

Charity numbers: 258322 and SC041832

## **The Royal Engineers Association**



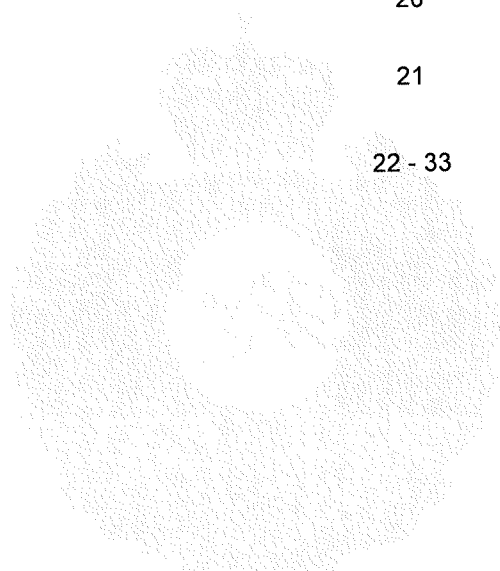
**Trustees' report and financial statements**

**For the year ended 31 December 2021**

# The Royal Engineers Association

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Approved for issue by the Charity Commission on 14/07/2017

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## **The Royal Engineers Association**

### **Trustee's Report For the year ending 31 December 2021**

The Board of Trustees present their annual report and the audited financial statements for the year ended 31 December 2021. The financial statements have been prepared in accordance with the accounting policies set out at note 2 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. Another 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:

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 165 recipients, from whom many letters of appreciation have been received. The total number of benevolence cases considered in 2021 was 21% more than the previous year.

The Kitchener Fund supported the education of 12 children from Sapper families.

The Gabriel Fund supported the career development of 2 veterans suffering from life changing illness or injury.

## The Royal Engineers Association

### Trustee's Report (continued) For the year ending 31 December 2021

#### 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. The service is free to employers and candidates and offers jobs across the UK and Internationally.

#### Grants Considered 2016 to 2021

Year	2021	2020	2019	2018	2017	2016
Disabled & Illness	80	145	116	166	163	174
Old age	4	13	22	41	32	53
Widows	41	38	45	63	51	55
Unemployed	119	119	76	128	119	107
Miscellaneous	94	106	210	124	129	136
No grant made	62	87	120	31	51	40
Totals	400	508	589	553	545	565

#### Other Grants

As in previous years, a Branch and Unit Welfare Grant of £100,000 was allocated from Capital Reserves for the year 2021. 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: support for the provision of a holiday chalet for use by serving personnel, veterans and dependants; improvements to single living accommodation in several regiments; support for a families and community centre at Carver Barracks; support for an Association Branch meeting room providing disabled access.

The 2021 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.

## **The Royal Engineers Association**

### **Trustee's Report (continued)**

**For the year ending 31 December 2021**

- Regular weekly allowances were made to about 52 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.
- 1271 Christmas cards and some 165 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.
- A grant of £60,000 (2020: £50,000) which is usually made in-year to ABF for the work they do on behalf of the wider Services' benevolence systems will be made in Q1 of 2022.
- A grant of £30,000 (2020: £20,000) which is usually made in-year to SSAFA Forces Help will be made in Q1 of 2022.

### **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.

### **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. In 2020, it was considered we should review once more our approach to fund raising. This has been considered by the Finance Committee and a focus on areas such as Legacy and Donation and fund raising by Branches in support of the Association has been accepted to ensure that the Association maintains its long term ability to provide benevolence and welfare services to the Sapper Family.

### **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.

## **The Royal Engineers Association**

### **Trustee's Report (continued) For the year ending 31 December 2021**

#### **2021 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 HQ Mess receive a set percentage of officer subscriptions, and the Corps WOs' & Sgts' Mess receive an element of the SNCOs and WOs subscriptions (their respective membership fees) the Association receives 50% of the monies received from the Days Pay Scheme (DPS). Any shortfall of income compared to expenditure comes from investment income. Donations and legacies that are retained are available for investment towards future benevolence. The Association's combined income from DPS, 38% of income, investments 50% of income, legacy, and donations 12% of income is sufficient to sustain our annual operating expenditure in all the key areas of benevolence, welfare and esprit de corps.

