

THE ROYAL AIR FORCE CHARITABLE TRUST
CONSOLIDATED REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

Charity Number 1176054

**THE ROYAL AIR FORCE CHARITABLE TRUST
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FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**THE ROYAL AIR FORCE CHARITABLE TRUST
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

Registered Charity Name: The Royal Air Force Charitable Trust

Charity No: 1176054

Company No: CEO12521

Governing Document: CIO Articles and Memorandum of Association 1 December 2017

Trustees: Air Marshal Sir Kevin Leeson KCB CBE FREng CEng FIET
Mr Stephen Barrett (appointed 18 March 2019)
Mr Ian Beresford MBE FRAeS CEng FloD CDir
Mr Peter Brown MBE BSc(Hons)
Mrs Felicity Chadwick-Histed BA MSc (appointed 18 March 2019)
Mr Raj Mody MA FIA (appointed 18 March 2019)
Mr Alan Smith CBE FRAeS
Air Commodore Andy Sudlow MBE BSc FCMI
Lady Delia Thornton LLB Barrister-at-Law
Mrs Kate Wigston LLB BA

Trust Secretary: Group Captain Justine Morton OBE BA MA FCIPD

Principal Office: Douglas Bader House
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Independent Auditor: Crowe U.K. LLP
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Bankers: Barclays Bank Plc
Britannia Warehouse
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Solicitors: Charles Russell LLP
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THE ROYAL AIR FORCE CHARITABLE TRUST TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 28 FEBRUARY 2019

Introduction

On 1 March 2018 the former Trust (Charity Number 210848) was incorporated by way of a transfer of the assets and liabilities of the charity to a charitable incorporated organisation (CIO) (charity number 1176054 & CEO12521).

The former Trust remains in existence to ensure that any legacies that may be left to the Trust are not lost; a 'uniting direction' application is in process with the Charity Commission so that the Trust and the CIO are treated as a single charity for reporting and accounting purposes.

The Trustees present the consolidated group financial statements for The Royal Air Force Charitable Trust (RAFCT) for the year ended 28 February 2019 which incorporate the results of the Trust's subsidiaries, The Royal Air Force Charitable Trust Enterprises Limited (RAFCTE) and Scampton Airshow Limited (SAL), for the year ended 28 February 2019.

Reference and administrative details

Reference and administrative details are shown in the schedule of officers and professional advisers on page 1.

The Trustees

The Trustees who served during the period up to when the financial statements were signed are as follows:

Air Marshal Sir Kevin Leeson KCB CBE FREng CEng FIET
Mr Stephen Barrett (appointed 18 March 2019)
Mr Ian Beresford MBE FRAeS CEng FloD CDir
Mr Peter Brown MBE BSc(Hons)
Mrs Felicity Chadwick-Histed BA MSc (appointed 18 March 2019)
Mr Raj Mody MA FIA (appointed 18 March 2019)
Mr Alan Smith CBE FRAeS
Air Commodore Andy Sudlow MBE BSc FCMl
Lady Delia Thornton LLB Barrister-at-Law
Mrs Kate Wigston LLB BA

STRUCTURE, GOVERNANCE AND MANAGEMENT

History and charitable objectives

The Trust was established in 1950 in England and Wales, with a grant of £30,000 from the then Air Council, now Ministry of Defence, to promote, present or co-operate in the organisation of air pageants and displays, in order to promote the recruitment and efficiency of the Royal Air Force. The original Trust Deed states that proceeds of such air shows may be used to further the aims of the charity, or for any other charitable purpose that will benefit past or present members of the Royal Air Force.

The Trust provided finance and administrative support for a number of air shows held at various locations, during the period 1950 to 1987, and donated income to the Royal Air Force Benevolent Fund ("the Fund") for the benefit of serving and former members of the Royal Air Force. The Trust remained mostly inactive during the period 1988 to 1993, as the Fund had formed a trading subsidiary, The Royal Air Force Benevolent Fund Enterprises ("the trading company"), to undertake the primary air show activity.

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The Charity Commission approved a revised Scheme of Administration, widening the permitted activities, but retaining the original objects of the Trust, on 18 February 1994. Following this, the Trustees were able to take the leading role in financing the airshow activity of the trading company, which donated profits to the Trust.

Following the completion of a governance review in 2004, a decision was taken to alter the relationship between the Fund, its trading company and the Trust. In January 2005, with the support of the Charity Commission, RAF, the Fund and MOD, the Trust was renamed 'The Royal Air Force Charitable Trust', charity number (210848). The Trust then assumed ownership of the trading company from the Fund and the Trust's Deed was amended to reflect this change. At the same time, it was decided to alter the name of the trading company to 'The Royal Air Force Charitable Trust Enterprises' (RAFCTE).

Governance

The Trustees are responsible for the governance of the Trust. The day to day running of the Trust is delegated to the Director of the Trust.

Trustees meet in formal session 4 times per calendar year and can also hold up to 2 joint meetings with the Board of Directors of RAFCTE and SAL. However, a considerable amount of Trust activity is now conducted electronically, including the circulation of policy documents, the approval of applications for grants and various other discussions. This improves the responsiveness of the Trust and allows more business to be conducted promptly, efficiently and with minimal overhead costs. A matrix of Trustee competences is maintained and mapped to Trust business to ensure an adequate balance of skills is maintained within the Trustee body. Trustees' backgrounds include industry, law, commerce, finance, risk and education, as well as service in the Royal Air Force. New Trustees are recruited through a number of avenues: through informal networks of current Trustees and the Royal Air Force and through more formal recruitment methods using advertisements and websites and recruitment agencies. The full board approves new Trustee appointments. New Trustees undergo an induction process and, if required, undertake a basic training package. Trustees maintain their currency through charity briefing updates and serve a maximum of 2 terms of 4 years. A strategy is in place to ensure timely and appropriate replacements with relevant skill sets.

RAFCTE staff pay is considered each year by the Remuneration Committee and approved by the Committee, whilst Director's pay/remuneration is recommended by the Trading Company Boards' and ratified by the Trustees. The Trustees set the pay of the Trust employees based on equivalent criteria. RAFCT staff pay (including Key Management Personnel) is benchmarked against similar charities and is approved by the Board of Trustees.

Governance Code

The Charity Governance Code was reviewed by the Trustees during the year, and it was felt that no changes need to be made to RAFCT's governance at this point other than to recruit for new Trustees. Consequently, three new Trustees were appointed on 18 March 2019. Governance is kept under constant review.

Fundraising

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011. The charity does not door-to-door fundraise or proactively seek to fundraise, but is grateful of donations that are received each year. The Charity does not have a fundraising department.

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OBJECTIVES AND ACTIVITIES

The Trustees continue to believe that the Trust's stated mission to 'Promote, Support & Encourage'¹ is an apposite and effective definition of the Trust's role in the Service charities sector, complementing and, where appropriate supporting, the work undertaken by the other RAF Charities such as the RAF Benevolent Fund, the RAF Central Fund, the RAF Association and the RAF Museum. Similarly, Trustees have reiterated their belief that the delivery of these objectives is best achieved through the staging of the Royal International Air Tattoo (RIAT) and other airshows, assisting in the organisation of other airshows and delivering the RAF In Concert programme (PROMOTE). Additionally, the giving of grants in accordance with Trustees aims (SUPPORT and ENCOURAGE). Furthermore, as part of the long-term delivery of the Trust's objects to a wider audience, Trustees have instigated a series of awards and scholarships, funded by the Trust, but delivered through third parties including the Royal Air Force Flying Clubs' Association (RAFFCA), the Royal Air Force STEM organisation, the Arkwright Trust and the Air Cadet Organisation. Trustees have met their objectives during the period to promote the work of the Trust, to continue to oversee the Trust's governance and financial arrangements, working closely with the RAF, the RAF family of charities, their current partners and the Air Cadet Organisation to ensure that Trust grants and activities are delivered to maximum effect. During the year, the RAF 100 Appeal, supported in conjunction with the other RAF Charities, concluded and was a major success, complementing the Trusts core objectives.

