



**Royal Air Force Central Fund
Annual Report and Financial
Statements
for the year ended 31 December 2017**

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

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Trustees' Report for the Year Ended 31 December 2017

Trustees

Dr E Molloy	Chair appointed 27 July 2017 appointed Chair 6 July 2018
Air Marshal S Reynolds	Chair resigned 6 June 2018
Mr P J Allen	
Warrant Officer J Crossley	appointed 6 July 2018
Air Vice Marshal A Mardell	
Mr J C Michaelson	appointed 6 April 2018
Mr P N Owen	resigned 27 July 2017
Air Marshal M Wigston	appointed 6 July 2018

Grants Committee Members

Air Vice Marshal A Mardell	Chair & Trustee Member
Group Captain G Bettington	appointed 3 August 2017, resigned 27 February 2018
Squadron Leader N Bolan	resigned 3 August 2017
Wing Commander R Cockram	
Warrant Officer J Crossley	
Group Captain J East	appointed 27 February 2018
Squadron Leader D Godwin	appointed 27 February 2018
Air Commodore S Harper	appointed 20 March 2017, resigned 3 August 2017
Wing Commander M Howe	appointed 27 February 2018
Mr M Nurse	
Squadron Leader P Macdonald	appointed 3 August 2017, resigned 27 February 2018
Squadron Leader S Richardson	resigned 20 March 2017
Squadron Leader I Shepherd	appointed 3 August 2017
Squadron Leader R Webb	resigned 27 February 2018

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Finance Committee Members

Mr P J Allen	Trustee Member
Group Captain M Williams	Chair
Mr B Cartledge	appointed 23 March 2018
Group Captain D Fitzhenry	resigned 7 August 2017
Group Captain A Portlock	
Squadron Leader K Tinkler	appointed 7 August 2017

Remuneration Committee Members

Dr E Molloy	Trustee Member and Chair appointed 27 July 2017
Mr P N Owen	Trustee Member and Chair resigned 27 July 2017
Mr P J Allen	Trustee Member
Group Captain M Williams	

Principal Officers of the Charity

Mrs N Graske	Company Secretary
Mrs A Chivers	Chief Executive Officer

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Registered Address

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Investment Managers

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Property Investment Managers

Cazenove Capital Management
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Honorary Investment Adviser

Mr P Allen FCSI FSMI
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Wycombe Road
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Registered Auditors

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Legal Advisors

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Russell-Cooke LLP
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Bankers

Holt's Military Banking
The Royal Bank of Scotland PLC
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Barclays Bank PLC
4 Waterside Way
The Lakes
Bedford Road
Northampton
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Trustees' Report for the Year Ended 31 December 2017

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 2017. 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.

History

The Royal Air Force Central Fund ('the Fund') can trace its origins back to the early formative period of the Royal Air Force ('RAF') following the First World War. 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 RAF Service, 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 & Objectives

Object

The object of the Fund, as defined in the Fund's Memorandum and Articles of Association is:

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'The object for which the Charity is established 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, with grant making providing the Fund's principal means of delivering this charitable assistance.

Aims and Objectives

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 on-going strategic review which is intended to refine the prioritisation and focus of the Fund's activities within our underlying charitable objects. The two overarching objectives for the Fund are currently:

- Facilitating an enhanced sense of belonging, motivation, morale and community cohesion of the serving RAF Community;
- Support and facilitate the development of individuals through their participation in sport, promoting well-being, esprit de corps and an enriched life experience.

Having identified areas of divergence between the needs of our community and the fulfilment of these requirements, the Fund acts as an enabling force for these needs to be met, primarily through its grant making programmes.

Against the wider backdrop of continued pressure on the Defence budget impacting the Defence estate and RAF personnel, significant continuing operational pressures and increasingly complex shift working patterns, the Board believe the Fund continues to have a vital role to play. Working alongside the RAF to provide complementary palliative support programmes will continue to represent a fundamental cornerstone of our operations, however increasingly the Board have identified potential for assistance with preventative early actions, including research, which may enable innovative longer-term solutions to be developed.

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During 2017 the Board of Trustees, whilst continuing to build and strengthen the Fund's governance framework, have increasingly focussed strategic activities towards identifying areas the Fund can provide optimum positive changes for our beneficiaries. Ensuring the Fund is able to achieve the best, most efficient and effective use of the charity's available resources for maximum impact represents a fundamental objective for the Board as the Fund moves towards its centenary year in 2019.

During 2017, in addition to ensuring the continuance of its core grant making programme, the Fund planned to focus towards the following redevelopment and longer-term evolution programmes:

- **External Relationships**

Seeking to develop and strengthen collaborative working, initially with our beneficiaries, the Fund planned to launch the 'Partnership Programme' during 2017. The benefits of the Programme are forecast to be twofold: establishing advocates within the RAF community to work with us to communicate and support the work of the Fund; and to provide beneficiaries with more immediate access to and a better understanding of the support available.

- **Social Value and Impact Review**

To ensure that the Fund is responsive to the evolving needs of those we support, whilst maximising the range and effectiveness of our funding, the Board approved the commencement during 2017 of a wide-ranging impact analysis project to assess the nature and impact of our work.

- **Funding Stability**

Following the successful launch of the Fund's RAF Sports Lottery ('the Lottery') fundraising game in 2016, to secure the necessary income source to provide longer-term support to develop RAF individuals through their participation in sports, the Fund needs to grow player numbers consistently to 2019. During 2017 the Board approved an ambitious communications programme to support campaigns to encourage new continuity players into the game and to establish core player entry and retention routes.

- **Maximisation of Asset Potential**

A full internal refurbishment of our Danesfield site was planned for 2017, together with preliminary reviews of the Fund's welfare lodges near Aviemore and pavilion and grounds at Vine Lane.

- **Organisational Structure and Governance**

Having completed the preliminary phases of the Fund's restructuring, during 2017 the Board planned to strengthen both Board and Committee memberships through the recruitment of members and advisors to provide an extended specialist knowledge base.

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- **Marketing and Communication**

Effective communication is paramount to both the success of our Lottery game and equally to ensure that those we seek to assist are aware of the support we can provide. During 2017 the Fund planned to launch the new Lottery Application, allowing players to register for play, view weekly results and obtain information about the Fund and extend the content and reach of the Fund's website and social media channels.

Grant Making

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

Stations, units, 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 and are provided details of current grants criteria, administrative guidance and bid formats on approach to the Fund. The 2017 application forms, criteria and guidance to support the Fund's sports grant programme and general guidance to support the enrichment grant programme are also available on the Fund's website (www.rafcf.org.uk). The longer-term intent is for a fully automated application process to be available via digital channels.

To ensure applications to the Fund from external charitable organisations fulfil the Fund's charitable objectives, they are assessed against ten fundamental criteria specified within the Fund's external grant making policy. The criteria are made available to external organisations seeking funding on request.

All enrichment grant applications are initially assessed by the Grants Committee to ensure they meet the Fund's objectives and provide maximum benefits and value. 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 and attendant advisors who ensure applications are additionally assessed within the wider strategic direction of the Service.

The Grants Committee can approve grants to an individual maximum of £50,000 with approved grants in excess of £50,000 being recommended by the Committee to the next full Trustee Meeting for consideration.

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 senior Fund management, supported by the Directorate of RAF Sport, prior to recommendation to the Board of Trustees for consideration.

Applications for support towards station and 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. The Panel

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has authority to approve grants to an individual maximum of £5,000. Grants in excess of £5,000 are recommended to the Chief Executive, or those in excess of £25,000 being recommended to the Grants Committee.

Facilitate an enhanced sense of belonging, motivation, morale and community spirit of the serving RAF Community

The Fund seeks to enable its beneficiary communities to address identified areas of need through targeted direct funding, principally through its grant making programmes.