#### **Summary**

Net expenditure before other recognised gains and losses was £118,530 (2020: £219,596). The Charity did not authorise any further funds for investment in 2021.

#### **Balance Sheet**

The accumulated funds increased by £1,021,236 to £14,412,630 (2020 increased by £360,430 to £13,391,394). Notes to the Statement of Financial Activities and Balance Sheet provide supplementary information against each funding activity.

Expenditure on benevolence grants to individuals decreased by £17,453 from £273,359 in 2020 to £255,906.

Christmas grants decreased by £2,198 to £9,305 in 2021 and weekly allowances decreased from £125,767 in 2020 to £121,810 in 2021.

#### **Investment house & policy**

During 2019, the Armed Forces Common Investment Fund (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.

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 £427,900 in 2021 (2020: £430,686). During the period 1 January to 31 December 2021, the performance of the distribution units in the fund was +13.1% (2020: +9.0%) after fees and expenses. Since launch in September 2002, the fund has produced a return of +380.9%, +9.0% (2020: +325.1%, +8.2%). The fund's benchmark since inception has returned 346.3% and 8.0%.

#### **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 September Board meeting in 2021 and members were content that systems have been established to mitigate those risks identified.

#### **Key Risk**

The key risks are financial and reputational with loss of income from our investments potentially restricting the services we deliver and thus our reputation among our members and beneficiaries which could further affect our income. In mitigation of this the Board ensures that we maintain sufficient investment funds to provide resilience and regularly reviews the status of our reserves.

## **The Royal Engineers Association**

### **Trustee's Report (continued)**

**For the year ending 31 December 2021**

#### **Reserves**

The accounts show net expenditure of £118,530 (2019: £219,596) before gains on investments. Gains on investments amounted to £1,139,766 (2020: £580,026) giving a positive net movement in funds of £1,021,236 (2020: positive net movement of £360,430). It is the Trustees policy to realise capital from the Restricted Fund's investment portfolios when required to provide funds in support of grant making or project funding.

Trustees review the reserves policy annually and aim to match the amount held in reserves to mitigate against potential financial threats over the long term. The charity relies upon the MoD for administration of the Day's Pay Giving Scheme, provision of infrastructure, utilities, and a proportion of staff costs. If these MoD donated services were to be withdrawn, the charity would suffer an operational shock. The charity's reserves must be able to meet such a shock if it were to occur.

Furthermore, 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 £13,391,394 (2020: £12,672,333) 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**

##### **REA Strategy 2021-2025 Background**

The Royal Engineers Association came into being on 12 October 1912 as the Old Comrades Association, with Field Marshall Kitchener as the President. In 1918 King George V became the patron and this Royal patronage continues today with Her Majesty the Queen. During the intervening 109 years the Association has evolved; in 1952, from Old Comrades to the Royal Engineers Association, in 1968 amalgamating the RE Benevolent Fund Ltd with the REA under a new constitution.

Now with 108 branches dispersed across the UK, changing lifestyles and membership demographic, the Association faces new challenges in remaining connected and relevant to the Sapper family. As a result, it was agreed in 2020 that the current 5-year REA Strategy, developed in 2016 should be reviewed and a new strategy proposal be developed and presented to the AGM in October 2021.

#### **Charitable Objects**

Our objects are shown below and have always provided a clear guide to what the purpose and role of the Association. These provide a very sound foundation for all our activities.

1. To promote and support the Corps among members of the Association in the following ways:
  - a. By fostering esprit de corps and a spirit of comradeship and service.
  - b. By maintaining an awareness of Corps traditions.
  - c. By acting as a link between serving and retired members of the Corps.
2. To provide financial and other assistance to serving and former members of the Corps, their spouses, widows, widowers, and dependents who are in need through poverty.

## **The Royal Engineers Association**

### **Trustee's Report (continued) For the year ending 31 December 2021**

3. To make grants, within Association Guidelines, to the Army Benevolent Fund and to other charities that further the objectives of the Association.