PUBLIC BENEFIT

By its support for recruitment to the RAF, the Trust contributes towards the sustainment of the Service. Furthermore, the grants awarded by the Trust to promote the efficiency of the Royal Air Force have a positive effect on the military effectiveness of the UK's air power, through improved morale, more opportunities and a better quality of life for service personnel. The Trust's work to promote an understanding of and interest in aviation and STEM² subjects supports the national employment base. The Royal International Air Tattoo is a major showcase for the Royal Air Force and the considerable international attendance provides a significant opportunity for UK Defence Diplomacy and influence to be reinforced. Having considered the Charity Commission guidance on public benefit, the Trustees believe that there is direct public benefit derived from the work of the Royal Air Force Charitable Trust in the sustainment and effectiveness of the Royal Air Force, which constitutes a significant element of the defence of the Realm. Additionally, a significant number of young people are provided with an opportunity to succeed by the giving of flying scholarships, engineering scholarships and grants that offer the ability to learn about and progress in aviation and engineering. The Trustees confirm they have considered Section 17 of the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit.

ACHIEVEMENTS AND PERFORMANCE

The Trust made grants totalling £810,828 (2017/18 £755,866).

The increasing amount of grants reflects the further improvement in income from the trading company, once again made possible by another successful RIAT and other trading activity.

Trustees are pleased to report that plans for the year, as outlined in the last year's report, were all achieved successfully. These were as follows:

- Capitalise and consider, in conjunction with other RAF Charities, the apportionment of the funds that were raised by RAF100 and in furtherance of the CIO's mission.

¹ The mission of the Royal Air Force Charitable Trust is to PROMOTE the Royal Air Force, to SUPPORT its people now and into the future and to ENCOURAGE air-mindedness and the aviation-related education of youth.

² Science, Technology, Engineering and Mathematics.

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- The development of grant policy, to include the possibility of partnering with similar organisations to achieve the greatest affect.
- Consolidating the thread of activity across the three main objectives, from promoting the RAF and STEM by engagement with schools and youth groups, to competitions and awards to encourage young people, leading on to support for service personnel and capitalising on promoting this work.
- Consolidating the CIO's support to flying activity and air experience for young people and seeking further opportunities to develop this aspect of the CIO's mission.

The Trust's work continues to successfully reflect the three elements of the mission. The first element, to PROMOTE the Royal Air Force, is delivered predominantly by the activities of the RAF Charitable Trust Enterprises, in particular the Air Tattoo and the Concert Programme. The Trust delivers its SUPPORT element by the delivery of grants or for the awards and scholarships. Finally, the ENCOURAGE element is an objective that threads through all our activity to encourage air mindedness in the young through its scholarships, STEM work and flying activity.

Trustees focus this year continued on the strategy to work with partners to deliver STEM and flying activity. A grant for £48k was approved to buy a microlight for the Flying for Freedom organisation in order to support RAF personnel both past and present to recover from physical and mental injury. The Trust also sought to build on its work with young people and sponsored double the number of Arkwright scholarships for young people. This year also saw partnerships increase in ambition and reach resulting in a new STEM partnership: RAFCT have partnered with the RAF who will deliver hundreds of STEM workshops across the country supported by the Trust: additionally, the Trust has partnered with the RAF and the Scout Organisation to deliver the Scouts national Air Activities badge.

The impact of the Trust's work includes significant improvements to the quality of life and the well-being of personnel on a number of RAF Stations through the provision of funding for equipment, the refurbishment of community centres and crew rooms and support for adventurous training (AT) and sports teams. This year there has been an emphasis to support several challenging AT expeditions one of these being the RAF leading AT expedition of the year - Exercise Himalayan Venture 18. Additionally, the work to encourage young people to become involved in aviation, on the ground and in the air, has continued seeing both RAF junior ranks (through the Junior Ranks Pilot Scholarships Scheme) and the Air Cadets (through the Sir Michael Knight Scholarships) firmly established.

RAF CENTENARY 2018

Throughout the year, RAFCT has been heavily involved in supporting the RAF Centenary. RAFCTE has led the Sponsorship efforts of The RAF100 Appeal, a Joint Venture between the four principal RAF charities and the RAF. The RAF 100 Appeal was formed on 29 January 2016 and this agreement provided protections for the Charities for their historical activities and income streams and included an agreement on the disbursement of surpluses based on a benchmarking system.

RAFCTE was responsible for the delivery of a number of landmark events which included the Centenary Gala Concert at the Royal Albert Hall on 31 March 2018 and hosting the world's Air Arms to mark the 'International Celebration' of the world's oldest Air Force at RIAT on 13 to 15 July 2018.

This disbursement was realised in 18/19 which resulted in RAFCT donating a surplus of £125k to RAF100 – please refer to page 9 of the financial review.

Based on SORP (FRS 102), paragraph 3.11 equity accounting has not taken place within these financial statements.

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ROYAL INTERNATIONAL AIR TATTOO

The 2018 Air Tattoo was a key component in the RAF100 campaign and was selected to be the official 'international' celebration of the RAF's Centenary. Particular emphasis was placed upon promoting the Centenary to a record crowd of 185,000 visitors over three full show days (July 13-15). This was achieved through the first ever Royal Review of the Royal Air Force in front of the general public, the parading of the newly-presented Colour and although weather intervened, a flypast of RAF assets from the past and present. RAFCTE further worked to promote the 'Inspire' element of RAF100 through providing free entry for under 18's and working with schools to facilitate 7,500 school children attending the event on the Friday as part of their STEM curriculum.

In total, 302 aircraft, from 43 air arms representing 30 nations attended RIAT 2018, of which 121 took part in the flying display. Among the flying display highlights were several unique flypasts. A special tribute to the legendary 617 'Dambusters' Squadron saw the iconic Lancaster bomber from the Battle of Britain Memorial Flight fly in formation with the squadron's current aircraft, the Tornado and the RAF's new state-of-the-art F-35B Lightning II. Another flypast featured nine RAF Typhoons in formation, as part of centenary celebrations.

Other flying highlights included displays by the US Air Force Heritage Flight; the Ukrainian Su-27 Flanker; the Royal Canadian Air Force CF-188 Hornet; the French Aeronavale Rafale M duo; the Italian Frecce Tricolori aerobatic display team and the RAF's Red Arrows. Visitors on Saturday were treated to a rare flypast by a US Air Force B-2A Spirit stealth bomber that had made the round trip from its base in Missouri, US. In the static aircraft park there were examples of aircraft from around the world including debut appearances by the Embraer KC-390 from Brazil, the Kawasaki C-2 from Japan and the HH-101A CaeSAR tactical helicopter from the Italian Air Force.

Just days prior to the airshow, history was made as the first transatlantic flight by a civilian-registered Remotely Piloted Aircraft (RPA) touched down, ushering in a new era in unmanned aviation. The SkyGuardian is the latest version of the General Atomics' MQ-9 Reaper remotely piloted air system. Capable of flying for up to 40 hours at a time at altitudes of up to 40,000ft, when SkyGuardian comes into RAF service it will be known as 'Protector'.

Among the Royal guests in attendance at the Air Tattoo were HRH the Duke of Kent, Patron of the RAF Charitable Trust; HRH Prince Michael of Kent; HRH The Princess Royal and HRH Prince Feisal bin Al Hussein of the Jordanian Royal Family. Guests from the world of politics included the Chancellor of the Exchequer Philip Hammond; the Secretary of State for Defence Gavin Williamson; the Parliamentary Under-Secretary of State for Defence People and Veterans, Tobias Ellwood and the Minister for Defence Procurement Guto Bebb. In total, the Air Tattoo hosted 79 military delegations including 64 military chiefs from around the world.

