

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

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31ST DECEMBER 2019

Charity registered number: 1108295

Company registered number: 05321353

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THE ROYAL AIR FORCE CLUB

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

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THE ROYAL AIR FORCE CLUB

LEGAL AND ADMINISTRATIVE DETAILS

YEAR ENDED 31ST DECEMBER 2019

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 Sue Gray
Mr John D Fisher (Vice-Chairman)
Air Commodore Barbara Cooper
Air Commodore Dai Whittingham
Group Captain James Beldon (from 20th March 2019)
Group Captain Ian Bruton (until 21st March 2019)
Group Captain Wendy Rothery (until 21st March 2019)
Group Captain Al Lockwood (from 20th March 2019)
Hon. Group Captain Jo Salter
Wing Commander James Hill
Wing Commander Paula Willmot (from 20th March 2019)
Squadron Leader Sean O'Brien
Squadron Leader John Peters
Wing Commander James Poynton
Flight Lieutenant Ian Melia
Flight Lieutenant Haig Tyler (from 20th March 2019)

OFFICER

Chief Executive Officer and Club Secretary Mr Miles Pooley

AUDITORS

Haysmacintyre LLP
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
BS2 0ZX

Fenwick Elliott LLP
Aldwych House
71 – 91 Aldwych
London
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REGISTERED ADDRESS

128 Piccadilly
London W1J 7PY

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES

YEAR ENDED 31ST DECEMBER 2019

The Board of Trustees presents its report for the year ended 31 December 2019.

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) – (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 at each meeting of the Trustees:

Committees	Chaired by	Other Trustee members
Finance, Audit & Risk	Flight Lieutenant Ian Melia	
House	Hon.Group Captain Jo Salter	Air Commodore Barbara Cooper
Membership	Wing Commander James Hill	Wing Commander Paula Willmot
Arts	Wing Commander James Poynton	Group Captain Jim Beldon
Events	Air Commodore Dai Whittingham	Squadron Leader John Peters
Archive	Wing Commander Michael Gilbert	

In addition, there are also the following ad hoc committees:

- Nominations Working Group which is formed as and when necessary to select Trustees to fill vacancies on the Board of Trustees.
- Legacies, Donations & Fundraising sub-committee which is formed to promote the fundraising and legacy opportunities at the Club.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

- Remunerations Committee which meets at least once a year to consider the remuneration and benefit package for the CEO and comprises The Vice-Chairman, The Chairman of the Finance, Audit and Risk Committee, The Trustee with responsibility for Human Resources and an independent person who is not a Club member.

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 11 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. The Finance, Audit & Risk Committee 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.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

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, utilising insurance and control protocols. 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 2019

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 low at £12.00 per year including VAT.
- The membership subscription fee for the first five years following Commission into the Reserves is low at £12.00 per year including VAT.
- Serving subscription rates after the first five years following Commission 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 following Commission 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 reach state 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.
- Running affordable promotions across the year for the benefit of Serving & former Serving Officers for overnight stays in quieter months of the year
- Members receive complimentary Room Hire when booking private member functions
- Held a 'Women in Aviation' event, offering complimentary place to serving female officers/non-commissioned officers.
- Offer a RAF Club Prize to every Club Representation for their Station Fundraisers each year (32 Bed and Breakfast plus Club Dinner Vouchers) to support Serving Officers
- Bedrooms are available at the military London accommodation rate for military duty visits.
- Members are encouraged to use our fitness centre.

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.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

- 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.
- **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 through raising awareness of the Club on social media such as LinkedIn, Twitter and Instagram.
- **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.
- **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 commission works of art to fill gaps in the history of aviation art within the Club.
 - To commission a portrait of the current Club President to hang in the Presidents' 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.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

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.
- 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.
- Reducing the number of no-shows.
- Charging of late cancellations unless special circumstances can be demonstrated.
- 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.
- Ongoing monitoring of risks utilising enhanced analytical techniques and development of Risk Appetite Statements

Principal activities of the year

The Charity continued throughout 2019 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 2019 the Club carried out repairs to the stone work at the front of the building, refurbished the staff changing room, refurbished a lower basement area to provide a new office for the Chef and a training room for the staff. The Squadron Badges which depict so much history associated with the Club were re-hung in certain areas of the Club.

