

# Annual Report 2011

Trustees' Report and Accounts  
for the year ending 31 December 2011





*'Times have certainly changed for the Royal Air Force. Yet one crucial element, I believe, will never change, and that is our tradition. The courage, devotion to duty and honour of those who serve endure through the most challenging times.'*

## The finest traditions endure

Reading through this Annual Review I am delighted to see how we helped guide the Royal Air Force family through what was undoubtedly a testing year.

At a time of widespread restructuring, our hard-pressed Service personnel were called upon to do even more in defence of our freedom. The RAF participated in another long and demanding campaign, this time in Libya, as well as maintaining high-intensity operations in Afghanistan and long-term global commitments such as the Falkland Islands.

RAF personnel met all the demands that were made of them with courage and patience, despite the most unforgiving conditions. The Royal Air Force Benevolent Fund, in turn, were there to help them wherever we could, spending £5.4m over the year supporting the serving RAF against a background of continuing economic turbulence.

Of course, we were there to support those who have left the Service too, providing the support our veterans need to lead dignified, independent lives. We are the RAF's leading welfare charity supporting all generations of the RAF family, and we proved our commitment to our veterans again during 2011 by spending £15.6m in support of their needs. My grandfather would have been proud to see how the Air Force he founded has worked with its Benevolent Fund through such difficult times.

I think he would have been equally satisfied to see how our stewardship of the RAF's legacy has come full circle. Just as he oversaw the construction of the RAF Memorial on Victoria Embankment, this year I will have the privilege of witnessing the unveiling of the Bomber Command Memorial in Green Park, a deserved and long overdue tribute. The sacrifice of the brave young men who perished in defence of freedom too often goes

unrecognised, and it is our great honour to be charged as guardians of the Memorial, maintaining it for future generations.

55,573 young men died flying with Bomber Command, a great deal more than serve in the entire Service today. Whilst still a very potent force, the RAF is smaller than at any time in its history – yet as the charity of all the RAF generations, the call upon our services continues to grow. That is why your support is more important than ever, and I thank all of you who contribute to our work through fundraising and volunteering for your continuing enthusiasm and commitment.

I would like to pay tribute to Air Marshal Sir Rob Wright, who will shortly step down after five and a half years in post as our Controller. The Fund has benefitted enormously from his exemplary and inspirational leadership through a period of considerable change and against a background of very difficult economic conditions. We will miss him greatly and wish him well for the future. I look forward to welcoming Air Marshal Chris Nickols who joins us as our new Controller in July.

Times have certainly changed for the RAF. Yet one crucial element, I believe, will never change, and that is our tradition. The courage, devotion to duty and honour of those who serve, endure through the most challenging times. Working together, we will be there too, ready to repay the Debt We Owe, our motto which is emblazoned on our Crest, to the remarkable men and women of the Royal Air Force.

**The Viscount Trenchard of Wolfeton DL**  
Chairman of the Royal Air Force Benevolent Fund

## Our Vision

**Every member of the RAF family should have access to support whenever they need it.**

## Our Mission

**We are the RAF's leading welfare charity, providing financial, practical and emotional support to all members of the RAF family. We are here to help serving and former members of the RAF, as well as their partners and dependants, whenever they need us.**

## Contents

|   |    |
|---|----|
| <b>» Introduction</b>                                       |    |
| Chairman's report   |    |
| Standing ready to support former members of the RAF in need | 02 |
| Controller's report   | 04 |
| Doug Vince: part of the family                              | 05 |
| .....   |    |
| <b>» Accounts</b>   |    |
| Principals, Trustees and Senior Management Team             | 06 |
| Trustees' Report  | 07 |
| Principal Office and Professional Advisers                  | 12 |
| Independent Auditor's Report                                | 13 |
| Consolidated Statement of Financial Activities              | 14 |
| Balance Sheet   | 16 |
| Consolidated Cash Flow Statement                            | 17 |
| Notes to the Financial Statements                           | 18 |
| Endowment Funds   | 28 |
| Restricted Income Funds                                     | 29 |
| Grants to Third Parties                                     | 30 |
| .....   |    |

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## Contents

### ▶ Introduction

|   |    |
|---|----|
| Chairman's report   |    |
| Standing ready to support former members of the RAF in need | 02 |
| Controller's report   | 04 |
| Doug Vince: part of the family                              | 05 |

---

### ▶ Accounts

|   |    |
|---|----|
| Principals, Trustees and Senior Management Team | 06 |
| Trustees' Report                                | 07 |
| Principal Office and Professional Advisers      | 12 |
| Independent Auditor's Report                    | 13 |
| Consolidated Statement of Financial Activities  | 14 |
| Balance Sheet                                   | 16 |
| Consolidated Cash Flow Statement                | 17 |
| Notes to the Financial Statements               | 18 |
| Endowment Funds                                 | 28 |
| Restricted Income Funds                         | 29 |
| Grants to Third Parties                         | 30 |

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# Standing ready to support former members of the RAF in need

## Our goals for 2012

You can find a full list of our goals for 2012 at [www.rafbf.org/2012](http://www.rafbf.org/2012)

Here are just a few:

- Carry out a full strategic review of the Fund's welfare provision to ensure that we continue to meet the needs of the RAF family, whilst ensuring the Fund's financial security.
- Install Airplay parks and multi-use games areas on a further five RAF stations.
- Fund the extension of Airplay childcare centres at RAF High Wycombe and RAF Honington.
- Maximise the effectiveness of the Airplay youth support strand at 28 RAF stations.
- Increase the occupation of Princess Marina House and the Seaside Cottages by 5%.
- Successfully take over guardianship of the Bomber Command Memorial.

## 2012: Coming up

It is predicted that by 2021 dementia will affect nearly one million people in the UK so we need to make provision for RAF family members who will be among that number. That's why we're now working with partners, including the Alzheimer's Society and the Royal Air Forces Association, to develop new services, to meet this need.

**The spectrum of services created by the RAF Benevolent Fund to help former members of the RAF and their families came under pressure in 2011. Rising costs and cuts in public services meant that already vulnerable veterans and their partners – many of them elderly, some unwell or disabled – faced even greater difficulty. We were ready to provide support in a myriad of ways, spending £15.56m supporting members of the retired RAF community.**

Our investment in helping people claim any state entitlements they are due paid substantial dividends. We assisted individuals, many facing unforeseen difficulties from illness to redundancy, with applying for the appropriate benefits. In total, our Benefits and Money Advice Service, which we run jointly with The Royal British Legion through Citizens Advice, released a staggering £11.22 million into RAF family members' pockets since 2007.

In all, we awarded 7,269 grants, totalling over £9m for problems large and small, ranging from £40 to repair a wheelchair puncture to £6,000 for care costs for a terminally ill RAF wife and her children. Behind that substantial figure are the stories of thousands of individuals in often very distressing circumstances. Our help is there to alleviate immediate suffering and, where necessary, provide a new start in life.

### Housing in special circumstances

The RAF Benevolent Fund's Housing Trust tripled the amount it spent on providing homes for members of the RAF family who have fallen on particularly difficult times. Those helped ranged from a Serviceman injured on active service to a couple caring for a child with a progressive illness.

### Encircling the Coopers with support

How do you help a family under unimaginable pressure? Iraq veteran Craig Cooper had three daughters under three, including twins with cerebral palsy, when he was medically discharged from the RAF in 2009. Craig found alternative employment as an NVQ assessor. However, since his wife Leanne was making prolonged hospital stays with their most severely affected twin, Sophie, Craig was forced to give up work to care for twin Erica and younger sister Kyla. Debts mounted, and life in their cramped house became intolerable. It was then that Craig approached our Benefits and Money Advice Service for help.



www.rafbf.org/stories

*'We would never have got this far without your help.'*

**Craig Cooper**



Leanne and Craig Cooper at home with their three daughters.

Craig says: "The RAF Benevolent Fund has been a lifesaver. Not only did they help us with our debts, they also bought us a four-bedroom home. Sophie, who needs 24-hour care, now has a downstairs bedroom and wet-room for hydrotherapy. The last few years have been very difficult. We've learnt that Erica, who has cerebral palsy, is on the autistic spectrum. Sophie, who has the worst kind of cerebral palsy, can now only be fed by a drip and has a high risk of premature death, so it's touch and go. We go to so many hospitals up and down the country, it's hard to keep count.

"The RAF Benevolent Fund has taken a huge financial burden off our shoulders. They don't just help with practicalities like travel costs and special equipment for Sophie, they also gave us a subsidised break at Seacot, their cottage on the coast. Sophie was five last year, and Prince Harry presented her with the WellChild Award for the 'Bravest Child in Britain'. I can't see how any of us would have got this far if it hadn't been for the Fund's support."





*'These services will continue to provide crucial support for many years. Combined with our other work, we have created a true spectrum of care, supporting the entire RAF family from childhood through to old age.'*

## Signing off

This will be the last Annual Review produced during my five-and-a-half year tenure as Controller of the RAF Benevolent Fund. It has been a tremendous privilege to serve in this position and oversee what has been a transformative and exciting time for the charity.

During my time we have renovated our headquarters at Portland Place. This is to ensure that the RAF's leading welfare charity has a firm foundation as the hub, or heart, of the RAF family, so that we can support future generations more effectively.

We have expanded our fundraising operation significantly, setting up dynamic regional teams to provide a face for the Benevolent Fund on RAF stations and at fundraising events; a crucial step forward in anticipation of dwindling legacy income.

Most importantly perhaps, we have introduced a new charitable object, allowing us to better support the morale and wellbeing of the serving RAF. The new object has been a source of great personal satisfaction to me, allowing what we contribute to extend beyond simple benevolence.

Of course, our welfare support work is the bedrock of everything that we do, but with the new object in place we have been able to work proactively to improve Service life, working with the RAF to deliver support where it is most needed. I am proud to say that our childcare services, relationship support, Benefits and Money Advice Service and Airplay youth support programme were rolled out swiftly, efficiently, and effectively across the UK, in what was an innovative and challenging leap forward for a charity like ours.

These services will continue to provide crucial support for many years. Combined with our other work, we have created a comprehensive spectrum of care, supporting the entire RAF family from childhood all the way through to old age.

I am also very pleased that we have forged increasingly close links with other Service charities, working in particular with our tri-service partners, ABF The Soldiers' Charity and the Royal Navy and Royal Marines Charity, to deliver a safety net for the entire Armed Forces community. Our three charities are bound by the unique continuum of care which we all provide for Service families. Together, through events like The British Military Tournament and the Remembrance Special edition of 'Who Wants To Be a Millionaire?', we have witnessed tremendous support for our work.

We were also honoured to be chosen by The Duke and Duchess of Cambridge as one of the charities to benefit from their Wedding Gift Fund, receiving £33,000.

I look forward to the Queen's Jubilee celebrations this year. As our patron for 60 years, Her Majesty has personified the continuity of support we offer the RAF family. We also look forward to Her Majesty unveiling the Bomber Command Memorial. This occasion marks the handing over of the Memorial to the Benevolent Fund as we assume the role of guardians.

I would like to finish by thanking everyone who has supported us in the past or plans to do so in the coming year. Your enduring enthusiasm has allowed me to play my part in guiding the charity through a period of considerable change with great confidence and, I might add, enjoyment. It has been a great honour to work with you all.

**Air Marshal Sir Robert Wright**  
KBE AFC FRAeS FCMI – Controller

# Doug Vince: part of the family

**Just as the RAF is enduring and adaptable, so are we.  
Just ask Doug Vince.**

Back in 1946, he returned from the war with severely burnt hands, and his arms and face affected as well. He had been injured flying back from an air raid over Germany when a German fighter followed them home. Doug's Stirling aircraft was shot down in flames. The pilot managed to land but flight instructor Doug, who had bravely grabbed a smouldering fire extinguisher to put out the flames, paid a high price. Back in the UK, he and his wife and new baby were about to be made homeless.

