

THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2018

Charity registered number: 1108295

Company registered number: 05321353

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THE ROYAL AIR FORCE CLUB
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LEGAL AND ADMINISTRATIVE DETAILS

TRUSTEES, OFFICERS AND ADVISORS

TRUSTEES

The Royal Air Force Club Trustees are the Charity Trustees of the Royal Air Force Club Charity ("the Charity"). The Trustees, all of whom have served in office throughout the year, are as follows:

Air Marshal S Gray
Air Commodore R Peacock-Edwards (Vice-Chairman) (resigned 31st December 2018)
Air Commodore B Cooper
Air Commodore D Whittingham
Group Captain I F Bruton
Group Captain M D Heffron (resigned 31st December 2018)
Group Captain W Rothery
Wing Commander M J Gilbert (resigned 31st December 2018)
Wing Commander J Hill
Squadron Leader S O'Brien
Squadron Leader J Peters
Squadron Leader J Poynton
Flight Lieutenant I Melia
Flight Lieutenant J Salter
Mr J D Fisher

OFFICER

CEO and Club Secretary Mr Miles Pooley

AUDITORS

haysmacintyre
10 Queen Street Place
London EC4R 1AG

BANKERS

Coutts & Co
440 The Strand
London WC2R 0QS

SOLICITORS & LEGAL ADVISORS

Farrer & Co
66 Lincoln's Inn Fields
London WC2A 3LH

Burgess – Salmon
One Glass Wharf
Bristol
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London WC2B 4HN

REGISTERED ADDRESS

128 Piccadilly
London W1J 7PY

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES

YEAR ENDED 31ST DECEMBER 2018

The Board of Trustees presents its report for the year ended 31 December 2018.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities 'Statement of Recommended Practice' applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)) and the Companies Act 2006.

REFERENCE AND ADMINISTRATIVE INFORMATION

The Royal Air Force Club was founded in 1918 and became registered with the Charity Commission in 1965 under charity number 252720. The Trustees and Executive Officer of the Charity are listed on page 1. The principal address and advisors are also listed on page 1. The Club became incorporated on 24 December 2004 and received a new Registered Charity Number 1108295 in place of 252720.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Charity is governed by its Memorandum and Articles of Association which were last revised at the Charity's Annual General Meeting in June 2015.

Trustee Recruitment and Training

The Charity's elected Trustees are appointed at the Annual General Meeting on the basis of nominations received from the membership through the Nominations Committee. Candidates for election must satisfy the Board's specifications concerning personal competence, specialist skills and availability. New Trustees are inducted into the workings of the Charity, including Policy and Procedures, through a programme which is overseen by the Vice-Chairman.

Organisational Management

The Trustees of the Charity are legally responsible for the overall management, finances and control of the Club and meet at least six times a year. The work of implementing most of their policies is carried out by the following standing sub-committees, which meet as required and whose chairmen report to each meeting of the Trustees:

Committees	Chaired by	Other Trustee members
Finance, Audit & Risk	Group Captain Ian Bruton until Sept 18 Flight Lieutenant Ian Melia – Sept onwards	Group Captain Ian Bruton Air Commodore Rick Peacock-Edwards
House	Mr John Fisher	Flight Lieutenant Jo Salter
Membership	Wing Commander James Hill	Wing Commander Michael Gilbert
Arts	Wing Commander Michael Gilbert	Squadron Leader James Poynton Air Commodore Rick Peacock-Edwards
Events	Group Captain Wendy Rothery	
Archive	Wing Commander Michael Gilbert	

In addition, the Trustees have introduced the following ad hoc committees:

Centenary Building Project Board which was set up to oversee the Centenary Building Project and reports back to the Trustees. It is chaired by Mr John Fisher and includes Group Captain Ian Bruton and an independent advisor.

Nominations Working Group which is formed as and when necessary to select Trustees to fill vacancies on the Board of Trustees. The working group was convened this year to select new Trustees and chaired by Group Captain Ian Bruton and included Air Commodore Rick Peacock-Edwards, Air Commodore Barbara Cooper, Mr John Fisher and Mr Bernie Watson.

Centenary Committee which was formed to plan and oversee the Club's Centenary celebrations and to liaise with the Royal Air Force over the Service's Centenary celebrations. This was chaired by Group Captain Mark Heffron.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Remunerations Committee which meets once a year to consider the remuneration and benefit package for the CEO and comprises The Chairman, The Vice-Chairman and The Chairman of the Finance, Audit and Risk Committee.

The day-to-day running of the Club is delegated to the CEO and Club Secretary, who is supported by an Executive Team. The Executive Team has developed over the last few years and there are now 10 members in total. During the year, many new practices have been introduced which have enhanced operational performance, improved risk management and encouraged the staff to develop their areas of responsibility.

The CEO and Club Secretary, Club Manager and Director of Finance attend all meetings of the Trustees and some subordinate committees. Other members of the Executive Team also attend appropriate meetings of the subordinate committees.

The Royal Air Force Club actively promotes the highest standards in fulfilling its Objects, partly through maintaining strong links with the Royal Air Force, partly through good communication with its Members and partly through regular evaluation and improvements to the quality of service to its Members. We also co-operate with other charitable Clubs as part of the evaluation process.

The Trustees and Executive Team work together to maintain the Vision, Mission and Core Values. These are:

Vision:

To be the London Club of choice for serving and retired RAF Officers, their families and other Members

Mission:

To provide high quality and affordable facilities and services in Central London for Club Members, in order to preserve, promote and foster the traditions of the Royal Air Force

Core Values:

- 1. Value, respect and support each other**
- 2. Give personalised, warm and consistently exceptional service**
- 3. Create positive, memorable experiences for every Member**
- 4. Care about and give back to our local community**

Group Structure and Relationships

The Charity has a subsidiary trading company, RAFCTC Limited, registered number 6590556. The company is responsible for using the Charity's facilities and resources so as to increase the Charity's total income and hence improve its continuing ability to achieve its Objects. The company provides functions to persons supportive of, but not directly associated with, the Royal Air Force and therefore not able to join the Club. All trading profit is distributed by Gift Aid each year to the Charity. As the company does not have any premises and uses agency staff when required, it is not considered that its activities constitute any risk to the finances of the Charity itself, even during any economic uncertainties.

Risk Management

The Board is responsible for overseeing the risks faced by the Charity. To acknowledge the importance of Risk Management, the Finance and Audit Committee was renamed the Finance, Audit and Risk Committee in November 2018 as it plays a key role in the oversight of risks. Continuous monitoring is used to identify new risks and to evaluate and assess both new and existing risks and controls. Appropriate controls are established and monitored to deal with risks. Particular attention has been paid to the mitigation of risk associated with the Centenary Building project which has been taking place through 2018.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

The Trustees undertake a formal review of the Charity's risk management process on an annual basis.