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)

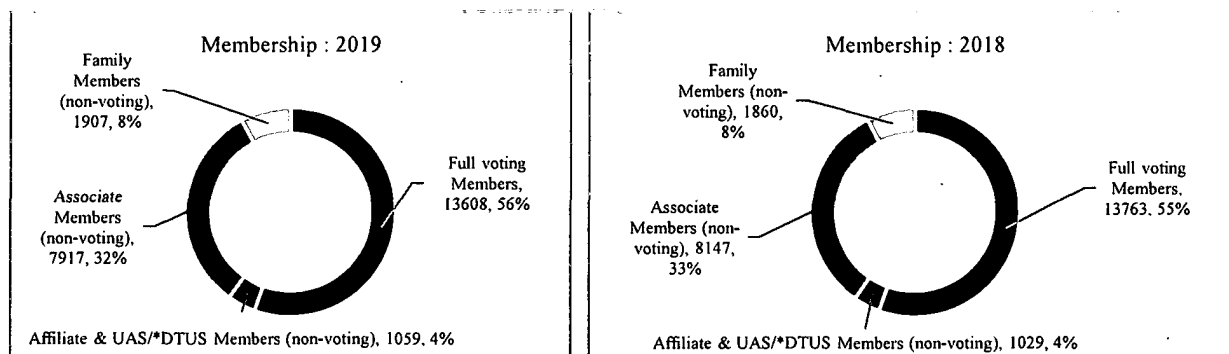
YEAR ENDED 31ST DECEMBER 2019

REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR

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.



*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. 2019 proved to be an exceptionally successful year with 50 events, the number of events dropping from 55 in the centenary year. The number of Members and their guests attending events was 2607 in 2019 compared to 3,590 in 2018.

Special events in 2019 included:

2 X Ceremony of the Keys Private Tour & Club Dinner	Great Escape 75th Anniversary & Club Dinner
'The Kamikaze Hunters' - Club Dinner with Will Iredale, Flt Lt Colin Bell & Lt Keith Quilter	Club Dinner with the Red Arrows
A New Year's Eve Extravaganza.	

The 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. The Club commissioned a portrait of the Club President to hang in the Presidents' Room.

Governance

The Trustees maintained significant stability throughout the year. 2019 saw 3 Trustees come to the end of their tenure. 4 new Trustees were selected from the Club membership and joined the Board of Trustees in March 2019. Air Commodore Rick Peacock-Edwards is one of the Trustees reached the end of his tenure and was replaced as Vice-Chairman by John Fisher in January 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 2019

REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR (continued)

Financial Management and Related Issues

The introduction of a voluntary service charge in 2019 has been accepted without issue by Club Members and has assisted with the recruitment and retention of staff. All service charge raised is paid out to the staff over and above their contracted wages and salary.

Staff

Staff turnover returned to a stable level in 2019. Staff morale remained high due in part to continuous improvements in employees' conditions of service and the Club was awarded a 3 star accreditation in The Sunday Times Best Not for Profit places to work. The Club came 22nd in the ranking.

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. The Club commenced a plan to remove all individual toiletries from bedrooms and this will continue through 2019.

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.

Overall satisfaction results:	2019	2018
Banqueting	96.6%	96.0%
All other areas	95.8%	93.0%

Bedroom occupancy in 2019 achieved 77.2% (2018: 82.70%) again with considerable over-demand in the autumn. The occupancy ratio is based on the total number of rooms available to sell. The addition of 17 bedrooms, opened in November 2018, assisted to meet Member demand.

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 added in 2019 include a ladies silk scarf linked to the design of the women in aviation stained glass window, crested velvet slippers and prints of the art which was especially commissioned for the Dining Room.

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 2019 of £15,000 is used to purchase works of art that primarily cover historical gaps in the Club's collection. This Fund had a balance of Nil on 31 December 2019.

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 2019

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 hospitality businesses.

Outturn

The Club's surplus in 2019 was £162,437 which is £161,266 greater than budget and £19,637 more than last year. The improved result against budget was due to increased revenue and also lower than expected depreciation and bank interest charges.

The Club's Unrestricted Funds achieved a positive net movement in funds of £164,504 as shown in the consolidated statement of financial activities (2018: £209,122). The Club's restricted funds 2019 showed a net outflow of £2,067 achieving a zero year-end balance.

Reserves Policy

The Trustees reviewed the Club's reserves policy in 2016. 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 31 December 2019 the General reserve was zero due to the requirement to build the fixed asset reserve. At 31 December 2019 unrestricted funds stood at £7,573,873 made up of designated funds mainly held in fixed assets.