"We were facing the prospect of being out on the street," explains Doug. "I knew I was in trouble. I was one of McIndoe's 'guinea pigs', the airmen treated for burns by the pioneering plastic surgeon Archibald McIndoe. The Guinea Pig Club, where I made lifelong friends, put me in contact with the RAFBF 66 years ago and I'm still so grateful. They gave me £200 for a deposit to buy a house! That was a lot of money back then and I couldn't believe they'd given it to me. It made all the difference."

Almost seven decades later, we're delighted that Doug is now enjoying regular stays at Princess Marina House, the RAF Benevolent Fund's welfare break home by the sea. "It's a wonderful place," he says. "I enjoy walking on the front and catching up with my Guinea Pig friends. Even at the age of 89 I like to get out and about!"

*'They gave me £200...  
It made all the difference.'*



[www.rafbf.org/stories](http://www.rafbf.org/stories)



# Principals, Trustees and Senior Management Team

## Patron

Her Majesty The Queen

## President

HRH The Duke of Kent  
KG GCMG GCVO ADC(P)

## Vice-Presidents

Marshal of the Royal Air Force  
Sir Michael Beetham  
GCB CBE DFC AFC DL FRAeS

Marshal of the Royal Air Force  
The Lord Craig of Radley  
GCB OBE MA DSc FRAeS

Marshal of the Royal Air Force  
Sir Keith Williamson  
GCB AFC

Air Chief Marshal Sir Michael Graydon  
GCB CBE ADC FRAeS

Lady Humphrey  
OBE

Air Chief Marshal Sir Richard Johns  
GCB KCVO CBE FRAeS

Air Chief Marshal Sir Thomas  
Kennedy  
GCB AFC DL

Air Chief Marshal Sir Roger Palin  
KCB OBE MA FRAeS FIPD

Air Chief Marshal Sir Peter Squire  
GCB DFC AFC DSc FRAeS

Sir Adrian Swire  
MA DL DSc

## Council

### Chairman

The Viscount Trenchard of Wolfeton  
DL

### Deputy Chairman

Marshal of the Royal Air Force  
The Lord Craig of Radley  
GCB OBE MA DSc FRAeS

### Honorary Treasurer

Mr A Peake  
MA  
(retired March 2012)

Mr A Lea  
BA (Hons)  
(appointed March 2012)

### Members

Air Commodore J Bell  
OBE FIMgt  
(retired February 2012)

Air Chief Marshal Sir Simon Bryant  
KCB CBE ADC MA BA CDir FCIPD RAF

Air Chief Marshal Sir Stephen Dalton  
KCB ADC BSc FRAeS FCMI RAF

Air Vice-Marshal S Dougherty  
MSc MBBS FRCP FFOM DAvMed  
DObstRCOG FCMI FRAeS  
(appointed March 2012)

Mr L Haynes  
D Eng BA (Hons) FCILTR FRSA

Air Vice-Marshal N Bairsto  
CB MBE

Air Commodore A Neal  
AFC FCMI  
(appointed February 2012)

Air Marshal A Pulford  
CBE

Air Commodore D Rainford  
MBE MB BS MRCS FRCP FFOM FRAeS  
(retired March 2012)

Air Commodore A Vaughan  
OBE BA

## Trustees

### Chairman

The Viscount Trenchard of Wolfeton  
DL

### Honorary Treasurer

Mr A Peake  
MA  
(retired March 2012)

Mr A Lea  
BA (Hons)  
(appointed March 2012)

### Members

Lady Bagnall

Air Commodore N Beet  
OBE RAF  
(appointed April 2011)

Air Vice-Marshal D Couzens  
CEng FIMechE FRAeS MA MBA

Air Vice-Marshal S Dougherty  
MSc MBBS FRCP FFOM DAvMed  
DObstRCOG FCMI FRAeS  
(appointed March 2012)

Mrs A Hastie  
MA (Hons)

Mr L Haynes  
D Eng BA (Hons) FCILTR FRSA

Air Commodore R Paterson  
OBE BSc PGCE RAF  
(retired March 2011)

Ms V Raffé  
BA (Hons) MSc

Air Commodore D Rainford  
MBE MB BS MRCS FRCP FFOM FRAeS  
(retired March 2012)

Ms B Towle  
CBE FRSA BA LLD

Mr A Vaughan  
OBE BA

## Senior Management Team

### Controller

Air Marshal Sir Robert Wright  
KBE AFC FRAeS FCMI

### Chief of Staff

Wing Commander E Bohm  
(retired March 2012)

Group Captain M Neville  
CBE  
(appointed March 2012)

### Director Welfare and Policy

Air Commodore P Hughesdon  
MA FIoD FCMI

### Director Marketing and Communications

Mr D Benton

### Director Finance and IT

Mr N Waring  
FCA DChA



# Trustees' Report

The Board of Trustees presents its Annual Report and Accounts for the Royal Air Force Benevolent Fund and its related charities for the year ended 31 December 2011. The financial statements shown on the following pages consolidate the accounts of the Royal Air Force Benevolent Fund, the Royal Air Force Benevolent Fund Housing Trust Ltd (Charity No 202271), the Royal Air Force Dependants Fund (Charity No 253492) and the Royal Air Force Dependants Income Trust (Company No 01285364).

## Reference and Administrative Details

The Royal Air Force Benevolent Fund has the registration number 1081009. As the Fund owns land in Scotland the Fund is also registered with the Office of the Scottish Charity Regulator in order to comply with the Charities and Trustee Investment (Scotland) Act 2005; the registration number is SCO 38109. The restricted and endowed funds of the Charity have a separate registration number 207327. In accordance with the provisions of Section 96 of the Charities Act 1993, the Charity Commission has directed that for all or any of the purposes of the Act the two Charities, having the same charity trustees, are to be treated as a single charity.

Details of the Principals and Trustees of the Charity and members of the Senior Management Team are set out on page 06.

## Structure, Governance and Management

The Charity, which was set up in 1919, was incorporated by Royal Charter in 1999.

Trustees are appointed by the Council for a four-year term, after which they are eligible for re-election for a further four-year term. Trustees may not hold office for a continuous period exceeding eight years or, without the consent of the Board, after their seventy-fifth birthday.

New Trustees are selected with a view to ensuring that the Board has an appropriate balance of experience relevant to the Fund's strategic and operational requirements. Trustees are recruited through advertisements in the media and a range of networks and are considered by a Nominations Committee on behalf of the Council. Each Trustee is provided with a briefing pack, and an individual induction programme is agreed and implemented covering all aspects of the role and the work of the Charity.

The Board of Trustees consists of up to 15 Trustees, reflecting a mixture of those who are serving or have served in the Royal Air Force and those who have a background in industry, commerce or the charitable sector.

The Board is assisted by committees overseeing welfare, finance, marketing and remuneration activities, and is assisted by a number of advisory bodies. The Board is responsible for the strategic direction of the Charity and, through its committees, for monitoring the activities of the executive staff. The Board usually meets every two months. It reviews the position of the Charity and receives reports from the committees and the Senior Management Team. The Board is responsible for approving the business plan and a range of supporting strategies. The Controller and Directors review strategic and policy matters through the Executive Policy Group and make recommendations to the Board as appropriate.

The Controller, as Chief Executive of the Charity, is responsible for the day-to-day management of the Charity's affairs and for implementing the strategies and policies agreed by the Board.

The Charity provides support for the RAF family through a range of agencies and other charities, as shown on pages 30-32. The Trustees are grateful for the support of these bodies, without whom the Charity would be unable to meet the needs of its beneficiaries.

## Statement of Trustees' Responsibilities

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

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Charity and the group and of the incoming resources and application of resources of the Charity 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records that 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 and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 and the provisions of its Royal Charter. They are also responsible for safeguarding the assets of the Charity and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the Charity's auditor is unaware;
- they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Trustees undertake an assessment of business risks and risk management procedures. The major risks to which the Charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks. The cycle of reviews forms an integral part of the risk management processes adopted by the Charity. Major risks identified in the year with mitigating actions included the risk that the Charity:

- fails to identify the welfare needs of its beneficiaries – mitigated by close engagement with beneficiaries, the RAF and with other Service charities through COBSEO;
- is unable to grow its supporter base – mitigated by implementation of a clear fundraising strategy;

# Trustees' Report (continued)

- suffers a failure of a corporate project – mitigated by project management structures with regular reporting to the Board of Trustees;
- is unable to meet its charitable objects due to a lack of financial resources – mitigated by long-term financial forecasting linked to an investment strategy.

To provide a view of the risks associated with other charitable bodies who receive financial support from the Charity, visits are made to the organisations concerned to undertake a quality assurance check before and after major grants are approved. This also helps to provide assurance that donations are properly applied for the purposes intended and in a way that protects the reputation of the Royal Air Force Benevolent Fund.

## Objects and Activities

Since its formation, the Charity's objects have been to provide relief and assistance to past and present members of the Royal Air Force and their dependants who are in need as a result of poverty, disability, sickness, infirmity or otherwise, and to maintain the RAF War Memorial on the Victoria Embankment, London. In October 2008, the Charity's objects were expanded to enable it to promote the efficiency of the Royal Air Force by providing support and assistance to Service personnel and their dependants with a view to enhancing their morale and wellbeing.

## Public Benefit Statement

When reviewing the Fund's aims and objectives and in planning future activities and policies, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and to its supplementary guidance on public benefit and fee charging. Where a contribution is invited, for example towards the costs of a respite break or occupying a residential property, the beneficiary's means are always taken into account when assessing an appropriate contribution so that no member of the RAF family is prevented from accessing the services of the Fund because they cannot afford the full cost. The Fund also provides a public benefit as it promotes efficiency in the RAF, thereby underpinning esprit de corps and contributing to the defence of the United Kingdom and its interests.

## Achievements and Performance

Trustees agreed that activity within 2011 should place emphasis on the following:

### Welfare Strategy and Policy

- The Fund continues to take great pride in supporting the full Spectrum of Care, a strategy that ensures that we provide support for all those in need from the 2.2 million people who are in the RAF family, whether they be children of serving RAF personnel, those serving, early leavers or veterans and spouses from every generation of service in the Royal Air Force. It is substantial in range and depth and provides a very real impact for those we are able to help. The Fund holds to the view, even in these turbulent times, that we will look after our own. This applies particularly to those who have been injured on operations or whilst training for operations. In all individual cases, we consider the need as presented and, based on the financial distress, endeavour to meet that need, operating within sensible policies. We also provide help to those

who have left the RAF many years ago, thus giving meaning to our mantra: once RAF always RAFBF.

- Trustees annually prioritise the support that they will provide, which guides the Welfare Directorate's work. Our first priority is to support individual benevolence. For 2011, Trustees agreed to continue to support our major programmes that are afforded lower priorities, despite the difficult economic position that the country and Fund found itself in. Spending on large capital item programmes will reduce in 2012, which will allow for a measured reduction in spend, whilst ensuring that we support those who remain in need. We are determined to remain best in class in as many aspects of our work as possible and to repay the debt that we owe to members of the RAF family, balancing this against the need to ensure the long-term sustainability of the Fund. But in all this, real people with real problems remain at the core of our thinking and we are proud to support those in need, either directly or in partnership with other bodies.
- As a result of the comprehensive Strategic Review of the three jointly funded respite homes completed in 2010, in conjunction with the Royal Air Forces Association, a large number of operational level recommendations have been delivered during 2011. This has resulted in a gentle rise in occupancy in 2011, against a declining trend line and we are hopeful that further increases will occur in 2012 and beyond. Trustees will continue to review their long-term strategy to ensure that this important area of need is met in an affordable and sustainable manner.
- As at the end of 2011, work was underway to develop a new Five-Year Plan, which will encompass our welfare work and all other aspects of Fund activity, and guide our work into the future.