The Trustees are exceptionally grateful to the RIAT Title Sponsor BAE Systems and the many other sponsors, customers and the UK and international media that make the show such a success.

The Trustees also acknowledge the significant support the Group receives from all its stakeholders – in particular the MoD, Royal Air Force, United States Air Force, Department of Defence and the aerospace industry, who themselves continue to be affected by the continuing pressure on available resources and operating budgets.

And finally, the Trustees extend their gratitude to the thousands of dedicated civilian volunteers (over 1,500), RAF Air Cadets (RAFAC), RAF Cosford and other personnel who make a significant contribution for without their help and loyal support, the annual holding of RIAT would not be possible.

RAF IN CONCERT PROGRAMME

RAFCTE staged a total of 12 musical events for the Royal Air Force in 2018, attracting a combined audience of over 22,000. The highlight was undoubtedly the RAF Centenary Gala held in the Royal

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Albert Hall on 31 March 2018, staged as part of the national launch of RAF100. With the enormous support of the RAF Principal Director of Music and his Bands, RAFCTE worked with BBC Studios as the creative and production partner, the RAF Media and Communications team, many members of the RAF and RAFAC, and a host of personalities who gave their time to provide a spectacular evening where the story of RAF personnel, both past and present touched the heartstrings of a capacity audience. The Board is extremely grateful to Blake, Alexandra Burke, Tom Fletcher, Mick Hucknall, Danny Jones, Dan Snow, Carol Vorderman, and many others for their contributions. The Gala was broadcast on BBC Radio 2 the following week.

Later in the year the national tour took place with a further extension on this Centenary occasion into Wales, Northern Ireland and Scotland. The Trustees extend their thanks to Wing Commander Morrell, RAF Principal Director of Music, the Bands of the RAF, the RAFAC for their poem readers, all the presenters; Paul Clarke, Tony Currie, Alan Dedicoat, David Garmston, and Aled Jones, and our generous sponsors BAE Systems and Lockheed Martin.

AIR TATTOO EVENT SERVICES

The company continued to provide consultancy support for multiple airshows including RAF Cosford (June 2018) and Scotland's National Airshow at East Fortune (July 2018).

SCAMPTON AIR SHOW LIMITED (SAL)

Following the cancellation of the Waddington Airshow in 2014, the Royal Air Force commissioned a review by RAFCTE into the feasibility of staging an airshow in the Lincolnshire area. As a result of that review, RAFCTE were asked by the Royal Air Force to stage such an event at RAF Scampton in September 2017. This met RAFCT's charitable objects and as a result, in order to facilitate this event, RAFCT formed a new company, Scampton Airshow Limited, in June 2016. To support this initiative, the Royal Air Force provided RAFCT with £655,000 funding from the trading surplus generated by the Waddington Air Show. As part of the restructuring an inter-company loan was made by the Trust to the newly formed trading company to provide essential start-up working capital. Through 2016/17 and 2017/18 the Trust funded the start-up of SAL, injecting £655,000 into the company through £150,000 share capital and £505,000 Project Related Investment. The Inaugural Scampton Airshow was held successfully in September 2017.

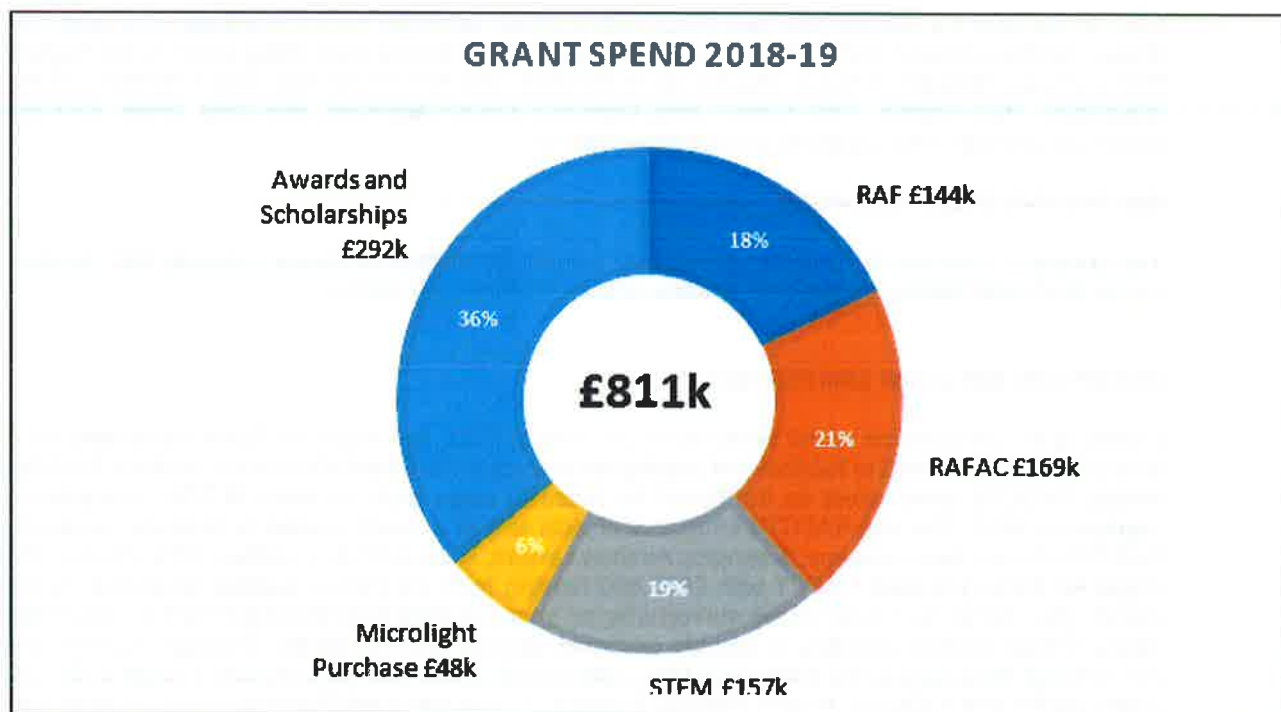
Post the 2017 Airshow, the Group wished to reflect on the learnings from the first show and recognised that resources would be stretched in 2018, the RAF's Centenary year. The decision was made to defer the next Scampton Airshow until 2019 and fully consider the many lessons learnt with the ambition of running an event in 2019. During the reporting period, the Ministry of Defence confirmed in July 2018, as part of a wider review of their infrastructure needs, that RAF Scampton was to be closed. As a result of that announcement, the Group acknowledged that SAL therefore could not stage another Airshow at RAF Scampton. Whilst the Group will review the demand for and options available for an alternative event, it was considered necessary that SAL should stop trading and be re-structured.

The Group continues to review alternative opportunities that would support its objectives but in the interim the Group has also taken the opportunity to financially re-structure, impairing Group investments in Scampton Air Show Limited and thereby eliminating the accumulated losses in that company, to facilitate any future potential investment. Accordingly, RAFCT has impaired their investment in SAL - the Trustees decided to impair all but £100 of this investment - and RAFCTE has written off their inter-company debt, so that SAL can be re-structured, to facilitate any future re-investment. The net write-off in RAFCT arising from this was £654,900 following the impairment of the programme related investment and capital reduction.

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GRANTS

Please refer to the website - <http://www.airtattoo.com/the-trust/how-the-money-is-spent> for a detailed breakdown of all the grants awarded in the year and to which institutions.



RISKS

The Trustees complete an annual review of the Risk Register and no new risks were identified associated with the work of the Trust. The risks previously identified and that remain relevant include:

- Failure to meet the objectives due to a lack of available finance. This is mitigated by the reserve policy.
- Reputational risk associated with support of an unsuccessful or dangerous project. This is mitigated by the application process which ensures that all bids are properly staffed including a thorough follow up and review process.