#### **Governance**

We have in place all the required elements for the Association to fulfil our legal obligations as a charity. Our charity's governing document is a legal document. It works as a rulebook, setting out:

- Its name;
- Its charitable purposes ('objects');
- What it can do to carry out its purposes ('powers'), such as borrowing money;
- Who runs it ('trustees') and who can be a member;
- How meetings will be held, and trustees appointed;
- Any rules about paying trustees, investments and holding land;
- Whether the trustees can change the governing document, including its charitable objects ('amendment provisions');
- How to close the charity ('dissolution provisions').

#### **Vision**

Ensure that all members of the Sapper family have access to the comradeship and support that enables them to live full lives.

#### **Mission**

Reach out to all members of the Sapper family and provide support to those in need by maintaining the links between all serving soldiers, veterans, and their families.

#### **Strategic Aims**

To deliver our vision and mission our strategic aims are:

#### **Engagement**

We will actively engage with our stakeholders and strive to be recognised, known, and understood by our members, partners, and relevant agencies. Extending our reach into the wider community using all means at our disposal to ensure effective communication to promote the mission of the REA

#### **Support**

We will ensure we understand and adapt to the needs of our members and those we support across the Sapper family improving the lived experience of the sapper workforce and veteran community enabling them to reach full potential.

#### **Benevolence (Aid)**

To aid the Sapper family by providing appropriate, timely and effective assistance to those in need.

#### **Sustainability**

We will ensure we have people with the right skills and sufficient time and resources deliver on our mission, underpinned by a sustainable income.

#### **Collaborative Working**

We will work together within the organisation and with internal and external partners and stakeholders to deliver our objects.



## **The Royal Engineers Association**

### **Trustee's Report (continued)**

**For the year ending 31 December 2021**

#### **Research**

Several areas of research were carried out to establish a clear picture of our stakeholders across all aspects, from veterans, serving soldiers, families, supporters, other associations, and charities. This information identifies key concerns of the stakeholders and proposals to address these.

#### **MOD Data**

One of the key insights from recent MOD data is the reduction in the numbers of veterans over the next decade with numbers falling from 2016 when there were 2.5 million to 1.6 million by 2028. There will also be an increase in the percentage of veterans who are of working age from 37% to 44% over the same period and an increase in female veterans from 10% to 13%. However, the number of households with a veteran link will drop from 5% to 2.3%. We can assume that, as the Sappers are normally around 10% of the army and army veterans, we will see a similar percentage fall in our numbers.

What will the impact be of fewer veterans, more of whom are of working age with lower awareness among the public of the military community? It will certainly present challenges for the organisation, our branch network and how we have traditionally communicated. We will need to address these issues going forward.

#### **Internal**

Internal research of our database and work currently being undertaken to validate the data in our CRM system has established that from a perceived membership of 71,000 drawn from legacy databases, the figure is more likely to be less than 30,000 with only 5000 active branch members.

#### **Stakeholder Consultation**

In the second quarter of 2021, we surveyed the Sapper Family. The response was significant and provided statistically relevant insight into our position and relevance to the community. The respondents broke down as follows; 60% Veteran, 35% Serving and 5% Family. Key insights included:

- Snapshot of current relevance
- Key support & Information needs
- Preferred methods of communication
- Website feedback
- NPS (Net Promoter Score) – Benchmarking

Encouragingly, the survey revealed that the REA represents a focal point for camaraderie across all groups. The REA's role in benevolence and remembrance was also a significant touchpoint. Further analysis of the data reveals some divergence between the veteran and serving community. The emphasis on remembrance and benevolence is different between the two groups with remembrance featuring above benevolence for veterans and vice versa for those still serving. This divergence continued across areas such as support with housing, sport, adventure training and branch activities. Importantly, there was a strong and unified desire to receive more direction and support from the REA on volunteering opportunities and especially mental health. The survey also enquired about membership status which, revealed that 62% of those serving had yet to activate their membership or did not know their membership status. Among the veteran community, this equated to 25%.