## Welfare Overview

- The number of individual awards made in 2011 was 7,591, slightly lower than the 7,908 of cases dealt with in 2010. £21m was spent on all forms of welfare support to both the serving and ex-serving communities, compared to £19.1m in 2010; this represents a 9% increase over the previous year, with both figures excluding staff costs and other overheads.
- We attracted 2,926 new cases during the year, a slight 3% decrease on 2010. Although we are mindful of the effects of the recession and cuts in public spending, we expect the number of new cases being presented to the Fund to continue to decline as the numbers of those who served in the RAF during World War Two and who need our help continue to fall.
- Across all strands of welfare support, including through External Grants and signposting to other organisations that might be able to assist if we cannot, we have directly helped over 60,000 people, which is only slightly less than last year. Taking the average family unit to comprise two people, we estimate that our work in 2011 has assisted at least 120,000 people.

## Support to the ex-Serving Community

- In 2011 some 1,454 people were awarded Regular Financial Assistance (formerly known as Maintenance Grants) equating to £1.89m; this represents a 19% reduction in the number of awards made and a 16%



decrease on the amount paid out in 2010 (£2.25m). This reduction reflects in part more elderly and frail becoming eligible for Attendance Allowance and associated disability premiums, and natural mortality.

- Debt and financial issues continue to be a component of many of the problems that we deal with. We resolutely do not pay off debt, but working with The Royal British Legion, we do fund the Benefits and Money Advice Service (BMAS) that provides fast-track financial advice for all serving and former members of the Armed Forces. This remains an important part of our welfare provision. From its inception on 1 October 2007 until 31 December 2011, the scheme had helped 27,787 individual clients, of whom 3,446 were from the RAF family. Over £90.5m was either written off by the banks or payments drawn down from Central or Local Government. This represents a saving for the RAF family of £11.2m, or an average of £3,257 per RAF case, and will undoubtedly have negated the requirement for direct financial support from the Fund to some of those helped.
- The Fund is working with Poppy Scotland and other Armed Forces charities to deliver the Armed Forces Advice Project, a scheme similar to the BMAS run in Scotland. Thus far, there has been less of a take up. Since it stood up in July 2010, the service has assisted a total of 1,408 clients and realised financial gains of £712k. The RAF family accounted for 16% of this figure, or 225 people, with a financial gain of £114k or £506 per person.
- 372 wheelchairs were issued for use by beneficiaries, a continuing rise from 356 in 2010. The total cost of all electrically powered wheelchair activities increased from £841k to £896k, again reflecting the increasing cost of ensuring that the Fund meets the needs of its beneficiaries by providing appropriate vehicles that are adequately insured and appropriately stored.
- £709k was spent on adjustable beds, riser-recliner chairs, bath aids, stairlifts and other domiciliary care equipment, comparable with 2010's £703k. However, only 460 awards were made versus 543 in 2010, reflecting a general increase in costs.
- Fees for 250 beneficiaries in residential care or in nursing homes amounted to £961k, an average of £3.8k per person. This is a 10% reduction in numbers on last year, but a 9% increase on the £878k spent in 2010.
- 4,223 respite weeks were provided to members of the RAF with a break at the Fund's Princess Marina House or in one of the homes jointly funded in conjunction with the Royal Air Forces Association, representing a 7.3% rise from the re-stated 2010 figures of 3,935. In addition, at the end of 2011, seven long-term residents continued to be cared for at Princess Marina House, which equated to more than 364 bed weeks over the year. We also converted one wing into a facility to care for those with early to mid-stage dementia and their carers. This has been an outstanding success and has already benefited 89 people, providing 205 respite weeks. The total service at Princess Marina House (including the running costs for Seacot and Shencot houses detailed below) and the joint homes was provided at a net cost to the Fund of £2.08m.
- Residential properties were bought for nine beneficiaries at a cost of £1.68m; a total of 14 purchases were approved with five to be completed in 2012 at an estimated cost of a further £1.9m. A total of 11 properties were sold and income before costs was £1.8m. The Fund continues to hold approximately 266 houses for use by beneficiaries. Properties continue to be included on the Fund's balance

sheet at historical cost less any charge for depreciation. Trustees acknowledge that the market value of the properties could be materially different but are satisfied that the Fund is following appropriate accounting standards, and that the cost of performing a regular revaluation of all properties would be prohibitive.

### Support to the Serving RAF

- The overall level of support provided to members of the serving Royal Air Force and their families amounted to £5.44m, an 11% increase on 2010's figure of £4.89m.
- Direct assistance to serving members of the RAF comprised 322 individual cases, compared with 289 in 2010, and amounted to £1.2m. This was significantly down from the £2.7m in 2010 which was due to the purchase of nine houses for personnel who were being medically discharged due to operational injuries, training accidents or illness, as only two were purchased in 2011. The number of grants made under the Minor Financial Assistance Scheme rose from 80 to 110 at a cost of £43.8k, a 43% increase on the £30.4k in 2010. We welcome the greater utilisation of this scheme, which provides rapid support at the point of need.
- Seacot, which is located in the grounds of the Fund's Princess Marina House, has become increasingly important as a modern 'home from home', or respite home, for members of the serving Royal Air Force and their families, including those with disabled needs. In 2011, 246 respite breaks were enjoyed in this way, a small increase from the 242 breaks taken in 2010. The Fund decided to double its capacity and has transformed another cottage, Shencot, at a cost of £220k, which was opened in December 2011.
- The relationship support service that we operate in partnership with the national charity Relate continues to be vital in meeting the needs of the modern RAF, as they deal with very high levels of operational tempo and organisational uncertainty. In 2011 the Fund provided 1,576 free counselling sessions to 600 unique clients, relatively small changes to the 2010 figures of 1,713 and 588 respectively.
- The Fund's £11.5m, five-year Airplay Programme continued to be a great success. Unique within the military environment, Airplay now comprises three strands: Airplay play parks, which provide for the provision of Multi-Use Games Areas (MUGAs) and shelters; Airplay youth support which is primarily our contract with 4Children to provide youth workers on 28 stations, and Airplay childcare centres, which was an existing provision. Taken together, this is a programme amounting to over £24 million. By the end of 2011, Airplay play parks had delivered facilities at 19 stations comprising 15 MUGAs, 32 play parks and six shelters, a total of 53 facilities. Airplay youth support has looked after some 2,000 RAF children, the highlight of which was a very busy and successful summer programme. Meanwhile, Airplay childcare centres continue to provide over 1,900 places on a daily basis and the Fund has pledged to undertake a refurbishment and extension programme at RAF High Wycombe and RAF Honington at a cost of £1.19m. The amount spent on Airplay in 2011 was £5.63m.
- Assistance with boarding school fees and university scholarships for children of serving personnel who died or who were medically discharged as a result of severe disabilities amounted to £265,000, marginally less (by £5,000) than 2010. The number of children supported with school fees fell from 18 to 16 but the number of university scholarships rose from 53 to 61.



# Trustees' Report (continued)

## External Grants

- Donations were made to other charities and organisations (including RAF stations) which provided specialist support to members of the RAF family. During the year, 71 applications were approved at a cost of £2.07m; further details are contained at the end of this report. We estimate that this money directly supported 37,388 members of the RAF family.

## Marketing Activities

- Fundraising income amounted to £12.3m in return for an investment of £2.9m (2010: £12.0m and £2.9m respectively).
- Investment in direct marketing activity resulted in 5,100 new individuals supporting the RAFBF and 360 new individuals started to make regular gifts.
- Income from gifts in wills amounted to £7.2 million (2010: £7.0m).
- The Charity received £33,000 from the Duke and Duchess of Cambridge's Wedding Gift Fund. The money helped fund an Airplay park at RAF Wyton.
- The RAFBF website was successfully re-launched in September with a fresh design, new content and an improved online shop and donation page. In the first six months, unique visitors to the site more than doubled and online revenue was up by approximately 67% compared to the same period in the previous year.
- The RAFBF won a prestigious PR Week Award for its 1940 Chronicle social media campaign which marked the 70th anniversary of the Battle of Britain. The campaign was also Highly Commended at the Charity Times Awards and at the Design Week Brand Communications Excellence Awards.
- The RAFBF was the charity chosen to represent the RAF on the 2011 Remembrance Special of 'Who Wants to Be a Millionaire', which raised an extra £50,000 for its welfare work.
- We were also chosen as one of three Service charities to benefit from the British Military Tournament which raised £28,500 for our work and exposed an audience of some 45,000 people to our brand.
- We initiated a further 14 Ambassadors – key influencers who are great supporters and advocates for our work. There are now a total of 23 RAFBF Ambassadors.

## Plans for Future Periods

- Provide core welfare support to our traditional beneficiary base.
- Promote special welfare initiatives.
- Encourage staff development and improvements in performance.
- Review the arrangements for attracting and managing fundraising income and expenditure.
- Promote the Fund's brand and image.
- Assume responsibility for the long-term maintenance of the Bomber Command Memorial.
- Introduce new business systems supporting the Fund's welfare

and fundraising activities, including the promotion of electronic document management.

- Manage the Fund's finances to reduce deficit spending.
- Review the Fund's investment strategy.

## Office Redevelopment

Work to redevelop our permanent offices at 67 Portland Place continued throughout the year and remained on time and on budget. The Fund returned to 67 Portland Place in January 2012.

## Staff

The Trustees continue to be grateful to all members of staff, particularly during the upheaval generated by the move back to 67 Portland Place and the introduction of new IT systems and procedures.

The Fund continually reviews the level of remuneration and other benefits awarded to staff. These include encouragement and support to undertake training and development for the benefit of both the Fund and individual employees.

## Working with Others

The majority of the Fund's work involves making grants to beneficiaries, invariably through intermediaries. These include the personnel and community support staff on RAF stations and other charities who undertake casework on our behalf. The latter includes SSAFA Forces Help, The Royal British Legion, Royal Air Forces Association (RAFA) and other charities. The Fund is indebted to everyone who acts as a link between the Charity and its beneficiaries.

In addition to casework support, the Fund works increasingly closely with RAF community support staff at HQ Air Command, RAFA and other RAF and Service related charities, including The Royal British Legion and SSAFA-FH, Citizens Advice, Relate and other charitable organisations. This degree of cooperation leads to greater efficiency and economy of effort and is a key feature of the Fund's strategic development.

## Volunteers

The Trustees recognise the valuable contribution made by volunteers and once again wish to place on record their grateful thanks for their commitment. Volunteers include the case workers and helpers who act as the link between beneficiaries and the Charity, those who undertake fundraising activities on behalf of the Fund, and the committees of volunteers who meet regularly to assess applications for welfare support. No amounts are included in the financial statements to reflect the value of work undertaken by volunteers.

## Investment Policy and Returns

The Fund's investment strategy is to enhance the value of its investments through the adoption of a managed, diversified portfolio. The Fund uses a "total return" approach to measuring the performance of its investments.

The return on investments in a year is the investment income generated and any capital gains or losses on the underlying investments. The investment manager has been tasked to deliver a return of at least RPI + 5% each year over rolling five-year periods. In the shorter term, there is a secondary objective to outperform a composite benchmark of agreed indices.

During 2011 the Fund's portfolio achieved a return of -0.2%, against a secondary benchmark of 0.0%. UK & Global equities performed 4% better than benchmark, as did the Fund's investments in alternatives (1.6%). However, the overall return was reduced by the Fund's exposure to commercial property (a return of 22% below benchmark), and a weak return on fixed income investments (3% below benchmark). As of 31 December 2011, the Fund held £13m on cash deposit to meet short-term cash-flow requirements.

The Fund holds investments for long-term reserve requirements and the Trustees are satisfied that their long-term investment strategy is appropriate. The Trustees and the Finance Committee continue to monitor carefully the performance of both the Fund's investments and the investment manager.

### Reserves

Free reserves are the resources the Fund has or can make available to spend for any or all of the Fund's purposes once it has met its commitments and covered its other planned expenditure.