FINANCIAL REVIEW

During the year RAFCTE and the Charity placed surplus cash on fixed term bank deposit whenever cash flow prediction allowed. This generated a return of £22,032 (2017/18 £11,724).

The Trustees were pleased to note the further improvement in the operating profit generated by RAFCTE during Financial Year 18/19. They continue to be encouraged by the excellent work done by the RAFCTE Board of Directors in improving the company's financial position.

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Consolidated (i.e. for both the Trust and the Trading companies) income for the period was £13,085,747 (2017/18: £12,234,239) of which £13,047,054 (2017/18: £10,524,589) related to the trading activities of RAFCTE and £NIL (2017/18 £1,668,085) to SAL (after intercompany balance elimination). Expenditure for the period was £12,466,154 (2017/18: £12,745,629) of which £11,803,475 (2017/18: £9,789,195) was attributable to RAFCTE and a saving of £50,928 (2017/18 cost £2,076,739) to SAL (after intercompany elimination). This resulted in net surplus of £619,593 (2017/18: deficit of £511,390). The expenditure by RAFCTE is predominately associated with the staging of RIAT and the RAF in Concert tour, both of which deliver the Trust's objective of promoting the Royal Air Force. SAL did not trade in the period; the savings arose from the release of cost provisions relating to the staging of the inaugural Scampton Airshow which were no longer required. These costs can therefore be considered as a cost associated with the group's expenditure on delivering the charitable activities of the Trust.

The Trust activity is shown in the financial statements. Gross income to the Trust in the year was £1,405,804 (2017/18 £1,264,508) of which £1,250,579 (2017/18 £1,225,000) was covenanted from RAFCTE, £116,532 (2017/18 £NIL) was a dividend from SAL following the financial re-construction of the Group and the balance raised from donations and interest. RAFCTE operating and governance costs were £125,779 (2017/18 £121,770) and grants of £810,828 (2017/18 £755,866) were made, details of which are shown above, as well as an RAF 100 donation of £125,000 (2017/18 £NIL)

Consolidated net assets were £3,195,460 (2017/18 £2,575,867) at the balance sheet date, of which £682,708 (2017/18 £682,708) represents retained profits of RAFCTE, £NIL the retained profits of SAL (2017/18 deficit £780,296) and £2,512,652 (2017/18 £2,168,455) represents the Trust's unrestricted fund and £100 (2017/18 £655,000) the restricted funds.

The Trustees consider that both the Trust and its trading subsidiary RAFCTE are financially healthy and well placed not only to meet the demands of on-going financial commitments, but also to take advantage of opportunities that may arise in forthcoming years. Following the decision that SAL would cease trading, the Trustees impaired the investment in SAL to £100 and re-structured the Group, eliminating SAL's cumulative losses, enabling SAL to be re-funded should a suitable opportunity be identified.

The RAF 100 Centenary year saw a significant improvement for RAFCTE which reflects a 20% increase in turnover, in large part due to the RIAT 2018 Friday being a full public day. The introduction of many showground improvements continues and from feedback from the public, these were well received. This enhancement of the show is a continuing process and is made possible by the efforts and contribution of our permanent staff and volunteers. In addition to the showground improvements, RAFCTE has also invested in technology to ensure that the customer and volunteer experience is delivered in line with expectations in this digital age. The Group accepts the need to continue to adapt to change as the trading company faces the challenges that may lie ahead.

The financial statements comply with current statutory requirements, the Statement of Recommended Practice (FRS102) and the Trust's CIO Articles and Memorandum of Association dated 1 December 2017. The financial statements have also been prepared with due regard to guidance published by the Charities Commission on the operation of the Public Benefit.

RESERVES POLICY

The RAFCTE provides the main revenue for the Trust through a range of activities including the Royal International Air Tattoo, RAF Band Concert Tours, other event management activities and sales of merchandise. As profits from some of these events are potentially vulnerable to weather and other exigencies, the Trustees have maintained a minimum reserve of £400,000. This is intended to provide a buffer against a financial year where RAFCTE were unable to make a significant grant to the Trust. This sum, supplemented by any donation income direct to the Trust, would cover the cost of employment, administration and minimal PR for 12 months plus a small amount of grants and scholarships. The Trustees note that at the year-end Trust reserves totalled £2,512,712 of which £100 is restricted (2017/18 £2,823,455 – includes £655k restricted funds). Within those reserves the Trust's cash balances totalled £1,142,735 (2017/18 £502,101), against which the Trust has made Grant

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commitments that have yet to be paid of £340,691 (2017/18 £292,761), with uncommitted and liquid funds therefore of £802,044, as compared to the minimum reserve of £400,000 requirement set out in the Trust's reserves policy.

The Trustees continue to review their reserves policy to ensure there are adequate reserves available to meet future requirements.

PLANS FOR FUTURE PERIODS

As noted on page 2 the Trust's trade and assets were transferred to the new CIO on 1 March 2018. The CIO will continue the charitable activities under taken by the Trust.

The CIO will continue to look for opportunities to further its aims via RAFCTE and SAL and, in doing so, will remain fully engaged with the RAF, the other RAF Charities and the Air Cadet Organisation and its new partners. Trustees are keen to further the CIO's mission to promote aviation education and air-mindedness in young people, and will seek increased opportunities to do this, either in partnership or through its own efforts, in coming years. They are especially keen to maximise the opportunities that were realised by the RAF's 100th Anniversary in 2018 and to set in place opportunities that will maximise the CIO's objectives.

The Trustees considered that their goals over the next 12 months should include:

- Continue the development of grant policy, to include continuing to build on partnering with similar organisations to achieve the greatest affect.
- Consolidating the thread of activity across the three main objectives, from promoting the RAF and STEM by engagement with schools and youth groups, to competitions and awards to encourage young people, leading on to support for service personnel and capitalising on promoting this work.
- Honing the CIO's support to flying activity and air experience for young people and seeking further opportunities to develop this aspect of the CIO's mission.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Charity law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and the Group and of the incoming resources and application of resources, of the Group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

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The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions, disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the Charity's constitution. They are also responsible for safeguarding the assets of the Charity and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees' Report is signed on behalf of the Trustees by:



Air Marshal Sir Kevin Leeson KCB CBE FREng CEng FIET

Date 25 June 2019

**THE ROYAL AIR FORCE CHARITABLE TRUST
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCE
CHARITABLE TRUST
FOR THE YEAR ENDED 28 FEBRUARY 2019**

Opinion

We have audited the financial statements of The Royal Air Force Charitable Trust for the year ended 28 February 2019 which comprise the Consolidated Statement of Financial Activities, Group and Charity Balance Sheets, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Group's and of the Parent Charity's affairs as at 28 February 2019 and of the Group's incoming resources and application of resources including 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 Charities Act 2011.

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.

Conclusions relating to going concern

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the 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.

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 we do not express any form of assurance conclusion thereon.

