

**The Royal Air Force Dependants Fund**  
**Report and Financial Statements**

Year ended 31 December 2013

## **OFFICE HOLDERS AND PROFESSIONAL ADVISERS**

*Trustee: The Royal Air Force Benevolent Fund*

### **Trustees of the Royal Air Force Benevolent Fund**

Lady Bagnall

Air Commodore N Beet CBE MA BA Chartered FCIPD FCMI RAF (retired July 2013)

Air Vice-Marshal D Couzens MA MBA CEmg FIMechE FRAes

Mr S Critchley MA (Hons) D Phil FCA

Air Vice-Marshal S Dougherty MSc MBBS FRCP FFOM DAvMed DObstRCOG FCMI FRAes

Mrs A Hastie MA (Hons)

Mr L Haynes D Eng BA (Hons) FCILTR FRSA (appointed Chairman January 2014)

Mr A Irvine MCSI

Mr Tony Lea BA (Hons)

Air Commodore A Opie (appointed September 2013)

Ms V Raffé BA (Hons) MSc (retired November 2013)

Ms B Towle CBE FRSA BA LLD (retired November 2013)

The Viscount Trenchard of Wolfeton DL (Chairman - retired December 2013)

Air Commodore A Vaughan OBE BA

### **Management Committee**

Air Marshal C M Nickols CB CBE MA FRAes (Chairman)

Mrs A Hastie MA (Hons)

Air Commodore P Hughesdon MA FloD

Group Captain P McSherry (retired June 2013)

Group Captain I Tolfts (appointed July 2013)

Mr M Forster (retired January 2014)

Ms L Baliga (appointed February 2014)

Air Commodore A Vaughan OBE BA

Group Captain M Neville (Company Secretary)

**RAF Dependants Fund Manager:** Mr S Turnbull

**Principal Office:** 67 Portland Place, London, W1B 1AR

**Charity Number:** 253492

### **Auditors**

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

### **Bankers**

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

### **Solicitors**

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

**Investment Managers**

Aberdeen Fund Management Ltd, Bow Bells House, 1 Bread Street, London EC4M 9HH

## **REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2013**

The Trustee presents the annual report and financial statements of the Charity for the year ended 31 December 2013. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charity's Scheme, the Charities Act 2011 and the Statement of Recommended Practice: Accounting and Reporting by Charities published in 2005.

### **Structure, Governance and Management**

The Royal Air Force Dependants Fund is an unincorporated, registered charity, number 2534920. It was originally established under a trust deed dated 1 February 1967 which was subsequently amended in December 1972. In October 2009, the Charity Commission approved a Scheme to govern the Charity. The Scheme amended the Charity's objects, discharged the custodian trustee and appointed the Royal Air Force Benevolent Fund (RAFBF) as Trustee.

The object for which the company is established (the objects) are such charitable purposes as the trustees shall think fit included but not limited to:

- Promotion of recruitment to, and the morale and efficiency of Royal Air Force by any means but principally (though not exclusively) by providing a sum of money or other assistance to provide immediate support to family member(s) or Dependant(s) of beneficiaries;
- The relief in need, hardship or distress of beneficiaries and their Families and Dependants.

The Trustee may assist dependants by the provision of immediate grants and by the relief of dependants who are in need by virtue of financial hardship, sickness, disability or the effects of old age through the provision of discretionary grants, loans, gifts, pensions or otherwise. Normally assistance is limited to the provision of an immediate grant.

The Trustee has appointed a Management Committee to which it has delegated the power to undertake the following functions:

- To oversee the day to day management and administration of the Fund;
- To make recommendations to the RAFBF regarding any issues relating to the management and administration of the Fund;
- Such other responsibilities and activities as the RAFBF may from time to time decide.

