

Charity numbers: 258322 and SC041832

The Royal Engineers Association



Trustees' report and financial statements

For the year ended 31 December 2019

The Royal Engineers Association

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The Royal Engineers Association

Trustee's Report

For the year ending 31 December 2019

The Trustees ("Council") present their annual report and the audited financial statements for the year ended 31 December 2019. The financial statements have been prepared in accordance with the accounting policies set out at note 1 to the accounts and comply with the charity's trust deed, the Charities Act 2011 and the Charities SORP FRS 102. Trustees consider that in preparing these financial statements they have taken into account all information that could reasonably be expected to be available (including levels of reserves held). Therefore, the going concern basis of accounting is deemed appropriate and there are no material uncertainties.

Constitution

The Royal Engineers Association ("the Association" or "REA") is established under authority of a Deed of Declaration of Trust dated 19 November 1968 and Supplemental Deed dated 1 December 1974 as varied by a scheme of the Commissioners dated 11 August 1997, and supplemented by the Rules of the Royal Engineers Association 2009, hereafter referred to as 'The Deed'.

Restrictions on Funds

The Deed describes two Funds, A and B, which are restricted for the benevolence respectively of commissioned and of warrant officer and other rank members and past members of the Corps of Royal Engineers, together with their dependants. Both the A and B Funds were reduced to zero in 2015 and will not be re-used unless a specific grant is made in support of commissioned officers or other rank members of the Corps. A further restricted fund, the Gabriel Fund, was established during 1997, following receipt of a legacy from the estate of the late Colonel R C Gabriel (see note 24 to the financial statements). The General Fund is not restricted. A further restricted fund, The Kitchener Fund, which was the subject to an administrative transfer on 31 December 2008, was accepted by the REA Trustees from The Institution of Royal Engineers at their meeting in May 2009 and is now administered through the REA Benevolence committee.

OBJECTS AND ACTIVITIES

Objects of the Association, as set out in the Deed, are:

- (1) To promote the efficiency of the Corps in all or any of the following ways:
 - (a) by fostering Esprit de Corps and a spirit of comradeship amongst serving and former members of the Corps;
 - (b) to provide financial and other assistance to serving and former members of the Corps, their spouses, widows, widowers and dependants who are in need;
 - (c) to make grants to the Army Benevolent Fund The Soldiers Charity and to such other Charities as the Council think fit which further the objectives of the Association.

Volunteers

REA branches are autonomous and are organised democratically in accordance with the REA Rules 2018 by members who take on the stewardship and running of the branch voluntarily. The many hundreds of volunteers who act as branch officials encouraging, supporting, recruiting and guiding their branches and members to ensure that the branches provide a national network that supports the entire sapper family.

ACHIEVEMENTS AND PERFORMANCE

The charity set out to ensure that grants are made in a speedy, efficient and cost effective way. This was achieved, and grants, periodical allowances and Christmas benevolence gifts were made to 620 recipients, from whom many letters of appreciation have been received. The total number of benevolence cases considered in 2019 was 6.5% more than the previous year.

Sappers Network

The operation and management of Sappers Network were transferred to REA HQ, the service has been continued, with the emphasis being on providing employment support to Service Leavers. A considerable number of

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Trustee's Report (continued)

For the year ending 31 December 2019

employers have registered with the service and it offers access to a wide variety of employment opportunities. The service is free to employers and candidates and offers jobs across the UK and Internationally.

Grants Considered 2014 to 2019

<u>Year</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Disabled & Illness	116	166	163	174	175	202
Old age	22	41	32	53	71	63
Widows	45	63	51	55	86	78
Unemployed	76	128	119	107	118	137
Miscellaneous	210	124	129	136	149	171
No grant made	120	31	51	40	51	68
Totals	589	553	545	565	650	719

Other Grants

The final grant of a three-year award to RE Continuous Personal Development (RE CPD) was made in 2019 with no further grants being applied for. RE CPD is the operating arm of the RE Vocational Education & Training Trust (REVETT).

A Welfare Grant of £250,000 was allocated from Capital Reserves for the year 2019. This was to enhance *Esprit de Corps* – a specific objective of the REA - by providing the opportunity for Units and Branches to bid for support in funding projects or activities which had no – or incomplete – support from other resources. The overall result both in 'PR' for the REA and benefit for recipients was most encouraging. Grants included: campervans for various RE Units; improvements to the communal areas in single living accommodation; and the provision of gazebos for REA Branches to undertake recruiting and outreach activities.

The 2019 welfare grant was a success with 100% of the fund available being disbursed.

As a result of this changes were implemented for future Welfare Grant Applications, with a greater awareness being promoted to both Units and Branches through direct briefings, email and social media and support from REA HQ when needed. It has been decided to continue the welfare grant opportunities on an ongoing basis subject to annual reviews.