Finally, using a single question, "How likely are you to recommend the REA to a colleague or friend?". We have established our first net promoter score (NPS). This methodology is a recognised way of benchmarking the way our stakeholders feel about the association. The survey revealed a solid NPS of +18, which is a very positive score and certainly stands favourably amongst similar organisations. As with other aspects of the research, there was a divergence of feeling between the serving and veteran community. The veteran community generated an above-average NPS of +35. Whilst the serving community revealed a less favourable NPS of -5. It is important to note that this is a starting point. The same question asked in six months may provide a different feeling towards the REA amongst the stakeholders. Nevertheless, it is an indicator of where efforts need to be focused going forward if we are to effect change and ensure positive outcomes.

## **The Royal Engineers Association**

### **Trustee's Report (continued) For the year ending 31 December 2021**

#### **Further Research**

In addition to continued stakeholder and sector specific research, it is recommended that we consider research into outcomes for veterans in the Criminal Justice System. This is a much-needed area of research and strongly believed to be a source of lost members of the Sapper family in need. This body of work could take the form of a sponsored PhD, ensuring that the research is robust and validated by academic rigour. Ideally, this would be carried out by a serving member of the Corps wishing to undertake further academic study and therefore be funded by the Gabriel Fund.

#### **Goals**

As a result of the above research of the Sapper community and their families and set against the backdrop of the broader MOD research we have established the following five areas of focus to achieve the REA's Strategic aims to ensure continued success in our mission.

#### **Early engagement with the serving Sapper**

The longer-term future of the REA is best served by developing a relationship with the serving community from the commencement of their service. Currently, engagement with this important group is limited, and activation of membership usually comes at the point of leaving the service. This late enrolment of members to the REA can become the point at which many become lost to us.

The provision of aid without judgement to those in need remains our number one priority. However, research shows that the development of opportunities in the areas of sport, adventure training and e-games will create engagement opportunities with the serving community. Streamlining the joining process and creating a digital platform to interact with the association will also encourage activation of membership during service.

#### **Re-energise the branch structure**

It has become clear that the branch structure needs significant reform. Whilst there are pockets of success with some branch's continuing to thrive, many are failing or have failed entirely. This is for several reasons but predominantly influenced by the changing veteran demographic who seek a different way to maintain the comradeship that service has given them. Again, the research has shown that there is a strong demand for a communal opportunity for regular interaction with comrades. Therefore, redevelopment of the branch structure remains our best option to support this need. Any restructure requires understanding of the ongoing needs of the older veteran whilst repositioning the offer to make it attractive to younger veterans. Research also revealed that at least 50% of those canvassed declared either a strong interest in volunteering opportunities or were already engaged in such activities. Therefore, re-energising the branch structure will also provide the ideal platform for the coordination of volunteerism across our membership. Work on this goal will begin by gaining a deeper understanding of our current position and the needs of the next generation of veterans in tandem of a procedural overhaul of process at REA HQ and the development of new platforms to increase active engagement.

#### **Team development**

Underpinning all aspects of our transformation will be the REA HQ Team. We will ensure that the team are adequately supported in this task with clear direction and provided with appropriate training to deliver on our goals. This will commence with a training programme to gain maximum use of SCRM, our current Constituent Relationship Management System. Whilst this system has been in use for some time a recent audit identified that a significant amount of the data held was out of date or incorrect and that the staff had never received sufficient training to ensure strong buy-in to the system or to maximise the benefits such a system should offer to the REA. As we begin our digital transformation further training will be provided to ensure success with the introduction of any new processes or tools.

## **The Royal Engineers Association**

### **Trustee's Report (continued)**

**For the year ending 31 December 2021**

#### **Digital transformation**

As already mentioned, work has already begun on the digital transformation of the REA as we cleanse the CRM system and ensure that staff are adequately trained to make use of the system. However, this is just one part of the changes underway. The website is currently under re-development and crucially will introduce a 'member only' area. If the website is our shop window to the world the members area will become the community hub. A secure area for our members to engage with HQ and more importantly each other. The hub will be a place for connection, news, events, and a resource for important information and learning opportunities. It will support the goal to re-energise the branch structure by providing each branch with a platform for engagement with their respective members.

#### **Collaboration**

The REA sits within a complex matrix of organisations providing aid and support to the serving and veteran communities. This means it is imperative that we maintain and develop strong strategic relationships with all relevant organisations as well as key internal stakeholders to provide continuous visibility of the aid we provide. To support this goal, we will ensure that new pathways are established for better communication and the delivery of service. We will also play our part as an organisation in augmenting the understanding of need across the sector. We will do this through data gathering and reporting. We aim to broaden the finite resources of the REA HQ team, by utilising the support of members of the board who with their extensive connections and knowledgebase will be a key component of our communications strategy going forward.