Under its terms of reference, the Management Committee consists of at least three but no more than six members appointed by the Board of Trustees of the RAFBF, of whom at least two must be Trustees of the Royal Air Force Benevolent Fund. At least one member of the Management Committee must be a serving member of the RAF, appointed by the Air Member for Personnel of the RAF, by notice in writing to the Secretary. The Serving Member holds office until such time as he or she resigns from this position or until such time as the AMP appoints another Serving Member in his/her place. The Trustees of the Royal Air Force Benevolent Fund have appointed the following office holders as members of the Management Committee to hold office until such time as they resign from office:

- Controller, Royal Air Force Benevolent Fund
- Director Welfare and Policy, Royal Air Force Benevolent Fund
- Director Finance , Royal Air Force Benevolent Fund
- Director Strategy and Fundraising.

Members of the Management Committee received a briefing pack which included a brief history of the Fund, copies of the Scheme and the last annual report and accounts. They are also offered the opportunity to undertake trustee training courses covering governance, financial responsibility and fundraising.

The Management Committee usually meets once a year to decide the Charity's strategy and policies, to set the level of the subscription, to agree the maximum amount of the death grant, to review the risks facing the Charity and to review the performance of the Charity's professional advisers. The day to day administration of the Fund is delegated to the part-time member of staff, The Royal Air Force Dependants Fund Manager, who operates from office accommodation provided by the Royal Air Force Benevolent Fund. The Manager's work programme includes giving presentations about the benefits of subscribing to the Fund to new recruits at RAF College Cranwell, RAF Halton and RAF Honington. Financial, governance and other support are provided by staff of the Royal Air Force Benevolent Fund.

### **Risk Management**

The Management Committee has reviewed the major risks to which the charity is exposed and has established systems and procedures to manage those risks. The main risk identified is that of the Fund having insufficient assets to meet the expected level of death grants in the event of an incident resulting in major loss of life. The Committee has managed this risk in two ways. First, the charity has calamity insurance to cover the deaths of more than 15 and up to and including 250 members dying in a single incident, including the loss of an aircraft due to a technical fault whilst flying over a conflict zone. Second, the charity aims to have sufficient reserves to pay death grants to approximately 300 families and cover the charity's running costs for 6 months.

### **Objectives and Activities for the Public Benefit**

The Fund was established in 1967 to relieve immediate financial distress in the event of the death of a subscriber, from whatever cause, by giving a tax free grant, payable, at the discretion of the Trustees, to a beneficiary nominated by the subscriber. Since the Fund was established 3,208 death grants have been made – to 31 Dec 13.

The Fund is very popular with Service personnel due to its simplicity of design, worldwide cover without restriction on cause of death, and the timely payment to beneficiaries of a tax free lump sum when it is most needed.

The Management Committee confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Fund's aims and objectives and in planning future activities and policies.

At 31 December 2013 there were 33,380 subscribers to the Fund, some 98% of RAF personnel, compared with 35,276 at (97%) at 31 December 2012. 10 subscribers died during the year, compared with 15 in 2012 and an average in the period 2004 to 2013 of 24 each year. Natural causes accounted for 5 deaths, 2 people died as a result of road traffic accidents, 2 people were killed as a result of an avalanche and one died in a separate climbing accident. Of those who died, 2 were aged under 30, 4 were aged between 30 and 40, and 4 were aged over 40.

The charity carried out its objects by paying death grants amounting to £150,000 to 10 beneficiaries.

In keeping with the Charity's object of relieving immediate financial distress, all payments were made within 48 hours of the notification of the death.

#### **Financial Review**

The Charity's work is reliant on income from subscribers and returns on its investments. Income from subscriptions in 2013 amounted to £204,500. Subscriptions are deducted from gross pay under the Give As You Earn Scheme allowing the charity to take maximum advantage of the available tax reliefs. Income from investments and bank interest amounted to £121,232. Total resources expended amounted to £178,054 of which £150,000 was for death grants. The net gain on investment assets was £335,135. As a result, the Fund balance carried forward increased from £4,102,813 at 31 December 2012 to £4,585,626 at 31 December 2013.

The subscription was increased from 45p to 50p a month with effect from May 2009. The maximum death grant payable was reviewed in October 2012 and increased to £15,000.

#### **Investment Policy and Performance**

The Investment Managers are mandated to outperform a customised benchmark by 1% pa, gross of fees, over rolling three year periods. The Fund's unrealised investment gains in the year amounted to £335,135. The Investment Managers reported that the Fund was ahead of its benchmark by 0.36% for the year, by 2.1% over 3 years and 1.36% since inception (30 September 2008).