The key controls used by the Charity include:

- A Statement of Risk appetite and a Risk Management Schedule which is reviewed regularly by the Finance, Audit and Risk Committee;
- Formal agendas and minutes for all Board and Committee activity;
- Detailed Terms of Reference for all Trustees and Committees;
- Comprehensive strategic planning, budgeting and management accounting;
- Established organisational structure and lines of reporting;
- Formal written policies;
- Clear authorisation and approval levels; and
- Operating as a Company Limited by Guarantee

Through the risk management process established for the Charity, the Trustees are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

The Charity Governance Code

The Trustees confirm that the Club's structure, governance and management have been reviewed against the guidance set out in the Charity Governance Code for larger charities issued by the Charity Governance Code Steering Group. In particular, the Trustees have assessed the Board's performance against the following seven principles:

Organisational purpose
Leadership
Integrity
Decision-making, risk and control
Board effectiveness
Diversity
Openness and accountability

OBJECTS, AIM, OBJECTIVES AND ACTIVITIES

Charitable Objects

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2011 to have due regard to the general guidance issued by the Charity Commission on public benefit. In particular, the Trustees confirm that they have complied with the Commission's published specific guidance relating to fee-charging charities.

The charitable purpose of the Royal Air Force Club within the meaning of the Act is enshrined within its objects:

To promote the efficiency of the Royal Air Force by improving the condition of officers holding commissions therein and in other associated Services and by preserving and fostering among them the esprit de corps and traditions of those Services by every suitable means. In particular by *'Establishing, maintaining and conducting in London, a central residential and non-residential Club for the use and accommodation of Members and by making available to them such other services, recreational facilities and leisure time activities as may be desirable, at prices which, so far as is possible, can be afforded by all members of whatever rank'*.

Public Benefit is not just provided to the members of the Charity. During the year, the Club has hosted visits from like-minded organisations; with prior arrangement, the Club welcomes visitors to view the memorabilia and art collection who otherwise would be unable to enter the premises due to not being eligible to take up one of the categories of membership.

In addition, the subsequent section in this report headed 'Donations' summarises the financial assistance that the Club extends to serving personnel and ex-servicemen through other Royal Air Force related charities.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

OBJECTS, AIM, OBJECTIVES AND ACTIVITIES (continued)

During the year the following actions have been taken or maintained, to ensure the Club is affordable and to widen the scope of the facilities available to Serving and Former Serving Officers of the Royal Air Force:

- The membership subscription fee for the first five years following graduation from Initial Officer Training is maintained at £5.00 per year including VAT.
- The membership subscription fee for the first five years following Commission into the Reserves is maintained at £5.00 per year including VAT.
- Serving subscription rates after the first five years are based on a half a day's pay utilising the entry level for each rank plus VAT only (i.e. annual increments in pay are not included in the calculation of membership subscription fees).
- Reserve officer subscription rates after the first five years are based on a half a day's pay utilising the entry level for each rank plus VAT only (i.e. annual increments in pay are not included in the calculation of membership subscription fees).
- Serving officers' subscriptions continue to be collected in February each year.
- Former Serving officers are offered a 25% discount from their annual subscriptions once they are over the retirement age and have been a member for 25 years.
- Payment of subscriptions is also available by monthly direct debit, but with a monthly administrative fee charged.
- Families are welcome at all times.
- The Dress Code is relaxed in all except two areas of the Club at specified times in order to make the Club more attractive to families and younger officers.
- A 50% reduction in room rates (valid for one stay of no more than three days) is available to those returning from operations.
- Reduction of 50% for the first year of membership subscription fee when moving from Serving to Retired Member status.
- Free wireless Internet access is available throughout the Club.
- Bedrooms are available at the military London accommodation rate for military duty visits.
- Opened up 17 new bedrooms, a gym and a new business suite.

Objectives for the Year

This year, the focus remained on the continued programme of maintaining membership numbers and improving facilities and services offered to Members to maintain and increase the attractiveness of the Club to current and potential Members. Particular objectives this year included:

- **Membership**
 - To maintain and, if possible, improve membership numbers in all categories, especially serving officers and former serving officers.
 - To actively encourage Family Membership (being for siblings, sons, daughters, grandchildren and parents of full members).
 - To communicate with the Club's membership more effectively. In particular, by ensuring a higher level of awareness by persons who qualify for membership and by establishing and maintaining effective channels of communication through the Trustees, Committees, the RAF Stations, Reserves and University Air Squadrons to maximise membership levels in all categories.
 - To encourage more Reserve Officers of all types of commission to take out Club membership.
 - To encourage those who are former serving and now working within the airline industry to take up membership.
 - To encourage those commissioned officers from the other two Services with brevet status to take out Club membership.
 - To encourage members of the University Air Squadrons with at least one year's membership of these squadrons to take up membership.
 - To encourage further the relationship with certain air-minded organisations such as the Honorary Company of Air Pilots.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

OBJECTS, AIM, OBJECTIVES AND ACTIVITIES (continued)

- **Members' Use of the Club**

- To meet the aspirations of members in terms of facilities, functions and the adaptation of Club Rules, in order to ensure the optimum use of the Club within the historical context and Ethos already set.
- To maintain and improve the Club premises by continuing the renovation of the bedrooms to an appropriately high standard.
- To market the Club's facilities effectively.

- **Financial and Related Issues**

- To continue to ensure that the Charity operates on a sound financial basis.
- To continue to improve management information systems and to add to the existing installation of Opera and Concept so that the point-of-sale, bedroom booking and banqueting booking systems are fully up to date. To ensure that all financial aspects of the Charity's business are diligently controlled so that the accounts continue to show the true state of affairs.
- To oversee management's identification, assessment, management and reporting of risk, covering all aspects of the Club's governance, financial and operational management and regulatory compliance.

- **Staff**

- To continue to ensure that the RAF Club remains a desired employer in the market place.

- **Events**

- To arrange activities and events to promote an interest in all matters connected with aviation in general and with the Royal Air Force in particular.
- To develop a programme of events leading to increased use of the Club's facilities and raised awareness of air-related issues.
- To develop a programme of events to commemorate the Club's Centenary in 2018.

- **Arts**

- To improve the collection of paintings and objets d'art which reflect the history of the Royal Air Force in particular, and aviation in general.
- To maintain and expand the Library book collection.
- To install an additional stained glass window celebrating the role of women in the Royal Air Force.
- To commission works of art to fill gaps in the history of aviation art within the Club.
- To work with BAe Systems to produce a book commemorating 100 years of the Royal Air Force through art. This was published in July 2018.
- To commission a portrait of Her Majesty the Queen to mark the Club's Centenary in 2018. This was unveiled by Her Majesty in October 2018.
- To commission paintings for the Dining Room.