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

The focus of the Fund for 2017 remains consistent with the prior year, concentrating on funding applications which have been identified by the RAF as those with maximised impact. For 2017 these have largely been identified from the Community Needs Analysis which is completed via collaboration with the RAF stations and Community Support team.

Whilst acknowledging the importance of the existing processes, the Fund is aware of the limited resource available to develop this process within the RAF and intends during the period to 2019 to collaborate with RAF project teams and the family of military support charities to establish a more proactive funding map and formalise broader impact assessment criteria and reporting structures. More details with regards to these projects are included in our performance review and future plans sections below.

The Fund currently assesses the impact of its funding through retrospective reporting on indicators such as the usage of facilities, coupled with anecdotal feedback from supported stations, projects and individuals. As noted above, the Fund is seeking to establish a more formalised funding criteria and needs prioritisation, with associated defined impact assessment indicators.

The Fund additionally works with charitable partners, primarily those who also work within the military sector, where both maximum value for money and support to our beneficiaries can be clearly demonstrated.

Support and facilitate the development of individuals through their participation in sport in the RAF

The Fund seeks to maximise the impact of its funding support into sports to encourage all serving personnel to participate in sporting activities to promote their physical fitness, resilience, teamwork, confidence and wider personal development goals.

The RAF Sports Associations ('the Associations') are considered essential to the on-going provision of sporting activities within the RAF and are staffed by serving personnel who take on executive committee and organisational responsibilities as additional duties. During 2017, having identified

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within the wider 'Partnership Programme' initiative the importance of establishing a direct and enduring relationship with the Associations, the Board approved the direct allocation and payment of Fund support to the Associations with effect from 1 July 2017.

Prior to 1 July 2017, the Fund utilised the services of the RAF Sports Federation (previously the RAF Sports Board) as a conduit organisation to allocate and administer its annual sports grant funding programme to the Associations. The RAF Sports Federation received separate grant support from the Fund for the provision of these services.

The Fund directly administers its annual sports grant funding programmes to individuals and stations. Having reduced the maximum level of funding available via the individual and station sports grant programmes for those participating towards the elite level and increased the breadth of activities supported, the aims for 2017 were to encourage a wider range of individuals to try and participate in sporting activities; and as those who participate in sports represent a core Lottery player group, to maximise Lottery marketing opportunities.

Objects 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, which in turn provides 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 currently seeks to concentrate support around two core objectives:

- Facilitating an enhanced sense of belonging, motivation, morale and community cohesion of the serving RAF Community;
- Support and facilitate the development of individuals through their participation in sport in the RAF.

These objectives assist 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.

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Strategic Report

Achievements and Performance

Following the landmark relaunch of our Lottery in 2016, the foci for the Fund for 2017, representing a further mid-transitional year within our restructuring framework, remained largely on operational development.

Continuing delays in optimal recruitment impacted the progression of the management team's strategic planning objectives. Strong foundational activities supporting the longer-term aims of the Fund to increase collaboration were however successfully completed during 2017, placing the Fund in a resilient position to move forwards into 2018/19.

Notwithstanding the significant pressures placed on the small staff team, a full grants programme was completed during 2017, with 29 enrichment grants and in excess of 1,450 sports grants being approved in the year.

- **External Relationships**

Building on the extensive programme of station visits undertaken by the team in the prior year, 2017 represented a year of consolidation and formalisation of newly founded relationships. Recognising the importance of continuing to build face to face relationships with our RAF colleagues, the first phase of the Fund's 'Partnership Programme' launched during 2017, seeking to develop established networks of advocates across stations, units and senior RAF management.

The intent of the Fund to establish a 'Grants Champion' at all stations by 2019 was effected by the recruitment issues noted above, however significant progress was achieved setting the bases of the Programme with partner charitable organisations and the Associations.

Having completed the preliminary phase during 2017 to assess the impacts of developing a direct working relationship with the Associations, the Board approved the direct allocation and payment of grant support to the Associations with effect from 1 July 2017. This successful introduction of direct funding represents a milestone in the relationship between the Fund and the Associations, providing the foundation for continued relationship development across 2018/19, which the Board consider essential to ensure the impact of the limited funding available is understood and maximised.

Recognising the thematic nature of many of the needs of our beneficiaries and being cognisant of the need to utilise existing research and working partnerships to generate more efficient pathways to provide support, the Fund has focussed during 2017 on identifying effective models for collaborative working and sought to establish and supplement linked working groups to facilitate greater partnership working.

In addition to the creation of many new internal RAF partnerships, the Fund, together with the RAF Benevolent Fund, the Royal Air Forces Association and the RAF Charitable Trust have strengthened

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their commitment to increased collaborative funding through the implementation in 2017 of a new Working Committee, to be administered by the Fund's Head of Operations.

- Social Value and Impact Review

As noted above, recruitment challenges impacted on the ability of management to progress effectively with the impact analysis project during 2017.

Whilst the consultation forums and subsequent social value analysis have been rescheduled into 2018, discussions have continued during 2017 with the RAF stations identified as pilots for the forums and preliminary contact made with the RAF Stress Management and Resilience Training team to establish any potential for collaborative support.

- Funding Stability

Following the successful 2016 relaunch of the Lottery, the only fundraising vehicle for the Fund, the continued recruitment of the game's player base is absolutely fundamental for the Fund to allow for consideration of continuity of provision of its sports grant programmes into the future.

Whilst the Board have committed to continue to fund the sports grant programme from reserves until 2018, the successful relaunch of the game represented a pivotal first step only in the ambitious 3 year Lottery redevelopment programme to rebuild the game to the level necessary to secure our sports grant funding programme beyond 2018.

The significant investment in the Lottery redevelopment continued for 2017, supporting the work of the marketing team to complete over 70 Lottery related presentations and briefings during 2017, reaching over 4,500 RAF personnel. During 2017 the team formalised with the RAF the most efficient and effective formats to present the Lottery to all new entrants into the RAF, with work continuing to consider the most appropriate methods to reiterate the Lottery message throughout an individual's time in service.

Following the unprecedented achievement of the Fund to generate in excess of 37,500 tickets in play for our first Lottery draw in April 2016, the 2017 marketing presentations, briefings and communication campaigns resulted in the total number of tickets being held in play at the end of December 2017 standing in excess of 50,000. Whilst there is still some way to go to ensure the security of the Lottery income stream, this is a fantastic achievement for the Fund.

Total expenditure noted to support the redevelopment marketing of the Lottery during 2017 was £171,594 (£181,202: 2016).

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- **Maximisation of Asset Potential**

The Fund completed a review of the current property portfolio during 2016 and 2017, with a programme of capital investment works being identified as required at the Danesfield site in 2016 and subsequently as necessary for the Vine Lane and Feshiebridge Lodge sites in 2017. Prior to the reviews, the three sites had not received recent significant capital investment by the Fund and an ongoing review of works has now been scheduled to 2019. Further details of the sites are included at Note 9.

Having completed necessary remedial work at the Danesfield site in 2016, a full programme to refurbish the interior of the upper floor and showers at the site was completed during 2017. Capital investment of £82,796 was noted on the refurbishment during 2017, bringing the total investment since 2016 to over £115,000.

A programme of works was established in 2017 to support the refurbishment of the Fund's grounds and pavilion at Vine Lane. Whilst the grounds have been subject to effective management, the pavilion has been identified as requiring remedial capital works prior to the start of the 2018 season, with work scheduled for completion in early 2018.

Following a comprehensive review during 2017 of the current and proposed future usage of the Fund's lodges at Feshiebridge, the Board approved a fundamental redevelopment of the site. Subject to planning, the existing lodges will be demolished and replaced to provide a modern and welcoming facility that is better suited to meet the requirements of RAF personnel and their families.