Investment Policy and Objectives

It has been the policy of the Club to hold any surplus cash on short term deposits with financial institutions with high credit ratings. The Club has now set in place an offset arrangement with the Bank Loan so should there be surplus cash, in particular following receipt of the annual subscriptions, the surplus funds would be placed to offset the loan and reduce the interest expense.

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 2019 the Trustees reviewed the risk appetite statements against which the risks are measured.

The risk register also contains assessment of specific scenarios, such as:

- Brexit and its impact on staff and costs of supplies
- The impact of the Coronavirus on the income and services of the Club (subsequent to year end, prior to publication of the annual report)

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

FINANCIAL REVIEW AND RESULTS FOR THE YEAR (continued)

The 10 highest inherent risks are listed in the below table with a description of the mitigation controls in place.

Risk	Mitigation
Reduction in quality of Executive team and loss of key staff.	Regular review of recruitment procedures. Performance management. Compensation reviews. Succession planning.
Control of income and expenditure.	Budgetary control system: annual budgets; monthly management accounts, including variance analysis and control procedures.
Control of capital expenditure and its effect on cash flow	Rolling programme Schedule of Project Costs. Project management.
Computer system failures/Cyber Security Breach, or loss/corruption of data.	External back-up, Daily back-up procedures, Back-up power supply, Crisis Management plan. Daily review by systems manager. Work with CISP to keep up to date with cyber security issues. Insurance.
Covid-19 Virus Impact	Cost reductions, deferring capital spend, bank facility review.
Significant loss of Club facilities through fire or similar disaster.	Fire/security prevention measures. H&S Regulation adherence. Crisis Management plan. Business Interruption Insurance. Fire risk assessment, Ansul fire suppression system.
Terrorist Activity	Appropriate security measures based on professional advice (House Committee experts, civil police and HQP&SS). Disrupting hostile recon. Insurance Cover pay-outs significantly reduce monetary impact of attack.
Loss of all European employees due to Brexit legislation.	Regular Review and recruiting profile retained in other areas.
Reduction of Availability of UK Staff due to Brexit	Regular Review and recruitment profile retained in other areas and throughout the UK Hospitality industry.
Increase in the cost of supplies due to Brexit	Build a base of suppliers. Ability to adjust menus as items increase in price.

FUTURE PLANS

The plans for the short to medium term were reviewed by the Trustees in 2019. The aim was to produce 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 2020:

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. • 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. • Identify additional Reciprocal Clubs

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

• FUTURE PLANS (continued)

House
• Continue to develop the Masterplan for redevelopment of the premises over a 20 year period. • Refurbish 7 bedrooms on the 4th floor • Refurbish the lobby • Develop the kitchen area in the lower basement • Change the area which was originally the Chefs' office to a pastry kitchen • Refurbish 2 public bathrooms
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 2020 and encourage booking on-line. • As a general rule review the financing of events to ensure that events are self-supporting. • Celebrate VE Day
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.
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, bedroom rates and subscriptions. • To continue to enhance the review of risk management and 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). • To review the reserves policy
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.
Environmental & Sustainability
• Install sensor LED lighting as areas are refurbished • Replace the single use bathroom amenities with larger refillable bottles • Plastic bedroom laundry bags replaced with reusable cotton bags • Purchase a glass crusher to significantly reduce the carbon footprint required for the current glass collections • Purchase a food drier for food waste • Change from plastic water bottles in the bedrooms to glass • Installation of 2 beehives on the Club Roof aiming to use the in catering and for sale at the Club shop

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

SAFEGUARDING THE FUTURE OF OUR CLUB

- Dealing with the impact of the Covid-19/Coronavirus

The current pandemic creates uncertainty over the level of demand for the Club's services and will have an adverse impact on financial performance over the summer months of 2020. Although the first two months of the current financial year started well with total revenues in excess of budget it became apparent in March that the rapid spread of the virus around the world, together with UK Government advice to the public to restrict social interaction, will lead to lower future revenues until the situation has been brought under control. A new risk for the Covid-19 virus has been added to the Risk Register and the Finance, Audit and Risk Committee has reviewed measures to mitigate the operational and financial risks. In response to the developments the Club has implemented revised operating procedures, practices and protocols in accordance with Government advice and has advised members, visitors and staff appropriately of the steps to take to reduce the risks. Dynamic financial revenue projections covering various scenarios, assumptions and time periods have been prepared and, for each scenario, a range of options to minimise the impact on the net financial result and cash flow have been developed. Options include deferral of capital spending, cost reductions and possible closure of some areas of the Club. Discussions with our bankers, Coutts & Co, have been held and, despite the ongoing uncertainty, they have indicated a commitment to support the RAF Club through extending existing financing arrangements and potentially new working capital facilities to ensure the Club continues to meet its commitments during the period of economic uncertainty. The Trustees have taken into account all available information about the current situation and believe it does not affect the basis of preparation of the Financial Statements and have a reasonable expectation that the Club has adequate resources to continue in operational existence for the foreseeable future. Thus, the Trustees continue to adopt the going concern basis of accounting in preparing the annual financial statements