- **Archive**

- To arrange how best the Club might maintain its records.
- To ensure the Club's records meet the needs of historians in the future.

- **Centenary Committee**

- To organise events to celebrate the Club's Centenary in 2018.
- To liaise with the RAF 100 team in planning activities to mark the Royal Air Force's centenary in 2018.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

OBJECTS, AIM, OBJECTIVES AND ACTIVITIES (continued)

Actions taken to achieve the year's Objectives

The following detailed actions were implemented in order to underpin the strategic objectives for the year:

- Fostering of closer links with FTRS (Full Time Reserve Service), RAuxAF, VR and VR(T) officers, and with allied officers based in the United Kingdom.
- Continuing to recruit UAS/RAF Affiliated University students (past and present) into Affiliated (UAS) Membership.
- Continuing the Royal Air Force Club Award presented at the Initial and Reserve Officer Training graduations at RAF College Cranwell.
- Continuing participation in the 'Freshers' Fair' at Initial Officer Training at RAF College Cranwell.
- Continuing to promote Affiliate (Family) Membership.
- Investigating the introduction of a new Club website to improve marketing and on-line booking of accommodation and tables in the Dining Room.
- Following up on Serving Officers who did not renew their subscriptions.
- More proactive involvement of Club staff in finding alternative accommodation for members when the Club is full.
- More uptake for bedroom accommodation from the waiting list.
- Reducing the number of no-shows.
- Identifying suitably experienced and qualified individuals to join the Board of Trustees and sub-Committees.
- Assessing the effectiveness of the current number and format of meetings.
- Reviewing how the rolling programme of improvements is presented to the Trustees.
- Operating the Trading Company to the benefit of the Charity.
- Tailoring of events to better reflect the objectives of the Club and the wishes of the membership.
- Purchasing paintings to fill some of the remaining historical gaps in the art collection.
- Continued the building of the Centenary Building project with the aim of completion in 2018.
- Ongoing monitoring of risks utilising enhanced analytical techniques and development of Risk Appetite Statements

Principal activities of the year

The Charity continued throughout 2018 with its prime role of maintaining and improving its residential and non-residential Club for the use and accommodation of Members and making available to them such other services, recreational facilities and leisure time activities at prices that could be afforded by all the Members. In 2018 this was achieved by practical completion of the new extension.

Donations

This year, the Club agreed further charitable donations of £4000 each to the Royal Air Force Benevolent Fund and the Royal Air Forces Association.

Volunteers

Trustees and members of the Committees provided many hours of their own time to provide governance, goodwill and social activities during the year. The Board of Trustees would like to take this opportunity to record their appreciation for this continuing and valuable support.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR

In line with the Club's charitable objectives, the following has been achieved:

In line with the Club's charitable objectives, the following has been achieved:

Membership

As the income from subscriptions remains fundamental to how the Club pays for the range and standard of facilities offered by the Club, the topic of maintaining membership numbers continued to dominate the Trustees' assessment on how best to provide facilities for current members and ensure the viability of the Club for the future.

Membership numbers on December 31 were	<u>2018</u>	<u>2017</u>
Full voting Members	14,010	13,388
Affiliate & UAS/*DTUS Members (non-voting)	1,043	1,387
Associate Members (non-voting)	8,293	8,481
Family Members (non-voting)	1,878	1,785
Total	25,224	25,041
(*Defence Technical University Squadron)		

As part of 'normal business', the Membership Committee carried on its work in ensuring that those eligible for membership received targeted information about the Club. The Committee therefore reviewed and reinforced links with Officer Cadets during their Initial Officer Training, serving officers on Royal Air Force Stations and Units and those in Headquarters and international appointments, reserve officers of the RAuxAF, VR and VR(T), and retired officers. This resulted in a number of new members, not including those from Initial Officer Training, RAF College Cranwell. Each RAF Station has a Club Representative who forms an important link between the Officers and civilians on the Stations and the Club.

Events

The Events Committee continued efforts to cater for Members' interests by providing a comprehensive and varied programme of external visits and events, tailored to reflect the Members' needs. 2018 proved to be an exceptionally successful year with the number of events growing from 42 to 55 and a 57% increase on total bookings over 2017. The raft of Centenary events including the Birthday Party and Reception, Centenary Ball, and two Royal Receptions were all extremely well attended (totalling 1207 bookings overall) and contributed considerably to the Club's Centenary celebrations. High profile events such as 75th Anniversary of the Dam Buster Raids, with George Johnson, Security Correspondent Frank Gardner, the Red Arrows Dinner, and a return appearance from Prof Brian Cox, were all sell outs (almost 40% of events sold out in 2018 versus 30% in 2017). The launch of the new Club website has facilitated event bookings, with more than 80% of members now choosing to book online.

Arts

Purchases and donations of paintings and objets d'art filled a number of historical gaps in the collection, including a Violin made from Churchill's cigar boxes and a bust of Churchill. A Portrait of HM the Queen was commissioned for the Club's centenary and hangs in the Sovereigns' Room after being unveiled by the Queen in October 2018. Artist Tim O'Brien was commissioned to produce artwork for the Dining Room following receipt of a legacy received from a Member. The Club also received a painting of Jonny Johnson as a donation.

Governance

The Trustees maintained significant stability throughout the year. 2018 saw 3 Trustees come to the end of their tenure; another 2 will step down in early 2019, and 4 new Trustees were selected from the Club membership and will join in March 2019.

Air Commodore Rick Peacock-Edwards is one of the Trustees who has reached the end of his tenure and will be replaced as Vice-Chairman by John Fisher in 2019.

Archives

The Archive Committee met regularly to review how best the Club might maintain its records so that they might meet the needs of historians in the future.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR (continued)

Financial Management and Related Issues

As part of the annual Risk Management review a key issue relating to difficulties in recruiting and retention of staff was identified and, in order to ensure a competitive remuneration package, and taking in to account practice in other Clubs, a policy of levying a voluntary service charge was approved by the board. The service charge is paid out to the staff over and above their contracted wages and salary.

Staff

Staff turnover returned to a stable level in 2018. Staff morale remained high due in part to continuous improvements in employees' conditions of service and the Club was awarded a 2 star accreditation in The Sunday Times Best Not for Profit places to work. The Club came 30th in the ranking.

Centenary Building Project

Work has all but been completed on the Building Project, having been officially opened by the Queen in October 2018 and bedrooms being available to members from the 1st November. The building provides 17 new bedrooms, a fitness centre (which will be free to Club Members) and a business centre including two small meeting rooms.