Free reserves exclude restricted, endowed and designated funds. They also exclude fixed assets, including Housing Trust properties and loans to beneficiaries.

The Fund holds free reserves to ensure that it is able to meet the needs of its current and future beneficiaries given potential future risks. The Fund has broken down its reserve requirement into three categories. Reserves are held for the following reasons:

- Short-term tactical needs (such as short-term setbacks in funding or cash-flow difficulties);
- Contingency needs (to enable the Fund to evolve and take advantage of strategic development opportunities and to meet unexpected calls on the Fund such as a disaster within the RAF family);
- Long-term strategic needs (to reduce the risk posed by large external changes in the environment in which the Fund operates; for example, a large fall in stock markets).

The Fund believes that the level of long-term strategic reserves should be based on funding requirements, given our anticipated expenditure in the next five years and the presence of an economic downturn and related income and investment decline. Based on the Fund's five-year financial forecast, the Fund believes that two years of expenditure would allow the Fund to meet its commitments to its beneficiaries during this period. The reserves will be held in a long-term investment portfolio.

An additional two years of reserves will be held in more liquid assets (housing trust properties), providing a second tier reserve. Cash-flow requirement for the next five years has already been identified, and these funds are being taken out of the main portfolio to be invested in a low-risk, short-term portfolio. Should the Fund be in a position where its funds exceed its reserve targets, then these additional funds will be held in cash or near-cash investments.

The reserves policy is reviewed each year as a part of the annual planning process. Performance against the reserves policy is monitored during the year as part of regular financial management and is reflected as a key performance indicator at Board level.

The net assets of the Fund at 31 December 2011 were £127.1m, a decrease of £17.6m on 2010. Once fixed assets for charitable use,

restricted and endowed funds have been taken into account, the level of reserves amounted to £66.7m, compared to £88.3m as at 31 December 2010. The current level of free reserves falls within the range as defined in the policy above. Trustees will continue to monitor reserves against the policy in the coming year.

### Statement of Financial Activities

The consolidated Statement of Financial Activities (SOFA) for the year is set out on pages 14 and 15 of the financial statements. A summary of the financial results is set out below.

### Incoming Resources

The Charity's income amounted to £17.9m (2010: £18.4m). Donations and legacies amounted to £12.3m (2010: £12.0m). Of this sum, income from serving personnel and associated activities was £1.9m, once again reflecting the consistent support of the Royal Air Force for its principal welfare charity. Investment income fell to £2.6m in the year (2010: £2.9m), reflecting the effects of the global recession and the reducing levels of reserves held by the Fund. Income from charitable activities was £1.5m, which included contributions from tenants of Housing Trust properties, care home fees and interest received from loans made to beneficiaries. Other income amounted to £1.5m.

### Cost of Generating Voluntary Income

Marketing and Communication costs remained at last year's levels of £2.9m, but achieving a greater return than 2010 in a challenging fundraising market. Investment management fees, which are based on the market value of the funds invested, fell to £0.25m, and reflected a fall in the total value of the portfolio to fund activities, with an unrealised loss of £1.8m on the market value of the portfolio.

### Outgoing Resources

During the year, the Fund spent £29.6m (2010: £27.0m) on charitable expenditure and associated costs. Details of the services and achievements of the Fund are included earlier in this report.

Direct charitable expenditure amounted to £26.0m (2010: £23.5m), which included donations to other charities that provide help to the extended RAF family. In addition to the amount spent on direct charitable expenditure, as recorded in the SOFA, capital expenditure on housing, through the Fund's Housing Trust, and loans to beneficiaries amounted to a further £2.9m (2010: £3.7m).

### Changes in Fixed Assets

The movements in fixed assets during the year are set out in Note 9 to the financial statements.

This Report was approved by the Board of Trustees on 29 May 2012.



### The Viscount Trenchard of Wolfeton DL

Chairman of the RAF Benevolent Fund

# Principal Office and Professional Advisers

## Fund's Principal Office

67 Portland Place  
London W1B 1AR

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## Auditors

**Kingston Smith LLP**  
Devonshire House  
60 Goswell Road  
London EC1M 7AD

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## Bankers

**Lloyds TSB Bank plc**  
Cox's and King's Branch  
7 Pall Mall  
London SW1Y 5NA

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**National Westminster Bank plc**  
135 Bishopsgate  
London EC2M 3UR

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**Barclays**  
1 Churchill Place  
London E14 5HP

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## Solicitors

**Charles Russell LLP**  
5 Fleet Place  
London EC4H 7RD

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## Sheppard and Wedderburn LLP

Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2ET

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## Custodian Trustees

**The Northern Trust Corporation**  
155 Bishopsgate  
London EC2M 3XS

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## Investment Managers

**Aberdeen Asset Management PLC**  
Bow Bells House  
1 Bread Street  
London EC4M 9HH

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## Sarasin & Partners LLP

Juxon House  
100 St Paul's Churchyard  
London EC4M 8BU

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## Actuary

**Pope Anderson LLP**  
Pegasus House  
37-43 Sackville Street  
London W1S 3EH

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# Independent Auditor's Report

We have audited the financial statements of the Royal Air Force Benevolent Fund for the year ended 31 December 2011, which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity's Trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011 and in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken for no purpose other than to draw to the attention of the Charity's Trustees those matters which we are required to include 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 any party other than the Charity and Charity's Trustees as a body, for our audit work, for this report, or for the opinion we have formed.

## Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of financial statements which provide a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with regulations made under that act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2011 and of its outgoing resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respects with the financial statements; or
- sufficient accounting records have not been kept; 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.



## Kingston Smith LLP

Devonshire House  
Statutory auditor  
60 Goswell Road  
London EC1M 7AD

Date: 29 May 2012

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

# Consolidated Statement of Financial Activities

## for the year ended 31 December 2011

|  | Note    | Unrestricted<br>Funds<br>£'000 | Restricted<br>Funds<br>£'000 | Endowed<br>Funds<br>£'000 | Group<br>2011<br>£'000 | Group<br>2010<br>£'000 |
|--|---------|--------------------------------|------------------------------|---------------------------|------------------------|------------------------|
| <b>Incoming Resources</b>  |         |                                |                              |                           |                        |                        |
| <b>Incoming resources from generated funds</b>                     |         |                                |                              |                           |                        |                        |
| Voluntary income   |         |                                |                              |                           |                        |                        |
| Donations  | 2       | 4,559                          | 499                          | -                         | 5,058                  | 4,947                  |
| Legacies   |         | 7,245                          | -                            | -                         | 7,245                  | 7,056                  |
| <b>Investment income</b>   | 3       | 2,464                          | 103                          | 2                         | 2,569                  | 2,909                  |
| <b>Incoming resources from charitable activities</b>               |         |                                |                              |                           |                        |                        |
| Housing  |         | 876                            | 15                           | -                         | 891                    | 861                    |
| Residential care   |         | 444                            | -                            | -                         | 444                    | 440                    |
| Loan interest  |         | 188                            | -                            | -                         | 188                    | 189                    |
| Other income   | 4       | 1,515                          | -                            | -                         | 1,515                  | 1,970                  |
| <b>Total incoming resources</b>                                    |         | <b>17,291</b>                  | <b>617</b>                   | <b>2</b>                  | <b>17,910</b>          | <b>18,372</b>          |
| <b>Resources Expended</b>  |         |                                |                              |                           |                        |                        |
| <b>Cost of generating funds</b>                                    |         |                                |                              |                           |                        |                        |
| Marketing and communications                                       | 5,6,7,8 | 2,567                          | -                            | -                         | 2,567                  | 2,523                  |
| Legacies   | 5,6,7,8 | 366                            | -                            | -                         | 366                    | 331                    |
| Investment management costs  | 5a      | 258                            | -                            | -                         | 258                    | 402                    |
|  |         | 3,191                          | -                            | -                         | 3,191                  | 3,256                  |
| <b>Net incoming resources available for charitable application</b> |         | <b>14,100</b>                  | <b>617</b>                   | <b>2</b>                  | <b>14,719</b>          | <b>15,116</b>          |
| <b>Charitable Expenditure</b>                                      |         |                                |                              |                           |                        |                        |
| <b>Costs of activities in furtherance of the Charity's objects</b> |         |                                |                              |                           |                        |                        |
| Direct charitable expenditure                                      |         |                                |                              |                           |                        |                        |
| General welfare  | 5,6,7,8 | 19,639                         | 50                           | -                         | 19,689                 | 16,637                 |
| Education  | 5,6,7,8 | 64                             | 45                           | -                         | 109                    | 99                     |
| Housing  | 5,6,7,8 | 2,358                          | 15                           | -                         | 2,373                  | 2,412                  |
| Residential care   | 5,6,7,8 | 3,767                          | 92                           | -                         | 3,859                  | 4,358                  |
| <b>Total direct charitable expenditure</b>                         |         | <b>25,828</b>                  | <b>202</b>                   | <b>-</b>                  | <b>26,030</b>          | <b>23,506</b>          |
| Governance   |         | 353                            | -                            | -                         | 353                    | 291                    |
| <b>Total resources expended</b>                                    | 5       | <b>29,372</b>                  | <b>202</b>                   | <b>-</b>                  | <b>29,574</b>          | <b>27,053</b>          |

|   | Note      | Unrestricted<br>Funds<br>£'000 | Restricted<br>Funds<br>£'000 | Endowed<br>Funds<br>£'000 | Group<br>2011<br>£'000 | Group<br>2010<br>£'000 |
|---|-----------|--------------------------------|------------------------------|---------------------------|------------------------|------------------------|
| <b>Net (outgoing)/incoming resources on continuing activities</b> |           | (12,081)                       | 415                          | 2                         | (11,664)               | (8,681)                |
| <b>Other recognised gains &amp; losses</b>                        |           |                                |                              |                           |                        |                        |
| Net (losses)/gains on investment assets                           | 11        | (1,452)                        | -                            | (425)                     | (1,877)                | 10,328                 |
| Actuarial (losses)/gains on defined benefit pension scheme        | 8         | (4,078)                        | -                            | -                         | (4,078)                | 729                    |
| <b>Net movement in funds</b>                                      |           | (17,611)                       | 415                          | (423)                     | (17,619)               | 2,376                  |
| Fund balances brought forward on 1 January 2011                   |           | 139,246                        | 999                          | 4,488                     | 144,733                | 142,357                |
| <b>Fund balances carried forward at 31 December 2011</b>          | <b>15</b> | <b>121,635</b>                 | <b>1,414</b>                 | <b>4,065</b>              | <b>127,114</b>         | <b>144,733</b>         |

The consolidated statement of financial activities include all gains, losses and movement in funds recognised in the year.  
All incoming and outgoing resources arise from continuing operations.

