains for wholly charitable purposes.

Intangible Fixed Assets

Intangible fixed assets are measured at cost less accumulated amortisation.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- How the software will generate probable future economic benefits;
- The availability of adequate resources to complete the development and use the software;
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method.

The intangible assets are amortised over the following useful economic lives:

Software development costs	2 years
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Intangible assets are not subject to amortisation in the year of recognition, with a full year charged each period thereafter.

Tangible Fixed Assets and Depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Due to the unique nature of the charity's properties, they are held at carrying value as there is no available market value or methodology to reliably measure their fair values. The Trustees consider that the realisable value of the property is well in excess of its carrying value and accordingly any depreciation charge is immaterial.

It is the Fund's policy to capitalise all assets with a combined purchase value in excess of £5,000.

Depreciation is calculated on a straight line basis across the expected useful life of the asset class:

Website Development	2 years
Computers and Information Technology	3 years
Fixtures & Fittings	10 years
Buildings	30 years

Depreciation is not charged in the year of acquisition, with a full year charged in the year of disposal.

Notes to the Financial Statements for the Year to 31 December 2019

Principal Accounting Policies 2019 (continued)

The Fund owns a number of items of heritage silverware, including the Fincastle Trophy and Gill Sword which are loaned to RAF Messes, units and individuals to promote and support esprit de corps. These items hold significant cultural importance to the Royal Air Force and are capitalised in the accounts in line with their insurance valuation and are not depreciated due to the enduring life scale. The Fund additionally owns two paintings which hang in the Ministry of Defence building in London.

Investments and Gains and Losses on Investment Assets

Quoted investments and investment property are stated at market value at the balance sheet date.

Gains and losses arising on investment assets, both through sale and changes in valuation, are taken to the Statement of Financial Activity in the year they occur. Gains include a cash rebate received by the charity for retail investment management fees arising from holding in-house funds; the Fund pays institutional investment management fees that are based on the capital value of the Charity's investment portfolio.

Funds Structure

The expendable endowment fund represents the original capital of the Charity. This is maintained wherever possible. Income from the endowment fund is unrestricted.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for a particular purpose. The aim and use of each designated fund is set out in the notes to the financial statements.

The restricted fund represents the Mechanics Fund. These funds may only be used for the benefit of trainees, especially those in the engineering disciplines.

Pensions

The Fund operates a defined contribution workplace pension scheme for the benefit of all eligible employees. The assets of the scheme are administered by an independent pension provider, with employer pension payments recognised as an expense during the year of payment.

Prior to March 2014 the charity made contribution towards the cost of pensions being paid to previous past employees of a by analogy Principal Civil Service Pension Scheme (PCSPS). Entry to the scheme is closed to new employees of the charity. In line with HM Treasury guidance, the charity accounted for the contributions in the Statement of Financial Activity in the year in which they were incurred.

Following the transfer in March 2014, the obligation to meet these contributions as they fall due vests with the RAF Sports Federation (previously known as the RAF Sports Board).

Notes to the Financial Statements for the Year to 31 December 2019

Note 1 Statement of Financial Activities Analysis for the year-ended 31 December 2018

	Unrestricted Fund £	Designated Fund £	Expendable Endowment Fund £	Restrict ed Fund £	Total 2018 £
Income					
Donations	64,189	83,778	-	-	147,967
Charitable Activities	112,497	121,929	-	-	234,426
Trading Activities	-	2,830,383	-	-	2,830,383
Investment Income	1,438,582	623	-	663	1,439,868
Other Income	1,000	10,832	-	-	11,832
Total Income	1,616,268	3,047,545	-	663	4,664,476
Expenditure					
Charitable Activities	812,576	1,899,098	-	25,835	2,737,509
Raising Funds					
Sports Lottery Operations & Fundraising	-	1,504,455	-	-	1,504,455
Trading	-	-	-	-	-
Sports Lottery Redevelopment & Relaunch	112,913	-	-	-	112,913
Investment Management Costs	-	-	185,180	-	185,180
Total Expenditure	925,489	3,403,553	185,180	25,835	4,540,057
Net (losses)/gains on investments	-	(600)	(3,182,967)	23,993	(3,159,574)
Net Income/(Expenditure)	690,779	(356,608)	(3,368,147)	(1,179)	(3,035,155)
Transfers between Funds	(690,779)	1,451,353	(760,574)	-	-
Net Movement in Funds	-	1,094,745	(4,128,721)	(1,179)	(3,035,155)
Total Funds Bought Forward	-	4,655,977	36,490,400	696,143	41,842,520
Total Funds Carried Forward	-	5,750,722	32,361,679	694,964	38,807,365