Delivery – Benevolence

- Benevolence to those in need is considered of paramount importance. Applications for benevolence assistance are dealt with within two or three days after checks on service records and establishing financial need. All applications received from the Sapper family are considered sympathetically, the vast majority of applicants receive financial assistance.
- There will be many eligible persons in need of assistance of whom the Association is unsighted. Following the appointment of a Controller and Assistant has given the resources to begin looking at how better the Association can reach further, a review is currently underway to look at bring additional funds to bear in outreach/training and direct support in areas such as mental health, housing, supported living and how to access support.
- Cases requiring financial assistance greater than £1,000 (Controllers financial threshold increased from £500 in 2016) are referred to the REA Benevolence Committee that, since the increase in the Controller's delegated powers, sits quarterly rather than monthly. Cases of an urgent nature that exceed the Controller's delegated powers are considered out-of-committee in consultation with the Chairman of the Benevolence Committee and the Hon Treasurer REA. There is no financial limit on grants that the Committee can authorise for benevolence. The Committee also deals with applications for weekly allowances. Cases, having been in front of the Committee, are despatched within a week of the Committee decision.
- Regular weekly allowances were made to about 56 applicants and, where there is a need to assist financially with nursing home fees, some have further assistance from the Army Benevolent Fund The Soldiers' Charity.
- 1,131 Christmas cards and some 187 monetary gifts were sent out in November to those in elderly people homes, in hospitals or homes for the mentally infirm, to those who are in receipt of weekly allowances and those being treated through Combat Stress.

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For the year ending 31 December 2018**

- A grant of £50,000 (2018: £50,000) was made to ABF for the work they do on behalf of the wider Services' benevolence systems.
- A grant of £20,000 (2018: £20,000) was made to SSAFA Forces Help.
- A further grant of £402 was made to the National Memorial Arboretum.

ABF The Soldiers' Charity

The Trustees are most appreciative of the financial support provided by the ABF The Soldiers' Charity towards the cost of welfare grants to serving and former members of the Corps and their dependants. In this financial year, The Soldiers' Charity has supported 281 serving and retired Sapper cases with grants of £236,621.

Delivery – Membership

- Applications for Membership are handled on the day of receipt with a service record check and issuing of a membership card.
- Meetings and reunions are held at numerous locations under arrangements of Groups and Branches.
- The REA Recruiting Committee sits when needed to consider the wider marketing of the Association and Public Relation issues and initiatives.
- Command courses held at both Minley and Chatham are addressed to inform them of the activities of the REA.

Assistance

The Association acknowledges with gratitude the assistance provided by the caseworkers of SSAFA, TRBL and REA branches for their contribution to the benevolence system.

Fundraising activities

In 2002 the Trustees considered whether fund raising activities should be undertaken and, other than an information campaign to the serving officers and soldiers of the merits of the Days' Pay Scheme, the Trustees decided that no further fund raising activity should be undertaken. There has been no change to this decision.

REA Branch Accounts

In March 2004 Trustees were informed by their auditor that SORP 2000 required them to include the income, expenditure, assets and liabilities of those REA Branches that did not have separate legal status in their annual charity account, if material. Subsequent legal advice confirmed that the current REA Branches do not have separate legal status and that the extant Rules of the REA did not require Branches to furnish this information to HQ REA. Trustees have changed the Rules of the REA and directed REA Branches to provide this financial information to HQ REA by 31 January each year. The funds associated with these branches are designated.

Activities in Scotland

The Association has nine active branches in Scotland under the control of the Scotland & Northern Ireland Group Headquarters based at Leuchars, Fife. Because of this presence in Scotland the Association is registered with the Scottish Charity Regulator. As with the remaining UK and overseas branches, those branches based in Scotland do not carry out fundraising, but aim to promote and support the Corps in accordance with the Objects of the Association.

2019 FINANCIAL REVIEW

Serving RE officers, warrant officers and soldiers subscribe to the Royal Engineers Central Charitable Trust under the Army's 'Days Pay Scheme' (a payroll giving scheme). After the Institution of Royal Engineers has received a set percentage of officer and soldier subscriptions the Association receives 50% of the monies received from the Days Pay Scheme. Any shortfall of income compared to expenditure comes from investment income. Donations and legacies that are retained are available for investment towards future benevolence.

Summary

Net income before other recognised gains and losses was -£272,975 (2018: net income +£321,647). The Charity did not authorise any further funds for investment in 2019.

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Trustee's Report (continued)
For the year ending 31 December 2019**

Balance Sheet

The accumulated funds increased by £1,247,910 to £13,030,964 (2018 increased by £855,095 to £11,783,054). Notes to the Statement of Financial Activities and Balance Sheet provide supplementary information against each funding activity.

Expenditure on benevolence grants to individuals increased by £25,261 from £275,224 in 2018 to £300,485.

Christmas grants decreased by £2,766 to £12,210 in 2019 and weekly allowances increased from £64,848 in 2018 to £137,671 in 2019.