# Balance Sheet

## as at 31 December 2011

|   | Note  | Group<br>2011<br>£'000 | Group<br>2010<br>£'000 | Charity<br>2011<br>£'000 | Charity<br>2010<br>£'000 |
|---|-------|------------------------|------------------------|--------------------------|--------------------------|
| <b>Fixed assets</b>   |       |                        |                        |                          |                          |
| Property  | 9     | 37,557                 | 34,090                 | 11,135                   | 7,663                    |
| Furniture and equipment   | 9     | 1,173                  | 634                    | 1,173                    | 634                      |
|   |       | <b>38,730</b>          | <b>34,724</b>          | <b>12,308</b>            | <b>8,297</b>             |
| <b>Loans to beneficiaries</b>   |       |                        |                        |                          |                          |
| Secured   |       | 15,109                 | 15,033                 | 15,109                   | 15,033                   |
| Unsecured   |       | 1,062                  | 1,181                  | 1,062                    | 1,181                    |
|   | 10    | <b>16,171</b>          | <b>16,214</b>          | <b>16,171</b>            | <b>16,214</b>            |
| <b>Investments</b>  |       |                        |                        |                          |                          |
|   | 11    | <b>64,819</b>          | <b>91,301</b>          | <b>62,023</b>            | <b>88,509</b>            |
| <b>Current assets</b>   |       |                        |                        |                          |                          |
| Stock   |       | 7                      | 7                      | 7                        | 7                        |
| Debtors and prepayments   | 12    | 994                    | 1,062                  | 22,198                   | 22,241                   |
| Cash at bank and in hand  |       | 18,148                 | 8,849                  | 16,958                   | 7,831                    |
|   |       | <b>19,149</b>          | <b>9,918</b>           | <b>39,163</b>            | <b>30,079</b>            |
| <b>Current liabilities</b>  |       |                        |                        |                          |                          |
| Creditors and accrued charges: amounts falling due within one year      | 13    | (3,006)                | (2,203)                | (2,729)                  | (2,044)                  |
| <b>Net current assets</b>   |       | <b>16,143</b>          | <b>7,715</b>           | <b>36,434</b>            | <b>28,035</b>            |
| <b>Net assets excluding long-term liabilities and pension liability</b> |       |                        |                        |                          |                          |
|   |       | <b>135,863</b>         | <b>149,954</b>         | <b>126,936</b>           | <b>141,055</b>           |
| Defined benefit pensions liability                                      | 8     | (8,749)                | (5,221)                | (8,749)                  | (5,221)                  |
| <b>Net assets</b>   |       | <b>127,114</b>         | <b>144,733</b>         | <b>118,187</b>           | <b>135,834</b>           |
| <b>Funds</b>  |       |                        |                        |                          |                          |
| Endowed   |       | 4,065                  | 4,488                  | 4,065                    | 4,488                    |
| Restricted  |       | 1,414                  | 999                    | 1,414                    | 999                      |
| Unrestricted – designated funds   |       | 5,100                  | 15,272                 | 5,100                    | 15,272                   |
| Unrestricted – general funds  |       | 125,284                | 129,195                | 116,357                  | 120,296                  |
| Pension reserve   | 8     | (8,749)                | (5,221)                | (8,749)                  | (5,221)                  |
|   | 14,15 | <b>127,114</b>         | <b>144,733</b>         | <b>118,187</b>           | <b>135,834</b>           |
| <b>Note on historical costs</b>   |       |                        |                        |                          |                          |
| Net Assets at historical cost   |       | 128,531                | 142,562                |                          |                          |
| Unrealised investment valuation (deficit)/surplus                       |       | (1,417)                | 2,171                  |                          |                          |
| <b>Total net assets as above</b>  |       | <b>127,114</b>         | <b>144,733</b>         |                          |                          |

The financial statements on pages 14 to 32 were approved by Trustees on 29 May 2012 and were signed on its behalf by:



**The Viscount Trenchard of Wolfeton**  
Chairman of the RAF Benevolent Fund

# Consolidated Cash Flow Statement

## for the year ended 31 December 2011

|  | 2011<br>£'000   | 2010<br>£'000   |                |
|--|-----------------|-----------------|----------------|
| <b>Net cash outflow from operating activities</b>                        | <b>(13,521)</b> | <b>(13,091)</b> |                |
| <b>Returns on investments</b>  |                 |                 |                |
| Bank interest and sundry income  | 103             | 61              |                |
| Dividends receivable   | 1               | 1               |                |
| Fixed interest securities  | 2,465           | 2,847           |                |
| <b>Net cash inflow from returns on investments</b>                       | <b>2,569</b>    | <b>2,909</b>    |                |
| <b>Capital expenditure and financial investment</b>                      |                 |                 |                |
| Payments to acquire tangible fixed assets                                | (6,213)         | (4,716)         |                |
| Net withdrawal from investments  | 24,605          | 18,945          |                |
| New loans  | (1,254)         | (1,227)         |                |
| Receipts from sales of tangible fixed assets                             | 1,852           | 1,705           |                |
| Loans repaid   | 1,271           | 1,088           |                |
| <b>Net cash inflow from capital expenditure and financial investment</b> | <b>20,261</b>   | <b>15,795</b>   |                |
| <b>Increase in cash</b>  | <b>9,309</b>    | <b>5,613</b>    |                |
| <b>Notes to cash flow statement</b>                                      |                 |                 |                |
| <b>Reconciliation of net outgoing resources</b>                          |                 |                 |                |
| Net outgoing resources   | (11,664)        | (8,681)         |                |
| Less: investment income  | (2,569)         | (2,909)         |                |
|  | <b>(14,233)</b> | <b>(11,590)</b> |                |
| <b>Adjustment for non-cash items:</b>                                    |                 |                 |                |
| Profit on sale of tangible fixed assets                                  | (618)           | (1,218)         |                |
| Provision for loan conversions   | (138)           | 250             |                |
| Loan interest  | (188)           | (189)           |                |
| Loans to grants  | 344             | 21              |                |
| Loans written off  | 8               | -               |                |
| Depreciation   | 973             | 895             |                |
| Pension interest income  | (550)           | (384)           |                |
| Foreign exchange differences   | 10              | 2               |                |
| Movement in debtors  | 68              | (625)           |                |
| Movement in creditors  | 803             | (253)           |                |
| <b>Net cash outflow from operating activities</b>                        | <b>(13,521)</b> | <b>(13,091)</b> |                |
|  | <b>2011</b>     | <b>2010</b>     | <b>Change</b>  |
|  | <b>£'000</b>    | <b>£'000</b>    | <b>in Year</b> |
|  |                 |                 | <b>£'000</b>   |
| Cash at bank and in hand   | 18,148          | 8,849           | 9,299          |
| Foreign exchange difference  |                 |                 | 10             |
| <b>Increase in cash and net funds</b>                                    |                 |                 | <b>9,309</b>   |

# Notes to the Financial Statements

## for the year ended 31 December 2011

### 1. Principal Accounting Policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, and in accordance with applicable accounting standards. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in March 2005.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the Charity and its subsidiary undertakings.

The results of the subsidiaries are consolidated on a line-by-line basis.

Separate SOFAs have not been presented as permitted by paragraph 397 of the SORP.

A summary of the results of the subsidiary entities are shown in Note 16.

#### Status

The Charity was incorporated by Royal Charter on 29 December 1999. The directors of the corporate body are the Trustees named on page 06.

#### Fund accounting

General funds are unrestricted funds that are available for use at the discretion of the Trustees in furtherance of the general objects of the Charity and that have not been designated for other purposes.

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

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or that have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific funds. The aim and use of the larger restricted funds is set out in the notes to the financial statements.

Investment income and gains are allocated to the appropriate fund.

#### Incoming resources

All incoming resources are included in the SOFA when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the Charity being notified of an impending/imminent distribution or the legacy being received.

Gifts donated for resale are included as income when they are sold. No amounts are included in the financial statements for services donated by volunteers.

#### Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Where costs cannot be directly attributed to the particular headings, they have been allocated to activities on a basis consistent with use of resources. Premises overheads have been allocated on a floor area basis and other overheads have been allocated on the basis of head count.

The SOFA defines costs in three specific categories:

- cost of generating funds
- charitable activities
- governance costs.

Costs of generating funds are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of charitable activities.

Costs of charitable activities relate to the work carried out on the core purposes of the Fund, which are to provide relief and assistance to past and present members of the RAF family who are in need and to enhance the morale and wellbeing of Service personnel.

Governance costs are those incurred in connection with the administration of the Charity and compliance with constitutional and statutory requirements.

### **Tangible fixed assets and depreciation**

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expense of acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives as follows:

- freehold land nil
- freehold buildings over fifty years
- project and office equipment over five years
- computer equipment over three years
- motor vehicles over five years
- equipment held under finance leases over the life of the lease

A full year's depreciation is provided in the year of asset acquisition, and none in the year of disposal.

### **Investments**

Investments are stated at market value at the balance sheet date. The SOFA includes the net gains and losses arising on revaluation and disposals throughout the year.

### **Stock**

Stock consists of purchased goods for resale. Stocks are valued at the lower of the cost and net realisable value. Items donated for resale or distribution are not included in the financial statements until they are sold or distributed.

### **Pension costs**

The Charity operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund.

The Charity accounts for pension schemes in accordance with FRS17 (Retirement Benefits).

For the defined benefit pension scheme, any increase in the present value of the net liabilities expected to arise from employee service in the period is charged to the SOFA.

The interest costs and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains or losses are recognised immediately in the SOFA. Pension scheme assets are measured using market values, and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at least tri-annually and are updated at each balance sheet date.

### **Finance and operating leases**

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred. Assets purchased under finance leases are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges. Finance charges are written off to the SOFA over the period of the lease so as to produce a constant periodic rate of charge.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken into the SOFA.

### **Related party disclosures**

The Charity has taken advantage of the exemption which is conferred by FRS8, Related Party Disclosures, that allows it not to disclose transactions with group undertakings that are eliminated on consolidation.

### **Grant commitments**

Grants awarded are provided in the SOFA in the year in which they are approved by the Trustees and the offer is conveyed to the recipient. Grants awarded but not paid are recorded as a liability within the balance sheet. Grants awarded subject to explicit conditions being met by the recipient before payments are made are not accrued until such conditions have been met. Such commitments are disclosed in the financial statements as a contingent liability.

# Notes to the Financial Statements (continued)

## 2. Donations and Gifts

|                                  | 2011<br>£'000 | 2010<br>£'000 |
|----------------------------------|---------------|---------------|
| <b>a.</b>                        |               |               |
| Royal Air Force voluntary income |               |               |
| Service personnel                | 1,912         | 1,937         |
| Stations and units               | 9             | 15            |
| Battle of Britain "At Home Days" | 18            | 204           |
|                                  | 1,939         | 2,156         |
| <b>b.</b>                        |               |               |
| Other voluntary income           |               |               |
| General donations                | 3,009         | 2,538         |
| Polish Air Force Association     | 100           | 250           |
| Royal Air Forces Association     | 10            | 3             |
|                                  | 3,119         | 2,791         |
|                                  | <b>5,058</b>  | <b>4,947</b>  |

## 3. Investment Income

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Interest receivable                                   | 103           | 61            |
| Dividends receivable from equity shares               | 1             | 1             |
| Dividends receivable from investments and unit trusts | 2,465         | 2,847         |
|   | <b>2,569</b>  | <b>2,909</b>  |

## 4. Other Income

|                                | 2011<br>£'000 | 2010<br>£'000 |
|--------------------------------|---------------|---------------|
| Profit on sale of fixed assets | 618           | 1,218         |
| Pension interest income        | 550           | 384           |
| Administration fee             | 327           | 339           |
| Rental of office space         | 12            | 21            |
| Administration recovery        | 8             | 8             |
|                                | <b>1,515</b>  | <b>1,970</b>  |

## 5a. Total Resources Expended

|                                     | Staff Costs<br>£'000 | Other Direct<br>Costs<br>£'000 | Other<br>Allocated<br>Costs<br>£'000 | 2011<br>£'000 | 2010<br>£'000 |
|-------------------------------------|----------------------|--------------------------------|--------------------------------------|---------------|---------------|
| Cost of generating voluntary income |                      |                                |                                      |               |               |
| Donations                           | 669                  | 1,036                          | 862                                  | 2,567         | 2,523         |
| Legacies                            | 49                   | 144                            | 173                                  | 366           | 331           |
| Investment management costs         |                      |                                |                                      |               |               |
| Investment management fee           | -                    | 242                            | -                                    | 242           | 383           |
| Custodian Trustee Fee               | -                    | 16                             | -                                    | 16            | 19            |
| Cost of charitable activities       |                      |                                |                                      |               |               |
| General welfare                     | 1,185                | 16,070                         | 2,434                                | 19,689        | 16,637        |
| Education                           | 34                   | 55                             | 20                                   | 109           | 99            |
| Housing                             | 372                  | 1,667                          | 334                                  | 2,373         | 2,412         |
| Residential homes                   | 1,528                | 1,946                          | 385                                  | 3,859         | 4,358         |
| Governance                          | -                    | 249                            | 104                                  | 353           | 291           |
| <b>Total resources expended</b>     | <b>3,837</b>         | <b>21,425</b>                  | <b>4,312</b>                         | <b>29,574</b> | <b>27,053</b> |