Notes to the Financial Statements for the Year to 31 December 2019

Note 2 Income

		2019 £	2018 £
Donations	Donations	66,769	147,967
Charitable Activities	Returned Grants	168,985	222,324
	Hire of Fund Welfare Facilities	1,985	12,102
		170,970	231,426
Trading Activities			
	Lottery Ticket Sales	2,881,682	2,820,604
	Other Trading Income	220	9,779
		2,881,902	2,830,383
Investment Income			
	Dividends on Investments	853,415	1,439,800
	Investment Dividend Tax Reclaims	17,834	-
	Interest on Cash Deposits	-	68
		871,249	1,439,868
Other Income			
	Miscellaneous Receipts	500	11,832
		125,839	-
		126,339	11,832

All amounts relate to unrestricted income with the exception of £837 (2018: £668) of investment income which is allocated to restricted funds.

Note 3 Expenditure

		2019 £	2018 £
Raising Funds			
	RAF Sports Lottery Operations	1,595,222	1,504,455
	Sports Lottery Redevelopment & Relaunch	-	112,913
	Investment Management Fees	242,756	185,180
	Trading Company Activity	13,330	-
		1,851,308	1,802,548
Charitable Activities*			
	Enrichment Facilities and Projects	330,798	412,566
	Sports Association Grants	1,243,913	1,198,515
	Development Through Sports Grants	798,162	861,870
	Sports Facilities	615,335	237,229
	Grants to Service Support Charities	6,447	27,329

Notes to the Financial Statements for the Year to 31 December 2019

Note 4 Support Costs

	Raising Funds £	Charitable Activity £	Total Cost 2019 £	Total Cost 2018 £
Staff Costs	86,091	287,664	373,755	389,991
Other Costs	87,843	208,251	296,094	261,214
	<u>173,934</u>	<u>495,915</u>	<u>669,849</u>	<u>651,205</u>

The support cost elements of staff and other expenses have been attributed on a basis consistent with the use of resources. Where costs cannot be allocated directly to activities, they are apportioned by the estimated percentage of time spent by each employee on each activity.

Included in 2019 are £0 (2018: £38,617) of staff and non-direct costs associated with the marketing and redevelopment of the new RAF Sports Lottery game.

Note 5 Audit Fees

	2019 £	2018 £
Auditors' Fees for Reporting on the Accounts	<u>14,106</u>	14,640

Note 6 Trustees & Employees

6.1 Staff Costs	2019 £	2018 £
Wages and Salaries	334,158	349,587
Employer's National Insurance Costs	30,053	32,681
Employer's Pension Costs	4,766	3,814
	<u>368,977</u>	<u>386,082</u>

Support costs are included in the overall expenditure totals for each activity at Note 3.

<u>2,994,655</u>	<u>2,737,509</u>
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* See Note 4 for analysis of support costs

All amounts relate to unrestricted expenditure with the exception of Investment management fees which are allocated to endowment funds and £94,500 (2018: £25,835) of grants awarded from restricted funds.

Notes to the Financial Statements for the Year to 31 December 2019

Whilst continuing activities to recruit new permanent members of staff to support the Fund's transition to its new operational structure, during 2019 the Fund continued to utilise the services of temporary members of staff to support its ongoing activities. These services were supplied under contract at a cost for the period of £3,633 (2018: £3,908).