Investment house

In June 2002 the Trustees accepted a recommendation made by the Royal Engineers Investment Committee to leave Schroders Investment Managers and join the Army Common Investment Fund (ACIF), which was launched on 2 September 2002 and is managed by BlackRock Investment Managers. The ACIF was established to provide Armed Forces charities with a professional investment management and administration service. The Fund has an independent Advisory Board, comprising representatives of participating charities and senior city business executives appointed by the Army Board. During 2019, the AFCIF completed the legal requirements to become a Charity Authorised Investment Fund (CAIF). On 6 December 2019, the CIF closed and the assets were transferred to the CAIF, on a one-for-one basis, which is being run with the same investment objective and policy.

Investment policy

The independent Advisory Board set the investment policy for the ACIF. This was reviewed by the Royal Engineers Investment Committee in May 2002 and subsequently approved by Trustees in June 2002. In 2011 the Advisory Board conducted a strategic review and examined: investment performance, portfolio construction and the benchmark. Trustees considered and supported the new investment recommendations on 7 December 2011. The Objective of the Fund is unchanged and seeks to achieve real growth in capital and income over the long term by investment predominately in equities.

Investment performance

Investments delivered dividends of £424,627 in 2019 (2018: £421,851). During the period 1 January to 31 December 2019, the performance of the distribution units in the Fund was +18.1% (2018: -6.6%) after fees and expenses. Since launch the fund has produced a return of +289.70%, +2.9% (2018: +229.4%, -4.0%) against its investment benchmark.

Risk statement

The risks to which the Charity are exposed are reviewed by the REA Management Committee at each of its meetings. The basis of the review is a Risk Management Matrix that identifies and defines the risk, its impact and likelihood, and those mitigation measures the Trustees feel need to be applied. The Risk Management Matrix was reviewed at the July Management Committee meeting in 2019 and members were content that systems have been established to mitigate those risks identified.

Key Risk

The key risk identified (from the REA risk register) to which the charity could be exposed - assessed as 'Medium' likelihood with 'High' impact – is the 'loss of key staff'. Mitigation actions that have been identified are: succession planning and documentation of systems, processes and plans.

Reserves

The account posts net expenditure of £272,975 (2018: net income of £321,647) before realised and unrealised gains. Gains on investments amounted to £1,520,885 (2018: losses of £1,176,742) giving a positive net movement in funds of £1,247,910 (2018: negative net movement of £855,095). It is the Trustees policy to withdraw capital from the Designated and Restricted Fund's investment portfolios in order to maximise grant making. The Trustees are also prepared to draw on the capital of the Unrestricted General fund when necessary. The General fund acts as a reserve to meet

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both projected needs and the demands for the 'unexpected'. This latter contingency, however difficult to assess, must feature, as a matter of prudence, in the central charitable fund supporting army benevolence. It is the intention of the Trustees to maintain free reserves amounting to a minimum of 15 years' operating costs (essentially benevolence payments and staffing costs). This is intended to provide adequate security against market volatility, and future risks to both income and expenditure whilst maintaining long-term benevolence support to the Corps' beneficiaries. Current unrestricted reserves are £12,334,448 (2018: £11,169,328) which Trustees consider is consistent with this policy.

Public Benefit

The REA Trustees have paid due regard to the Charity Commission's guidance on public benefit in deciding what activities the charity should undertake. This fund provides public benefit by assisting service personnel to more effectively perform their role within the Corps of Royal Engineers and assisting those of the wider family of the Corps (those who have left uniform). Where there is "need" the fund helps those who have fallen on hard times like debt, family separation, mobility aids for the infirm (such as stair lifts and electric powered scooters and wheelchairs) and walk-in showers at home where the applicant is unable to use a bath safely. In addition the Fund has helped some of our serving Sappers where there is a "need".

PLANS FOR THE FUTURE

The Association will continue to develop its national and themed branch structure and seek ways to further engage with all elements of the Sapper family. In the past year the following new branches have been established: Diving (national); Blue Light, Cycling and Football (themed). The development of the Corps Comms Hub is enabling increasing engagement through social and print media. The expansion of the support given by the Association in areas such as adventure training, sport, welfare funding and social care will continue to increase our reach to the serving and veteran community.

Following a review of the structure of the Council the Trustees voted unanimously to transition to a new board which met for the first time on 6 September 2019. The new board is designed to broaden both the diversity and skill set of the Trustees to enable it to meet the challenges facing the Association in the future.

The study of the use of the Association's Reserves continued and proposals were presented to the new board in September 2019. The board requested further information on the proposals with the working group requested to report back in January 2020.

The Queens Gurkha Engineers (QGE) is part of the family of the Corps of Royal Engineers. At the same time, Gurkha Sappers also belong to the Gurkha family. From 01 May 2019 members and veterans of the Queens Gurkha Engineers were able to join the Royal Engineers Association as full members, funding for benevolence support for Gurkha Sappers would be almonised between the Gurkha welfare funds and other service charities.

Post balance sheet events

At the time of signing the accounts, the Trustees are aware of the potential economic and social effects of the COVID-19 virus outbreak. The full impact of the pandemic on the UK economy is yet to be seen but the charity will continue to seek to mitigate this risk by following the UK Government's guidelines and adapting/developing its own internal strategy.