## 5b. Other Allocated Costs

|                            | Group<br>2011<br>£'000 | Group<br>2010<br>£'000 |
|----------------------------|------------------------|------------------------|
| Salaries                   | 1,463                  | 1,441                  |
| Overheads and depreciation | 2,849                  | 2,143                  |
|                            | <b>4,312</b>           | <b>3,584</b>           |

## 5c. Net Outgoing Resources are Stated After Charging:

|                            | 2011<br>£'000 | 2010<br>£'000 |
|----------------------------|---------------|---------------|
| Audit fees – current year  | 33            | 34            |
| Audit fees – other         | 9             | 23            |
| Custodian Trustee          | 16            | 19            |
| Investment management fees | 242           | 383           |
| Solicitor/surveyors        | 169           | 195           |
| Depreciation               | 973           | 895           |

## 6. Trustees' Remuneration

The Trustees neither received nor waived any emoluments during the year 2011 (2010: £NIL)

Out-of-pocket expenses were reimbursed to Trustees as follows:

|        | 2011<br>Number | 2010<br>Number | 2011<br>£ | 2010<br>£ |
|--------|----------------|----------------|-----------|-----------|
| Travel | 6              | 5              | 3,699     | 3,722     |

## 7. Staff Costs

|                       | 2011<br>£'000 | 2010<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 4,971         | 4,739         |
| Social security costs | 459           | 429           |
| Pension costs         | 854           | 867           |
|                       | <b>6,284</b>  | <b>6,035</b>  |

The number of employees whose emoluments as defined for taxation purposes amounted to over £70,000 in the year was as follows:

|                     | 2011<br>Number | 2010<br>Number |
|---------------------|----------------|----------------|
| £70,001 – £80,000   | -              | 3              |
| £80,001 – £90,000   | 2              | 1              |
| £90,001 – £100,000  | 2              | -              |
| £100,000 – £110,000 | -              | 1              |
| £110,000 – £120,000 | 1              | -              |

The Controller is required to occupy residential accommodation as a condition of his employment. As agreed with HMRC, he meets the utilities costs associated with his occupation of the property personally and is taxed on the equivalent rental value as a benefit in kind.

Two employees earning more than £70,000 participated in the final salary pension scheme

The average number of employees, calculated on a full-time equivalent basis, analysed by function was:

|  | 2011<br>Number | 2010<br>Number |
|--|----------------|----------------|
| Charitable activities                  | 133            | 125            |
| Cost of generating funds               | 19             | 20             |
| Governance, administration and support | 23             | 25             |



# Notes to the Financial Statements (continued)

## 8. Pension Commitments

### FRS 17 disclosure

The FRS 17 calculations have been carried out by an independent qualified actuary and relate to the RAF Benevolent Fund Staff Pension Fund.

The amounts recognised in the balance sheet are as follows:

|   | 2011<br>£000   | 2010<br>£000   |
|---|----------------|----------------|
| Fair value of scheme assets                                   | 22,475         | 22,171         |
| Present value of funded obligations                           | (31,224)       | (27,392)       |
| <b>Present value of unfunded benefits (deficit in scheme)</b> | <b>(8,749)</b> | <b>(5,221)</b> |

The amounts recognised in profit or loss are as follows:

Defined benefit pension schemes

|                                       | 2011<br>£000 | 2010<br>£000 |
|---------------------------------------|--------------|--------------|
| Current service cost                  | 485          | 483          |
| Interest cost                         | 1,463        | 1,478        |
| Expected return on scheme assets      | (1,612)      | (1,452)      |
| <b>Total</b>                          | <b>336</b>   | <b>509</b>   |
| <b>Actual return on scheme assets</b> | <b>489</b>   | <b>2,956</b> |

Changes in the present value of the defined benefit obligation are as follows:

Defined benefit pension schemes

|   | 2011<br>£000  | 2010<br>£000  |
|---|---------------|---------------|
| Opening defined benefit obligation        | 27,392        | 25,838        |
| Current service cost                      | 485           | 483           |
| Interest cost                             | 1,463         | 1,478         |
| Contributions by scheme participants      | 12            | 22            |
| Actuarial losses                          | 2,955         | 775           |
| Benefits paid                             | (1,083)       | (1,204)       |
| <b>Closing defined benefit obligation</b> | <b>31,224</b> | <b>27,392</b> |

## 8. Pension Commitments (continued)

Changes in the fair value of scheme assets are as follows:

|                                      | 2011<br>£000  | 2010<br>£000  |
|--------------------------------------|---------------|---------------|
| Opening fair value of scheme assets  | 22,171        | 19,504        |
| Expected return                      | 1,612         | 1,452         |
| Actuarial gains/(losses)             | (1,123)       | 1,504         |
| Contributions by employer            | 886           | 893           |
| Contributions by scheme participants | 12            | 22            |
| Benefits paid                        | (1,083)       | (1,204)       |
|                                      | <b>22,475</b> | <b>22,171</b> |

The Charity is expected to contribute £900,000 to the Scheme in 2012.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

|                         | 2011 | 2010 |
|-------------------------|------|------|
| Target return fund      | 96%  | 98%  |
| Fixed Interest and cash | 4%   | 2%   |

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

|   | 2011          | 2010          |
|---|---------------|---------------|
| Discount rate                                 | 4.7%          | 5.4%          |
| Expected return on scheme assets              | 7.1%          | 7.3%          |
| Future pension increases (RPI capped at 5%)   | 3.0%          | 3.1%          |
| Future salary increases                       | 3.5%          | 3.8%          |
| Inflation assumption (RPI)                    | 3.1%          | 3.3%          |
| Mortality – base table                        | SAPS          | SAPS          |
| Mortality – allowance for future improvements | Medium Cohort | Medium Cohort |
| Life expectancies at age 63:                  |               |               |
| Male currently aged 63 now                    | 22.6 years    | 22.5 years    |
| Male currently aged 63 in 20 years            | 23.8 years    | 23.8 years    |
| Female currently aged 63 now                  | 25.1 years    | 25.0 years    |
| Female currently aged 63 in 20 years          | 26.1 years    | 26.1 years    |

Amounts for the current and previous four periods are as follows (all in £000's):

|   | 2011     | 2010     | 2009     | 2008     | 2007     |
|---|----------|----------|----------|----------|----------|
| Defined benefit obligation                    | (31,224) | (27,392) | (25,838) | (19,399) | (20,415) |
| Scheme assets                                 | 22,475   | 22,171   | 19,504   | 17,267   | 21,467   |
| Surplus/ (deficit)                            | (8,749)  | (5,221)  | (6,634)  | (2,132)  | 1,052    |
| Experience adjustments on scheme liabilities* | -        | -        | (234)    | -        | -        |
| Experience adjustments on scheme assets*      | (1,123)  | 1,504    | 1,936    | (5,263)  | (435)    |

\*positive experience adjustments represent a gain to the Fund

# Notes to the Financial Statements (continued)

## 9. Tangible Fixed Assets

|  | Property<br>£'000 | Equipment<br>£'000 | Total<br>£'000 |
|--|-------------------|--------------------|----------------|
| <b>Cost on 1 January 2011</b>                | 39,287            | 1,993              | 41,280         |
| Additions during the year                    | 5,447             | 766                | 6,213          |
| Disposals during the year                    | (1,457)           | (15)               | (1,472)        |
| <b>Cost at 31 December 2011</b>              | 43,277            | 2,744              | 46,021         |
| <b>Depreciation at 1 January 2011</b>        | (5,197)           | (1,359)            | (6,556)        |
| Depreciation for the year                    | (746)             | (227)              | (973)          |
| Depreciation on disposals during the year    | 223               | 15                 | 238            |
| Accumulated depreciation at 31 December 2011 | (5,720)           | (1,571)            | (7,291)        |
| Net book value 31 December 2011              | 37,557            | 1,173              | 38,730         |
| Net book value 31 December 2010              | 34,090            | 634                | 34,724         |
| <b>Net Book Value 31 December 2011</b>       |                   |                    |                |
| Gulf Trust Fund                              | 188               | -                  | 188            |
| Princess Marina House                        | 4,133             | 116                | 4,249          |
| RAFBF/RAFA convalescent homes                | 958               | -                  | 958            |
| Headquarters – London                        | 5,856             | 1,057              | 6,913          |
| <b>Charity</b>                               | 11,135            | 1,173              | 12,308         |
| RAFBF Housing Trust Properties               | 26,422            | -                  | 26,422         |
| <b>Group</b>                                 | <b>37,557</b>     | <b>1,173</b>       | <b>38,730</b>  |
| <b>Net Book Value 31 December 2010</b>       |                   |                    |                |
| Gulf Trust Fund                              | 193               | -                  | 193            |
| Princess Marina House                        | 3,955             | 154                | 4,109          |
| RAFBF/RAFA convalescent homes                | 984               | -                  | 984            |
| Headquarters – London                        | 2,531             | 480                | 3,011          |
| <b>Charity</b>                               | 7,663             | 634                | 8,297          |
| RAFBF Housing Trust Ltd                      | 26,427            | -                  | 26,427         |
| <b>Group</b>                                 | <b>34,090</b>     | <b>634</b>         | <b>34,724</b>  |

The net book value of properties comprises:

|                | 2011<br>£'000 | 2010<br>£'000 |
|----------------|---------------|---------------|
| Freehold       | 36,352        | 32,549        |
| Long leasehold | 1,205         | 1,541         |
|                | <b>37,557</b> | <b>34,090</b> |

## 10. Loans to Beneficiaries

|                               | 2011<br>£'000 | 2010<br>£'000 |
|-------------------------------|---------------|---------------|
| Balance as at 1 January       | 16,214        | 16,157        |
| New loans                     | 1,254         | 1,227         |
| Interest charged              | 188           | 189           |
| Repayments                    | 17,656        | 17,573        |
| Loans converted to grants     | (1,271)       | (1,088)       |
| Bad debts written off         | (344)         | (21)          |
| Bad debts written off         | (8)           | -             |
| Provision for loan conversion | 138           | (250)         |
| <b>Balance at 31 December</b> | <b>16,171</b> | <b>16,214</b> |

The outstanding loans include balances totaling £15.1 million (2010 – £15.0 million) which are secured by legal charges on the assets of the beneficiaries. The majority of loans have no fixed repayment date; these are normally repayable from the beneficiary's estate.