#### **Reserves Policy**

The Management Committee has reviewed the Charity's needs for reserves in line with the guidance issued by the Charity Commission. Although calamity insurance is in place to cover the deaths of more than 15 and up to and including 250 members dying in a single incident, including the loss of an aircraft due to a technical fault whilst flying over a conflict zone, the Management Committee is aware that an incident resulting in a major loss of life could occur as the result of terrorism or warfare. The Management Committee therefore believes that it is prudent to have sufficient reserves to pay death grants to approximately 300 families and cover the charity's running costs for 6 months. At the year-end reserves were slightly above this level.

#### **Plans for the Future**

The Management Committee plans to continue to make death grants to beneficiaries, usually within 48 hours of being notified that a subscriber has died.

This report was approved by the Board of Trustees on 30 June 2014.



Air Marshal C M Nickols  
Chairman

C M NICKOLS 30 JUN 14

### **Statement of Trustee's Responsibilities**

The Trustee is responsible for preparing the Trustee's 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 & Wales requires the Trustee 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 of the incoming resources and application of resources of the Charity for that period. In preparing these financial statements, the Trustee is 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 Trustee is 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 and the provisions of its trust deed. The Trustee is 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 Trustee is aware:

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



## **INDEPENDANT AUDITORS' REPORT TO THE TRUSTEES OF THE RAF DEPENDANTS FUND**

We have audited the financial statements of the Royal Air Force Dependants Fund for the year ended 31 December 2013 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 laws 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 regulations in accordance with Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to 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 Trustee's Responsibilities Statement, the trustees are responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit 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.

### **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. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2013 and of its incoming 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 prepared in accordance with the requirements of the Charities Act 2011.

### **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 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*

**Kingston Smith LLP**  
Statutory auditor

Devonshire House  
60 Goswell Road  
London EC1M 7AD

Date: *31/10/2014*

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

## STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2013

		<i>Unrestricted Funds 12 months 2013 £</i>	<i>Unrestricted funds 12 months 2012 £</i>
	Notes		
<b>Incoming resources</b>			
<b>Incoming resources from generated funds:</b>			
<b>Voluntary Income</b>			
Subscriptions		204,500	222,320
<b>Investment income and interest:</b>			
Listed investments	2,3	120,424	94,397
Deposits		808	2,117
<b>Total incoming resources</b>		<b>325,732</b>	<b>318,834</b>
<b>Resources expended</b>			
Charitable activities	4	178,054	178,575
<b>Total resources expended</b>		<b>178,054</b>	<b>178,575</b>
<b>Net outgoing resources for the year</b>			
Net (losses)/gains on investment assets		147,678	140,259
		335,135	187,052
<b>Net movement in funds</b>			
Fund balance brought forward at 1 January 2013		482,813	327,311
		4,102,813	3,775,502
Fund balance carried forward at 31 December 2013		4,585,626	4,102,813

There are no recognised gains or losses in either period other than as disclosed above.

## BALANCE SHEET

at 31 December 2013

	Notes	2013 £	2012 £
<b>Fixed assets</b>			
Investments	3	<u>4,088,474</u>	<u>3,753,316</u>
<b>Current assets</b>			
Debtors	5	26,829	17,613
Bank balances and cash		<u>474,823</u>	<u>334,884</u>
		<u>501,652</u>	<u>352,497</u>
<b>Creditors: amounts falling due within one year</b>			
Due to The Royal Air Force Benevolent Fund		780	
Creditors and accrued charges		<u>3,720</u>	<u>3,000</u>
		<u>4,500</u>	<u>3,000</u>
<b>Net current assets</b>		<u>497,152</u>	<u>349,497</u>
<b>Net assets</b>		<u>4,585,626</u>	<u>4,102,813</u>
Representing:			
Unrestricted income fund		<u>4,585,626</u>	<u>4,102,813</u>

Trustee

  
C M NICKOLS

Date:

30 JUN 14

# **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

## **1. PRINCIPAL ACCOUNTING POLICIES**

### **ACCOUNTING CONVENTION**

The financial statements are prepared under the historical cost convention with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2006, and applicable accounting standards.