**THE ROYAL AIR FORCE CHARITABLE TRUST
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCE
CHARITABLE TRUST
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 10, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under Section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

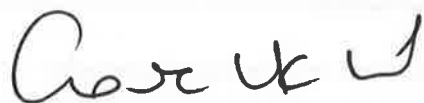
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

**THE ROYAL AIR FORCE CHARITABLE TRUST
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL AIR FORCE
CHARITABLE TRUST
FOR THE YEAR ENDED 28 FEBRUARY 2019**

Use of our report

This report is made solely to the charity's trustees as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we may state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Crowe U.K. LLP
Statutory Auditor
Carrick House
Lypiatt Road
Cheltenham
Gloucestershire
GL50 2QJ

Date: 29 Jun 2019

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006

THE ROYAL AIR FORCE CHARITABLE TRUST
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 28 FEBRUARY 2019

	Notes	Restricted Funds 2019 £	Unrestricted Funds 2019 £	Total Funds 2019 £	Total Funds 2018 £
INCOME FROM:					
Donations	5	-	35,202	35,202	37,755
Other trading activities	5	-	13,028,513	13,028,513	12,184,760
Investments	5	-	22,032	22,032	11,724
TOTAL INCOME	5	-	13,085,747	13,085,747	12,234,239
EXPENDITURE ON:					
Charitable activities	6	-	956,668	956,668	776,872
Raising funds	6	-	11,509,486	11,509,486	11,968,757
TOTAL EXPENDITURE	6	-	12,466,154	12,466,154	12,745,629
NET INCOME		-	619,593	619,593	(511,390)
TRANSFERS BETWEEN FUNDS					
	23	(654,900)	654,900	-	-
NET MOVEMENT IN FUNDS		(654,900)	1,274,493	619,593	(511,390)
RECONCILIATION OF FUNDS					
Balance brought forward	23	655,000	1,920,867	2,575,867	3,087,257
Total funds carried forward	23	100	3,195,360	3,195,460	2,575,867

The notes on pages 18 to 38 form part of these financial statements.

**THE ROYAL AIR FORCE CHARITABLE TRUST
GROUP AND CHARITY BALANCE SHEETS
AS AT 28 FEBRUARY 2019**

	Notes	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
FIXED ASSETS					
Investments	10	-	-	600,100	1,255,000
Tangible fixed assets	11	1,365,000	1,356,862	-	-
		<u>1,365,000</u>	<u>1,356,862</u>	<u>600,100</u>	<u>1,255,000</u>
CURRENT ASSETS					
Debtors - due within one year	12	1,404,177	1,611,231	1,243,267	1,178,718
Investments	13	3,000,000	205,492	-	205,492
Cash at bank and in hand		2,414,210	5,094,862	1,142,735	502,101
		<u>6,818,387</u>	<u>6,911,585</u>	<u>2,386,002</u>	<u>1,886,311</u>
LIABILITIES					
Creditors: amounts falling due within one year	14	(4,955,742)	(5,591,929)	(473,350)	(317,856)
NET CURRENT ASSETS		1,862,645	1,319,656	1,912,652	1,568,455
TOTAL ASSETS LESS CURRENT LIABILITIES		3,227,645	2,676,518	2,512,752	2,823,455
Creditors: amounts falling due after more than one year	15	(32,185)	(100,651)	-	-
TOTAL NET ASSETS		<u>3,195,460</u>	<u>2,575,867</u>	<u>2,512,752</u>	<u>2,823,455</u>
THE FUNDS OF THE GROUP AND CHARITY					
Unrestricted funds	23	3,195,360	1,920,867	2,512,652	2,168,455
Restricted funds	23	100	655,000	100	655,000
TOTAL FUNDS		<u>3,195,460</u>	<u>2,575,867</u>	<u>2,512,752</u>	<u>2,823,455</u>

The Charity net income for the year was £310,703 (2018: £386,872).

Approved and authorised by the Trustees on 25 June 2019 and signed on their behalf by:


Air Marshal Sir Kevin Leeson KCB CBE FREng CEng FIET


Mr Alan Smith CBE FRAes

The notes on pages 18 to 38 form part of these financial statements.

**THE ROYAL AIR FORCE CHARITABLE TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

	Note	2019 £	2018 £
Cash flows from operating activities:			
<i>Net cash provided by operating activities</i>	22	197,323	66,552
Cash flows from investing activities			
Interest from investments	5	22,032	11,724
Purchase of equipment	11	(107,119)	(94,440)
Transfer of funds from investments	13	-	(492)
Funds returned / (Social investments) during the year	10	-	230,492
<i>Net cash (used in) / provided by investing activities</i>		(85,087)	(147,284)
Cash flows from financing activities			
Repayments of borrowing		(64,248)	(77,150)
Interest paid	6	(9,112)	(10,745)
<i>Net cash used in financing activities</i>		(73,360)	(87,895)
<i>Change in cash and cash equivalents in the reporting period</i>		38,876	125,941
<i>Cash and cash equivalents at the beginning of the reporting period</i>	22	5,300,354	5,174,413
<i>Cash and cash equivalents at the end of the reporting period</i>	22	5,339,228	5,300,354

The notes on pages 18 to 38 form part of these financial statements.

THE ROYAL AIR FORCE CHARITABLE TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

1. Charity information

The Royal Air Force Charitable Trust became a charitable incorporated organisation on 1 March 2018 under charity no: 1176054 and company number CE012521. The address of its registered office is Douglas Bader House, Horcott Hill, Fairford, Gloucestershire, GL7 4RB. This is also the registered address of the subsidiaries as listed within Note 4 of the financial statements.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) published on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements have been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Charities Act 2011.

The Royal Air Force Charitable Trust meets the definition of a public benefit entity under FRS 102.

The Charity has taken advantage of the exemptions in FRS 102 from the requirement to present a charity only Cash Flow Statement and certain disclosures about its own financial instruments within the consolidated financial statements.

2.2 Basis of consolidation

These financial statements consolidate the results of the charity and its subsidiaries, The Royal Air Force Charitable Trust Enterprises (Company no: 02190393) and Scampton Airshow Limited (Company no: 10233810).

All intergroup transactions are fully eliminated on consolidation.

2.3 Going concern

After making enquiries, the Trustees have a reasonable expectation that the Group and Charity have adequate resources to continue their activities for the foreseeable future and therefore there are no material uncertainties.

Accordingly, the going concern basis continues to be adopted in preparing the financial statements as outlined in the Statement of Trustees' responsibilities on page 10.

2.4 Fund accounting

The unrestricted funds are available for any purpose within the aims and objectives specified in the Trust Deed of the Charity.

Designated funds comprise general funds, which have been set aside at the discretion of the Trustees for specific purposes. The purpose of these are set out in Note 23.

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

2. Accounting policies (continued)

Restricted funds are to be used in accordance with specific restrictions imposed by the donors and grant providers. The aim and use of the restricted funds are set out in Note 23.

2.5 Income from donations

Income from gifts/covenants is recognised in the financial statements when the Charity becomes entitled to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

2.6 Income – other trading activities

The amounts shown in the Consolidated Statement of Financial Activities represents the value of all goods and services supplied to customers during the year, at selling price exclusive of Value Added Tax. Income is recognised at the point at which the Charity or Companies have fulfilled their contractual obligations to the customer.

2.7 Expenditure

Expenditure is accounted for on an accruals basis. Costs of raising funds reflect costs of RIAT, marketing, publicity and printing costs associated with enhancing public awareness of the Charity together with staff costs.

Grants payable have been recognised in the financial statements when the Charity has formally approved the individual institutions' application for grant monies, at the Trustees' Meeting and this has been communicated to the third party. Please refer to the Trustees' Annual Report for analysis of the grants awarded during the year.

Governance costs include expenditure directly attributable to the Trustees' statutory, constitutional and strategic duties and are disclosed in Note 6.

All expenditure is classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of expenditure for which it was incurred.

2.8 Investments

Programme related investments are initially measured at cost, and are measured subsequently at cost price adjusted for impairments where necessary.

Included within current investments are short term cash deposits.

2.9 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Freehold land is not depreciated. Cost represents purchase price together with any incidental costs of acquisition. There is no capitalisation limit.

2.10 Depreciation

Depreciation is provided on tangible fixed assets so as to write off the costs on a straight line basis, less any residual value, over their expected useful economic life as follows:

Freehold buildings	-	over 50 years
Motor vehicles	-	over 5 years
Fixtures & fittings	-	over 3 years

The carrying values of the tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

2. Accounting policies (continued)

2.11 Debtors

Trade debtors and accrued income are recognised at the settlement amount after any impairments. Prepayments are valued at the amount prepaid net of any trade discounts.