#### **Evaluation**

The single most important metric for this organisation is the delivery of aid wherever and whenever it is needed as well as the responsible management of the organisations reserves and investments for the continued delivery of aid.

In addition to this, we will consider the following key areas to assess ongoing progress:

- Membership growth especially amongst the serving community
- Increase in branch activity and increased contact with REA HQ – using SCRM
- Increase in engagement as we roll-out new digital platforms - measured using online analytics
- Positive stakeholder feedback

Using these metrics and others yet to be defined will enable us to adjust tactics as required to achieve the best possible outcomes with the resources available. We will regularly evaluate all aspects of our strategy and progress towards the goals we have set, enabling the REA to remain relevant, stay on mission and ultimately, continue to evolve to meet the needs and expectations of our stakeholders, the Sapper family.

## **The Royal Engineers Association**

### **Trustee's Report (continued) For the year ending 31 December 2021**

#### **COVID-19 Impact Statement**

Trustees are aware of their responsibility to consider, as far as possible with the information available to them, the impact of the COVID-19 pandemic and its effect on the global economic climate, on all aspects of the charity's financial and narrative reporting.

Trustees confirm that all representations made in this report include due consideration of these factors. In particular this included, but is not limited to, the following:

- Appropriate disclosure has been included in the charity's narrative reporting regarding the impact of COVID-19 on the charity's performance during the period, Trustees assessment of principal risks and uncertainties and the future of the charity;
- The financial statements reflect the conditions which existed at the reporting date, to the extent that the spread of COVID-19 was known, together with its impact on the global economic climate. The effect of material non-adjusting events subsequent to the reporting date has been disclosed in the financial statements;
- Trustees have considered whether the charity's tangible fixed assets have been impaired due to COVID-19. Trustees have also considered whether their estimate of useful economic lives remains appropriate. Trustee consideration has included a review of the current market value of those assets and their future economic performance;
- Trustees have considered whether the net realisable value of stock has been affected by COVID-19;
- At the reporting date, any additional liabilities arising as a result of COVID-19 have been recognised.

Following review, Trustees believe they have continued to follow the principles of the Charity Governance Code and confirm the following:

- COVID-19 did not impact on the charity's payments to HMRC;
- The charity did not apply for any Government grants including the Job Retention Scheme (JRS);
- As the charity operate a Defined Contribution Pension Scheme, and all employees continued to be fully paid, there was no impact on the scheme (less the impact on investments made by the pension provider) or pension deficit;
- The charity does not have any loans therefore financing or refinancing is not impacted;
- None of the physical checks (financial and stocktake) were replaced by virtual checks;
- COVID-19 had not impacted on the charity's reserves or governance (internal controls) and had a limited, predictable, effect on our achievements. Trustees do not envisage the current situation, at year-end, hindering our future plans;
- Investments suffered initially in a volatile market but recovered well which has been captured in the investment narrative of the report;
- Financial staff have reviewed their accounting policy for recognising legacy income to ensure that it remains appropriate in light of the situation;
- All grant commitments were met without postponement;
- Principal risks and uncertainties have been updated within the Risk Register to encompass lessons learnt from the COVID-19 pandemic.

#### **Auditors**

Kreston Reeves LLP remain the Trustees choice as Corps auditors.

## **The Royal Engineers Association**

### **Trustee's Report (continued)**

**For the year ending 31 December 2021**

## **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 13.

### **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 Sergeant Major 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 Commanding Officer (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 Chief Executive of the Association shall be Secretary to the Board. The Corps Treasurer and Operations Manager 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, Chaired by the Chief Executive, responsible to the Board for the management of the Association including administration, membership, reunions and awards.
- The Benevolence Committee, Chaired by the REA Chair, responsible to the Board for all questions relating to the charitable business of the Association.
- The Finance Committee, Chaired by the Honorary Treasurer, responsible to the Board for the financial affairs of the Association.
- The Recruiting Committee, Chaired by a nominated Trustee, responsible to the Management Committee for monitoring and prompting recruiting and awareness issues within the Association.