Auditors

Kreston Reeves LLP remain the Trustees choice as Corps auditors.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The REA is governed by the Deeds of Trust dated 19 November 1968 and Supplemental Deed dated 1 December 1974 as varied by a scheme of the Commissioners dated 11 August 1997, and supplemented by the Rules of the Royal Engineers Association 2009.

Trustees

The current Board of Trustees are listed on page 8.

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Trustee's Report (continued)
For the year ending 31 December 2019**

The Board

The affairs of the Association shall be directed by the Board of the Association.

The composition of the Board shall be:

- (1) President, a Colonel Commandant of the Corps nominated by the Chief Royal Engineer ratified by the Board. Appointment for maximum of six years.
- (2) Chair of the Association nominated by the President and ratified by the Board, maximum of six years over two, three-year, terms.
- (3) The Corps Colonel for duration of appointment.
- (4) Honorary Treasurer elected by the Board for maximum of six years over two, three-year, terms.
- (5) The Corps SM for duration of appointment.
- (6) Reservist – nominated by President and ratified by vote of the Board maximum six years over two, three-year, terms.
- (7) Group Director – Serving CO rotating round groups for duration of appointment.
- (8) Branch Rep – proposed by Groups on three-year term rotating round Groups.
- (9) National Rep – proposed by Groups on a three-year term rotating round National Branches.
- (10) Themed Rep – proposed by Groups on a three-year term rotating round Themed Branches.
- (11) Wider Community Trustee – externally recruited, position ratified by Board for maximum of six years over two, three-year, terms.
- (12) Governance Trustee – externally recruited, position ratified by Board for maximum of six years over two, three-year, terms.
- (13) Service Charity Trustee - externally recruited, position ratified by Board for maximum of six years over two, three-year, terms.

The Controller of the Association shall be Secretary to the Board. The Corps Treasurer and Assistant Controller shall be in attendance.

The Board shall exercise its responsibilities through subordinate committees subject to the provision that at least two members of any such committee shall be members of the Board.

The standing subordinate committees of the Board are:

- The Management Committee, responsible to the Board for the management of the Association including administration, membership, reunions and awards.
- The Benevolence Committee, responsible to the Board for all questions relating to the charitable business of the Association.
- The Finance Committee, responsible to the Board for the financial affairs of the Association.
- The Recruiting Committee, responsible to the Management Committee for monitoring and prompting recruiting and awareness issues within the Association.

Indemnity

An order from the Charity Commission authorising the Trustees to provide indemnity insurance for themselves out of the charity funds was issued on 15 September 2001 and has been complied with.

Organisational structure and networks

The Association is directed by its Board of Trustees, constituted as described in the Deed, and consisting of ex-officio, nominated and elected members. Its members are the Trustees of the Association's funds. The Board meets as often as is necessary to fulfil its responsibilities, normally twice a year.

Certain routine business of a non-financial nature is delegated to the Management Committee, which meets twice a year. A benevolence committee meets quarterly to consider the more complicated applications for assistance and those requiring sums beyond the Controller's authorised powers.

A finance committee deals with particular matters and is responsible to the Board of Trustees.

The REA is divided into 16 geographical Groups throughout the UK and overseas. Each group has a Group

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For the year ending 31 December 2019**

Director who is appointed by the Corps Colonel and, in most cases, the Group Director is the senior serving Royal Engineer officer in the Group area. Within these Groups are 107 Branches. Of these, 92 Branches are located in towns and cities in the UK and overseas who normally meet up once a month for camaraderie and Esprit de Corps. The remaining 15 branches are national and themed branches who represent specialist trades/functions or particular interests with affiliated members throughout the UK and overseas; they will normally meet up once a year. While all Branches are self-financing grants are made to Groups, National and

Themed branches to support annual meetings and travel, all branches have the same objectives as those of the Association.

The Headquarters or Secretariat of the Association is managed by the Controller who, as Chief Executive, oversees all activities with particular emphasis on engaging and involving the REA and other veteran organisations in wider Corps affairs and business development. He is supported by an Assistant Controller who works part time and deals primarily with Esprit de Corps and benevolence matters.

Following the merging of Sappers Network, HQ REA is established for four full time administrative and clerical staff. One of the Secretariat staff is established and paid as a Civil Servant within the Regimental Headquarters of the Royal Engineers. The Assistant Controller and three full time members of staff are employed solely by the Association.