## 11. Fixed Asset Investments

|                                    | 2011<br>£'000 | 2010<br>£'000 |
|------------------------------------|---------------|---------------|
| <b>Group</b>                       |               |               |
| Market value as at 1 January       | 91,301        | 99,918        |
| Net withdrawals                    | (24,605)      | (18,945)      |
| Net investment gains               | (1,877)       | 10,328        |
| <b>Market value at 31 December</b> | <b>64,819</b> | <b>91,301</b> |

|                                |        |        |
|--------------------------------|--------|--------|
| Historical cost at 31 December | 66,236 | 85,472 |
|--------------------------------|--------|--------|

UK listed investments are represented by:

|                           |               |               |
|---------------------------|---------------|---------------|
| Fixed interest securities | 1,031         | 847           |
| Equity shares             | 2,324         | 2,375         |
| Pooled Funds              | 59,858        | 84,227        |
| <b>Total</b>              | <b>63,213</b> | <b>87,449</b> |

## 12. Debtors

|               | Group<br>2011<br>£'000 | Group<br>2010<br>£'000 | Charity<br>2011<br>£'000 | Charity<br>2010<br>£'000 |
|---------------|------------------------|------------------------|--------------------------|--------------------------|
| Legacies      | 151                    | 148                    | 151                      | 148                      |
| Other debtors | 320                    | 309                    | 21,526                   | 21,506                   |
| Prepayments   | 523                    | 605                    | 521                      | 587                      |
|               | <b>994</b>             | <b>1,062</b>           | <b>22,198</b>            | <b>22,241</b>            |

## 13. Creditors: Amounts Falling Due Within One Year

|                                    | Group<br>2011<br>£'000 | Group<br>2010<br>£'000 | Charity<br>2011<br>£'000 | Charity<br>2010<br>£'000 |
|------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade creditors                    | 1,083                  | 421                    | 1,028                    | 374                      |
| Taxation and social security costs | 164                    | 133                    | 164                      | 133                      |
| Other creditors                    | 1,759                  | 1,649                  | 1,537                    | 1,537                    |
|                                    | <b>3,006</b>           | <b>2,203</b>           | <b>2,729</b>             | <b>2,044</b>             |



# Notes to the Financial Statements (continued)

## 14. Statement of Funds

|  | At 1 January<br>2011<br>£'000 | Incoming<br>Resources<br>£'000 | Resources<br>Expended<br>£'000 | Investment<br>Gain<br>£'000 | Transfers<br>£'000 | At 31 December<br>2011<br>£'000 |
|--|-------------------------------|--------------------------------|--------------------------------|-----------------------------|--------------------|---------------------------------|
| General reserve                                | 129,195                       | 16,741                         | (29,372)                       | (1,452)                     | 10,172             | 125,284                         |
| Designated funds                               | 15,272                        | -                              | -                              | -                           | (10,172)           | 5,100                           |
| Total unrestricted funds                       | 144,467                       | 16,741                         | (29,372)                       | (1,452)                     | -                  | 130,384                         |
| Restricted income funds – see schedule page 29 | 999                           | 617                            | (202)                          | -                           | -                  | 1,414                           |
| Endowment funds – see schedule page 28         | 4,488                         | 2                              | -                              | (425)                       | -                  | 4,065                           |
| Pension reserve                                | (5,221)                       | 550                            | -                              | (4,078)                     | -                  | (8,749)                         |
| <b>Total funds</b>                             | <b>144,733</b>                | <b>17,910</b>                  | <b>(29,574)</b>                | <b>(5,955)</b>              | <b>-</b>           | <b>127,114</b>                  |

### Designated Funds

The sum of £0.8m has been designated for the refurbishment of the Charity's Head Office and is included in the total unrestricted funds.

The sum of £1.5m has been designated for Station Childcare Facilities and is included in the total unrestricted funds.

The sum of £2.0m has been designated for the Head Office Future Building Fund and is included in the total unrestricted funds.

The sum of £0.8m has been designated for the upgrading of the Charity's computer system and is included in the total unrestricted funds.

### Restricted Income Funds – Over £100,000

Bomber Command Memorial

Maintenance of the Bomber Command Memorial in Green Park, Picadilly.

Fulmer Fund

These funds are held for those of the serving RAF in need of maternity services, post-natal services or the provision of childcare facilities on RAF bases.

Gulf Trust

The funds are held in a ring-fenced fund for the benefit of RAF Gulf War Veterans.

### Endowment Funds – Over £100,000

Viscount Nuffield

Income used for general purposes.

E H Jubb

For the benefit of Aircrew, their widows and dependants.

Newton Driver Memorial Fund

For the general purposes of the fund and the upkeep of the property at Rustington.

RAFBF Educational Endowment Fund

To promote the education of the children of members of the Royal Air Force.

Hector Pilling Memorial Fund

To provide financial assistance for foundationers at the Duke of Kent School.

RAF Prize Fund

To help with the education of dependants of deceased members of the RAF killed on duty or attributable to Service.

## 15. Analysis of Group Net Assets Between Funds

|  | Unrestricted<br>Funds<br>£'000 | Restricted<br>Funds<br>£'000 | Endowment<br>Funds<br>£'000 | Total<br>Funds<br>£'000 |
|--|--------------------------------|------------------------------|-----------------------------|-------------------------|
| <b>Fund Balances at 31 December 2011 are represented by:</b> |                                |                              |                             |                         |
| Tangible fixed assets  | 38,542                         | 188                          | -                           | 38,730                  |
| Loans to beneficiaries                                       | 15,990                         | 181                          | -                           | 16,171                  |
| Investments  | 60,754                         | -                            | 4,065                       | 64,819                  |
| Current assets   | 17,948                         | 1,045                        | 156                         | 19,149                  |
| Current liabilities  | (2,850)                        | -                            | (156)                       | (3,006)                 |
| Pension liability  | (8,749)                        | -                            | -                           | (8,749)                 |
| <b>Total net assets</b>                                      | <b>121,635</b>                 | <b>1,414</b>                 | <b>4,065</b>                | <b>127,114</b>          |

## 16. Subsidiary Entities

The results of the Fund's Subsidiary entities are included within the Consolidated Statement of Financial Activities as follows:

|  | RAFBF<br>Dependants<br>Fund<br>2011<br>£'000 | RAFBF<br>Dependants<br>Income Trust<br>2011<br>£'000 | RAFBF<br>Housing<br>Trust Ltd<br>2011<br>£'000 | Total<br>2011<br>£'000 | Total<br>2010<br>£'000 |
|--|--|--|--|------------------------|------------------------|
| <b>Incoming Resources</b>                    |  |  |  |                        |                        |
| Investment income                            | 94   | -  | -  | 94                     | 90                     |
| Other income                                 | 237  | 90   | 857  | 1,184                  | 1,168                  |
| Profit on sale of freehold properties        | -  | -  | 618  | 618                    | 1,247                  |
|  | <b>331</b>                                   | <b>90</b>  | <b>1,475</b>                                   | <b>1,896</b>           | <b>2,505</b>           |
| <b>Resources Expended</b>                    |  |  |  |                        |                        |
| Grants                                       | 130  | 61   | 1622   | 1,813                  | 1,991                  |
| Management and administration                | 30   | 29   | -  | 59                     | 2                      |
|  | 160  | 90   | 1,622  | 1,872                  | 1,993                  |
| Net gains on investment assets               | 4  | -  | -  | 4                      | 310                    |
| <b>Per statement of financial activities</b> | <b>175</b>                                   | <b>-</b>   | <b>(147)</b>                                   | <b>28</b>              | <b>822</b>             |

### RAFBF Dependants Fund

A Charity with the RAF Benevolent Fund as custodian trustee. Set up to promote the efficiency of the Royal Air Force through relieving dependants of deceased serving personnel from financial distress.

### RAFBF Dependants Income Trust

A company set up for RAFBF Dependants Fund subscribers to make further financial provision for their dependants in the event of their death in service. There is an ongoing review of the future of the Trust with the aim of discontinuing its activities within the next 12 months.

### RAFBF Housing Trust Ltd

A wholly owned subsidiary of the RAF Benevolent Fund. Its sole activity is to hold and operate properties used by beneficiaries of the RAF Benevolent Fund.

## 17. Related Party Disclosure – FRS8

The Charity has taken advantage of the exemption which is conferred by FRS8, Related Party Disclosures, that allows it not to disclose transactions with group undertakings that are eliminated on consolidation.

During the year payments of £151,464 (2010: £68,727) were made by the group to Charles Russell Solicitors for professional services. Mr Michael Scott, a partner in the firm, is a Director and Trustee of the RAFBF Housing Trust Ltd.

## 18. Capital Commitments

At the year end the Charity was committed to expenditure of £114,000 (2010: £nil) on the Atlas (system development) project, and £571,812 (2010: £nil) on the Hercules (headquarters redevelopment) project.

# Endowment Funds

|   | As at 1 January<br>2011<br>£ | Income<br>£  | Unrealised/<br>Realised Gain<br>£ | As at 31 December<br>2011<br>£ |
|---|------------------------------|--------------|-----------------------------------|--------------------------------|
| <b>Permanent Endowment Funds with Unrestricted Income</b>                   |                              |              |                                   |                                |
| Pilot Officer J P L Branson Memorial Fund                                   | 36,442                       | 18           | (3,450)                           | 33,010                         |
| Pilot Officer James Erskine Cuning Memorial Fund                            | 34,297                       | 17           | (3,247)                           | 31,067                         |
| Flying Officer L S Delaney Trust  | 9,961                        | 5            | (943)                             | 9,023                          |
| Paddy Finucane Memorial Fund  | 14,841                       | 7            | (1,404)                           | 13,444                         |
| Louise Alice Kay Memorial Fund  | 30,660                       | 15           | (2,903)                           | 27,772                         |
| Mosquito Memorial Fund  | 8,615                        | 4            | (815)                             | 7,804                          |
| Flying Officer Douglas Frank Newsham Memorial Fund                          | 27,374                       | 13           | (2,591)                           | 24,796                         |
| Viscount Nuffield Endowment   | 792,454                      | 385          | (75,025)                          | 717,814                        |
| Helen Mary Renton Fund  | 32,347                       | 16           | (3,063)                           | 29,300                         |
| RAF Rugby Union Fund  | 38,040                       | 18           | (3,602)                           | 34,456                         |
| Peter Henry Slater-Eiggert Memorial Fund                                    | 109,155                      | 53           | (10,334)                          | 98,874                         |
| The Revd. James Edmund Strickland Memorial Fund                             | 78,626                       | 38           | (7,445)                           | 71,219                         |
|   | 1,212,812                    | 589          | (114,822)                         | 1,098,579                      |
| <b>Expendable Endowment Funds with Unrestricted Income</b>                  |                              |              |                                   |                                |
| Flying Officer William Dron Memorial Fund                                   | 1,839                        | 1            | (174)                             | 1,666                          |
| Frederick Eley Fund   | 3,543                        | 2            | (336)                             | 3,209                          |
| Wing Commander J Higginson Fund   | 7,235                        | 4            | (685)                             | 6,554                          |
| Peter Grattan Holt Memorial Fund  | 37,706                       | 18           | (3,569)                           | 34,155                         |
| E H Jubb Fund   | 251,151                      | 122          | (23,777)                          | 227,496                        |
| Middle East Relief Fund   | 32,075                       | 16           | (3,037)                           | 29,054                         |
| Morley Fund   | 5,258                        | 3            | (498)                             | 4,763                          |
| Orlebar Memorial Fund   | 5,950                        | 3            | (563)                             | 5,390                          |
| Shattock Memorial Scholarship Fund  | 8,934                        | 4            | (845)                             | 8,093                          |
| Wooding Memorial Fund   | 6,374                        | 3            | (604)                             | 5,773                          |
|   | 360,065                      | 176          | (34,088)                          | 326,153                        |
| <b>Permanent Endowment Funds Where the Use of the Income is Restricted</b>  |                              |              |                                   |                                |
| Frere Memorial Scholarship Fund   | 4,687                        | 2            | (464)                             | 4,225                          |
| Newton Driver Memorial Fund   | 1,609,064                    | 782          | (152,336)                         | 1,457,510                      |
| Group Captain W E Purdin Memorial Fund                                      | 2,055                        | 1            | (195)                             | 1,861                          |
| RAFBF Educational Endowment Fund  | 407,464                      | 198          | (38,576)                          | 369,086                        |
| Douglas Turner Benefaction  | 96,991                       | 47           | (9,183)                           | 87,855                         |
|   | 2,120,261                    | 1,030        | (200,754)                         | 1,920,537                      |
| <b>Expendable Endowment Funds Where the Use of the Income is Restricted</b> |                              |              |                                   |                                |
| Mrs H M Jereham Memorial Fund   | 22,353                       | 11           | (2,116)                           | 20,248                         |
| Lord Knollys Holiday Fund   | 8,499                        | 4            | (805)                             | 7,698                          |
| Hector Pilling  | 473,632                      | 230          | (44,841)                          | 429,021                        |
| Lord Portal Fund  | 2,170                        | -            | (205)                             | 1,965                          |
| RAF Prize Trust   | 181,000                      | 88           | (17,136)                          | 163,952                        |
| RAFBF Educational Expendable Fund   | 106,921                      | 52           | (10,122)                          | 96,851                         |
|   | 794,575                      | 385          | (75,225)                          | 719,735                        |
| <b>Total endowment funds</b>  | <b>4,487,713</b>             | <b>2,180</b> | <b>(424,889)</b>                  | <b>4,065,004</b>               |