Included within the Charity's debtors and creditors are amounts owed from/to its subsidiaries which are recognised at the settlement amount after any impairments.

2.12 Cash, cash equivalents and current asset investments

Cash and current asset investments are represented by cash in hand and deposits with financial institutions. Cash equivalents and current investments are highly liquid and mature between 3 and 12 months.

2.13 Creditors

Creditors are recognised where the Group and Charity 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 are normally recognised at their settlement amount after allowing for any trade discounts due.

2.14 Operating lease agreements

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

2.15 Pensions

The Royal Air Force Charitable Trust Enterprises operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate entity. Once the contributions have been paid the entity has no further payment obligations.

The contributions are recognised as an expense in the Statement of Financial Activities when they fall due. Amounts not paid are shown in other creditors as a liability in the Balance Sheet. The assets of the plan are held separately from the entity in independently administered funds.

The Royal Air Force Charitable Trust Enterprises also participates in a defined benefit scheme which is administered by The Royal Air Force Benevolent Fund. Whilst employer contributions are affected by a surplus or deficit in the scheme, the entity is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and hence the contributions to the scheme are accounted for as they become payable, as if it were a defined contribution scheme. See Note 18 for further details.

2.16 Taxation

As a registered charity, the Charity is entitled to taxation exemptions on all income and gains properly applied for its charitable purposes.

2.17 Financial instruments

The Group and Charity 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.

2.18 Redundancy costs

Redundancy and termination costs are accounted for on an accruals basis when the commitment to terminate a post on the grounds of redundancy has been made.

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

2. Accounting policies (continued)

2.19 Significant estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

(a) Useful economic lives of tangible fixed assets

The annual depreciation charge for the tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets.

See Note 11 for the carrying amount of tangible fixed assets and Note 2.10 for the useful lives for each class of asset.

(b) Recoverability of debtors

The Group and Charity makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See Note 12 for the net carrying amount of the debtors.

(c) Historic accruals

In the instances where invoices are not received in relation to services that have been provided to The Royal Air Force Charitable Trust Enterprises and Scampton Airshow Limited, the Group makes an estimate of the expected cost to the Companies. When assessing the value of these accruals/provisions, management considers previous invoices relating to similar services and discussions held with the third parties in relation to the expected costs. Where invoices have not been received for 2 years, the accruals and provisions are written down over 5 years. See Note 14 for inclusion of the year end accruals/provisions.

(d) Impairment of programme related investments

When assessing impairment of the programme related investments, management considers factors including the financial results, future outlook, net assets and market value. See Note 10 for the net carrying amount of investments.

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

3. Prior year Consolidated Statement of Financial Activities (for the year ended 28 February 2018)

	Notes	Restricted Funds 2018 £	Unrestricted Funds 2018 £	Total Funds 2018 £
INCOME FROM:				
Donations		-	37,755	37,755
Other trading activities		-	12,184,760	12,184,760
Investments		-	11,724	11,724
TOTAL INCOME		-	12,234,239	12,234,239
EXPENDITURE ON:				
Charitable activities		6,025	770,847	776,872
Raising funds		-	11,968,757	11,968,757
TOTAL EXPENDITURE		6,025	12,739,604	12,745,629
NET EXPENDITURE AND NET MOVEMENT IN FUNDS				
		(6,025)	(505,365)	(511,390)
Balance brought forward				
		661,025	2,426,232	3,087,257
Total funds carried forward		655,000	1,920,867	2,575,867

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

4. Wholly owned subsidiaries

The Royal Air Force Charitable Trust Enterprises (RAFCTE)

Ownership of RAFCTE is held by the Charity. As such, RAFCTE is deemed to be a wholly owned subsidiary of the Trust. Under the Trust Deed dated 3rd July 1950, as amended in February 2005. The Trustees have the power to appoint and/or remove any corporation acting as their nominee as they think fit. Ultimate control of RAFCTE is therefore held by the Trust.

The principal activities of RAFCTE are the organisation of the Royal International Air Tattoo (RIAT), the provision of corporate hospitality, the organisation of an RAF Bands UK concert tour and the sale of gifts and memorabilia.

During RIAT, RAFCTE use volunteers who provide their time free of charge to help out with jobs such as working on the entry gates and selling programmes and merchandise.

	2019 £	2018 £
Trading sales	13,035,513	10,835,365
Commissions receivable	-	20,253
Interest receivable	18,541	9,971
Total turnover	13,054,054	10,865,589
Cost of sales	8,700,720	7,210,754
Distribution expenses	-	209
Administrative expenses	2,752,643	2,567,487
Interest payable	9,112	10,745
Intercompany exceptional item	341,000	-
Total expenditure	11,803,475	9,789,195
Profit for the year	1,250,579	1,076,394

All of the profits of RAFCTE are then gift aided to RAFCT.

The results of the trading subsidiary are detailed below:

The commercial trading activities balance includes £Nil (2018: £341,000) which relates to SAL intercompany income, eliminated on consolidation.

The aggregate of the assets are £7,040,554 (2018: £7,841,175), the liabilities are £6,357,846 (2018: £7,158,467) and the net funds are £682,708 (2018: £682,708).

See note 21 for further details of intercompany transactions during the year.

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

4. Wholly owned subsidiaries (continued)

Scampton Airshow Limited (SAL)

Under the Certificate of Incorporation dated 15 June 2016, the Trust has the ultimate control of the subsidiary (SAL) as the Trustees control 100% of the share capital, which is held on behalf of the Trust. Ultimate control of SAL is therefore held by the Trust.

The principal activity of SAL was the organisation of the Scampton Airshow, with its show being held in September 2017. At 28 February 2019 this company has been made dormant. For further details behind this please refer to the Trustees Report.

	2019 £	2018 £
Total turnover	<u>-</u>	<u>1,668,085</u>
Cost of sales	(60,517)	1,998,123
Administrative expenses	9,589	419,616
Intercompany exceptional items	(995,900)	-
Total expenditure	<u>(1,046,828)</u>	<u>2,417,739</u>
Profit/(Loss) for the year	<u>1,046,828</u>	<u>(749,654)</u>

Total expenditure includes £Nil (2018: £341,000) which relates to RAFCTE intercompany expenditure, which has been eliminated on consolidation.

The aggregate of the assets is £100 (2018: £173,723), the liabilities are £Nil (2018: £954,019) and the net funds are £100 (2018: deficit £780,296).

See note 21 for further details of intercompany transactions in the year.

THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

5. Income

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Donations				
Donations	35,202	37,755	1,285,781	1,262,755
	35,202	37,755	1,285,781	1,262,755
Other trading activities				
RIAT income	12,034,390	9,839,862	-	-
Massed bands income	639,782	326,518	-	-
Commission received	-	20,253	-	-
Other income	6,723	7,000	-	-
Trading income	202,002	185,861	-	-
Consultancy sales	145,616	137,181	-	-
Scampton Airshow	-	1,668,085	-	-
	13,028,513	12,184,760	-	-
Investments				
Interest received	22,032	11,724	3,491	1,753
Dividend from SAL	-	-	116,532	-
	22,032	11,724	120,023	1,753
Total income	13,085,747	12,234,239	1,405,804	1,264,508

THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

6. Expenditure

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Charitable activities				
Grant expenditure	810,828	755,866	810,828	755,866
RAF100 donation	125,000	-	125,000	-
Governance costs	20,840	21,006	27,840	28,006
Impairment of PRI	-	-	654,900	-
	<u>956,668</u>	<u>776,872</u>	<u>1,618,568</u>	<u>783,872</u>
Raising funds				
RIAT expenditure	7,770,366	6,481,620	-	-
Massed bands expenditure	639,317	276,612	-	-
Scampton expenditure	-	1,747,249	-	-
Interest paid	9,112	10,745	-	-
Admin costs	608,310	706,357	3,471	6,367
Distribution expenditure	-	209	-	-
Trading expenditure	135,650	116,805	-	-
Payroll costs	2,251,861	2,377,158	94,468	87,397
Consultancy expenditure	94,870	252,002	-	-
	<u>11,509,486</u>	<u>11,968,757</u>	<u>97,939</u>	<u>93,764</u>
Total expenditure	<u>12,466,154</u>	<u>12,745,629</u>	<u>1,716,507</u>	<u>877,636</u>

Included within governance costs above for the charity is £6,196 (2018: £4,860) of Trustees expenses and travel & subsistence and £18,784 (2018: £19,499) of professional fees. Included within professional fees is the charity audit fee of £4,062 (2018: £3,978) and non-audit fees of £930 (2018: £906).