## **The Royal Engineers Association**

### **Trustee's Report (continued) For the year ending 31 December 2021**

#### **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 17 Groups throughout the UK and overseas. Each group has a Group 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 108 Branches. Of these, 94 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 14 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 Chief Executive who 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 Operations Manager who works part time and deals primarily with Esprit de Corps and benevolence matters.

With 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 Chief Executive, Operations Manager and three full time members of staff are employed solely by the Association.

## **The Royal Engineers Association**

### **Reference and administrative details of the charity, its trustees and advisers For the year ended 31 December 2021**

#### **REA Board of Trustees**

Major General (retd) Alastair Dickinson CBE	President	
Brigadier (retd) Andrew Craig OBE	Chair	Chair Benevolence Committee
Colonel (retd) Chris Davies MBE Colonel (retd) Jonathan Ruddy	Honorary Treasurer & Chair Finance Committee	(tenure complete October 2021) (appointed October 2021)
Air Commodore (retd) Colin Basnett CBE	Service Charities	
Lieutenant Colonel (retd) Jane Thomson	Wider Community	
Colonel Matthew Quare MBE ADC	Corps Colonel	
Warrant Officer Class 1 Paul Clark Warrant Officer Class One Marc Elliott MBE	Corps Sergeant Major Corps Sergeant Major	(tenure complete August 2021) (appointed August 2021)
Lieutenant Colonel Martin Heffer RE TD	Reserves	
Lieutenant Colonel Larry Inge	National Branches	
Lieutenant Colonel Claire James	Group Director	Chair Recruiting Committee
Mr Jeffrey Jupp	Governance	
Mr Eric Hargreaves	Local Branches	
Mr Brian Simm	Themed Branches	(tenure complete November 2021)
Mr Kenneth Kirk	Chief Executive	Chair Management Committee Secretary to Board of Trustees
Major (retd) Iain George	Operations Manager	
Major (retd) Ian Sidebottom	Advisor	Corps Treasurer Secretary to Finance Committee

#### **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

## The Royal Engineers Association

Reference and administrative details of the charity, its trustees and advisers (continued)  
For the year ended 31 December 2021

### 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

6 May 2022

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 Association (the 'charity') for the year ended 31 December 2021 which comprise the Statement of financial activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 (FRS 102) 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 2019.

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 2021 and of its income 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**

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

#### **Other information**

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

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 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.

## **The Royal Engineers Association**

### **Independent Auditor's report to the Trustees of Royal Engineers Association (continued)**

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

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 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 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.

#### **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**

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

##### *Capability of the audit in detecting irregularities, including fraud*

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks.

Based on our understanding of the charity and sector, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Statement of Recommended Practice. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Audit procedures performed by the audit engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations (including health and safety) and fraud; and
- Assessment of identified fraud risk factors; and

## **The Royal Engineers Association**

### **Independent Auditor's report to the Trustees of Royal Engineers Association (continued)**

#### **Auditor's responsibilities for the audit of the financial statements (continued)**

- Review of cash expenditure to confirm no evidence of personal benefit; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Reading minutes of meetings of those charged with governance; and
- Physical inspection of tangible assets susceptible to fraud or irregularity; and
- Review of significant and unusual transactions; and
- Identifying and testing journal entries, in particular any manual entries made at the year-end for financial statement preparation.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in my Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of my Auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## The Royal Engineers Association

### Independent Auditor's report to the Trustees of Royal Engineers Association (continued)

#### Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we 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 opinions we have formed.