Corporate and Social Responsibility

The Club is fitted with an extensive Building Management System to reduce energy consumption to a minimum. Recycling is now fully established for used cooking fats, used light bulbs, bottles, used print cartridges, cardboard, batteries, bedroom toiletries and paper.

Members' use of the Club

Members' customer-satisfaction questionnaires are widely distributed in the bedrooms, Running Horse Tavern and Dining Room, and additionally are sent out with each account for private functions.

The overall results were:

JOINT AVERAGE	2018: 4.8 out of 5.0 (96.0 %)	2017: 4.7 out of 5.0 (94.0%)
Banqueting	2018: 4.9 out of 5.0 (98.0 %)	2017: 4.8 out of 5.0 (96.0%)
All other areas	2018: 4.7 out of 5.0 (94.0 %)	2017: 4.6 out of 5.0 (93.0%)

Bedroom occupancy in 2018 achieved 82.7% (2017: 84.0%) again with considerable over-demand in the autumn. The occupancy ratio is based on the total number of rooms available to sell. The Club opened 17 more rooms at the end of 2018 and having more bedrooms available affected the occupancy ratio.

The range of merchandise sold in the Club Shop continues to be widened with the selection remaining in line with the Club's Charitable Objects. Items to commemorate the Club's Centenary have also been introduced including a mug, a bottle of Centenary whisky, a bottle of Centenary gin and a lapel pin badge.

Fundraising Performance

No specific fund-raising activities outside the Club's normal trading were undertaken and therefore the Club is not registered with the Fundraising Regulator. The Art Fund, which resulted from the Appeal in 2000 and a Club contribution in 2018 of £15,000 had a balance of £8,583 on 31 December 2018. This will be used to purchase works of art that primarily cover historical gaps in the Club's collection.

Key Management Personnel Remuneration

The Trustees consider that the Board of Trustees, the Chief Executive and the Executive Team together comprise the key management personnel of the Charity and, as such, are in charge of directing and controlling the Charity and running the Charity on a day to day basis. Trustees give their time freely. Details of trustee expenses are disclosed in note 5 to the accounts.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The pay of the Chief Executive, Executive team and all staff are reviewed annually and normally increases in accordance with average earnings to reflect a cost of living adjustment. In view of the nature of the Charity, the Trustees, on the recommendation of the Finance, Audit and Risk Committee (in its role as the committee tasked with reviewing salary levels), benchmark against pay levels in other similar organisations both Charity and commercial.

Outturn

The Club's surplus in 2018 was £142,800 which is £137,552 greater than budget but £345,677 less than last year. The improved result against budget was due to increased revenue and also lower than expected depreciation and bank interest charges. The shortfall against 2017 was caused mainly by the expenditure on the Centenary celebrations and also interest being now due on the loan. The Club's payroll was up against 2017 as the Club works to improve service levels and the security of the Club.

The Club's Unrestricted Funds achieved a positive net movement in funds of £222,893 as shown in the consolidated statement of financial activities accounts. (2017: £446,515). The Club's restricted funds 2018 showed a net outflow of £80,093 achieving a zero yearend balance.

Capital spend on the Centenary Building Project works during the year was £4,639,940 (2017: £3,726,440).

Reserves Policy

The Trustees reviewed the Club's reserves policy in 2015. As a prudent reflection of the Club's financial situation, it was agreed to adopt a General Reserve/Contingency Reserve target of £2.5m. This represents approximately four months income. We would stress that this is a target. Given plans for enhancing the Club House and the facilities that we provide to Members in the next few years, this target might not be achieved for several years but, in the meantime, provides us with a benchmark against which to measure the Club's current level of reserves. At 31st December 2018 the General reserve was zero due to the requirement to build the fixed asset reserve. At 31 December 2018 unrestricted funds stood at £7,411,436 made up of designated funds representing part of the value of fixed assets.

Investment Policy and Objectives

It is the policy of the Club to hold any surplus cash on short term deposits with financial institutions with high credit ratings. There are no financial investments and should a surplus appear following receipt of the annual subscriptions, the surplus funds would be placed on deposit until such time as they would be required.

Risk Management

The preparation and management of the risk register is the responsibility of the Chief Executive Officer and his team. The responsibility for oversight of risk management lies with the Finance, Audit and Risk Committee and the Board of Trustees.

Both the impact and likelihood of risk are assessed on an 'inherent' basis (before the impact of controls), and a 'residual' basis (after the effectiveness of controls have been taken into account). A register of risks and controls assessment is maintained, discussed and challenged on a regular basis by the Finance, Audit and Risk Committee, and presented to the Board of Trustees.

In June 2018 the Trustees reviewed the risk appetite statements against which the risks are measured.

2018 saw the risk associated with the Centenary Project building works reduce as work progressed. The Club has secured a loan from Coutts bank for £5.5m over 15 years. The risks were reviewed in an additional risk register document which is monitored by the Finance, Audit and Risk Committee.

The 9 highest inherent risks are listed in the below table with a description of the mitigation controls in place.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

FINANCIAL REVIEW AND RESULTS FOR THE YEAR (continued)

Risk	Mitigation
Reduction in quality of Executive team and loss of key staff	Regular review of recruitment procedures. Performance management. Compensation reviews. Succession planning. Continual communication.
Budgetary control and financial reporting	Budgetary control system: annual budgets; monthly management accounts, including variance analysis.
Reserves, borrowing policy & cash flow	Business Plan. Rolling Programme. Monthly management accounts. Monthly cash flow. Project committee. Improved B/S reporting
Computer system failures or loss/corruption of data.	External back-up Daily back-up procedures. Back-up power supply Crisis Management plan
Cyber Security Breach	Daily review by systems manager. haysmacintyre report. Work with CISP to keep up to date with cyber security issues
Significant loss of Club facilities through fire or similar disaster	Fire/security prevention measures. H&S Regulation adherence. Crisis Management plan. Fire risk assessment. Interruption Insurance Ansul fire suppression system
Terrorist Activity	Appropriate security measures based on professional advice (civil police and HQP&SS). Insurance cover Security staff
Loss of all European employees due to Brexit legislation.	Regular Review and recruiting offer in the recruitment marketplace.
Reduction of Availability of UK Staff due to Brexit	Regular Review and recruitment profile retained in other areas and throughout the UK Hospitality industry

FUTURE PLANS

The Board's plans for the short to medium term were reviewed by the Trustees in 2018. The aim was to produce a raft of measures that would promote the charitable objectives of the Club whilst maintaining a membership base that was able both to enjoy and to support these objectives. The following key objectives were established for 2019:

- House
 - Develop the Masterplan for redevelopment of the premises over a 20 year period.
 - Lay new corridor carpet on four bedroom floors.
 - Oversee the finalisation of the Centenary Building Project.
 - The replacement of the main passenger lift.
- Membership:
 - Develop and maintain the Club's membership strategies in order to improve recruitment and retention of Full Members (serving and former serving officers) and to improve the use of the Club's facilities, including to increase the overall numbers set out below.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