The group governance costs are the same as noted above less an intercompany recharge of £7,000 (2018: £7,000).

The audit fees for the subsidiaries are included within costs of raising funds as part of their activities.

Please refer to the Trustees Report and the Charity's website for the grants awarded during the year.

7. Net income for the year is stated after charging:

	Group 2019 £	Group 2018 £
Auditor's remuneration – audit	21,910	24,075
Auditor's remuneration - non-audit services	7,655	17,882
Depreciation of tangible fixed assets	98,982	76,968
Pension costs	75,523	73,499
<i>Operating lease costs</i>		
- Hire of plant and machinery	<u>3,475,606</u>	<u>2,949,417</u>

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

7. Net income for the year is stated after charging: (continued)

Plant and machinery operating lease costs represent the cost of assets held under short term hire arrangements for the purposes of RIAT and hence there is no corresponding commitment at 28 February 2019 (2018: £Nil).

8. Staff costs

	Group 2019 £	<i>Group 2018 £</i>
Wages and salaries	1,955,904	2,130,552
Social security costs	216,787	173,107
Pension costs	79,170	73,499
	<u>2,251,861</u>	<u>2,377,158</u>

During the year there were redundancy and restructuring costs of £11,782 (2018: £56,961) in relation to agreements made with employees to end employment contracts. There was £Nil outstanding at the year end (2018: £nil).

The average number of staff employed during the year totalled 52 (2018: 57). Of which 50 (2018: 55) were employed in the organisation of air shows and related activities in the year.

Directors' remuneration of the subsidiaries:

	Group 2019 £	<i>Group 2018 £</i>
Directors' remuneration (including benefits in kind)	515,624	379,798
Pension contributions to defined contribution schemes	29,707	26,797
	<u>545,331</u>	<u>406,595</u>

**THE ROYAL AIR FORCE CHARITABLE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019**

8. Staff costs (continued)

No Trustee, nor persons connected with them, received remuneration for their services during the year. Expenses reimbursed to Trustees during the year, in respect of travel and subsistence costs, amounted to £6,196 (2018: £4,860). This was in respect of three (2018: three) Trustees.

The number of employees whose emoluments exceeded £60,000 were as follows:

	2019 Number	2018 Number
Annual emoluments		
£60,001 to £70,000	2	1
£70,001 to £80,000	1	3
£80,001 to £90,000	2	-
£101,001 to £120,000	-	1
£130,001 to £140,000	-	1
£160,001 to £170,000	1	-

The Senior Management Team of the Group are deemed to be the Directors of each entity and the Trust Director. The remuneration for these teams amounted to £688,378 (2018: £650,479). This is inclusive of employer's national insurance and pension costs.

9. Taxation

The Charity is exempt from taxation on its charitable activities and there is no liability for the subsidiary companies for UK corporation tax as the whole of the companies taxable profit is donated to The Royal Air Force Charitable Trust under Gift Aid rules.

10. Investments - Charity

	Investment in subsidiary £	Social Investments £	Total £
Cost			
At 1 March 2018	150,000	1,105,000	1,225,000
Impairment	(149,900)	(505,000)	(654,900)
At 28 February 2019	100	600,000	600,100

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10. Investments – Charity (continued)

RAFCT has the following investments which total to the above £600,100:

- RAFCTE - £600,000 (2018: £600,000)
- SAL - £100 (2018: £655,000)

In 1994 the Charity made an interest free and unsecured loan of £600,000 to its subsidiary RAFCTE. The loan to RAFCTE was for the purpose of providing finance for activities which further Air Displays in accordance with the charitable objectives of the Charity and as a result the Trustees decided during 2016 to transform the debtor into a Programme Related Investment (Social investment).

Previously the Charity made an interest free and unsecured loan of £505,000 to its subsidiary SAL. The loan to SAL was for the purpose of providing finance activities which further Scampton Airshow Limited in accordance with the charitable objectives of the Charity and was therefore treated as a Programme Related Investment. During the year Scampton Airshow Limited became dormant and the Trustees concluded that the loan was no longer recoverable. An impairment of £505,000 was therefore processed in the financial statements.

The Charity also owns £100 of Share Capital in SAL. Previously £150,000 of share capital was owned until the capital reduction of Scampton Airshow Limited at 28 February 2019. See note 21 for further details on the related party transactions that have occurred during the year in relation to this.

None of the programme related investments are repayable within 366 days.

For details of subsidiaries see Note 4.

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11. Tangible fixed assets - Group

	Freehold land and buildings £	Motor Vehicles £	Fixtures & Fittings £	Total £
Cost				
<i>At 1 March 2018</i>	1,663,394	41,854	491,343	2,196,590
Additions	-	-	107,119	107,119
At 28 February 2019	1,663,394	41,854	598,462	2,303,710
Depreciation				
<i>At 1 March 2018</i>	427,549	33,787	378,392	839,728
Charge for the year	23,713	4,716	70,553	98,982
At 28 February 2019	451,262	38,503	448,945	938,710
Net book value				
At 28 February 2019	1,212,132	3,351	149,517	1,365,000
<i>At 28 February 2018</i>	<i>1,235,845</i>	<i>8,066</i>	<i>112,951</i>	<i>1,356,862</i>

The net book value of freehold land and buildings includes £477,550 (2018: £477,550) of land which is not depreciated.

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12. Debtors

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year				
Trade debtors	1,118,015	1,266,774	-	-
Prepayments and accrued income	286,162	344,457	-	-
Amounts due from Group	-	-	1,243,267	1,178,718
	<u>1,404,177</u>	<u>1,611,231</u>	<u>1,243,267</u>	<u>1,178,718</u>

13. Current asset investments

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Fixed term deposit	3,000,000	205,492	-	205,492
	<u>3,000,000</u>	<u>205,492</u>	<u>-</u>	<u>205,492</u>

14. Creditors: amounts falling due within one year

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	68,420	64,202	-	-
Bank overdraft	74,982	-	-	-
Trade creditors	176,283	158,413	550	-
Grant creditors	340,691	292,760	340,691	292,760
Amounts owed to Group	-	-	-	19,263
Social security and other taxes	261,747	629,693	-	-
Other creditors	136,880	11,166	125,000	-
Accruals and deferred income	3,896,739	4,435,695	7,109	5,833
	<u>4,955,742</u>	<u>5,591,929</u>	<u>473,350</u>	<u>317,856</u>

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14. Creditors: amounts falling due within one year (Continued)

Reconciliation of grant creditors – Group and Charity

	2019
	£
Commitments at 1 March 2018	292,760
Grants awarded in the year	810,828
Grants paid in the year	<u>(762,897)</u>
Deferred income as at 28 February 2019	<u>340,691</u>

Deferred income

	Group
	2019
	£
Deferred income as at 1 March 2018	3,664,238
Resources deferred in the year	3,218,823
Amounts released from previous periods	<u>(3,664,238)</u>
Deferred income as at 28 February 2019	<u>3,218,823</u>

Included within deferred income are amounts which relate to future periods beginning on or after 1 March 2019. The deferred income relates to the RIAT Air show which takes place in July 2019.