- Redevelopment plans to be based on firm evidence:
 - Continue to control entry to the Club
 - Basement kitchen expansion
 - 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.

THE ROYAL AIR FORCE CLUB

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31ST DECEMBER 2019

ACCOUNTING AND REPORTING RESPONSIBILITIES (continued)

- 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 related bank facility.

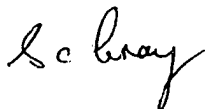
In managing the finances in this way, we have ensured that the Club is safely managed from a financial point of view.

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.

So far as each of the Trustees 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 Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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)

18 March 2020

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 2019 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 2019 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 13-14, 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

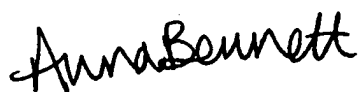
In the light of the knowledge and understanding of the charitable company and group and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the strategic report and the directors' report).

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 LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

18 March 2020

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

THE ROYAL AIR FORCE CLUB

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCLUDING THE INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
INCOME FROM:					
Charitable activities					
Club income	1	9,326,144	-	9,326,144	8,597,486
Donations and legacies					
Legacies		4,244	-	4,244	72,441
Donations		-	15,200	15,200	20,500
Other trading activities					
Trading activities	7a	208,057	-	208,057	216,458
Total income		<u>9,538,445</u>	<u>15,200</u>	<u>9,553,645</u>	<u>8,906,885</u>
EXPENDITURE ON:					
Charitable expenditure					
Club operating costs	2	9,239,376	-	9,239,376	8,467,372
Fine Art	2	-	17,267	17,267	114,426
Donations made	2	8,000	-	8,000	13,362
Raising funds					
Trading activities	7a	126,565	-	126,565	168,925
Total expenditure	2	<u>9,373,941</u>	<u>17,267</u>	<u>9,391,208</u>	<u>8,764,085</u>
Net income and net movement in funds		164,504	(2,067)	162,437	142,800
Transfers between funds	12	(2,067)	2,067	-	-
Balance brought forward		7,411,436	-	7,411,436	7,268,636
Balance carried forward		<u>£7,573,873</u>	<u>£-</u>	<u>£7,573,873</u>	<u>£7,411,436</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 30 form an integral part of these financial statements.

ROYAL AIR FORCE CLUB

Company Number: 05321353
(a company limited by guarantee)

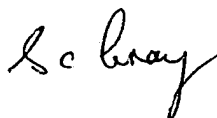
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Tangible assets	6	12,700,292	12,891,232
CURRENT ASSETS			
Stocks	8	100,310	106,082
Debtors	9	307,828	313,557
Cash at bank and in hand		1,201,753	691,308
		<u>1,609,891</u>	<u>1,110,947</u>
CREDITORS: amounts falling due within one year	10	<u>(2,147,349)</u>	<u>(1,678,582)</u>
NET CURRENT LIABILITIES		(537,458)	(567,635)
CREDITORS: amounts falling due after more than one year	11	<u>(4,588,961)</u>	<u>(4,912,161)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>£7,573,873</u></u>	<u><u>£7,411,436</u></u>
FUNDS			
Unrestricted funds			
- Designated funds	12	7,573,873	7,411,436
- General fund	12	-	-
Restricted funds	13	-	-
		<u><u>£7,573,873</u></u>	<u><u>£7,411,436</u></u>

The parent undertaking's total income for the year before gift aid from RAFCTC Limited was £9,346,228 (2018: £8,690,427) and its surplus of income over expenditure for the year amounted to £80,945 (2018: £95,267).

The financial statements were approved and authorised for issue by the Board on 18 March 2020 and were signed below on its behalf by:

S GRAY
Air Marshal



I MELIA
Flight Lieutenant



The notes on pages 21 to 30 form an integral part of these financial statements.