Preliminary work commenced in 2017 with property advisors and the planning agencies, at an in-year cost of £2,961, to facilitate opening the redeveloped site during the Fund's centenary year. Further details of the redevelopment are noted in the Future Plans section below.

- **Organisational Structure and Governance**

The Board continued to seek to strengthen the breadth of membership and skills base of both the Finance Committee and Board, resulting in the successful recruitment and appointment to the Board of Dr Molloy during 2017 and subsequent recruitment and appointment of Mr Michaelson, Air Marshal Wigston and Warrant Officer Crossley during 2018. The Finance Committee membership was strengthened during 2017 by the appointment of Squadron Leader Tinkler, providing the Committee with additional service legal expertise and Mr Cartledge in 2018 providing third sector specialism.

A number of significant new positions were successfully recruited during 2017, including the appointment of the new Finance Manager and the Fund's first Apprentice Office Assistant. Recruitment for a number of other key positions, including the Grants Officer remained problematic during 2017, with four roles remaining un-recruited for all or part of the year.

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The Fund's internal procedures and policies continued to develop during 2017, as the Head of Operations and Officer Manager settled into role and completed best practice and probity reviews, implementing amendments where appropriate. The completion of a full 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.

- **Marketing and Communications**

Following the launch of our first webpages in 2015, which were initially wholly focused to support the Lottery redevelopment, the marketing team have continued to develop the wider Fund website, obtaining specialist support where required at a cost of £17,016 during 2017. The website now provides balanced information about the Fund and our grant support programmes in addition to the Lottery. A programme of continued development of additional pages and a refresh of existing pages to updated brand standards is planned for 2018.

The Fund's new IOS and Android Applications ('Apps') were launched in April 2017. Providing Lottery players with another platform to register for play, view the weekly draw results and link to the wider Fund website. The costs to finalise this first phase of the Apps to launch incurred during 2017 were £20,269, with the total initial development costs of £45,042.

Recognising that the Fund must continue to develop its suite of communication channels, the Board approved an additional £35,000 during 2017 to support the second phase development of the App in 2018/19, which will support wider player functionality.

The Fund's social media presence, currently Facebook, Twitter and Instagram have developed significantly across 2017, with regular followers of the Fund via Facebook and Twitter more than trebling during the year. Understanding the importance of maximising social media, these platforms will represent a focus for the marketing department for further development across 2018/19.

Building relationships with our RAF colleagues, current advocates and future supporters face to face is fundamental and represents a key strength for the Fund. To ascertain the effectiveness of showcasing the Fund, the team attended both the RAF Cosford Air Show and Royal International Air Tattoo for the first time in 2017. Having attracting significant interest and participation in the Fund's stand across the events, it is planned to return in 2018.

Facilitate an enhanced sense of belonging, motivation, morale and community spirit of the serving RAF Community

The focus of the Fund for 2017 remains consistent with previous years, concentrating on applications which seek to maximise the impact of our funding to support quality of life projects, particularly those that promote morale and welfare across all of the serving RAF community and engender a greater sense of belonging and support within the RAF community.

The Trustees consider the provision of grants to both the immediate serving personnel and projects across youth and childcare provision, where benefit is provided to both the serving personnel and their families, as integral to achieving this aim.

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During the year the Grants Committee approved support to 29 projects (31:2016), providing funding totalling £723,904 for the year (£479,804:2016).

A diverse range of projects were again supported during the year which included:

- Grants totalling in excess of £70,500 to RAF Akrotiri to support the redevelopment of welfare and sporting facilities at the station;
- £114,817 to assist in the purchase of replacement motorhomes for RAF Odiham, RAF Marham and MOD Stafford;
- A grant for £50,000 to RAF High Wycombe to assist with the refurbishment of the station nursery;
- Funding of £98,945 to assist in the development of gardens and play areas for RAF Digby and RAF Benson;
- £50,000 was provided to the Victory Services Club to support the refurbishment of rooms for use by service personnel and their families;
- Funding of £5,076 to RAF Leeming to establish a station paintball club.

Support and facilitate the development of individuals through their participation in sport in the RAF

The sustained pressures of current operational tempo and increasingly technical tasking continue to highlight the increasing importance of providing an opportunity for RAF personnel to maintain their physical and mental well-being through participation in sporting activities.

As noted previously, the RAF consider the Associations as essential to the on-going provision of sporting activities to RAF personnel and received funding awards from the Fund for 2017 in excess of £1.7 million (£1.4 million:2016).

The Fund provides grant support to the Associations to assist with their annual administrative costs, overseas training and competitive sports tours. The Fund additionally provides Grass Roots Development funding to the Associations to encourage the introduction of new RAF personnel to sports at a low or no-cost basis.

The nature and breadth of our sports grant awards to individuals for 2017 supported the intent of the Board to broaden the impact of our sports grant programmes through the continued simplification of the grant criteria and application forms. Individual grant awards rose from 1,219 successful applications for support in 2016 to 1,541 in 2017, with grants ranging from £36 to assist with the purchase of trail running shoes to a £1,000 grant award to facilitate an RAF cyclist to compete as a senior GBR team member.

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Trustees' Report for the Year Ended 31 December 2017

The Fund provided grant support to facilitate 68 station and unit expeditions and events during 2017, enabling 820 RAF men and women to participate in sporting events ranging from a team marathon event in Malta to a power-kiting beginners training weekend in Greece.

In total £828,477 (£905,444:2016) was paid to support RAF sportsmen and women, participating in approximately 90 diverse sporting activities and challenges. Total support to RAF sporting endeavours and facilities totalled in excess of £3.2 million during 2017 (£2.9 million: 2016).

Investment Performance

The Fund's investment portfolio of £35.1 million (£33.4 million: 2016) 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 2017, AGI posted a return of 10.6% (11.9%:2016) against the benchmark of 9.5% (16.4%:2016).

The Trustees continue to invest in property in order to diversify the nature of their investments. The Charity has a property investment fund managed by Cazenove Capital Management ('Cazenove').

The market value of the portfolio at 31 December 2017 stood at £5,300,454 (£4,773,348:2016). £550,090 (£526,795:2016) of the value of the Cazenove portfolio at 31 December 2017 is deemed to represent restricted Mechanics Endowment Fund investments.

During 2017 AGI investment income delivered £1,181,506 (£1,126,184:2016) against the target for the year of £1,164,392 (£1,170,135:2016). No income delivery target was set with Cazenove Capital Management however it is noted that the fund delivered £195,552 (£186,747:2016) of income during the year. Income receipts generated within the Cazenove portfolio are currently automatically reinvested within the portfolio.

During 2017 the Fund recognised investments in the BlackRock Charinco Common Investment Fund with a market value at the 31 December 2017 of £15,110 (£nil: 2016). The investments are held to support the Feshiebridge Lodge Fund.

The Charity additionally holds £146,053 (£145,713:2016) of funds within the COIF Charities Deposit Fund which represents that element of the restricted Mechanics Endowment Fund not invested within the Cazenove portfolio. Interest earned on the deposits is automatically reinvested within the Fund.

The Fund holds a directly owned investment property for which a rental income has previously been achieved under a short-term tenancy agreement. As indicated in note 10, the property is classified at the year-end within current assets as completion of the disposal of the property will occur in March 2018 at a value of £565,000. The market value of the property at the year-end is therefore deemed to be £565,000 (£565,000:2016).