These costs are not included as direct staff costs above, however are recognised within other support costs and allocated to activities as indicated within Note 4.

2 employees earned between £60,001 and £70,000 during the period (2018: 1, £60,001 and £70,000).

The Fund made payment to its key management personnel, deemed to be the Chief Executive Officer, Chief Operations Officer and Marketing and Communications Manager of £146,054 during 2019 (2018: £184,638).

6.2 Average Headcount

	2019 Average	2018 Average
Full-Time	8.8	9.0
Part-Time	2.7	2.0
	11.5	11.0

6.3 Payments to Trustees

In accordance with Sections 4-6 of the Fund's Constitution, no payments (2018: £1,500) were made to Trustees during 2019 (2018:1) for services undertaken outside of their Trustee duties.

Aside from the payment noted above, Trustees neither received nor waived any emoluments during 2019 (2018: £nil). Out of pocket expenses were reimbursed to Trustees as follows:

	2019	2019	2018	2018
	No	£	No	£
Travel	13	923	4	221

Note 7 Grants

	Grants 2019 £	Support Costs 2019 £	Total Grants 2019 £	Total Grants 2018 £
Enrichment Facilities and Projects	172,733	171,395	344,128	412,566
Sports Association Grants	1,129,406	114,507	1,243,913	1,198,515
Development Through Sports Grants	691,982	106,179	798,161	861,869
Sports Facilities	517,949	97,387	615,336	237,229
Grants to Service Support Charities	-	6,448	6,448	27,330
	2,512,070	495,916	3,007,986	2,737,509

Notes to the Financial Statements for the Year to 31 December 2019

Note 7 Grants (continued)

Grants made to Institutions

Grants with a value in excess of £25,000 or are notable are shown individually:

	Grant Award	Grant Award
	2019	2018
	£	£
RAF Mountaineering	14,652	26,000
RAF Cosford	16,947	58,200
RAF Waddington	6,705	48,885
British Forces South Atlantic Islands	-	31,224
RAF Coningsby	42,374	44,641
RAF Video Games and Esports Association	243,500	-
RAF Marham	705	13,451
RAF Akrotiri	67,990	-
British Forces Cyprus	-	6,000
RAF Odiham	39,424	-
RAF Halton	44,604	-
RAF Benson	4,400	7,355
RAF Leeming	-	37,094
RAF Honington	77,506	-
RAF Northolt	26,760	-
RAF High Wycombe	11,541	450
RAF Cranwell	50,432	
Deployed Forces	16,225	42,210
RAF Motor Sports Association	80,376	84,762
RAF Winter Sports Association	111,543	106,382
RAF Ski Championships	38,033	49,176
RAF Rugby Union Association	30,213	28,105
RAF Sailing Association	78,819	54,140
RAF Angling Association	37,968	39,923
RAF Bobsleigh, Luge and Skeleton Association	98,375	98,417
RAF Hang-gliding & Paragliding Association	13,725	12,241
RAF Small Arms Association	68,036	43,312
RAF Equitation Association	21,774	28,041
RAF Golf Association	37,220	36,652
RAF Athletics Association	11,625	22,900
RAF Martial Arts Association	10,392	10,091
RAF Swimming Association	24,010	46,853
RAF Triathlon Association	8,540	14,192
RAF Football Association	49,818	30,983
RAF Hockey Association	6,800	16,240
RAF Waveriders	15,022	22,750
RAF Cycling Association	16,890	30,540
RAF Sports Parachuting Association	26,510	34,990
Others	425,730	471,812
	1,875,184	1,598,012

During the year 2,291 grants were made to individuals (2018: 1,758) at a value of £639,096 (2018: £612,952) to enable access to sport and physical activity.