15. Creditors: amounts falling due after more than one year

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	32,185	100,651	-	-
	<u>32,185</u>	<u>100,651</u>	<u>-</u>	<u>-</u>

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16. Maturity of borrowings

Amounts repayable:	Group Loans £
As at 28 February 2019	
In one year or less on demand	68,420
Between one and two years	32,185
	<u>100,605</u>
As at 28 February 2018	
In one year or less on demand	64,202
Between one and two years	68,471
Between two and five years	32,180
	<u>164,853</u>

17. Security of borrowings

The bank loan totalling £100,605 (2018: £164,853) is from Allied Irish Bank and is secured by a mortgage debenture incorporating a first legal charge over the freehold property and land at Douglas Bader House, Horcott Hill, Fairford, Gloucestershire, GL7 4RB. The net book value of the freehold land and property at year end was £1,212,132 (2018: £1,235,845). A rate of 6.49% is applied to the balance of the fixed rate loan facility of £100,605 (2018: £164,853).

18. Pension schemes

The pension cost charge for the period represents contributions payable to both the defined contribution scheme and the defined benefit scheme and amounted to £79,170 (2018: £73,499).

The Royal Air Force Charitable Trust Enterprises participates in a defined benefit scheme which is administered by The Royal Air Force Benevolent Fund. Whilst employer contributions are affected by a surplus or deficit in the scheme, the entity is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and hence the contributions to the scheme are accounted for as they become payable, as if it were a defined contribution scheme.

Contributions totalling £11,879 (2018: £11,166) were payable to the schemes at the end of the period and are included within other creditors.

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19. Analysis of net assets between funds - Group

	Restricted Funds £	Unrestricted Funds £	2019 Total £
Tangible fixed assets	-	1,365,000	1,365,000
Current assets	100	6,818,287	6,818,387
Current liabilities	-	(4,955,742)	(4,955,742)
Long term liabilities	-	(32,185)	(32,185)
	100	3,195,360	3,195,460

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20. Commitments under operating leases

At 28 February 2019 the Group had total commitments due under non-cancellable operating leases as set out below:

Equipment	2019	2018
	£	£
Operating lease costs:		
Not later than one year	3,540	3,685
Later than one year and not later than five years	3,835	5,708
	<u>7,375</u>	<u>9,393</u>

21. Related party transactions

Royal Air Force Charitable Trust Enterprises (RAFCTE)

The Royal Air Force Charitable Trust Enterprises is a wholly owned subsidiary of the Charity.

During the year, RAFCTE were reimbursed costs of £93,909 (2018: £28,649) which were paid on behalf of RAFCT. There was an outstanding balance of £7,312 due to RAFCTE at the year-end (2018: £21,649).

At the year-end a £1,250,579 (2018: £1,178,718) debtor was outstanding from RAFCTE in respect of gift aid payable to RAFCT.

Scampton Airshow Limited (SAL)

Scampton Airshow Limited is a wholly owned subsidiary of the Charity.

See Note 10 for the details of the Programme Related Investments.

During the year, the programme related investment of £505,000 was written off. This is discussed in further detail in the Trustees Report. There was also a further capital reduction of £149,900.

As part of the SAL capital reduction a dividend of £116,532 was paid from SAL to RAFCT in relation to excess cash and distributable reserves held following its cessation of trade. This was fully paid in the year and £nil was outstanding at the year end (2018: £nil).

Also during the year, a SAL intercompany balance of £341,000 was written off following the agreement from RAFCTE.

RAF100

As part of a programme related investment RAFCT is a partner of RAF100. As part of that agreement a donation of £125,000 has been committed at the year end (2018: £nil). This balance remains outstanding and will be paid during the 2019 financial year (2018: £nil).

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22. Reconciliation of net income to net cash flow from operating activities

	2019 £	2018 £
<i>Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)</i>	619,593	(511,390)
Adjustments for:		
Depreciation charges	98,982	76,968
Interest paid	9,112	10,745
Interest from investments	(22,032)	(11,724)
Decrease / (increase) in debtors	207,054	(1,116,777)
Increase in creditors	(715,385)	1,618,730
<i>Net cash provided by operating activities</i>	197,323	66,552

Analysis of cash and cash equivalents

	2019 £	2018 £
Cash at bank	2,414,210	710,066
Deposits	3,000,000	4,590,288
Less: Bank overdrafts	(74,982)	-
	5,339,228	5,300,354

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23. Accumulated funds of the Group

	At 1 March 2018 £	Income £	Expenditure £	Transfer	At 28 February 2019 £
Unrestricted Funds – General	2,168,455	12,155,451	(12,466,154)	654,900	2,512,652
Unrestricted Funds - SAL	(930,296)	930,296	-	-	-
Designated Fund - RAFCTE	682,708	-	-	-	682,708
Total Unrestricted	1,920,867	13,085,747	(12,466,154)	654,900	3,195,360
Restricted Funds - RAF Waddington	655,000	-	-	(654,900)	100
Total Restricted	655,000	-	-	(654,900)	100
	2,575,867	13,085,747	(12,466,154)	-	3,195,460

The RAFCTE Fund's purpose is to be used by the trading company to ensure there are enough funds to meet costs as they fall due, leading up to the RIAT each year.

The RAF Waddington Fund was to fund the new air show at Scampton. See note 10 for further details of the investments made and note 21 for the related party transactions in the year.

A transfer has been made in the financial statements following the related party transactions in note 21. As these transactions are eliminated on consolidation the transfer has been made to correct the parent entity position within the financial statements.

24. Financial instruments for the Group

	2019 £	2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	6,457,243	6,567,130
	<u>6,457,243</u>	<u>6,567,130</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(1,432,335)	(2,503,577)
	<u>(1,432,335)</u>	<u>(2,503,577)</u>

Financial assets measured at amortised cost comprise of cash and cash equivalents and trade debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, grant creditors, other creditors, accruals and bank loans.

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25. Comparative analysis of group net assets between funds (for the year ended 28 February 2018)

	Restricted Funds	Unrestricted Funds	2018 Total
	£	£	£
Tangible fixed assets	-	1,356,862	1,356,862
Current assets	655,000	6,256,585	6,911,585
Current liabilities	-	(5,591,929)	(5,591,929)
Long term liabilities	-	(100,651)	(100,651)
	655,000	1,920,867	2,575,867

26. Comparative group accumulated funds (for the year ended 28 February 2018)

	<i>Restated At 1 March 2017</i>	Income	Expenditure	At 28 February 2018
	£	£	£	£
Unrestricted Funds – General	1,775,560	10,566,154	(10,173,257)	2,168,455
Unrestricted Funds - SAL	(180,642)	1,668,085	(2,417,739)	(930,296)
Designated Fund - RAFCTE	831,314	-	(148,606)	682,708
Total Unrestricted	2,426,232	12,234,239	(12,739,604)	1,920,867
Restricted Funds - RAF Waddington	655,000	-	-	655,000
Restricted Funds - Lockheed Martin	6,025	-	(6,025)	-
Total Restricted	661,025	-	(6,025)	655,000
	3,087,257	12,234,239	(12,745,627)	2,575,867

The RAFCTE Fund's purpose is to be used by the trading company to ensure there are enough funds to meet costs as they fall due, leading up to the RIAT each year.

The RAF Waddington Fund is to fund the new air show at Scampton. £600,000 has been transferred to Scampton Airshow Limited in that year as a Programme Related Investment of £450,000 and share capital of £150,000.

The Lockheed Martin fund is restricted for the sponsorship of a student for the Flying Excellence Award, £975 was spent during the 2017 year for this purpose.