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Trustees' Report for the Year Ended 31 December 2017

Financial Review

Following the relaunch of the Lottery in April 2016, the continued programme of marketing support for the game promoted sustained growth in player and ticket numbers across the year. Whilst gross Lottery income generated for the year of £2.6 million was marginally below 2017 forecast due to the phasing of new tickets growth towards the end of the year, the number of tickets held in play at the year-end was slightly ahead of expectations, standing in excess of 50,500 tickets.

The Fund continues to remain confident that the Lottery is on course to secure income for the Fund at pre-suspension levels by the end of the redevelopment period in 2019. The demands for support have however increased significantly, with the Fund providing in excess of £1 million of additional funding during 2017 to support its sports grant programme in comparison to 2014/15.

Trustees continued to honour their commitment to support our sports grant programme from reserves during the redevelopment period of the game, with awards to RAF sporting facilities and endeavours totalling in excess of £3.2 million during 2017 (£2.9 million:2016). Whilst significant additional growth in Lottery play will be required if the Fund is to secure sufficient income to continue to provide support at current level, net receipts generated from the Lottery for 2017 supported over £1.1million of the 2017 sports grant programmes (£700k:2016). The investment draw-down for 2017 reduced in line with forecast to £920k from £1.5 million in 2016.

Understanding the inherent linkage between Lottery play and sporting participation, Trustees ratified the increased availability of funding to support the impact of the Lottery direct marketing campaigns during 2017. The completion during 2016 of the redevelopment project works requiring significant specialist external advisory support, coupled with the application of careful management of the redevelopment programmes during 2017, resulted in a reduction in the cost of Lottery redevelopment activities for the year to £171,594 (£181,202:2016).

The Lottery, operating as a weekly Society Lottery, awards prizes totalling £25,000 each week. The cost of awarding these prizes, together with External Lottery Manager fees and overhead costs totalled £1,444,760 for the twelve months of play during 2017 (£1,103,752: 9 months of play during 2016). As noted above, the Lottery generated a net surplus during 2017 which was fully utilised in-year within the sports grant programme.

Receipts of the first full year of Lottery income, and continued strong income performance from the Allianz investment portfolio, despite the disinvestments from capital in 2015/16 and 2017 totalling £4.32 million, supported total Fund income for the year of £4,387,975 (£3,330,821:2016).

Investment income from the Allianz investment portfolio, representing the Fund's only other main source of income delivered £1,181,506 (£1,126,184:2016) against the target for the year of £1,164,392 and was fully utilised to support the 2017 grant programmes.

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, coupled with an increased enrichment grants programme for 2017, resulted in the Fund showing a year-end deficit of £1,260,380, noted against a forecast deficit of £1,450,694 (£1,786,620 deficit:2016). Following the application of

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

£2,903,626 realised and unrealised investment market gains, the Fund noted a year-end surplus of £1,643,246 (£707,875: 2016).

Following application of the unrealised market gain on investments, total funds increased from £40,199,274 in 2016 to £41,842,520 at the 2017 year-end.

To facilitate their continued support for the sports grant programme, the Board implemented a programme of disinvestment from the Allianz portfolio for the periods 2015 – 2019. Through implementation of a measured and supported investment disinvestment strategy, the Board achieved a £920k disinvestment from the portfolio during 2017 to support the 2018 grants programme.

Long Term Income Protection

To maintain income in the longer-term, an investment strategy is in place seeking 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.

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 £41,842,520, including invested reserves of £41,113,462. Application of the financial forecast to the end of the 2018 financial year-end to support the redevelopment of the Fund's Lottery game is expected to reduce reserves to a level below £38 million by 2019. Allowing for the expected continuing reserve reduction for 2018, coupled with the current significant short-term volatility in the investment markets, Trustees are content that the closing 2017 reserves balance of £42 million is appropriate.

On the basis that direct costs have routinely been met from unrestricted investment income generated in the year of application, the Trustees have been content to maintain zero unrestricted reserves. Unrestricted expenditure supported from the Expendable Endowment Fund for 2017 noted of £1,304,894 (£1,615,967:2016). The balance of the expendable endowed fund at the year-end was £36,490,400 (£34,824,264:2016), of which £36,032,116 (£34,029,534:2016) represented invested funds.

Whilst acknowledging that it is expected to take a minimum of a further year to grow Lottery income to a level whereby annual expenditure is again met from generated income, the Board are content that a zero unrestricted reserve balance continues to be maintained on the basis that funds are utilised from the expendable endowed fund as necessary. The reserves policy is subject to annual review.

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

The balance sheet confirms that the Fund has adequate working capital to meet any obligations as they fall due.

The Fund has the following designated funds:

Vine Lane, 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.

Community Support Fund. Greater support to units is anticipated in the form of community projects which may be funded in partnership with the RAF Benevolent Fund, RAF Association or RAF Charitable Trust in order to gain optimum value for money and using charitable funds to best effect to provide better facilities for unit personnel. This is a key long term strategy.

RAF Sports Board Pension Fund. The fund represents the best estimation by the Trustees of funds required to support future payments to the RAF Sports Board pensioners.

Sports Lottery Fund. Funds designated for future utilisation for the benefit of sport in the RAF.

The Fund has the following restricted fund:

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

Investments

To meet the over-riding need of regular on-going specified annual income, increasing with inflation, the Fund's investment strategy is to have a diversified portfolio across established UK equity and UK fixed interest markets with a bias towards equities that offer growth and yield.

The investment policy is subject to annual review by the Finance Committee for onward recommendation to the Board of Trustees. The Trustees approved the current strategy as appropriate to adequately support the immediate requirements of the Fund.

Following Board approval in 2014, the Fund disinvested £1.9 million during 2015, £1.5 million during 2016 and £920,000 in 2017 to support the sports grant programmes across these periods. The Board have approved a further disinvestment of £1.7 million to occur during 2018, at timing to be determined in consultation with the Investment Managers.

The Charity has a neutral ethical investment policy; by investing in AGI pooled funds, the Trustees have no control or influence over stock selection.

Risk Management

The Trustees review the major risks facing the Fund within the annual business planning process. The Trustees continue to work to identify significant risks to the Fund and to implement procedures to both mitigate risk and to minimise potential impact should risks materialise.

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

The Trustees identified the following as the significant risks facing the Fund for 2017/18:

- The potential impact on funding support to RAF personnel, particularly with regards to the sports grant programme, should the Lottery redevelopment fail to reach forecast levels;
- A significant fall in investment performance or value adversely affecting the ability of the Fund to provide support to its beneficiaries;
- Loss of key staff;
- Failure to meet regulatory compliance standards for the Lottery;
- Failing to ensure the Fund is best placed to understand, evolve and respond to the needs of RAF personnel and that the remit and reach of the Fund is understood across the RAF.

As noted in the prior year, Trustees instigated an ambitious redevelopment programme for the Lottery with weighted financial support during 2015 - 2018 to maximise the marketing impact and visibility of the re-launched game. Regular review of the progress of the Lottery redevelopment is undertaken by both the Board and the Finance Committee, supported by both a rolling re-forecast of budgets, marketing and regular scenario planning.

Professional Investment Managers are employed by the Trustees to advise and manage the Fund's investments. The performance of the investment portfolio and the Investment Managers are subject to review at each Finance Committee meeting, a bi-annual review by an Independent Advisor and considered at least annually by the Board of Trustees.

The Finance Committee continue to work closely with the Investment Managers to ensure that the current series of investment disinvestments are 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 the Finance Committee at each meeting.

The Fund has continued during 2017 to progress the ongoing project to ensure that all key procedures are documented and available on shared areas. 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 Lottery compliance is achieved with the Gambling Commission, the redeveloped Lottery game has been outsourced to a sector specialist External Lottery Manager. Whilst acknowledging that the selected External Lottery Manager 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 External Lottery Manager.