Notes to the Financial Statements for the Year to 31 December 2019

Note 8 Intangible Fixed Assets

Group and Charity

	Software development £	Total £
Cost bought forward at 1 Jan 19	63,924	63,924
Additions	19,969	19,969
Cost carried forward at 31 Dec 19	83,893	83,893
Amortisation bought forward at 1 Jan 19	34,907	34,907
Provision for Year	19,575	19,575
Amortisation carried forward at 31 Dec 19	54,482	54,482
Net Book Value bought forwards at 1 Jan 19	29,017	29,017
Net Book Value carried forwards at 31 Dec 19	29,411	29,411

Note 9 Tangible Fixed Assets

Group and Charity

	Freehold land & buildings £	Computers & Information Technology £	Fixtures & Fittings £	Heritage Assets £	Asset Under Construction £	Total £
Cost bought forward at 1 Jan 19	171,537	25,689	218,848	47,016	280,784	743,874
Additions	-	6,453	6,815	-	1,115,816	1,129,084
Cost carried forward at 31 Dec 19	171,537	32,142	225,663	47,016	1,396,600	1,872,958
Depreciation bought forward at 1 Jan 19	-	19,113	17,132	-	-	36,245
Provision for year	-	2,811	22,369	-	-	25,180
Depreciation carried forward at 31 Dec 19	-	21,924	39,501	-	-	61,425
Transfer on Completion	1,396,600				(1,396,600)	-
Net Book Value bought forwards at 1 Jan 19	171,537	6,576	201,716	47,016	280,784	707,629
Net Book Value carried forwards at 31 Dec 19	1,568,137	10,218	186,162	47,016	-	1,811,533

Freehold land and buildings consists of the charity's properties at: Vine Lane, Danesfield and Feshiebridge Lodge.

Notes to the Financial Statements for the Year to 31 December 2019

Note 9 Tangible Fixed Assets (continued)

The Fund additionally owns the Halton Tennis Centre. In 2007 the Trustees signed a 999 year agreement to lease the Centre to the RAF Lawn Tennis Association. The agreement places the responsibilities for the maintenance, insurance and upkeep of the property with the Association as the tenant. In accordance with FRS102, the carrying value of the Halton Tennis Centre, being the cost of purchase of the Centre from the Secretary of State in 2007 of £255,200 is not recognised in the financial statements as the charity has no rights or responsibilities with regards to the property until the lease completes in 3006.

Vine Lane was donated to the Fund on 1 July 1964 and is currently utilised under licence from the Fund by the RAF Cricket Association as the Home for Sport for RAF Cricket.

The land at Danesfield was originally purchased in conjunction with the Nuffield Trust for the Forces of the Crown ('the Nuffield Trust'). The site was wholly made over to the Fund under a deed dated March 1982, with the Fund acquiring the totality of the site for a cost of £26,300. The site is currently utilised under licence from the Fund by the RAF Rowing and Canoeing Associations as the Homes for Sport for RAF Rowing and Canoeing and by 22 Group (RAF) to provide facilities for force development and adventurous training for RAF personnel.

Feshiebridge Lodge was purchased in 1989 for £139,187 with the Nuffield Trust providing funding towards the purchase of £115,000 (83%). The asset has been included in the balance sheet at £139,187 with an associated creditor falling due over one year of £125,835 representing the maximum potential return of funding due to the Nuffield Trust on any future sale. The Nuffield Trust confirmed in 2019 that they no longer required repayment of the loan. Originally purchased as an adventure training centre, the Lodge is now wholly focussed on providing an enrichment welfare and recreational centre for personnel and their families. Work is ongoing, to 31 December 2019 cost incurred were £1,396,600.