**Kreston Reeves LLP**  
Chartered Accountants  
Statutory Auditor  
Chatham Maritime

Date: 27 June 2022

Kreston Reeves LLP are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

# The Royal Engineers Association

## Statement of financial activities For the year ended 31 December 2021

	Note	Unrestricted funds 2021 £	Restricted funds 2021 £	Total funds 2021 £	Total funds 2020 £
<b>Income and endowments from:</b>					
Donations & Legacies	3	794,489	-	794,489	716,162
Other trading activities	9	78,603	-	78,603	22,571
Investment income	10	407,889	20,036	427,925	430,790
Other income	11	25,949	-	25,949	11,289
<b>Total income</b>		<b>1,306,930</b>	<b>20,036</b>	<b>1,326,966</b>	<b>1,180,812</b>
<b>Expenditure on:</b>					
Raising Funds	12	288	-	288	5,342
Charitable activities	13	1,405,858	39,350	1,445,208	1,395,066
<b>Total expenditure</b>		<b>1,406,146</b>	<b>39,350</b>	<b>1,445,496</b>	<b>1,400,408</b>
<b>Net expenditure before revaluations</b>		<b>(99,216)</b>	<b>(19,314)</b>	<b>(118,530)</b>	<b>(219,596)</b>
Net gains on investments	19	1,086,496	53,270	1,139,766	580,026
<b>Net movement in funds for year</b>		<b>987,280</b>	<b>33,956</b>	<b>1,021,236</b>	<b>360,430</b>
<b>Reconciliation of funds</b>					
Total funds at 1 January 2021		12,672,333	719,061	13,391,394	13,030,964
<b>Total funds at 31 December 2021</b>		<b>13,659,613</b>	<b>753,017</b>	<b>14,412,630</b>	<b>13,391,394</b>

All activities relate to continuing operations.

The notes on pages 22 to 33 form part of these financial statements

# The Royal Engineers Association

## Balance sheet

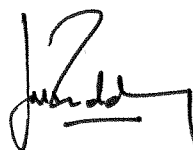
For the year ended 31 December 2021

	Note	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Tangible assets	18		89,226		90,762
Investments	19		<u>13,392,892</u>		<u>12,499,695</u>
			13,482,118		12,590,457
<b>Current assets</b>					
Debtors	20	345,364		169,606	
Cash at bank and in hand		<u>629,988</u>		<u>662,117</u>	
		975,352		831,723	
<b>Creditors: amounts falling due within one year</b>	21	<u>(44,840)</u>		<u>(30,786)</u>	
<b>Net current assets</b>			<u>930,512</u>		<u>800,937</u>
<b>Net assets</b>			<u>14,412,630</u>		<u>13,391,394</u>
<b>Charity Funds</b>					
Restricted funds	22		754,557		720,601
Unrestricted funds	22		<u>13,658,073</u>		<u>12,670,793</u>
<b>Total funds</b>			<u>14,412,630</u>		<u>13,391,394</u>

The financial statements were approved by the Trustees on  
signed on their behalf, by:



Major General AS Dickinson CBE,  
Chairman

6 May  


Colonel JM Ruddy,  
Honorary Treasurer

2022 and

The notes on pages 22 to 33 form part of these financial statements

**The Royal Engineers Association**

**Statement of Cash Flows**  
**For the year ended 31 December 2021**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
<b>Net cash used in operating activities</b>	<b>27</b>	<b>(702,283)</b>	<b>(665,396)</b>
<b>Cash flows from investing activities</b>			
Interest and dividends		<b>427,925</b>	430,790
Purchase of tangible fixed assets		<b>(4,340)</b>	(10,696)
Movement on Branch Investments		<b>(3,431)</b>	(5,634)
Disposal of fixed asset investments		<b>250,000</b>	250,000
<b>Cash provided by (used in) investing activities</b>		<b>670,154</b>	664,460
Increase/(decrease) in cash and cash equivalents in the year		<b>(32,129)</b>	(936)
Cash and cash equivalents at the beginning of the year		<b>662,117</b>	663,053
<b>Total cash and cash equivalents at the end of the year</b>		<b>629,988</b>	662,117

**Analysis of changes in net debt**

	<b>At 31 Jan 2021 £</b>	<b>Cashflows £</b>	<b>At 31 Dec 2021 £</b>
<b>Cash and cash equivalents</b>			
Cash	<b>662,117</b>	<b>(32,129)</b>	<b>629,988</b>

## **The Royal Engineers Association**

### **Notes to the financial statements For the year ended 31 December 2021**

#### **1 General administrative information**

Royal Engineers Association is an unincorporated charity in England & Wales and Scotland with the registration number 258322 and SC041832. The address of the registered office is Headquarters Royal Engineers, Brompton Barracks, Chatham, Kent, ME4 4UG. The Charity's principal objectives continued to be to promote the efficiency of the Corps in all or any of the following ways: by fostering Esprit de Corps and a spirit of comradeship amongst serving and former members of the Corps; to provide financial and other assistance to serving and former members of the Corps, their spouses, widows, widowers and dependants who are in need; 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.