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

The 2017 External Lottery Manager 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, additional managerial and support staff are being recruited to ensure that both the necessary strategic projects to identify and respond to the evolving needs of our beneficiaries and the 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.

The Charity additionally 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 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.

Legal Status and Organisation

Constitution

The Fund is a registered charitable company limited by guarantee. The Fund is a Company registered in England & Wales 8555984, Charity registered in England & Wales 1152560, 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. The Articles of Association 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 term of three years 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

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

is only one Non-Serving Trustee appointed, whereby a quorum consists of 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 attend 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 six months of appointment and are invited to attend a Grants Committee and Finance 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.

Organisational Structure

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 Trustee 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 any un-budgeted expenditure approvals are presented to the Trustees at every Trustee meeting.

The Trustees of the Fund have constituted three Committees: the Finance Committee; the Grants 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 and receive regular reports on their activities.

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

The Finance Committee

Trustees delegate the oversight of all financial operations and for ensuring the Fund's short and long-term viability to the Finance Committee. The Finance Committee is required to meet at least biannually and met three times during the year to oversee the management, investment and disbursement of this strategy within the constitution of the Fund.

The Trustees delegate authority to the Finance Committee to authorise budgeted expenditure to a limit of £100,000 and to approve items of un-budgeted expenditure up to a maximum of £200,000 per annum, subject to an individual item maximum of £50,000. Details of all un-budgeted expenditure approvals are presented to the Trustees at every Trustee meeting.

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 the year.

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. Capital project applicants are required to provide a contribution of at least 15% of the total project costs and all applications must be supported by a realistic business plan which includes details of project delivery and maintenance costs.

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 Remunerations 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.

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

The Remunerations Committee is required to meet annually and met once during the year.

Royal Air Force Central Fund Trading Ltd

The Fund has one wholly owned subsidiary, RAF Central Fund Trading Ltd, which was non-trading throughout the year.

The RAF Sports Lottery

The RAF Sports Lottery ('the Lottery') is operated by the Fund to generate funding to support the Fund's objective to encourage the development of RAF personnel through sporting activities and endeavours.

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 the strategic review to refine and prioritise the direction of the Fund, our central strategic objective remains; to enable the development of increased personal resilience and enhance the sense of belonging, motivation and community cohesion for the serving RAF community.

Within this wide reaching strategic objective the following aims have been defined as fundamental for the period to 2019:

- Organisational Structure & Governance – continuing to develop the Fund structure, both at Board, management and staffing levels to provide an extended specialist knowledge base and a flexible and responsive 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;
- Social Value & Impact – implementation of projects, both reviewing internal practice and through consultation and collaborative working with both current grant recipients and the wider serving RAF community, to ensure the Fund's objectives and actions are responsive to the evolving needs of those we support whilst maximising positive outcomes and social value;
- Marketing and Communication – 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;
- External Relationships - review and develop strategic engagement and collaboration with key partners;

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

- Maximise Asset Potential – explore options to develop and capitalise on the effective utilisation of our assets to best support the objectives of the Fund.

Key activities planned for 2018 include:

- Establishing Lottery stability

2018 represents the penultimate year of the current Board commitment to provide support from reserves towards both an enhanced Lottery redevelopment marketing programme and the sports grant programme. Marketing activities for 2018 are therefore focused towards strategies and campaigns to consolidate the level of continuity players in the game, whilst continuing to maximise recently established opportunities and forums to promote the Lottery to potential new players.

- Developing collaboration and communication networks

Effective communication is paramount to both the success of our Lottery game, but equally to ensure that those we seek to assist are aware of the support we can provide.

During 2018 the Fund plans to continue to focus resources on understanding we can best interact with both our players and beneficiaries to ensure we can direct resources and staffing to best effect. Preliminary research indicates that social media channels provide enormous potential for the Fund to better engage with our supporters and those we fund and work will continue during 2018 to develop and supplement these platforms.

Running concurrently, the Fund's 'Partnership Programme' initiative will continue to develop during 2018, with an emphasis towards consolidating and progressing the newly established relationships with the Associations and other sporting partners. The Partnership Programme continues as a key element of our communications strategy, whereby through collaboration with key RAF colleagues and groups of RAF colleagues, we hope to establish a network of Fund advocates at stations, units, squadrons, associations and clubs.

- Social value review and strategic refresh

As noted previously, the social value forums and subsequent analysis are scheduled to commence during 2018 to provide ongoing input to the Board, as the focus of their structural and governance review transitions during 2018 towards maximising the efficiencies and effectiveness of our funding programmes.

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 2019-2022, to ensure our funding provides maximum impact and positive outcomes for our beneficiaries.

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

- **Organisation and governance**

Building on recent successful appointment of new members to both the Board and Finance Committee, during 2018 the Fund will continue to seek to strengthen the breadth of membership, representation and skills base across both the Finance and Grants Committees in addition to the Board.

During 2018, as the Fund continues to recruit to establish a full consistent establishment of staff, continuing internal evaluations of core competencies and skills will support the recruitment process.

A review of the current Memorandum and Articles of Association will be completed during the year to ensure these remain current and appropriate to best support the Fund forwards across a period of significant organisational change.

- **Feshiebridge Lodges redevelopment**

The land at Feshiebridge was originally purchased and lodges built by the Fund in the late 1980's as an adventurous training centre. Following the establishment of a tri-service adventurous training centre at nearby Grantown-on-Spey, the lodges have however been wholly focused on providing an enrichment welfare center for RAF personnel.

Having completed the review of current facility and proposed utilisation of our Lodges at Feshiebridge, works will commence during 2018 to support a full redevelopment of the site to provide four modern and welcoming lodges to support our RAF colleagues and their families. Preliminary work to obtain necessary regulatory and planning permissions are expected to complete towards the summer of 2018, following which it is planned to commence the on-site redevelopment.

- **Vine Lane refurbishment**

Following the 2017 review of Vine Lane, the pavilion was identified as requiring remedial capital works to refurbish to an acceptable standard to support continued usage for the 2018 season. Work is scheduled to commence at the site for completion in early 2018.

- **Principle office relocation**

The Fund received notification in March 2018 that the current subsidised office space, utilised by the Fund to supplement that available at its registered office, had been sold for redevelopment. During 2018 the Fund will review the options for the provision of long-term appropriate and cost effective accommodation, using temporary offices in the short-term if necessary.

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

The Royal Air Force Central Fund

Trustees' Report for the Year Ended 31 December 2017

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 20015 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:

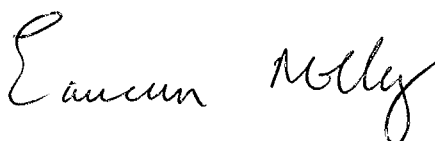
- There is no relevant audit information of which the Fund's auditors are unaware;
- The Trustees of the Fund have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Fund's auditors are aware of the information.

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 2017 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
6 July 2018



The Royal Air Force Central Fund

Independent auditor's report to the members of the Royal Air Force Central Fund

Opinion

We have audited the financial statements of the RAF Central Fund (the 'charity') for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the 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 charity's affairs as at 31 December 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

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

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.

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 Trustees' Report which includes 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 Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

The Royal Air Force Central Fund

Independent auditor's report to the members of the Royal Air Force Central Fund

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Accounts (Scotland) Regulations 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 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.
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on pages 25 and 26, the trustees (who are also the directors of the charitable company 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 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

We have been appointed as auditors under Section 44(1)(C) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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

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.