• FUTURE PLANS (continued)

- Recruit more Serving Members. Increase the overall number of Serving members by 300.
- Recruit more Reserve Officers and build key relations with RAF Reserve Organisations (FTRS, RAuxAF and VR). Increase the overall number of Reserve Officers by 100.
- Recruit more Former-Serving Members. Increase the overall number of former-serving members by 280.
- Recruit more eligible members of various airlines. Increase the overall number of 'airline members' by 50.
- Carry out a full review of Reciprocal Clubs.
- Events:
 - Continue to offer an active programme of events in response to members' demand.
 - Encourage increased participation in events through enhanced promotion.
 - Refreshed events collateral and social event presence of the Club website for 2019 and encourage booking on-line.
 - As a general rule review the financing of events to ensure that events are self-supporting.
- Arts:
 - Continue to seek art to fill remaining historical gaps in the collection.
 - Maintain and update the catalogue of the Club's art collection.
 - Agree an evaluation of the existing Art collection, determined by artistic quality and historical importance.
 - Explore means to exploit the Art collection for the benefit of the Club and its Members.
 - Commission a portrait of the new Club President.
- Archive:
 - Produce a summary of Club activities for 2019.
 - To work with the Events Team to record representative items for inclusion in an annual photograph supplement to the annual Digest.
- Library
 - To acquire books that fill the gaps in the library history.
 - To develop the loan system for Club Members.
- Nominations:
 - Continue to manage the Trustee length of tenure ensuring the skill gaps are replaced as Trustees leave the Board.
- Finance, Audit and Risk Committee:
 - To monitor the monthly trading accounts.
 - To advise on the costs of refurbishment and renovation programmes.
 - To advise on the rates for bedrooms and subscriptions.
 - To continue to enhance the review of risk management.
 - To monitor control systems.
 - To improve the communication of finances to the Trustees.
 - To maintain budgetary control of the Centenary project, through to conclusion.
 - To ensure that the Trading Company continues to develop the non-charitable revenue in keeping with the Objectives of the Club.
 - To oversee the continued compliance with the General Data Protection Regulation (GDPR).
- Human Resources
 - To become one of the Country's top 10 employers in the Times Newspaper "Not for Profit" sector.
 - To continue to recruit staff of a high calibre.
 - To continue to run "Town Hall Meetings" to share the Club's vision, mission and Core values.
 - To look at ways to retain staff, thus reducing staff turnover.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2018

SAFEGUARDING THE FUTURE OF OUR CLUB

- Redevelopment plans to be based on firm evidence:
 - Continue to control entry to the Club
 - Banquet kitchen expansion and refrigeration
 - Implementation of improved office space
- Develop and introduce a strong legacy and donations scheme

ACCOUNTING AND REPORTING RESPONSIBILITIES

The Companies Act 2006 requires the Trustees of the Charity to prepare accounts for each financial year, which give a true and fair view of its financial activities during the year, and of its financial position at the end of the year.

In preparing this report, the Trustees are mindful that whilst the Report and Accounts must meet the requirements of the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), there will be Members of the Club who will look to the report for assurances that the Club is being managed in a prudent and appropriate way, especially with regard to safeguarding the future of the Club and maintaining the standards of the facilities offered by the Club. In attempting to meet the requirements of the Charity Commission and the membership, the Trustees wish again to reinforce the following:

- That the Club is run as a Charity and that expenditure is in accordance with the Club's Charitable Purposes. These Charitable Purposes include the provision of a service to promote the efficiency of the RAF by establishing, maintaining and conducting in London, a central residential and non-residential Club for the use and accommodation of Members and by making available to them such other services, recreational facilities and leisure time activities as may be desirable, at prices which, so far as is possible, can be afforded by all Members of whatever rank.
- That our policy is not to build up substantial cash reserves in excess of the Board approved Reserves policy but rather to use income in pursuing the Club's Charitable Purposes, giving due regard to prudence, propriety and reasonableness in all expenditure and, in particular, ensuring that the Club's facilities are adequately maintained and protected.
- That in managing the finances of the Club, we have:
 - Selected suitable accounting practices, which we apply consistently;
 - Made judgements and estimates that are reasonable and prudent;
 - Followed applicable accounting standards and the Charities SORP;
 - Disclosed and explained any departures in these accounts;
 - Prepared the accounts on the 'going-concern' basis unless it is inappropriate to assume that the Charity will continue in operation; and
 - Sought advice from properly qualified experts on projects and the use of a bank facility.

In managing the finances in this way, we have ensured that the Club is safely managed from a financial point of view.

The Board of Trustees is responsible for keeping accounting records, which are such as to disclose, with reasonable accuracy, the financial position of the Charity at any time, and to enable them to ensure that the accounts comply with charity law. The Board of Trustees is also responsible for safeguarding the Charity's assets and ensuring their proper application in accordance with Company law, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

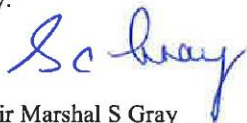
YEAR ENDED 31ST DECEMBER 2018

ACCOUNTING AND REPORTING RESPONSIBILITIES (continued)

So far as each of the Governors is aware at the time the report is approved:

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

The Trustees' report, incorporating the Strategic Report, was approved by the Board of Trustees and signed on their behalf by:



Air Marshal S Gray
(Chairman of the Board of Trustees)

20 March 2019

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES AND MEMBERS OF THE ROYAL AIR FORCE CLUB

Opinion

We have audited the financial statements of The Royal Air Force Club for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company and group's affairs as at 31 December 2018 and of the charitable company and group's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement on page 13, 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 charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 charitable company'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.

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES AND MEMBERS OF
THE ROYAL AIR FORCE CLUB (continued)**

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report. 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 incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and group and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the strategic report and the directors' report).