Note 10 Investments

Group and Charity

10.1 Fixed Assets Investments

	2019 £	2018 £
Carrying value bought forward	34,852,101	40,560,610
Additions to investments at cost	28,486,726	20,669,547
Disposals at carrying value	(27,225,628)	(23,220,402)
Realised gain/(loss) on sale	2,643,400	(615,176)
Unrealised revaluation movement	2,280,559	(2,541,478)
Carrying value carried forward	41,037,158	34,852,101
Historic cost as at 31 December	37,207,519	34,673,871

10.2 Current Asset Property Investments

	2019 £	2018 £
Carrying value bought forward	-	565,000
Unrealised revaluation movement	-	(1,920)
Disposal at carrying value	-	(565,000)
Realised loss on sale	-	1,920
Carrying value carried forwards	-	-
Historical cost as at 31 December	-	-

The Fund owned a property close to the cricket ground at Vine Lane. This property (4 The Rise) was purchased in 1929 for £3,650 and was deemed to have a brought forward market value of £565,000; it was sold in March 2018. The Trustees, having reviewed the options regarding the property determined in 2015 that there was no requirement for the property to be occupied by the groundsman in the future and hence fulfil a charitable function for the charity. The Trustees placed the property to market following completion of the short-term tenancy in March 2016. The sale of the property completed in March 2018 with a disposal value of £565,000.

Notes to the Financial Statements for the Year to 31 December 2019

Note 10 Investments (continued)

10.3 Analysis of Investments	Market Value 31 December 2019 £	Market Value 31 December 2018 £	Income from Investments 2019 £	Income from Investments 2018 £
Property Fund Investments	-	5,168,065	175,625	219,713
Allianz Portfolio Investments	35,341,292	28,974,561	693,326	1,218,802
Mechanics Fund Investments	646,974	694,964	837	663
BlackRock Charinco CIF	14,830	14,511	1,461	622
Insight Global ABS Fund	5,034,062	-	-	-
Cash held within Allianz Portfolio	265,500	1,511,332	-	-
Cash held as Part of the Property Portfolio	-	6,395	-	-
Fixed Asset Investments	41,302,658	36,369,828	871,249	1,439,800

10.4 Material Investment Holdings

The following investments represent holdings in excess of 5% of the portfolio at the period end within the total investment portfolio (excluding direct property investments):

	Market Value £	Percentage of Portfolio
AGI UK Equity Income A	12,142,372	29%
AGI UK Gilt Yield I	3,634,179	9%
ISHARES Core GBP Corporate Bonds	4,555,518	11%
ISHARES II Plc	2,821,239	7%
AGI Global Equity	12,187,983	30%
Insight Global ABS Fund	5,533,485	13%

Note 11 Debtors and Prepayments

Group

Analysis of Debtors	2019 £	2018 £
Trade Debtors	18,107	40,000
Prepayments and Accrued Income	262,905	250,351
	281,012	290,351

Charity

Analysis of Debtors	2019 £	2018 £
Trade Debtors	312	40,302
Inter-Company Debtor	7,958	-
Prepayments and Accrued Income	331,198	385,890
	339,468	426,192

Accrued income consists of monies collected by the charity's External Lottery Manager from RAF Sports Lottery players, not yet received by the Fund or utilised in play.

Notes to the Financial Statements for the Year to 31 December 2019

Note 12 Creditors and Accruals

12.1 Analysis of Creditors falling due within one year

Group	2019 £	2018 £
Committee Grant Creditors	283,814	128,794
Sports Grant Creditors	967,284	1,138,221
Tax and Social Security Creditors	18,375	6,812
Accruals and Deferred Income	401,407	329,841
Other Creditors	141,634	39,226
	1,812,514	1,642,894

Charity

	2019 £	2018 £
Committee Grant Creditors	283,814	128,794
Sports Grant Creditors	967,284	1,138,221
Tax and Social Security Creditors	16,895	9,032
Accruals and Deferred Income	387,817	321,293
Inter-Company Creditor	19,748	11,487
Other Creditors	114,898	27,473
	1,790,456	1,636,300