### **SUBSCRIPTION INCOME**

Subscription income is accounted for in the period in which it is receivable

### **LEGACY INCOME**

Legacies are included in the Statement of Financial Activities to the extent that they are capable of financial measurement.

### **INVESTMENT INCOME**

Investment income is accounted for on an accrual basis.

### **RESOURCES EXPENDED**

All expenditure is recognised in the period in which it is incurred. Resources expended include attributable VAT which cannot be recovered.

Payments to dependants are included in the financial statements based on claims notified to the Fund during the accounting period.

### **GOVERNANCE COSTS**

Governance costs are those incurred in connection with the constitutional and statutory requirements of the Fund and include the cost of external audit and other constitutional related matters.

### **SUPPORT COSTS**

Support costs have been allocated between charitable activity and governance costs on the basis that the individual costs support the work carried out for the core purpose of the Fund.

### **INVESTMENTS**

Investments are shown at their mid-market value as at the balance sheet date and the gain or loss taken to the statement of financial activities.

### **PENSIONS**

The Fund pays pension contributions to The Royal Air Force Benevolent Fund Staff Pension Scheme. Contributions are charged in the profit and loss account as they become payable.

## **2. INTEREST AND DIVIDENDS**

Income from stocks and shares is shown gross of recoverable income tax.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 3. INVESTMENTS

Movements in investments during the period:

	£
Market value at beginning of period	3,752,172
Additions to investments at cost	200,000
Disposals at opening market value	(131,171)
Remove Gains on Disposal	(68,829)
Net gains on revaluation	335,135
	<u>                    </u>
Market value at end of year	<u><u>4,087,307</u></u>

Analysis of investments:

	2013		2012	
	Book Value	Mid market Value	Book Value	Mid market Value
	£	£	£	£
British Government Stocks	-	-	-	-
Equities	3,752,172	4,087,307	2,795,120	3,752,172
Cash deposits	1,144	1,167	1,144	1,144
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u><u>3,753,316</u></u>	<u><u>4,088,474</u></u>	<u><u>2,796,264</u></u>	<u><u>3,753,316</u></u>

The following investments represent at least 5% of the total portfolio:

	£
Aberdeen Asset Mgmt Charity Select UK Bond	1,429,189
Aberdeen Asset Mgmt Charity Sel Gb (EXUK) Equity	2,658,118
	<u>                    </u>
	<u><u>4,087,307</u></u>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 4. RESOURCES EXPENDED

	Charity Activity £	Governance £	2013 £	12 months 2012 £
Death payments	150,000	-	150,000	155,000
Insurance	-	-	-	-
Salaries	19,767	-	19,767	18,932
Administrative expenses	35	-	35	35
Administration charge by the Royal Air Force Benevolent Fund	3,932	-	3,932	3,060
Audit fee	-	4,320	4,320	1,548
	<u>173,734</u>	<u>4,320</u>	<u>178,054</u>	<u>178,575</u>

Salaries include:

	2013 £	12 months 2012 £
<i>Employees' emoluments</i>		
remuneration	14,934	14,642
pension contributions	1,534	1,511
National insurance contributions	<u>3,299</u>	<u>2,779</u>
	<u>19,767</u>	<u>18,932</u>

The trustees neither received nor waived any emoluments or expenses during the period (2012: nil).

The Fund pays pension contributions for its paid employee to The Royal Air Force Benevolent Fund Staff Pension Scheme. This is a defined benefit scheme the assets of which are held in a separate trustee administered fund.

The Royal Air Force Dependants Fund is able to identify its share of the underlying asset of the scheme on a consistent and reasonable basis and, therefore, accounts for contributions as if there were being paid into a defined benefit contribution scheme.

Information about the existence of the surplus in the scheme and the implications of that surplus are detailed in the financial statements of The Royal Air Force Benevolent Fund.

The Fund has two employees.

### 5. DEBTORS

	2013 £	2012 £
Prepayments and accrued interest	16,663	17,613
Investment Dividend	10,166	
	<u>26,829</u>	<u>17,613</u>