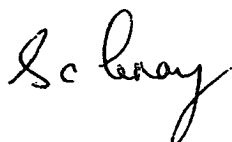
CHARITY STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER 2019

	Note	2019	2018
		£	£
FIXED ASSETS			
Tangible assets	6	12,700,292	12,891,232
Investments	7	100	100
		<u>12,700,392</u>	<u>12,891,332</u>
CURRENT ASSETS			
Stocks	8	100,310	106,082
Debtors	9	332,595	331,337
Cash at bank and in hand		1,156,531	655,948
		<u>1,589,436</u>	<u>1,093,367</u>
CREDITORS : Amounts falling due within one year	10	<u>(2,126,994)</u>	<u>(1,661,102)</u>
NET CURRENT LIABILITIES		(537,558)	(567,735)
CREDITORS: amounts falling due after more than one year	11	<u>(4,588,961)</u>	<u>(4,912,161)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£7,573,873</u>	<u>£7,411,436</u>
FUNDS			
Unrestricted funds			
- Designated funds	12	7,573,873	7,411,436
- General fund	12	-	-
Restricted funds	13	-	-
		<u>£7,573,873</u>	<u>£7,411,436</u>

The financial statements were approved and authorised for issue by the Board on 20 March 2020 and were signed below on its behalf by:

S GRAY
Air Marshal



I MELIA
Flight Lieutenant



The notes on pages 21 to 30 form an integral part of these financial statements.

THE ROYAL AIR FORCE CLUB

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2019

	2019	2018
	£	£
Cash provided by operating activities	1,751,312	780,901
Cash flows from investing activities		
Purchase of tangible fixed assets	(835,959)	(4,639,940)
Cash used in investing activities	(835,959)	(4,639,940)
Cash flows from financing activities		
New secured loan	-	4,036,855
Loan repayments	(404,908)	(101,227)
Cash provided by financing activities	(404,908)	3,935,628
Increase/(decrease) in cash and cash equivalents in the year	510,445	76,589
Cash and cash equivalents at the beginning of the year	691,308	614,719
Total cash and cash equivalents at the end of the year	1,201,753	691,308

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January	Cash	At 31 December
	2019	Flows	2019
	£	£	£
Cash at bank and in hand	691,308	510,445	1,201,753
	<u>£691,308</u>	<u>510,445</u>	<u>£1,201,753</u>

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

	2019	2018
	£	£
Net movement in funds	162,437	142,800
Add back depreciation charge	1,026,899	662,935
Decrease in stock	5,772	12,898
Decrease/(increase) in debtors	5,729	(77,909)
Increase in creditors	550,475	40,177
Net cash provided by operating activities	£1,751,312	£780,901

The notes on pages 21 to 30 form an integral part of these financial statements.

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2019

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) - (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.

Going concern

In response to the Covid-19 virus pandemic the Club has implemented revised operating procedures, practices and protocols in accordance with Government advice and has advised members, visitors and staff appropriately of the steps to take to reduce the risks. Dynamic financial revenue projections covering various scenarios, assumptions and time periods have been prepared and, for each scenario, a range of options to minimise the impact on the net financial result and cash flow have been developed. Options include deferral of capital spending, cost reductions and possible closure of some areas of the Club. Discussions with our bankers, Coutts & Co, have been held and, despite the ongoing uncertainty, they have indicated a commitment to support the RAF Club through extending existing financing arrangements and potentially new working capital facilities to ensure the Club continues to meet its commitments during the period of economic uncertainty. The Trustees have taken into account all available information about the current situation and believe it does not affect the basis of preparation of the Financial Statements and have a reasonable expectation that the Club has adequate resources to continue in operational existence for the foreseeable future. Thus, the Trustees continue to adopt the going concern basis of accounting in preparing the annual 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.

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

Depreciation

The original 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. Building improvements related to the Centenary project are depreciated over 50 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.

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 £49,715 (2018: £39,212).

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.

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

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 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 original land and 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.