12.2 Analysis of Creditors falling due after one year

Group and Charity	2019 £	2018 £
Nuffield Trust capital grants	-	125,835

Note 13 Funds

13.1 Funds Held

Fund Name	Type	Purpose and Restrictions
Expendable Endowment	Expendable Endowment	Expendable Endowment for RAF Central Fund. Monies transferred into the RAF Central Fund upon close of the Mechanics Endowment Fund. Restricted for the benefit of RAF trainees, especially those in the engineering disciplines.
Mechanics Fund	Restricted	
Vine Lane	Designated	Funds generated to support the ongoing maintenance and activities at Vine Lane.
Feshiebridge Lodge	Designated	Funds generated to support the ongoing maintenance and welfare activities at Feshiebridge Lodge.
Danesfield	Designated	Funds generated to support the ongoing maintenance and activities at Danesfield.
RAF Sports Board Pension Fund	Designated	Funds transferred from unrestricted funds to support potential future payments to RAF Sports Board pensioners (see additionally note 14). Income generated through the RAF Sports Lottery designated for distribution to benefit RAF sports related grants.
Sports Lottery Fund	Designated	
Community Support Grants Fund	Designated	Monies transferred from unrestricted funds to support applications for funding enrichment projects of a significant capital nature.

Notes to the Financial Statements for the Year to 31 December 2019

Note 13 Funds (continued)

13.2 Movements of Major Funds

Fund Names	Fund balances bought forward £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Group balances carried forward £	Charity balances carried forward £
General Reserves	-	1,075,625	(884,741)	(190,884)	-	-	-
Expendable Endowment Fund	32,361,679	-	(242,756)	1,583,309	4,936,347	38,638,579	38,672,829
Mechanics Endowment Fund	694,964	837	(94,500)	-	(12,707)	588,594	588,594
Vine Lane Fund	92,172	2,400	(47,423)	43,976	-	91,125	91,125
Feshiebridge Lodge Fund	116,176	1,461	(4,201)	1,458,159	319	1,571,914	1,571,914
Danesfield Fund	149,665	40,220	(41,401)	11,774	-	160,258	160,258
RAF Sports Board Pension Fund	446,887	-	-	(66,065)	-	380,822	380,822
Sports Lottery Fund	1,003,960	2,996,686	(3,530,941)	1,101,593	-	1,571,298	1,571,298
Community Support Grants Fund	3,941,862	-	-	(3,941,862)	-	-	-
Total Funds	38,807,365	4,117,229	(4,845,963)	-	4,923,959	43,002,590	43,036,840

13.3 Transfers Between Funds

From Fund (Name)	To Fund (Name)	Reason	Amount
General Reserves	Sports Lottery Fund	Support 2019 Grant Awards to Sports Associations and Individual Sports Grants.	190,884
Expendable Endowment Fund	Sports Lottery Fund	Support 2019 Grant Awards	1,583,309
Expendable Endowment Fund	Vine Lane Fund	Support 2019 Activities Vine Lane	43,976
Expendable Endowment Fund	Feshiebridge Lodge Fund	Support 2019 rebuilding activities of Feshiebridge Lodges.	1,458,159
Expendable Endowment Fund	Danesfield Fund	Support 2019 Activities Danesfield	11,774
RAF Sports Board Pension Fund	Expendable Endowment Fund	Recognition of Adjustment to Potential Future Pensioner Expense	66,065
Community Support Grants Fund	Expendable Endowment Fund	Trustees removed designation in year as they determined the designation was longer required due to lack of activity over previous years.	3,941,862

Notes to the Financial Statements for the Year to 31 December 2019

13.4 Analysis of Net Funds

	Expendable Endowment	Designated Funds	Restricted Funds	Total Funds
	£	£	£	£
Intangible Fixed Assets	-	29,411	-	29,411
Tangible Fixed Assets	261,429	1,550,104	-	1,811,533
Fixed Asset Investments	38,272,792	2,382,893	646,973	41,302,658
Net Current Assets/(Liabilities)	104,358	(186,991)	(58,379)	(141,012)
Long Term Liabilities	-	-	-	-
Total Net Assets	38,638,579	3,775,417	588,594	43,002,590

Note 14 Commitments and Contingent Liabilities

Prior to March 2014, the Fund made contributions towards the costs of pensions being paid to these past employees under a by analogy Principal Civil Service Pension Scheme ('PCSPS'). Under the terms of the 2014 transfer agreement, the enduring commitment to meet these contributions were transferred to the RAF Sports Board (now the RAF Sports Federation) with effect from the date of the transfer. The Fund accounted for the scheme until March 2014 as if it were a defined contribution scheme in line with current HM Treasury guidance.