Nicola Wakefield (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Times House, Throwley Way, Sutton, Surrey SM1 4JQ

Date: 18 July 2018

The Royal Air Force Central Fund
Company No: 8555984

Statement of Financial Activities (incorporating the Income and Expenditure Account) for the year ended 31 December 2017

	Note	Unrestricted Fund £	Designated Fund £	Expendable Endowment Fund £	Restricted Fund £	Total 2017 £	Total 2016 £
Income	2						
Donations		97,098	2,500	-	-	99,598	100,190
Charitable Activities		145,124	119,133	-	-	264,257	93,938
Trading Activities		-	2,613,921	-	-	2,613,921	1,805,446
Investment Income		1,382,359	17	-	340	1,382,716	1,330,944
Other Income		750	26,733	-	-	27,483	303
Total Income		1,625,331	2,762,304	-	340	4,387,975	3,330,821
Expenditure	3						
Charitable Activities		1,056,062	2,795,913	-	2,000	3,853,975	3,658,525
Raising Funds							
Sports Lottery Operations & Fundraising Trading		-	1,444,761	-	-	1,444,761	1,103,752
Sports Lottery Redevelopment & Relaunch		171,594	-	-	-	171,594	181,202
Investment Management Costs		-	-	178,025	-	178,025	173,962
Total Expenditure		1,227,656	4,240,674	178,025	2,000	5,648,355	5,117,441
Net (Losses)/Gains on Investments		-	(723)	2,879,055	25,294	2,903,626	2,494,495
Net Income/(Expenditure)		397,675	(1,479,093)	2,701,030	23,634	1,643,246	707,875
Transfers between Funds		(397,675)	1,432,569	(1,034,894)	-	-	-
Net Movement in Funds		-	(46,524)	1,666,136	23,634	1,643,246	707,875
Total Funds Bought Forward		-	4,702,501	34,824,264	672,509	40,199,274	39,491,399
Total Funds Carried Forward		-	4,655,977	36,490,400	696,143	41,842,520	40,199,274

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

The net movements in the Charity for the year arise from continuing operations.

The Royal Air Force Central Fund
Company No: 8555984

Balance Sheet as at 31 December 2017

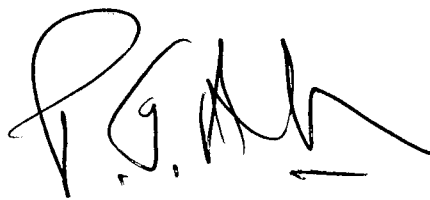
	Note	Expendable Endowment Fund £	Designated Fund £	Restricted Fund £	Total 2017 £	Total 2016 £
Fixed Assets:						
Intangible Asset	8	-	32,656	-	32,656	24,773
Tangible Assets	9	199,779	80,014	-	279,793	233,297
Heritage Assets	9	47,016	-	-	47,016	47,016
Investments	10	36,032,116	4,385,203	696,143	41,113,462	39,035,872
Total Fixed Assets		36,278,911	4,497,873	696,143	41,472,927	39,340,958
Current Assets:						
Debtors	11	11,215	235,548	-	246,763	220,938
Cash at Bank and in Hand		2,012,562	264,405	-	2,276,967	2,404,204
Investments	10	565,000	-	-	565,000	565,000
Total Current Assets		2,588,777	499,953	-	3,088,730	3,190,142
Creditors: Amounts Falling due Within One Year	12	2,251,453	341,849	-	2,593,302	2,205,991
Net Current Assets		337,324	158,104	-	495,428	984,151
Total Assets less Current Liabilities		36,616,235	4,655,977	696,143	41,968,355	40,325,109
Creditors: Amounts Falling due After One Year	12	125,835	-	-	125,835	125,835
Net Assets		36,490,400	4,655,977	696,143	41,842,520	40,199,274
Reserves						
Expendable Endowment Fund	13	36,490,400			36,490,400	34,824,264
Designated Funds			4,655,977		4,655,977	4,702,501
Restricted Funds				696,143	696,143	672,509
Total Funds		36,490,400	4,655,977	696,143	41,842,520	40,199,274

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 29-45 were approved by the Board of Trustees on 6 July 2018 and were signed on their behalf by:



Dr E Molloy
Chair of Trustees



Mr P Allen
Trustee

The Royal Air Force Central Fund
Company No: 8555984

Statement of Cash Flows
for the year ended 31 December 2017

	2017 £	2016 £
Cash flow from Operating Activities		
Net cash used in operating activities	(2,160,202)	(3,626,264)
Cash flows from Investing Activities:		
Dividend Receipts	1,377,398	1,313,544
Dividend Tax Reclaims	-	13,470
Investment Property Rental	-	2,373
Interest on Cash Deposits	5,318	1,557
Proceeds from Sale of Investments	16,807,991	27,782,194
Payment to Purchase Investments	(16,157,742)	(25,926,006)
Net cash provided by investing activities	2,032,965	3,187,132
Change in Cash & Cash Equivalents	(127,237)	(439,132)
Cash & Cash Equivalents at 1 January	2,404,204	2,843,336
Cash & Cash Equivalents as at 31 December	2,276,967	2,404,204

Notes to the Cash Flow Statement

Reconciliation of net expenditure to net cash flow from operating activities

	2017 £	2016 £
Net income for the period	1,643,246	707,875
Adjustment for:		
Gains on Investments	(2,903,626)	(2,494,495)
Investment Income	(1,377,398)	(1,329,388)
Bank Interest	(5,318)	(1,557)
Investment Management Fees	(178,025)	(173,962)
Increase in Debtors	(25,825)	(144,236)
Grants recognised in excess/(below) payment	727,360	(376,718)
(Decrease)/Increase in Other Creditors	(40,616)	186,217
Net Cash used in operating activities	(2,160,202)	(3,626,264)

Analysis of Cash & Cash Equivalents

	31 December 2016 £	Cash flow £	31 December 2017 £
Cash in hand	2,404,204	(127,237)	2,276,967
Total Cash & Cash Equivalents	2,404,204	(127,237)	2,276,967

Notes to the Financial Statements for the Year to 31 December 2017

Principal Accounting Policies 2017

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.

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, was non-trading for the year to 31 December 2017. On this basis the financial statements consist of the results of the charity only.

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, the costs in running the RAF Sports Lottery, including prizes, and the costs incurred to redevelop the RAF Sports Lottery during 2017.

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.

Notes to the Financial Statements for the Year to 31 December 2017

Principal Accounting Policies 2017

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
----------------------------	---------

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

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

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.

Notes to the Financial Statements for the Year to 31 December 2017

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 2017

Note 1 Statement of Financial Activities Analysis for the year-ended 31 December 2016

	Unrestricted Fund	Designated Fund	Expendable Endowment Fund	Restricted Fund	Total 2016
	£	£	£	£	£
Income					
Donations	57,790	42,400	-	-	100,190
Charitable Activities	50,396	43,542	-	-	93,938
Trading Activities	-	1,805,446	-	-	1,805,446
Investment Income	1,327,857	2,473	-	614	1,330,944
Other Income	210	93	-	-	303
Total Income	1,436,253	1,893,954	-	614	3,330,821
Expenditure					
Charitable Activities	2,871,018	783,007	-	4,500	3,658,525
Raising Funds					
Sports Lottery Operations & Fundraising	-	1,103,752	-	-	1,103,752
Trading	-	-	-	-	-
Sports Lottery Redevelopment & Relaunch	181,202	-	-	-	181,202
Investment Management Costs	-	-	173,962	-	173,962
Total Expenditure	3,052,220	1,886,759	173,962	4,500	5,117,441
Net gains on investments	-	-	2,486,517	7,978	2,494,495
Net (Expenditure)/Income	(1,615,967)	7,195	2,312,555	4,092	707,875
Transfers between Funds	1,615,967	260,875	(1,876,842)	-	-
Net Movement in Funds	-	268,070	435,713	4,092	707,875
Total Funds Bought Forward	-	4,434,431	34,388,551	668,417	39,491,399
Total Funds Carried Forward	-	4,702,501	34,824,264	672,509	40,199,274