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

- adequate accounting records have not been kept by the charitable company and group; or
- the charitable company and group's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Use of our report

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



Anna Bennett
Senior Statutory Auditor
for and on behalf of haysmacintyre, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

20 March 2019

haysmacintyre is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCLUDING THE INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2018

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
INCOME FROM:					
Charitable activities					
Club income	1	8,597,486	-	8,597,486	7,520,238
Donations and legacies					
Legacies		72,441	-	72,441	40,000
Donations		-	20,500	20,500	398,177
Other trading activities					
Trading activities	7a	216,458	-	216,458	175,807
Total income		<u>8,886,385</u>	<u>20,500</u>	<u>8,906,885</u>	<u>8,134,222</u>
EXPENDITURE ON:					
Charitable expenditure					
Club operating costs	2	8,467,372	-	8,467,372	7,399,280
Fine Art	2	13,833	100,593	114,426	91,347
Donations made	2	13,362	-	13,362	16,313
Raising funds					
Trading activities	7a	168,925	-	168,925	138,805
Total expenditure	2	<u>8,663,492</u>	<u>100,593</u>	<u>8,764,085</u>	<u>7,645,745</u>
Net income and net movement in funds		222,893	(80,093)	142,800	488,477
Transfers between funds	12	-	-	-	-
Balance brought forward		<u>7,188,543</u>	<u>80,093</u>	<u>7,268,636</u>	<u>6,780,159</u>
Balance carried forward		<u>£7,411,436</u>	<u>£-</u>	<u>£7,411,436</u>	<u>£7,268,636</u>

All transactions are derived from continuing activities.

All gains and losses recognised in the year are included in the statement.

The notes on pages 21 to 29 form an integral part of these financial statements.

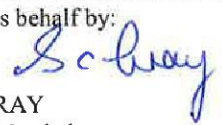
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	6	12,891,232	8,914,227
CURRENT ASSETS			
Stocks	8	106,082	118,980
Debtors	9	313,557	235,647
Cash at bank and in hand		691,308	614,719
		<u>1,110,947</u>	<u>969,346</u>
CREDITORS: amounts falling due within one year	10	<u>(1,678,582)</u>	<u>(1,151,792)</u>
NET CURRENT (LIABILITIES)/ASSETS		(567,635)	(182,446)
CREDITORS: amounts falling due after more than one year	11	<u>(4,912,161)</u>	<u>(1,463,145)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>£7,411,436</u></u>	<u><u>£7,268,636</u></u>
FUNDS			
Unrestricted funds			
- Designated funds	12	7,411,436	7,188,543
- General fund	12	-	-
Restricted funds	13	-	80,093
		<u><u>£7,411,436</u></u>	<u><u>£7,268,636</u></u>

The parent undertaking's total income for the year before gift aid from RAFCTC Limited were £8,690,427 (2017: £7,958,415) and its surplus of income over expenditure for the year amounted to £95,267 (2017: £451,475).

The financial statements were approved and authorised for issue by the Board on 20 March 2019 and were signed below on its behalf by:


S GRAY
Air Marshal


I MELIA
Flight Lieutenant

The notes on pages 21 to 29 form an integral part of these financial statements.


THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)


CHARITY STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	6	12,891,232	8,914,227
Investments	7	100	100
		<u>12,891,332</u>	<u>8,914,327</u>
CURRENT ASSETS			
Stocks	8	106,082	118,980
Debtors	9	331,337	368,231
Cash at bank and in hand		655,948	464,869
		<u>1,093,367</u>	<u>952,080</u>
CREDITORS : Amounts falling due within one year	10	<u>(1,661,102)</u>	<u>(1,134,626)</u>
NET CURRENT (LIABILITIES)/ASSETS		(567,735)	(182,546)
CREDITORS: amounts falling due after more than one year	11	<u>(4,912,161)</u>	<u>(1,463,145)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>£7,411,436</u></u>	<u><u>£7,268,636</u></u>
FUNDS			
Unrestricted funds			
- Designated funds	12	7,411,436	7,188,543
- General fund	12	-	-
Restricted funds	13	-	80,093
		<u><u>£7,411,436</u></u>	<u><u>£7,268,636</u></u>

The financial statements were approved and authorised for issue by the Board on 20 March 2019 and were signed below on its behalf by:


S GRAY
Air Marshal


I MELIA
Flight Lieutenant

The notes on pages 21 to 29 form an integral part of these financial statements.

THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2018

	2018	2017
	£	£
Cash provided by operating activities	<u>780,901</u>	<u>1,264,012</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	<u>(4,639,940)</u>	<u>(4,308,621)</u>
Cash used in investing activities	<u>(4,639,940)</u>	<u>(4,308,621)</u>
Cash flows from financing activities		
New secured loan	4,036,855	1,463,145
Loan repayments	<u>(101,227)</u>	<u>-</u>
Cash provided by financing activities	<u>3,935,628</u>	<u>1,463,145</u>
Increase/(decrease) in cash and cash equivalents in the year	<u>76,589</u>	<u>(1,581,464)</u>
Cash and cash equivalents at the beginning of the year	<u>614,719</u>	<u>2,196,183</u>
Total cash and cash equivalents at the end of the year	<u>691,308</u>	<u>614,719</u>

ANALYSIS OF CHANGES IN NET FUNDS	At 1 January	Cash	At 31 December
	2018	Flows	2018
	£	£	£
Cash at bank and in hand	£614,719	76,589	691,308
	<u>£614,719</u>	<u>£76,589</u>	<u>£691,308</u>

RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018	2017
	£	£
Net movement in funds	142,800	488,477
Add back depreciation charge	662,935	604,118
Decrease in stock	12,898	4,987
Increase in debtors	(77,909)	(41,534)
Increase in creditors	40,177	207,964
Net cash provided by operating activities	<u>£780,901</u>	<u>£1,264,012</u>

The notes on pages 21 to 29 form an integral part of these financial statements.

THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2018

1. ACCOUNTING POLICIES

General information

The Royal Air Force Club is a charitable company, limited by guarantee, registered in England and Wales. Its registered office is detailed on page 1 of the financial statements within Legal and Administrative details. The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Royal Air Force Club 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).

All of the expenditure incurred by The Royal Air Force Club is for charitable purposes.

Basis of consolidation

These financial statements consolidate the results of The Royal Air Force Club and its subsidiary, The RAFCTC Limited on a line by line basis. As permitted by Section 408 of the Companies Act 2006, the Statement of Financial Activities of the parent undertaking is not presented as part of these financial statements.

Fund accounting

Unrestricted funds comprise accumulated surpluses and deficits on general funds. They are available for use at the discretion of the Trustees in furtherance of the general charitable objectives.

Designated funds are amounts that have been set aside at the discretion of the Trustees.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

Income

Income represents the total income receivable during the year comprising subscriptions, entrance fees, bedroom receipts, food, liquor and investment income.

Depreciation

The freehold buildings are maintained to a standard that preserves likely residual value at a level at least equal to the book value. Accordingly no provision has been made for depreciation as the amount involved would not be material.

The Centenary project is being depreciated as follows:

Building element is written off on a straight line basis over 50 years.

Fixtures and Fittings are written off on a straight line basis over ten years.

Electrical equipment is written off on a straight line basis over three years.

Improvements to Club premises are written off on a straight line basis over six to fifteen years from the date of completion of the refurbishment.

Computer equipment is written off on a straight line basis over three years.

THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

1. ACCOUNTING POLICIES (continued)

Additions to the furniture, fittings, equipment and other improvements to the Club premises have been written off directly against revenue. The amount expensed in the year was £39,212 (2017: £91,878).

The Club does not capitalise donated assets principally comprising works of art

Allocation of support costs

Support costs include back office costs, finance, personnel, payroll and governance costs which support the Club's activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 2.

Pensions

The Club operates a Group Personal Pension Plan with Legal and General. Contributions to the Plan are charged to the income and expenditure account.

Stocks

Stock is included at the lower of cost or net realisable value. Donated items of stock are recognised at fair value which is the amount the charity would have been willing to pay for the items on the open market.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the Club has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments

The Club only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying its accounting policies, the Club is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented.

On an ongoing basis, the Club evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the

THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known

The following paragraph details the estimate and judgement the Club believes to have the most significant impact on the annual results under FRS 102.

Land & Buildings

The land and original Clubhouse buildings are recorded at cost within the financial statements. Management have considered depreciation to be immaterial due to the estimated useful economic life of the building being greater than 50 years and the estimated residual value of the building is greater than the carrying value in the accounts. Treatment of the new Centenary project building is mentioned above.

2. ANALYSIS OF TOTAL EXPENDITURE

	Charitable expenditure		Raising funds		2018	2017
	Club operating costs	Fine art	Donations made	Trading activities	Total	Total
	£	£	£	£	£	£
Staff costs	4,474,054	-	-	-	4,474,054	4,009,716
Depreciation	662,933	-	-	-	662,933	604,118
Repairs and maintenance	282,007	-	-	-	282,007	267,990
House supplies	256,169	-	-	-	256,169	230,146
Fine art	-	114,426	-	-	114,426	91,347
Donations made	13,362	-	-	-	13,362	16,313
Trading activities	-	-	-	167,975	167,975	137,905
Support and other costs	2,757,640	-	-	-	2,757,640	2,256,003
Governance costs	34,569	-	-	950	35,519	32,207
	<u>£8,480,734</u>	<u>£114,426</u>	<u>£-</u>	<u>£168,925</u>	<u>£8,764,085</u>	<u>£7,645,745</u>

2017

	Charitable expenditure		Raising funds		2017	2016
	Club operating costs	Fine art	Donations made	Trading activities	Total	Total
	£	£	£	£	£	£
Staff costs	4,009,716	-	-	-	4,009,716	3,814,084
Depreciation	604,118	-	-	-	604,118	573,163
Repairs and maintenance	267,990	-	-	-	267,990	286,877
House supplies	230,146	-	-	-	230,146	201,273
Fine art	-	91,347	-	-	91,347	7,461
Donations made	16,313	-	-	-	16,313	3,000
Trading activities	-	-	-	137,905	137,905	137,357
Support and other costs	2,256,003	-	-	-	2,256,003	2,174,816
Governance costs	31,307	-	-	900	32,207	34,720
	<u>£7,415,593</u>	<u>£91,347</u>	<u>£-</u>	<u>£138,805</u>	<u>£7,645,745</u>	<u>£7,232,751</u>

3. NET INCOME

The net income is stated after charging :
Auditors' remuneration – audit
Depreciation – on owned assets

	2018	2017
	£	£
	20,150	19,400
	<u>662,933</u>	<u>604,118</u>

THE ROYAL AIR FORCE CLUB
(a company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

4. EMPLOYEES AND STAFF COSTS	No.	No.
The average number of contracts for Full Time, Part Time, & Casual Staff	135	129
	£	£
Staff costs were as follows :		
Wages and salaries	3,482,433	3,119,868
Agency	500,298	438,639
Social security costs	305,992	292,060
Other pension costs	170,148	145,426
Termination payments	15,183	13,723
	£4,474,054	£4,009,716
The number of staff who fell within the following bands were:		
£60,001 - £70,000	3	2
£70,001 - £80,000	-	2
£80,001 - £90,000	3	-
£130,001 - 140,000	-	1
£160,001 - 170,000	1	-

5. TRUSTEES' REMUNERATION AND REIMBURSED EXPENSES

The key management personnel of the parent charity, the Club, comprise the Trustees and the Executive Team. The total employee remuneration of the key management personnel of the Club were £822,418 (2017: £695,478). Some members of the key management team commenced employment part way through the year.

No Trustees received remuneration for their services during the year. The charity trustees were not paid from employment with the Club or its subsidiary in the year (2017: Nil). No Club trustee received payment for professional or other services supplied to the Club (2017: Nil) and reimbursed expenses totalled £6,729 (2017: £5,514).

6. TANGIBLE FIXED ASSETS

GROUP AND CLUB	Freehold land and buildings and general improvements	Bedrooms	Function Rooms and Equipment	Centenary Project	Total
Cost	£	£	£	£	£
At 1st January 2018	8,289,874	7,513,038	1,898,650	4,264,421	21,965,983
Additions	650,064	49,120	173,341	3,767,415	4,639,940
Transfer	8,031,836	-	-	(8,031,836)	-
At 31st December 2018	16,971,774	7,562,158	2,071,991	-	26,605,923
Depreciation					
At 1st January 2018	5,720,920	6,354,114	976,722	-	13,051,756
Charge for the year	207,461	266,229	132,755	56,490	662,935
Transfer	56,490	-	-	(56,490)	-
At 31st December 2018	5,984,871	6,620,343	1,109,477	-	13,714,691
Net book value					
At 31st December 2018	£10,986,903	£941,815	£962,514	-	£12,891,232
At 31st December 2017	£2,568,954	£1,158,924	£921,928	£4,264,421	£8,914,227

THE ROYAL AIR FORCE CLUB
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NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

6. TANGIBLE FIXED ASSETS (continued)

All the fixed assets are used for charitable activities.

In addition to the capitalised fixed assets, the Club has an extensive collection of paintings, sculptures and bronzes, other objects d'art and books and documents, either purchased by or donated or loaned to the Club. These represent a history of both aircraft and those who served in or were associated with the RAF. The cost of those items, and especially paintings, purchased by the Club is insignificant in terms of the value of the whole collection, which is irreplaceable. The Trustees do not believe that the significant cost involved in valuing the whole collection for accounting purposes would derive significant additional benefit to the user of the accounts in terms of assessing the Trustees' stewardship of the assets. Consequently these assets have not been capitalised in the financial statements. A full inventory is kept for insurance purposes.

7. INVESTMENTS

The Club has a wholly owned subsidiary, RAFCTC Limited, which operates the trading activity of the Club and gift aids its surplus to the Club.

	2018	2017
	£	£
The Club's investment in the trading company was as follows:		
RAFCTC Limited	100	100

The subsidiary is registered in England and Wales.