2. ANALYSIS OF TOTAL EXPENDITURE

	Charitable expenditure		Raising funds		2019	2018
	Club operating costs	Fine art	Donations made	Trading activities	Total	Total
	£	£	£	£	£	£
Staff costs	4,832,934	-	-	-	4,832,934	4,474,054
Depreciation	1,026,899	-	-	-	1,026,899	662,933
Repairs and maintenance	338,612	-	-	-	338,612	282,007
House supplies	170,914	-	-	-	170,914	256,169
Fine art	-	17,267	-	-	17,267	114,426
Donations made	8,000	-	-	-	8,000	13,362
Trading activities	-	-	-	125,615	125,615	167,975
Support and other costs	2,836,487	-	-	-	2,836,487	2,757,640
Governance costs	33,530	-	-	950	34,480	35,519
	<u>£9,247,376</u>	<u>£17,267</u>	<u>£-</u>	<u>£126,565</u>	<u>£9,391,208</u>	<u>£8,764,085</u>

2018

	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>

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

3. NET INCOME	2019	2018
	£	£
The net income is stated after charging :		
Auditors' remuneration – audit	18,950	20,150
Depreciation – on owned assets	1,026,899	662,933
	<u> </u>	<u> </u>
4. EMPLOYEES AND STAFF COSTS	2019	2018
	No.	No.
The average number of contracts for Full Time, Part Time, & Casual Staff	149	135
	<u> </u>	<u> </u>
	£	£
Staff costs were as follows :		
Wages and salaries	3,839,668	3,482,433
Agency	448,384	500,298
Social security costs	353,199	305,992
Other pension costs	191,683	170,148
Termination payments	-	15,183
	<u> </u>	<u> </u>
	£4,832,934	£4,474,054
	<u> </u>	<u> </u>
The number of staff who fell within the following bands were:		
£60,001 - £70,000	1	3
£70,001 - £80,000	3	-
£80,001 - £90,000	-	3
£130,001 – 140,000	-	-
£160,001 – 170,000	1	1
	<u> </u>	<u> </u>

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 benefits of the key management personnel of the Club were £866,499 (2018: £822,418). 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 (2018: Nil). No Club trustee received payment for professional or other services supplied to the Club (2018: Nil).

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

6. TANGIBLE FIXED ASSETS

GROUP AND CLUB	Freehold land and buildings and general improvements £	Bedrooms £	Function Rooms and Equipment £	Total £
Cost				
At 1st January 2019	16,971,774	7,562,158	2,071,991	26,605,923
Additions	677,110	91,121	67,728	835,959
At 31st December 2019	17,648,884	7,653,279	2,139,719	27,441,882
Depreciation				
At 1st January 2019	5,984,871	6,620,343	1,109,477	13,714,691
Charge for the year	624,890	256,241	145,768	1,026,899
At 31st December 2019	6,609,761	6,876,584	1,255,245	14,741,590
Net book value				
At 31st December 2019	£11,039,123	£776,695	£884,474	£12,700,292
At 31st December 2018	£10,986,903	£941,815	£962,514	£12,891,232

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.

6. 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.

	2019 £	2018 £
The Club's investment in the trading company was as follows:		
RAFCTC Limited	100	100

The subsidiary is registered in England and Wales.

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

7a. TRADING ACTIVITIES			2019	2018
			£	£
Profit and Loss Account				
Turnover			208,057	216,458
Cost of sales			(53,198)	(51,675)
			<u>154,859</u>	<u>164,783</u>
Gross profit				
Administration expenses (net of interest receivable)			(73,367)	(117,250)
			<u>£81,492</u>	<u>£47,533</u>
Profit for the financial year				
			<u>£81,492</u>	<u>£47,533</u>
 Amount payable under gift aid to the Club			<u>£81,492</u>	<u>£47,533</u>
 Balance sheet				
Net current assets			100	100
			<u>£100</u>	<u>£100</u>
 Share capital			100	100
			<u>£100</u>	<u>£100</u>
 8. STOCKS			Group and Club	
			2019	2018
			£	£
Goods for resale			£100,310	£106,082
 9. DEBTORS : Amounts due within one year				
	Group		Club	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	198,273	218,815	187,831	201,989
Other debtors	17,712	17,992	17,712	17,992
Amounts owed by subsidiary undertakings	-	-	35,209	34,606
Prepayments and accrued income	91,843	76,750	91,843	76,750
	<u>£307,828</u>	<u>£313,557</u>	<u>£332,595</u>	<u>£331,337</u>
 10. CREDITORS : Amounts falling due within one year				
	Group		Club	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	404,904	486,612	404,904	486,612
Trade creditors	713,293	552,770	709,018	552,769
Other creditors	134,089	81,296	134,089	75,369
Other taxes and social security	535,952	332,237	521,872	320,685
Accruals and deferred income	359,111	225,667	357,111	225,667
	<u>£2,147,349</u>	<u>£1,678,582</u>	<u>£2,126,994</u>	<u>£1,661,102</u>