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Reference and administrative details of the charity, its trustees and advisers For the year ended 31 December 2019

REA Board of Trustees

Major General A S Dickinson CBE	President	
Brigadier AS Craig OBE	Chairman	Chair Benevolence Committee
Colonel CM Davies MBE	Honorary Treasurer	Chair Finance Committee
Colonel M Quare MBE ADC	Corps Colonel	
Lieutenant Colonel LSI Inge	National Branches	
Lieutenant Colonel MJ Heffer RE TD	Reserves	
WO1 (Corps SM) P Clark	Corps SM	
Mrs Jane Thomson	Wider Community	
Lieutenant Colonel C James	Group Director	Chair Recruiting Committee
Mr Colin Basnett	Service Charities	
Mr Jeffrey Jupp	Governance	
Mr Brian Simm	Themed Branches	
Mr Eric Hargreaves	Local Branches	
Mr Kenneth Kirk	Attendee	Chair Management Committee Secretary to Board/Controller
Major Iain George	Attendee	Assistant Controller
Major Ian Sidebottom	Attendee	Secretary to Finance Committee Corps Treasurer

Charity registered numbers

258322 and SC041832

Principal office

Regimental Headquarters Royal Engineers
Brompton Barracks
Chatham
Kent
ME4 4UG

Independent auditor

Kreston Reeves LLP
Chartered Accountants
Montague Place
Quayside
Chatham Maritime
Chatham
Kent
ME4 4QU

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**Reference and administrative details of the charity, its trustees and advisers (continued)
For the year ended 31 December 2019**

Bankers

Lloyds plc
Piccadilly Branch
PO Box 1000
BX1 1LT

Solicitors

Furley Page LLP
39 St Margaret's Street
Canterbury
Kent
CT1 2TX

Investment managers

BlackRock Investment Managers
12 Throgmorton Avenue
London
EC2N 2DL

Approved by the Trustees
and signed on behalf of the Trustees



**Major General A S Dickinson CBE
Chairman**

The Royal Engineers Association

Independent auditor's report to the Trustees of the Royal Engineers Association

We have audited the financial statements of Royal Engineers Central Charitable Trust for the year ended 31 December 2019 set out on pages 15 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities in preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with the Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we 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 anyone other than the charity and its trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2019 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

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misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records; or
- the parent charity 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.

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 give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Kreston Reeves LLP

Chartered Accountants
Statutory Auditor
Montague Place
Quayside
Chatham Maritime
Chatham
Kent
ME4 4QU

Date:

Kreston Reeves LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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**Statement of financial activities
For the year ended 31 December 2019**

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Income and endowments from:					
Donations & Legacies	2	570,243	-	570,243	570,820
Other trading activities	8	138,047	-	138,047	162,466
Investment income	9	405,680	19,400	425,080	422,240
Other income	10	22,059	-	22,059	15,617
Total income		1,136,029	19,400	1,155,429	1,171,144
Expenditure on:					
Raising Funds	11	3,052	-	3,052	5,659
Charitable activities	12	1,416,401	8,951	1,425,352	843,837
Total expenditure		1,419,453	8,951	1,428,404	849,496
Net income before revaluations		(283,424)	10,449	(272,975)	321,647
Net gains/(losses) on investments	18	1,451,873	69,012	1,520,885	(1,176,742)
Net movement in funds for year		1,168,449	79,461	1,247,910	(855,095)
Reconciliation of funds					
Total funds at 1 January 2019		11,165,328	617,726	11,783,054	12,638,149
Total funds at 31 December 2019		12,333,777	697,187	13,030,964	11,783,054

All activities relate to continuing operations.

The notes on pages 15 to 26 form part of these financial statements

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**Balance sheet
As at 31 December 2019**

	Note	2019		2018	
		£	£	£	£
Fixed assets					
Tangible assets	17		85,943		83,372
Investments	18		<u>12,164,035</u>		<u>10,647,313</u>
			12,249,978		10,730,685
Current assets					
Debtors	19	173,471		175,173	
Cash at bank and in hand			<u>663,053</u>		<u>948,269</u>
			836,524		1,123,442
Creditors: amounts falling due within one year	20	<u>(55,538)</u>		<u>(71,073)</u>	
Net current assets			<u>780,986</u>		<u>1,052,369</u>
Net assets			<u>13,030,964</u>		<u>11,783,054</u>
Charity Funds					
Restricted funds	22		696,516		617,726
Unrestricted funds	22		<u>12,334,448</u>		<u>11,169,328</u>
Total funds			<u>13,030,964</u>		<u>11,787,054</u>

The financial statements were approved by the Trustees on 01 May 2020 and signed on their behalf, by:



**Major General AS Dickinson CBE,
Chairman**



**Colonel CM Davies MBE,
Honorary Treasurer**

The notes on pages 15 to 26 form part of these financial statements

The Royal Engineers Association

Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019	2018
		£	£
Net cash used in operating activities	27	<u>(706,844)</u>	<u>(559,222)</u>
Cash flows from investing activities			
Interest and dividends		425,080	422,240
Purchase of tangible fixed assets		(7,615)	(10,437)
Disposal of tangible fixed assets		-	360
Movement on Branch Investments		(4,162)	(100)
Cash provided by (used in) investing activities		<u>413,303</u>	<u>412,063</u>
Cash used in financing activities		<u>-</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>(293,541)</u>	<u>(147,159)</u>
Cash and cash equivalents at the beginning of the year		948,269	1,095,428
Total cash and cash equivalents at the end of the year		<u>654,728</u>	<u>948,269</u>

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2019

1 Accounting policies

1 Basis of preparation of financial statements

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

The Royal Engineers Association meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

1 Preparation of the accounts on a going concern basis

The Trustees consider that there are no material uncertainties about the Charity's ability to continue as a going concern.