7a. TRADING ACTIVITIES

	2018	2017
	£	£
Profit and Loss Account		
Turnover	216,458	175,807
Cost of sales	(51,675)	(42,710)
Gross profit	164,783	133,097
Administration expenses (net of interest receivable)	(117,250)	(96,095)
Profit for the financial year	£47,533	£37,002
 Amount payable under gift aid to the Club	 £47,533	 £37,002
Balance sheet		
Net current assets	100	100
	£100	£100
 Share capital	 100	 100
	£100	£100

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NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

8. STOCKS	Group and Club			
	2018		2017	
	£		£	
Goods for resale	£106,082		£118,980	
9. DEBTORS : Amounts due within one year	Group		Club	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	218,815	137,920	201,989	128,670
Other debtors	17,992	8,732	17,992	8,732
Amounts owed by subsidiary undertakings	-	-	34,606	141,834
Prepayments and accrued income	76,750	88,995	76,750	88,995
	<u>£313,557</u>	<u>£235,647</u>	<u>£331,337</u>	<u>£368,231</u>
10. CREDITORS : Amounts falling due within one year	Group		Club	
	2018	2017	2018	2017
	£	£	£	£
Bank loans	486,612	-	486,612	-
Trade creditors	552,770	697,686	552,769	697,686
Other creditors	81,296	69,779	75,369	65,671
Other taxes and social security	332,237	225,184	320,685	212,106
Accruals and deferred income	225,667	159,143	225,667	159,143
	<u>£1,678,582</u>	<u>£1,151,792</u>	<u>£1,661,102</u>	<u>£1,134,626</u>
11. CREDITORS : Amounts falling due after one year	Group		Club	
	2018	2017	2018	2017
	£	£	£	£
Bank loan	<u>4,912,161</u>	<u>1,463,145</u>	<u>4,912,161</u>	<u>1,463,145</u>
Analysis of bank loans:				
Amounts falling due:				
Between one and two years	486,612	-	486,612	-
Between two and five years	1,946,448	1,459,836	1,946,448	1,459,836
After five years	2,479,101	3,309	2,479,101	3,309
	<u>£4,912,161</u>	<u>£1,463,145</u>	<u>£4,912,161</u>	<u>£1,463,145</u>

The bank facility, comprising a business term loan of £5,398,773 (2017: £1,463,145), is secured by a first legal charge over the freehold land and buildings at The Royal Air Force Club. The loan is repayable over 15 years following a capital holiday period of 18 months from the date of the last drawdown, with interest charged at 2.45% p.a. above the base rate.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

12. UNRESTRICTED FUNDS

The income funds of the Club include unrestricted funds comprising of the following:

	As at 1 January 2018 £	Net income £	Transfers between funds £	Balance at 31 December 2018 £
General fund	-	209,122	(209,122)	-
Designated funds				
Fixed asset fund	7,045,718	-	209,122	7,254,840
Centenary fund	92,825	(58,670)	-	34,155
Development fund	50,000	72,441	-	122,441
	<u>7,188,543</u>			
Total general funds	<u>£7,188,543</u>	<u>£222,893</u>	<u>£-</u>	<u>£7,411,436</u>
2017				
	As at 1 January 2017 £	Net income £	Transfers between funds £	Balance at 31 December 2017 £
General fund	450,310	335,107	(785,417)	-
Designated funds				
Fixed asset fund	5,209,724	-	1,835,994	7,045,718
Centenary fund	81,994	10,831	-	92,825
Development fund	1,000,000	100,577	(1,050,577)	50,000
	<u>6,291,718</u>	<u>111,408</u>	<u>785,417</u>	<u>7,188,543</u>
Total general funds	<u>£6,742,028</u>	<u>£446,515</u>	<u>£-</u>	<u>£7,188,543</u>

The income funds of the Club include the following designated funds which have been set aside out of the unrestricted funds by the Trustees for specific purposes.

The fixed assets fund represents the net book value of fixed assets held by the group at the year end, less the loan secured on the freehold building to the extent that it does not render the unrestricted funds negative. Due to the centenary project the net book value of fixed assets exceeds the total unrestricted funds by £5,636,392 (2017: £1,868,509).

The Centenary Fund was established so that the Royal Air Force Club would be in a position to mark both the centenary of the Royal Air Force and that of the Club in 2018.

The Development Fund was created to put aside amounts for future large projects.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

13. RESTRICTED FUNDS

	Balance at 1 January 2018 £	Net expenditure £	Transfer from unrestricted funds £	Balance at 31 December 2018 £
Fine art and stained window fund	80,093	(80,093)	-	-
	<u>£80,093</u>	<u>£(80,093)</u>	<u>-</u>	<u>£-</u>

2017

	Balance at 1 January 2017 £	Net income £	Transfer from designated funds £	Balance at 31 December 2017 £
Fine art and stained window fund	38,131	41,962	-	80,093
	<u>£38,131</u>	<u>£41,962</u>	<u>£-</u>	<u>£80,093</u>

The Fine Art and Stained Window Fund, which resulted from an appeal, is used to purchase works of art that primarily cover historical gaps in the Club's collection.

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP AND CLUB	Fixed assets £	Other assets/ (liabilities) £	Total £
Restricted funds	-	-	-
General fund	-	-	-
Designated funds	7,254,840	156,596	7,411,436
	<u>£7,254,840</u>	<u>£156,596</u>	<u>£7,411,436</u>

15. CAPITAL COMMITMENTS

At 31 December 2018 the Club had capital commitments as follows:

	2018 £	2017 £
Centenary Building project authorised and committed	-	3,249,611
Centenary Building project authorised but not contracted for	-	-
	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2018

Comparative consolidated statement of financial activities including the income and expenditure account

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2017 £
INCOME FROM:				
Charitable activities				
Club income	1	7,520,238	-	7,520,238
Other trading activities				
Legacies		40,000	-	40,000
Donations		264,868	133,309	398,177
Trading activities	7a	175,807	-	175,807
Total income		<u>8,000,913</u>	<u>133,309</u>	<u>8,134,222</u>
EXPENDITURE ON:				
Charitable expenditure				
Club operating costs	2	7,399,280	-	7,399,280
Fine Art	2	-	91,347	91,347
Raising funds				
Donations made	2	16,313	-	16,313
Trading activities	7a	138,805	-	138,805
Total expenditure	2	<u>7,554,398</u>	<u>91,347</u>	<u>7,645,745</u>
Net income and net movement in funds		446,515	41,962	488,477
Transfers between funds	12	-	-	-
Balance brought forward		<u>6,742,028</u>	<u>38,131</u>	<u>6,780,159</u>
Balance carried forward		<u>£7,188,543</u>	<u>£80,093</u>	<u>£7,268,636</u>