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

11. CREDITORS : Amounts falling due after one year	Group		Club	
	2019 £	2018 £	2019 £	2018 £
Bank loan	<u>£4,588,961</u>	<u>£4,912,161</u>	<u>£4,588,961</u>	<u>£4,912,161</u>
Analysis of bank loans:				
Amounts falling due:				
Between one and two years	404,904	486,612	404,904	486,612
Between two and five years	1,214,712	1,459,836	1,214,712	1,459,836
After five years	<u>2,969,345</u>	<u>2,965,713</u>	<u>2,969,345</u>	<u>2,965,713</u>
	<u>£4,588,961</u>	<u>£4,912,161</u>	<u>£4,588,961</u>	<u>£4,912,161</u>

The bank facility, comprising a business term loan of £4,993,865 (2018: £5,398,773), 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.

In relation to the bank facility, the Club also holds an interest rate swap, with a liability value of £74,657 at 31 December 2019 (2018: £24,091). This has not been included in the financial statements as it is considered to be immaterial.

12. UNRESTRICTED FUNDS

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

	As at 1 January 2019 £	Net income £	Transfers between funds £	Balance at 31 December 2019 £
General fund	-	160,840	(160,840)	-
Designated funds				
Fixed asset fund	7,254,840	-	262,348	7,517,188
Centenary fund	34,155	(580)	(33,575)	-
Legacy fund	<u>122,441</u>	<u>4,244</u>	<u>(70,000)</u>	<u>56,685</u>
	<u>7,411,436</u>	<u>3,664</u>	<u>158,773</u>	<u>7,573,873</u>
Total general funds	<u>£7,411,436</u>	<u>£164,504</u>	<u>£(2,067)</u>	<u>£7,573,873</u>

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

12. UNRESTRICTED FUNDS (continued)

2018

	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
Legacy fund	50,000	72,441	-	122,441
	<u>7,188,543</u>	<u>13,771</u>	<u>209,122</u>	<u>7,411,436</u>
Total general funds	<u>£7,188,543</u>	<u>£222,893</u>	<u>£-</u>	<u>£7,411,436</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.

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.

13. RESTRICTED FUNDS

	Balance at 1 January 2019 £	Net expenditure £	Transfer from unrestricted funds £	Balance at 31 December 2019 £
Fine art and stained window fund	-	(2,067)	2,067	-
	<u>£-</u>	<u>£(2,067)</u>	<u>£2,067</u>	<u>£-</u>

2018

	Balance at 1 January 2018 £	Net expenditure £	Transfer from designated 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>

THE ROYAL AIR FORCE CLUB**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31ST DECEMBER 2019****13. RESTRICTED FUNDS (continued)**

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 £	Current assets/ (liabilities) £	Non-current assets/ (liabilities) £	Total £
Restricted funds	-	-	-	-
General fund	-	-	-	-
Designated funds – fixed assets	12,700,292	(594,143)	(4,588,961)	7,517,188
Designated funds - other	-	56,685	-	56,685
	<u>£12,700,292</u>	<u>£(537,458)</u>	<u>£(4,588,961)</u>	<u>£7,573,873</u>

THE ROYAL AIR FORCE CLUB

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

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

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2018 £
INCOME FROM:				
Charitable activities				
Club income	1	8,597,486	-	8,597,486
Donations and legacies				
Legacies		72,441	-	72,441
Donations		-	20,500	20,500
Other trading activities				
Trading activities	7a	216,458	-	216,458
Total income		<u>8,886,385</u>	<u>20,500</u>	<u>8,906,885</u>
EXPENDITURE ON:				
Charitable expenditure				
Club operating costs	2	8,467,372	-	8,467,372
Fine Art	2	13,833	100,593	114,426
Donations made	2	13,362	-	13,362
Raising funds				
Trading activities	7a	168,925	-	168,925
Total expenditure	2	<u>8,663,492</u>	<u>100,593</u>	<u>8,764,085</u>
Net income and net movement in funds		222,893	(80,093)	142,800
Transfers between funds	11	-	-	-
Balance brought forward		<u>7,188,543</u>	<u>80,093</u>	<u>7,268,636</u>
Balance carried forward		<u>£7,411,436</u>	<u>£-</u>	<u>£7,411,436</u>