Notes to the Financial Statements for the Year to 31 December 2017

Note 2 Income

		2017 £	2016 £
Donations	Donations	99,598	100,190
Charitable Activities	Returned Grants	220,139	56,618
	Hire of Fund Welfare Facilities	44,118	37,320
		264,257	93,938
Trading Activities	Lottery Ticket Sales	2,613,921	1,805,326
	Other Trading Income	-	120
		2,613,921	1,805,446
Investment Income	Dividends on Investments	1,377,398	1,313,544
	Investment Dividend Tax Reclaims	-	13,470
	Investment Property Rental	-	2,373
	Interest on Cash Deposits	5,318	1,557
		1,382,716	1,330,944
Other Income	Miscellaneous Receipts	27,483	303

Note 3 Expenditure

		2017 £	2016 £
Raising Funds	RAF Sports Lottery Operations	1,444,761	1,103,752
	Sports Lottery Redevelopment & Relaunch	171,594	181,202
	Investment Management Fees	178,025	173,962
		1,794,380	1,458,916
Charitable Activities*	Enrichment Facilities and Projects	547,293	513,156
	Sports Association Grants	1,850,394	1,376,084
	Development Through Sports Grants	955,813	1,056,921
	Sports Facilities	441,125	534,774
	Grants to Service Support Charities	59,350	177,590
		3,853,975	3,658,525

* See Note 4 for analysis of support costs

Notes to the Financial Statements for the Year to 31 December 2017

Note 4 Support Costs

	Raising Funds	Charitable Activity	Total Cost 2017	Total Cost 2016
	£	£	£	£
Staff Costs	75,431	315,323	390,754	339,119
Other Costs	55,694	151,454	207,148	273,361
	131,125	466,777	597,902	612,480

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 2017 are £59,105 of staff and non-direct costs associated with the marketing and redevelopment of the new RAF Sports Lottery game (£105,517: 2016).

Note 5 Audit Fees

	2017	2016
	£	£
Auditors' Fees for Reporting on the Accounts	11,970	15,330

Auditors' Fees for 2016 included provision for the audit of the RAF Sports Lottery for the period to 31 December 2016.

Note 6 Trustees & Employees

6.1 Staff Costs	2017	2016
	£	£
Wages and Salaries	355,581	309,196
Employer's National Insurance Costs	33,674	29,923
Employer's Pension Costs	1,499	-
	390,754	339,119

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

Whilst continuing activities to recruit new permanent members of staff to support the Fund's transition to its new operational structure, during 2017 the Fund additionally utilised 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 £741 (2016: £13,354).

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.

One employee earned between £80,001 and £90,000 during the period (2016: 1).

The Fund made payment to its key management personnel, deemed to be the Chief Executive Officer, Head of Operations and Marketing and Communications Manager of £200,005 during 2017 (£183,680: 2016). Included in this payment is employer pension contributions of £778 (£nil: 2016).

Notes to the Financial Statements for the Year to 31 December 2017

Note 6 Trustees & Employees (continued)

6.2 Average Headcount

	2017 Average	2016 Average
Full-Time	10.00	7.25
Part-Time	1.00	1.50
	11.00	8.75

6.3 Payments to Trustees

Trustees received no remuneration or payment of expenses during 2017 (2016: £nil). Trustee Meetings are routinely held at locations which are either within walking distance of the Trustees' places of work or at a Trustee place of work. Trustees made no claims for expenses during 2017 and no estimation has been made for 2017 of expenses that could be payable to Trustees on the basis that these would represent a negligible amount.

In accordance with Sections 4-6 of the Fund's Constitution, an Honorarium payment of £3,000 (2016:£3,000) was made to one Trustee during 2017 (2016:1). The Trustee is a retired Investment Director, providing the Fund with investment guidance relating to the Fund's investments, outside of Trustee duties.

Note 7 Grants

	Grants 2017 £	Support Costs 2017 £	Total Grants 2017 £	Total Grants 2016 £
Enrichment Facilities and Projects	449,547	97,746	547,293	513,156
Sports Association Grants	1,755,347	95,047	1,850,394	1,376,085
Development Through Sports Grants	828,477	127,336	955,813	1,056,921
Sports Facilities	303,827	137,298	441,125	534,773
Grants to Service Support Charities	50,000	9,350	59,350	177,590
	3,387,198	466,777	3,853,975	3,658,525

The Fund utilised the services of the RAF Sports Federation (previously RAF Sports Board) until 30 June 2017 as a conduit organisation to allocate and administer elements of its sports grant funding programme to the RAF Sports Associations. Grant funding received by the RAF Sports Federation continued to belong to the Fund until grant payments were made on behalf of the Fund to the grant recipient Associations.

The RAF Sports Federation received separate grant support from the Fund for the provision of these services.

With effect from 1 July 2017 the Fund allocates all elements of its sports grant funding programmes directly to recipients.

Notes to the Financial Statements for the Year to 31 December 2017

Note 7 Grants (continued)

Grants made to Institutions

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

	Grant Award 2017 £	Grant Award 2016 £
MOD Stafford	38,382	-
RAF Marham	43,001	-
RAF Akrotiri	69,583	15,785
British Forces Cyprus	50,000	-
RAF Odiham	38,054	-
RAF Regiment	50,000	-
RAF Halton	28,000	-
Victory Services Club	50,000	-
RAF Benson	48,945	891
RAF Coningsby	31,010	-
RAF Digby	50,000	-
RAF Wyton	-	5,950
RAF Honington	-	88,810
RAF Leeming	5,076	34,843
RAF Cosford	50,000	52,748
RAF Cricket Association	-	101,433
British Forces South Atlantic Islands	-	101,621
RAF Brize Norton	-	4,824
RAF High Wycombe	50,000	38,590
RAF Sports Federation	-	166,656
RAF Motor Sports Association	95,175	95,668
RAF Winter Sports Association	138,030	110,337
RAF Ski Championships	68,011	58,158
RAF Rugby Union Association	70,992	44,084
RAF Sailing Association	66,285	78,778
RAF Angling Association	65,252	65,644
RAF Bobsleigh, Luge and Skeleton Association	53,344	81,576
RAF Hang-gliding Association	31,183	26,509
RAF Small Arms Association	67,527	77,613
RAF Equitation Association	19,600	41,597
RAF Golf Association	31,130	40,817
RAF Athletics Association	22,213	26,786
RAF Martial Arts Association	20,555	30,091
RAF Swimming Association	30,230	24,629
RAF Triathlon Association	36,847	26,694
RAF Football Association	77,978	53,524
RAF Hockey Association	17,190	27,474
RAF Gliding and Soaring Association	25,080	14,292
RAF Cycling Association	14,541	28,424
Others	1,199,939	872,472
	2,753,153	2,437,318

Notes to the Financial Statements for the Year to 31 December 2017

Note 8 Intangible Fixed Assets

	Software development £	Total £
Cost bought forward	24,773	24,773
Additions	20,269	20,269
Cost carried forward	45,042	45,042
Amortisation bought forward	-	-
Provision for year	12,386	12,386
Amortisation carried forward	12,386	12,386
Net Book Value bought forwards	24,773	24,773
Net Book Value carried forwards	32,656	32,656

Note 9 Tangible Fixed Assets

	Freehold land & buildings £	Computers & Information Technology £	Fixtures & Fittings £	Heritage Assets £	Total £
Cost bought forward	171,537	17,962	51,115	47,016	287,630
Additions	-	4,159	53,436	-	57,595
Cost carried forward	171,537	22,121	104,551	47,016	345,225
Depreciation bought forwards	-	5,752	1,565	-	7,317
Provision for year	-	5,987	5,112	-	11,099
Depreciation carried forwards	-	11,739	6,677	-	18,416
Net Book Value bought forwards	171,537	12,210	49,550	47,016	280,313
Net Book Value carried forwards	171,537	10,382	97,874	47,016	326,809

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

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.