At the 2019 year-end there is sufficient uncertainty with regards to the exact status of the Fund's pension situation to deem it inappropriate to recognise a provision for future payments in respect of past service of former employees in the financial statements.

To ensure that optimal clarity is provided, the Trustees have designated funds at the year-end to a level they consider represent the best estimate of any potential constructive obligation relating to this matter.

Note 15 Endowed Grants

Historically the Fund has provided grant funding to support the introduction of any new Mess or Junior Rank Welfare Fund facilities. Grant funding has been provided on the basis that the unit has no power to convert the capital provided into income and that the grant funding provided is to be held indefinitely.

All entities granted these permanently endowed grant funds must invest and seek to maintain the grant at a value no less than the original endowed grant monies, subject to market value losses and deflation. Income generated from the invested funds are restricted to support the appropriate charitable activities of the associated Mess or Junior Ranks Welfare Fund.

Endowed grant funds are returned to the Fund only on the extremely rare occurrence of the closure of an RAF station and its associated Messes and Junior Rank Welfare Funds. Due to the expectation that funds will be retained indefinitely at the stations, the Fund considered these to represent contingent assets and hence no value is recognised in the financial statements.

The value of endowed grant funds held at units as at 31 December 2019 is deemed to be £2,314,725 (2018: £2,384,241).

Note 16 Transactions with Related Parties

During the year, the Fund undertook work with Lagoon Media Ltd (£3,440). A company director of Lagoon Media Ltd is married to a Trustee.

There are no outstanding related party transactions as at 31 December 2019.

Notes to the Financial Statements for the Year to 31 December 2019

Note 17 – Subsidiary Entities

The results of the Fund's wholly owned subsidiary elements are within the Consolidated SOFA as follows:

	2019 £	2018 £
Income		
Trading Activities	1,117,802	280,784
Total Income	1,117,802	280,784
Expenditure		
Trading Activities	1,135,347	280,784
Total Expenditure	1,135,347	280,784
Net Result of Subsidiary	(17,545)	-

RAF Central Fund Trading Ltd

Company Number: 8747522

A company set up for the RAF Central Fund to conduct trading in supports of its charitable objectives

The inter-company balance owed to the Trading Company was £11,487 (2018: £569). During the year the Trading Company was re-charged £23,218 and charged the Fund £1,478,734.

Directors:

Dr Eamon Molloy
Gp Capt (Retd) Mark Williams
Mr John Michaelson
Mr Richard Long (until July 2019)
Mr Ross Perriam (from July 2019)

Note 18 - Outstanding Commitments

The Fund had outstanding commitments of £5,350 as at 31 December 2019 for rental of its current office space. (2018: £24,167 of further commitments).

Note 19 - Post balance sheet event

On 18 March 2020 the UK Government announced the closure of most businesses due to the Covid19 pandemic, effective from Friday 20 March 2020. The group has taken significant steps to ensure that its significant sources of income will be secure in 2020 and at the same time has contingency plans to reduce costs. At this stage no reasonable estimate of the effect of the government announcement can be made, but given the Group's contingency planning, the trustees believe the situation can be managed with the minimum possible disruption to the activities of the group once restrictions are lifted.



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   **RAFCentralFund**

The RAF Sports Lottery operates as a society lottery within the Royal Air Force Central Fund and is licensed and regulated by the Gambling Commission (www.gamblingcommission.gov.uk).
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