# Restricted Income Funds

These funds can not be used for general purposes. They may only be used for the express purposes set out in the Trust Deed.

|   | As at 1 January<br>2011<br>£ | Income<br>£    | Expenditure<br>£ | As at 31 December<br>2011<br>£ |
|---|------------------------------|----------------|------------------|--------------------------------|
| <b>Education</b>                              |                              |                |                  |                                |
| Air Vice-Marshal Frank Felgate Memorial Prize | 490                          | 1              | -                | 491                            |
| Frere Memorial Scholarship Fund               | 6,442                        | 177            | -                | 6,619                          |
| Lord Knollys Holiday Fund                     | -                            | 294            | 294              | -                              |
| Hector Pilling                                | -                            | 16,339         | 16,339           | -                              |
| RAF Prize Trust                               | -                            | 6,244          | 6,244            | -                              |
| RAFBF Educational Endowment Fund              | -                            | 14,827         | 14,827           | -                              |
| RAFBF Educational Expendable Fund             | -                            | 3,688          | 3,688            | -                              |
| Douglas Turner Benefaction                    | -                            | 3,346          | 3,346            | -                              |
|   | 6,932                        | 44,916         | 44,738           | 7,110                          |
| <b>RAFBF – Funds</b>                          |                              |                |                  |                                |
| Alastrean House Amenities Fund                | 5,978                        | -              | 400              | 5,578                          |
| Newton Driver Memorial Fund                   | -                            | 55,508         | 55,508           | -                              |
| Princess Marina House Amenities Fund          | 20,817                       | 46,137         | 36,171           | 30,783                         |
|   | 26,795                       | 101,645        | 92,079           | 36,361                         |
| <b>General Purposes</b>                       |                              |                |                  |                                |
| Fulmer Fund                                   | 537,801                      | 1,274          | -                | 539,075                        |
| Lord Portal Fund                              | 213                          | 75             | -                | 288                            |
| Group Captain W E Purdain Memorial Fund       | 183                          | 71             | -                | 254                            |
|   | 538,197                      | 1,420          | -                | 539,617                        |
| <b>Other Purposes</b>                         |                              |                |                  |                                |
| Bomber Command Memorial                       | -                            | 450,000        | 46,950           | 403,050                        |
| Mrs H M Jerham Memorial Fund                  | 695                          | 773            | -                | 1,468                          |
| RAF Officers' Wives Fund                      | -                            | 2,750          | 2,750            | -                              |
| Gulf Trust                                    | 427,040                      | 14,949         | 15,405           | 426,584                        |
|   | 427,735                      | 468,472        | 65,105           | 831,102                        |
| <b>Total restricted funds</b>                 | <b>999,659</b>               | <b>616,453</b> | <b>201,922</b>   | <b>1,414,190</b>               |

# Grants to Third Parties

## Support to the Serving Royal Air Force

|   | Capital Cost<br>£ | Running Cost<br>£ | Total Grant<br>£ |
|---|-------------------|-------------------|------------------|
| <b>General welfare</b>                              |                   |                   |                  |
| Citizen's Advice Bureau - Dacorum                   | -                 | 5,100             | 5,100            |
| Citizen's Advice Bureau - Didcot & District         | 1,700             | 1,800             | 3,500            |
| Citizen's Advice Bureau - Hart District Ltd         | -                 | 6,000             | 6,000            |
| Citizen's Advice Bureau - Lincoln & District        | -                 | 5,500             | 5,500            |
| Citizen's Advice Bureau - Norwich & West Norfolk    | -                 | 10,000            | 10,000           |
| Citizen's Advice Bureau - Rutland                   | -                 | 7,500             | 7,500            |
| Citizen's Advice Bureau - South Kesteven            | -                 | 3,000             | 3,000            |
| Forces Children's Trust                             | 500               | -                 | 500              |
| Hannover RAF Airport                                | 500               | -                 | 500              |
| RAF Brize Norton Welfare Houses                     | 75,000            | -                 | 75,000           |
| Relate (The Relationship People)                    | -                 | 102,187           | 102,187          |
|   | 77,700            | 141,087           | 218,787          |
| <b>Airplay (formerly childcare)</b>                 |                   |                   |                  |
| MUGA's & play parks                                 | 2,735,836         | -                 | 2,735,836        |
| Youth support                                       | 1,486,874         | -                 | 1,486,874        |
| Childcare centres                                   | 650,000           | -                 | 650,000          |
|   | 4,872,710         | -                 | 4,872,710        |
| <b>Total support to the serving Royal Air Force</b> | <b>4,950,410</b>  | <b>141,087</b>    | <b>5,091,497</b> |

## Support to the Veterans' Community

|  | Capital Cost<br>£ | Running Cost<br>£ | Total Grant<br>£ |
|--|-------------------|-------------------|------------------|
| <b>General welfare</b>                                     |                   |                   |                  |
| Alzheimer's Society  | 20,000            | 50,000            | 70,000           |
| Burghfield St Mary's C of E School                         | 1,800             | -                 | 1,800            |
| Czech Veterans   | -                 | 4,147             | 4,147            |
| Combat Stress  | -                 | 267,267           | 267,267          |
| COBSEO   | -                 | 7,550             | 7,550            |
| Gatehouse  | -                 | 1,000             | 1,000            |
| Motor Neurone Disease Association                          | -                 | 10,000            | 10,000           |
| Mutual Support   | -                 | 6,000             | 6,000            |
| National Association of Swimming Clubs for the Handicapped | -                 | 500               | 500              |
| National Gulf Veterans & Families Association              | -                 | 13,966            | 13,966           |
| Polish Veterans  | -                 | 6,619             | 6,619            |
| Poppy Scotland - Armed Services Advice Project             | -                 | 25,000            | 25,000           |
| RAF HCPT - The Pilgrimage Trust                            | 1,500             | -                 | 1,500            |
| RAF Widows Association (CRUSE)                             | -                 | 2,500             | 2,500            |
| Regular Forces Employment Association                      | -                 | 21,136            | 21,136           |
| Restoration of Appearance and Function Trust               | -                 | 500               | 500              |
| Royal Commonwealth Ex-Services League                      | -                 | 27,700            | 27,700           |
| Slovak Veterans  | -                 | 17,643            | 17,643           |
| SSAFA Forces Help  | -                 | 142,500           | 142,500          |
| The Spinal Injuries Association                            | 5,000             | 2,000             | 7,000            |
| The "Not Forgotten Association"                            | -                 | 25,000            | 25,000           |
| The Royal British Legion (Start Here)                      | -                 | 9,240             | 9,240            |

## Support to the Veterans' Community (continued)

|  |        |           |           |
|--|--------|-----------|-----------|
| The Royal British Legion (Benefits & Money Advice Service Project) | -      | 450,000   | 450,000   |
| Veterans' Scotland   | -      | 450       | 450       |
|  | 28,300 | 1,090,718 | 1,119,018 |

### Residential, Nursing and Therapy Centres

|                                   |         |         |         |
|-----------------------------------|---------|---------|---------|
| Alzheimer's Support – Trowbridge  | -       | 3,000   | 3,000   |
| Broughton House                   | -       | 20,000  | 20,000  |
| Curphey Home, Jamaica             | 1,100   | 15,000  | 16,100  |
| Erskine                           | 70,000  | 50,000  | 120,000 |
| Gardening Leave                   | 2,500   | -       | 2,500   |
| Home Farm Trust                   | 40,000  | 50,000  | 90,000  |
| Homes in Zimbabwe                 | -       | 75,000  | 75,000  |
| Marie Curie Cancer Care           | 20,000  | 50,000  | 70,000  |
| St David's Home                   | 6,500   | 7,500   | 14,000  |
| Sue Ryder Home – Prague           | -       | 5,500   | 5,500   |
| The Queen Alexander Hospital Home | -       | 15,000  | 15,000  |
| William Simpson's Home            | 10,000  | -       | 10,000  |
| Veterans Aid                      | -       | 17,500  | 17,500  |
|                                   | 150,100 | 308,500 | 458,600 |

### Holidays for Disabled/Disadvantaged

|   |   |        |        |
|---|---|--------|--------|
| Lord Kitchener Memorial Holiday Centre        | - | 10,000 | 10,000 |
| The RAF and Dependants Disabled Holiday Trust | - | 24,025 | 24,025 |
| Vitalise                                      | - | 30,000 | 30,000 |
|   | - | 64,025 | 64,025 |

### Hospices

|                           |       |        |        |
|---------------------------|-------|--------|--------|
| Dorothy House Hospice     | -     | 10,000 | 10,000 |
| Help the Hospices         | -     | 10,000 | 10,000 |
| Hospice of St Francis     | -     | 20,000 | 20,000 |
| Kirkwood Hospice          | -     | 5,000  | 5,000  |
| Martlets Hospice          | 1,250 | 8,750  | 10,000 |
| Oakhaven Hospice Trust    | -     | 7,500  | 7,500  |
| St Andrews Hospice        | -     | 10,500 | 10,500 |
| St Barnabas House Hospice | -     | 7,000  | 7,000  |
| St Catherine's Hospice    | 4,000 | 2,000  | 6,000  |
| St Gemma's Hospice        | -     | 2,000  | 2,000  |
| St Raphael's Hospice      | -     | 5,000  | 5,000  |
| Thames Hospicecare        | -     | 6,000  | 6,000  |
|                           | 5,250 | 93,750 | 99,000 |

### Housing

|                                    |   |        |        |
|------------------------------------|---|--------|--------|
| Alabaré Christian Care and Support | - | 10,000 | 10,000 |
| Sir Oswald Stoll Foundation        | - | 20,000 | 20,000 |
|                                    | - | 30,000 | 30,000 |

# Grants to Third Parties (continued)

| <b>Support to the veterans' community</b> (continued) |   | <b>Capital Cost</b> | <b>Running Cost</b> | <b>Total Grant</b> |
|---|---|---------------------|---------------------|--------------------|
|   |   | <b>£</b>            | <b>£</b>            | <b>£</b>           |
| <b>Charities for the Blind</b>                        |   |                     |                     |                    |
|   | Calibre Audio Library                               | -                   | 4,500               | 4,500              |
|   | National Talking Newspapers & Magazines Association | -                   | 4,000               | 4,000              |
|   |   | -                   | 8,500               | 8,500              |
| <b>Schools and Training Colleges</b>                  |   |                     |                     |                    |
|   | St Loye's Foundation                                | 5,000               | -                   | 5,000              |
|   | The Queen Elizabeth's Foundation for the Disabled   | -                   | 10,000              | 10,000             |
|   |   | 5,000               | 10,000              | 15,000             |
| <b>Contributions &amp; Returns</b>                    |   |                     |                     |                    |
|   | Childcare Centre – RAF Leeming                      | (10,000)            | -                   | (10,000)           |
|   | Royal Air Force Central Fund                        | (47,649)            | -                   | (47,649)           |
|   | Cherry Tree Nursery – RAF Halton                    | (19,168)            | -                   | (19,168)           |
|   | RAF Linton-on-Ouse                                  | (20,000)            | -                   | (20,000)           |
|   | RAF Shawbury  | (9,500)             | -                   | (9,500)            |
|   |   | (106,317)           | -                   | (106,317)          |
| <b>Total support to the veterans' community</b>       |   | <b>82,333</b>       | <b>1,605,494</b>    | <b>1,687,826</b>   |
| <b>Total grants to third parties</b>                  |   | <b>5,032,743</b>    | <b>1,746,580</b>    | <b>6,779,323</b>   |