1 Fund Accounting

General unrestricted funds represent unrestricted income of subscriptions, donations and legacies which is expendable at the discretion of the Council in the furtherance of the objects of the Association. Such funds may be held in order to finance both working capital and capital investment.

Designated funds represent amounts which have been put aside out of unrestricted funds at the discretion of the Trustees to meet specific purposes.

Restricted funds represent grants, donations and legacies received which are allocated by the donor for specific purpose. These are Gabriel, Kitchener Scholarship, funds which are explained in detail on page 3 in the Trustees' report.

Investment income, gains and losses are allocated to the appropriate fund.

1 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Subscriptions

Serving officers, warrant officers and soldiers subscribe to the Royal Engineers Central Charitable Trust under the Army's Day's Pay Scheme. The Association received 50% of the monies received from the Day's Pay Scheme.

Donations

Donations are included in full in the income and expenditure accounts on a receipts basis. Gift Aid donations are included in the income and expenditure account on a receivable basis.

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2019

Accounting policies (continued)

1.5 Expenditure

Liabilities are recognised as expenditure as soon as there is an obligation to committing the charity to the expenditure. All expenditure is accounted for on an accruals basis.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the trust which are always authorised by Trustees.

Cost of charitable activities includes grants made and the apportionment of support costs shown in note 12.

The cost of generating funds consists of investment, management and certain legal fees.

1.6 Tangible fixed assets and depreciation

REA assets, including those purchases by Branches, costing more than £250 are capitalised. Depreciation is charged on assets using a straight line basis over their estimated life on the following basis:

Fixtures and fittings	10% per annum
General property	10% per annum
Computer equipment	20% per annum

REA Branch Standards are capitalised and maintained at their expected replacement value, £650.

1.7 Investments

Investments are included in the financial statements at the mid market value of the units held by the Royal Engineers Association in the Armed Forces Common Investment Fund.

1.8 Debtors

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

1.9 Cash at bank and in hand

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

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2019

Accounting policies (continued)

1.10 Liabilities

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.11 Financial instruments

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

1.12 Pensions

The charity operates a defined contribution pension scheme and the pension charge represents the amounts payable by the charity to the fund in respect of the year.

1.13 Donated services and facilities

Intangible income, which comprises donated services, is included in income at a valuation which is an estimate of the financial cost borne by the donor where such a cost is quantifiable and measurable. This amount is matched by intangible expenditure.

1.14 Tender policy

Trustees introduced a tender policy that covers expenditure:

- a. Between £2.5k and £5k
- b. Between £5k and £10k
- c. Over £10k

The Royal Engineers Association

Notes to the financial statements
For the year ended 31 December 2019

		Unrestricted funds 2019	Restricted funds 2019	Total funds 2019	Total funds 2018
		£	£	£	£
2 Donations & Legacies					
Donations	(Note 3)	82,761	-	82,761	72,827
Legacies	(Note 4)	26,728	-	26,728	36,587
Grants	(Note 5)	2,500	-	2,500	2,500
Subscriptions	(Note 6)	382,759	-	382,759	386,232
Donated services and facilities	(Note 7)	75,495	-	75,495	72,674
		570,243	-	570,243	570,820

In 2019 all £570,243 of income from donations and legacies was unrestricted (2018: £570,820)

3 Donations

	£	£	£	£
General donations	74,764	-	74,764	68,151
Donations from branches	5,381	-	5,381	751
Tax refund	-	-	-	30
Website donations	2,616	-	2,616	3,895
	82,761	-	82,761	72,827

4 Legacies

	£	£	£	£
Other legacies	26,728	-	26,728	36,587
	26,728	-	26,728	36,587

5 Grants

	£	£	£	£
H&M Charitable Trust	2,500	-	2,500	2,500
	2,500	-	2,500	2,500

6 Subscriptions and tax

	£	£	£	£
Membership	24,554	-	24,554	22,225
Grant from RECCT (represents 50% of Day's Pay Scheme subscriptions to RECCT)	358,205	-	358,205	364,007
	382,759	-	382,759	386,232

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2019**

	Unrestricted funds 2019	Restricted funds 2019	Total funds 2019	Total funds 2018
	£	£	£	£
7 Donated services and facilities				
Gas	1,744	-	1,744	1,732
Electricity	2,044	-	2,044	2,031
Water and sewage	822	-	822	822
Community charge	5,465	-	5,465	5,411
Utilities	1,421	-	1,421	1,412
MOD salaries	26,000	-	26,000	23,000
Administration salaries	37,999	-	37,999	38,266
Total	75,495	-	75,495	72,674

8 Other trading activities

	£	£	£	£
Esprit de Corps income	138,047	-	138,047	162,466

REA Branches generated £138,047 (2018 - £162,466) from activities.