Notes to the Financial Statements for the Year to 31 December 2017

Note 9 Tangible Fixed Assets (continued)

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. Originally purchased as an adventure training centre, the Lodge is now wholly focussed on providing an enrichment welfare centre for personnel and their families and will be subject to a full redevelopment of the site during 2018/19.

Note 10 Investments

10.1 Fixed Assets Investments - Allianz

	2017 £	2016 £
Carrying value bought forward	33,431,381	32,864,802
Additions to investments at cost	15,913,747	25,794,380
Disposals at carrying value	(16,807,991)	(27,782,194)
Realised gain on sale	59,382	1,065,784
Unrealised revaluation movement	2,502,474	1,488,609
Carrying value carried forward	35,098,993	33,431,381
Historic cost as at 31 December	29,838,182	29,668,454

10.1 Fixed Assets Investments - Cazenove Capital Management

	2017 £	2016 £
Carrying value bought forward	4,773,348	4,691,625
Additions to investments at cost	243,995	131,626
Unrealised revaluation movement	283,111	(49,903)
Carrying value carried forward*	5,300,454	4,773,348
Historic cost as at 31 December	4,929,193	4,685,198

* The year-end carrying value of the Cazenove Fixed Asset Investments is noted as including £550,090 of funds allocated to the Mechanics Fund Investment.

10.1 Fixed Asset Investments – BlackRock Charinco CIF

	2017 £	2016 £
Carrying value bought forward	-	-
Additions to investments at cost	15,833	-
Unrealised revaluation movement	(723)	-
Carrying value carried forward	15,110	-
Historic cost as at 31 December	15,833	-

10.2 Current Asset Property Investments

	2017 £	2016 £
Carrying value bought forward	565,000	575,000
Unrealised revaluation movement	-	(10,000)
Carrying value carried forwards	565,000	565,000
Historical cost as at 31 December	3,650	3,650

Notes to the Financial Statements for the Year to 31 December 2017

Note 10 Investments (continued)

The Fund owns a property close to the cricket ground at Vine Lane. This property (4 The Rise) was purchased in 1929 for £3,650 and is deemed to have a year-end market value of £565,000.

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 and hence on this basis the property is held as a current asset investment at the year-end.

10.3 Analysis of Investments

	Market Value 31 December 2017 £	Market Value 31 December 2016 £	Income from Investments 2017 £	Income from Investments 2016 £
Property Fund Investments	4,750,364	4,246,554	195,552	186,747
Allianz Portfolio Investments	35,098,993	33,431,381	1,181,506	1,126,183
Mechanics Fund Investments	696,143	672,509	340	614
BlackRock Charinco CIF	15,110	-	-	-
Cash held within Allianz Portfolio	552,851	610,631	-	-
Cash held as Part of the Property Portfolio	1	74,797	-	-
Fixed Asset Investments	41,113,462	39,035,872	1,377,398	1,313,544
Property Investments	565,000	565,000	-	2,373
	41,678,462	39,600,872	1,377,398	1,315,917

10.4 Material Investment Holdings

The following investments represent material holdings at the period end within the total investment portfolio (excluding direct property investments):

	Market Value £	Percentage of Portfolio
AGI UK Equity Income A	24,732,782	60%
AGI UK Gilt Yield I	1,885,180	5%
ISHARES Core GBP Corporate Bonds	4,998,551	12%
ISHARES II Plc	3,482,480	8%
Schroder Indirect Real Estate Fund Units -A-	5,300,454	13%

Note 11 Debtors and Prepayments

Analysis of Debtors

	2017 £	2016 £
Trade Debtors	875	-
Prepayments and Accrued Income	245,888	220,938
	246,763	220,938

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 2017

Note 12 Creditors and Accruals

12.1 Analysis of Creditors falling due within one year

	2017	2016
	£	£
Committee Grant Creditors	305,751	166,124
Sports Grant Creditors	1,908,251	1,619,950
Tax and Social Security Creditors	15,819	23,535
Accruals and Deferred Income	296,728	335,424
Other Creditors	66,753	60,958
	2,593,302	2,205,991

12.2 Analysis of Creditors falling due after one year

	2017	2016
	£	£
Nuffield Trust capital grants	125,835	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.
Mechanics Fund	Restricted	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.
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 13).
Sports Lottery Fund	Designated	Income generated through the RAF Sports Lottery designated for distribution to benefit RAF sports related grants.
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 2017

Note 13 Funds (continued)

13.2 Movements of Major Funds

Fund Names	Fund balances bought forward £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Fund balances carried forward £
General Reserves	-	1,625,331	(1,227,656)	(397,675)	-	-
Expendable Endowment Fund	34,824,264	-	(178,025)	(1,034,894)	2,879,055	36,490,400
Mechanics Endowment Fund	672,509	340	(2,000)	-	25,294	696,143
Vine Lane Fund	7,296	2,501	(57,897)	51,679	-	3,579
Feshiebridge Lodge Fund	75,001	70,851	(35,641)	5,353	(723)	114,841
Danesfield Fund	55,477	8	(84,547)	106,083	-	77,021
RAF Sports Board Pension Fund	391,968	-	-	36,264	-	428,232
Sports Lottery Fund	230,897	2,688,944	(4,062,589)	1,233,190	-	90,442
Community Support Grants Fund	3,941,862	-	-	-	-	3,941,862
	40,199,274	4,387,975	(5,648,355)	-	2,903,626	41,842,520

13.3 Transfers Between Funds

From Fund (Name)	To Fund (Name)	Reason	Amount
General Reserves	Sports Lottery Fund	Support 2107 grant awards	397,675
Expendable Endowment Fund	Sports Lottery Fund	Support 2017 grant awards	835,515
Expendable Endowment Fund	Vine Lane Fund	Support 2017 activities Vine Lane	51,679
Expendable Endowment Fund	Feshiebridge Lodge Fund	Support 2017 activities Feshiebridge Lodge	5,353
Expendable Endowment Fund	Danesfield Fund	Support 2017 activities Danesfield	106,083
Expendable Endowment Fund	RAF Sports Board Pension Fund	Recognition of adjustment to potential future pensioner expense	36,264

13.4 Analysis of Net Funds

	Expendable Endowment £	Designated Funds £	Restricted Funds £	Total Funds £
Intangible Fixed Assets	-	32,656	-	32,656
Tangible Fixed Assets	246,795	80,014	-	326,809
Fixed Asset Investments	36,032,116	4,385,203	696,143	41,113,462
Net Current Assets	337,324	158,104	-	495,428
Long Term Liabilities	(125,835)	-	-	(125,835)
Total Net Assets	36,490,400	4,655,977	696,143	41,842,520

Notes to the Financial Statements for the Year to 31 December 2017

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 Principle 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 2017 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 2017 is deemed to be £2,384,241 (£2,384,241:2016).

Note 15 Transactions with Related Parties

The RAF Gliding and Soaring Association and RAF Sailing Association are considered connected charities due to the joint trusteeship of Air Marshal Reynolds. During the year the Fund awarded grant support to the RAF Gliding and Soaring Association of £10,450 and £66,285 of grant support to the RAF Sailing Association.

The RAF Rugby Union Association and RAF Fencing Association are considered connected charities due to the joint trusteeship of Air Vice Marshal Mardell. During the year the Fund awarded grant support to the RAF Rugby Union Association of £70,992 and £8,400 of grant support to the RAF Fencing Association.

There are no outstanding related party transactions as at 31 December 2017.