9 Investment income

	£	£	£	£
Dividends – AFCIF	405,359	19,268	424,627	421,851
Bank interest	321	132	453	389
	405,680	19,400	425,080	422,240

10 Other income

	£	£	£	£
Sundry income	22,059	-	22,059	15,617
	22,059	-	22,059	15,617

11 Raising Funds

	£	£	£	£
Recruiting	3,052	-	3,052	5,659

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2019**

12 Charitable Activities

	Activities undertaken directly 2019 £	Support costs 2019 £	Total 2019 £	Total 2018 £
Benevolence (Note 13)	513,161	113,929	627,090	530,099
Esprit de Corps (Note 14)	606,694	191,568	798,262	313,738
	1,119,855	305,497	1,425,352	843,837

All of the expenditure on charitable activities in 2019 and 2018 was unrestricted.

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
13 Benevolence grants and allowances				
Activities undertaken directly				
Grants	291,534	8,951	300,485	275,224
Christmas grants	12,210	-	12,210	14,976
Weekly allowances	137,671	-	137,671	64,848
Army Benevolent Fund	50,000	-	50,000	50,000
SSAFA Families Help	20,000	-	20,000	20,000
Other charities	402	-	402	3,000
Refund Grants previous years	(7,607)		(7,607)	(6,837)
	504,210	8,951	513,161	421,211
Support Costs				
Cttee & Travel costs	1,907	-	1,907	1,786
Audit	3,360	-	3,360	3,381
Fees & Subs	2,446	-	2,446	2,026
Insurance	1,355	-	1,355	1,061
Administration	3,355	-	3,355	1,837
Post & Telephone	2,120	-	2,120	2,044
Depreciation	252	-	252	179
Donated services support costs	21,831	-	21,831	22,170
Donated services MOD salaries	26,000	-	26,000	23,000
Staff costs	51,303	-	51,303	51,404
	113,929	-	113,929	108,888
	618,139	8,951	627,090	530,099

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2019

	Unrestricted funds 2019	Restricted funds 2019	Total funds 2019	Total funds 2018
	£	£	£	£
14 Esprit de Corps				
Activities undertaken directly				
Corps activities	325,545	-	325,545	138,784
Branch donations	21,974	-	21,974	30,603
Branch activities	218,038	-	218,038	223,119
Annual Conference	7,440	-	7,440	5,014
Annual dinner	7,515	-	7,515	4,935
Sapper Sunday Lunch	1,285	-	1,285	1,170
REVETT Grant	30,000	-	30,000	30,000
Refund previous year	(5,103)		(5,103)	(292,593)
	606,694	-	606,694	141,032
Support Costs				
Cttee & Travel	7,627		7,627	7,143
Audit	3,360		3,360	3,381
Fees & Subs	2,446		2,446	2,026
Insurance	1,355		1,355	1,061
Administration	4,188		4,188	2,912
Post & telephone	2,120		2,120	2,044
Depreciation	4,792		4,792	3,398
Donated services support costs	27,664		27,664	27,504
Staff Costs	138,016	-	138,016	123,237
	191,568	-	191,568	172,706
	798,262	-	798,262	313,738

15 Net Income / Expenditure

This is stated after charging:

Depreciation of tangible fixed assets:

- owned by the charity

Auditor's remuneration

£

3,577

6,762

£

3,577

6,762

During the year, no Trustees received any remuneration (2018 - £NIL).

During the year, no Trustees received any benefits in kind (2018 - £NIL).

10 Trustees received reimbursement of expenses amounting to £4,193 in the current year, (2018, 8 Trustees - £1,866)

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2019**

	Total funds 2019 £	Total funds 2018 £
16 Staff costs		
Staff costs were as follows:		
Wages and salaries	165,391	152,608
Social security costs	11,649	10,791
Other pension costs	12,279	11,242
	189,319	174,641

	No.	No.
The average monthly number of employees during the year was as follows:		
Management and administration of the charity	6	6

No employee received remuneration amounting to more than £60,000 in either year.
The total employment benefits including employer pension contributions of the key management personnel were £53,412 (2018 - £49,857).

17 Tangible fixed assets

	Unrestricted Designated Fixtures & fittings £	Unrestricted General Property £	Unrestricted General Computer equipment £	Total £
Cost				
At 1 January 2019	78,758	115,591	14,157	208,506
Additions	285	-	7,330	7,615
Disposals		-	-	-
At 31 December 2019	79,043	115,591	21,487	216,121
Depreciation				
At 1 January 2019	11,865	104,131	9,138	125,134
Charge for the year		2,324	2,720	5,044
On disposal		-	-	-
At 31 December 2019	11,865	106,455	11,858	130,178
Net book value				
At 31 December 2019	67,178	9,137	9,629	85,943
At 31 December 2018	66,893	11,460	5,019	83,372

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2019**

18 Fixed asset investments

	Listed securities £	Branch Investments £	Total £
Market value			
At 1 January 2019	10,623,986	23,327	10,647,313
Purchased		-	-
Revaluations	1,520,884		1,520,884
Movement on branch investments		(4,162)	(4,162)
At 31 December 2019	<u>12,144,870</u>	<u>19,165</u>	<u>12,164,035</u>
Historical cost	<u>5,978,974</u>	<u>22,550</u>	<u>6,001,524</u>

Investments at market value comprise:

	2019 £	2018 £
Listed investments	12,144,870	10,623,986
Branch investments	19,165	23,327
Total market value	<u>12,164,035</u>	<u>10,647,313</u>

Material investments

All invested funds were held in the Armed Forces Common Investment Fund, managed by BlackRock Investment Managers Limited.

19 Debtors

	2019 £	2018 £
Branch debtors	1,116	-
Other debtors	137,862	135,690
Prepayments and accrued income	34,493	39,483
	<u>173,471</u>	<u>175,173</u>

20 Creditors:

Amounts falling due within one year

	£	£
Branch creditors	4,604	7,975
Other creditors	50,934	60,134
Accruals and deferred income	-	2,964
	<u>55,538</u>	<u>71,074</u>

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2019**

21 Financial instruments

	2019	2018
	£	£
Financial assets		
Financial instruments measured at fair value through profit or loss	12,164,035	10,647,313
Financial instruments that are debt instruments measured at amortised cost	<u>836,524</u>	<u>1,123,442</u>
Financial liabilities		
Financial instruments that are debt instruments measured at amortised cost	<u>55,538</u>	<u>71,073</u>

Financial assets that are debt instruments measured at amortised cost comprise cash, trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank overdraft, trade creditors and accruals.

22 Statement of funds

	Brought Forward	Income	Expenditure	Transfers in/out	Gains/ (Losses)	Carried Forward
	£	£	£	£	£	£
Designated funds						
Branch funds	<u>420,660</u>	<u>251,609</u>	<u>(240,012)</u>	-	-	<u>432,257</u>
General funds						
General funds	<u>10,744,668</u>	<u>1,136,029</u>	<u>(1,430,379)</u>	-	<u>1,451,873</u>	<u>11,902,191</u>
Total Unrestricted funds	<u>11,165,328</u>	<u>1,387,638</u>	<u>(1,670,391)</u>	-	<u>1,451,873</u>	<u>12,334,448</u>
Restricted funds						
Gabriel Fund	3,362	2	(673)	-		2,691
Kitchener Scholarship Fund	<u>614,364</u>	<u>19,400</u>	<u>(8,951)</u>	-	<u>69,012</u>	<u>693,825</u>
Total Restricted Funds	<u>617,726</u>	<u>19,402</u>	<u>(9,624)</u>	-	<u>69,012</u>	<u>696,516</u>
Total of funds	<u>11,783,054</u>	<u>1,407,040</u>	<u>(1,680,015)</u>		<u>1,520,885</u>	<u>13,030,964</u>

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2019

23 Analysis of net assets between funds

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Tangible fixed assets	85,943		85,943	83,372
Fixed asset investments	11,612,950	551,085	12,164,035	10,647,313
Current assets	688,740	147,784	836,524	1,123,442
Creditors due within one year	(55,538)	-	(55,538)	(71,073)
	12,332,094	698,869	13,030,964	11,783,054

24 Pension commitments

The charity operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £12,279 (2018 - £11,242).

25 The Gabriel Fund

In 1966 a legacy of £25,000 was received from the estate of Colonel RC Gabriel. No restriction was placed on these funds at the time, hence, it was included in the General Fund at 31 December 1966.

During 1997 the Association applied for, and was granted a further legacy of £20,000 from the estate of Colonel RC Gabriel. In accordance with the conditions of the additional legacy a restricted fund has been established for the purpose of providing retraining, further education and contributing towards the costs of obtaining a qualification and / or licence to work for those who are serving or have served as officers and soldiers of the Royal Engineers. A further £5,000 was received in 1998.

The original legacy was transferred to the restricted fund at 31 December 1997 since the restrictions are considered to apply to all the funds from the estate of Colonel RC Gabriel.

26 Related party transactions

All transactions with related parties are disclosed in the Trustees Report and notes to the accounts.

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2019

27 Reconciliation of net movement in funds to net cash flow from operating activities.

	Total funds 2019	Total funds 2018
	£	£
Net movement in funds	1,247,910	(855,095)
Add back depreciation charge	5,044	3,577
Deduct interest income shown in investing activities	(425,080)	(422,240)
Deduct gains / add back losses on investments	(1,520,884)	1,176,742
Decrease (increase) in debtors	1,702	(21,690)
Increase (decrease) in creditors	(15,536)	(440,516)
Net cash used in operating activities	<u>(706,844)</u>	<u>(559,222)</u>