#### **2 Accounting policies**

##### **2.1 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) (effective 1 January 2019).

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).

##### **2.2 Preparation of the accounts on a going concern basis**

The Trustees assess whether the use of going concern is appropriate, i.e., whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Charity has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Charity's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **2.3 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 1 in the Trustees' report.

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



# The Royal Engineers Association

## Notes to the financial statements For the year ended 31 December 2021

### Accounting policies (continued)

#### 2.4 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.

#### 2.5 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 13.

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

#### 2.6 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.

#### 2.7 Investments

Investments held as fixed assets are included in the accounts at valuation based on their bid price at the balance sheet date. The Statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

**Accounting policies (continued)**

**2.8 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.

**2.9 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.

**2.10 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.

**2.11 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.

**2.12 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.

**2.13 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.

**2.14 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 2021**

		Unrestricted funds 2021	Restricted funds 2021	Total funds 2021	Total funds 2020
		£	£	£	£
<b>3 Donations &amp; Legacies</b>					
Donations	(Note 4)	91,649	-	91,649	125,847
Legacies	(Note 5)	211,462	-	211,462	125,000
Grants	(Note 6)	2,500	-	2,500	2,500
Subscriptions	(Note 7)	406,164	-	406,164	384,193
Donated services and facilities	(Note 8)	82,714	-	82,714	78,622
		<b>794,489</b>	<b>-</b>	<b>794,489</b>	<b>716,162</b>

In 2021, all £794,489 of income from donations and legacies was unrestricted (2020: £716,162).

**4 Donations**

	£	£	£	£
General donations	87,793	-	87,793	119,879
Donations from branches	260	-	260	830
Tax refund	123	-	123	952
Website donations	2,973	-	2,973	2,836
Sapper Network	500	-	500	1,350
	<b>91,649</b>	<b>-</b>	<b>91,649</b>	<b>125,847</b>

**5 Legacies**

	£	£	£	£
Other legacies	<b>211,462</b>	<b>-</b>	<b>211,462</b>	<b>125,000</b>

**6 Grants**

	£	£	£	£
H&M Charitable Trust	<b>2,500</b>	<b>-</b>	<b>2,500</b>	<b>2,500</b>

**7 Subscriptions and tax**

	£	£	£	£
Membership	16,736	-	16,736	17,472
Grant from RECCT (represents 50% of Day's Pay Scheme subscriptions to RECCT)	389,428	-	389,428	366,721
	<b>406,164</b>	<b>-</b>	<b>406,164</b>	<b>384,193</b>

# The Royal Engineers Association

## Notes to the financial statements For the year ended 31 December 2021

	Unrestricted funds 2021	Restricted funds 2021	Total funds 2021	Total funds 2020
<b>8 Donated services and facilities</b>	£	£	£	£
Gas	1,770	-	1,770	1,757
Electricity	2,093	-	2,093	2,068
Water and sewage	847	-	847	835
Community charge	5,574	-	5,574	5,519
Utilities	1,451	-	1,451	1,421
MOD salaries	28,270	-	28,270	28,093
Administration salaries	42,709	-	42,709	38,929
<b>Total</b>	<b>82,714</b>	<b>-</b>	<b>82,714</b>	<b>78,622</b>

## 9 Other trading activities

	£	£	£	£
Esprit de Corps income	78,603	-	78,603	22,571

REA Branches generated £78,603 (2020 - £22,571) from activities.

## 10 Investment income

	£	£	£	£
Dividends – Armed Forces Charities Fund	407,877	20,023	427,900	430,686
Bank interest	12	13	25	104
	<b>407,889</b>	<b>20,036</b>	<b>427,925</b>	<b>430,790</b>

Of the total investment income received, of £427,925 (2020: £430,790), £407,889 was to unrestricted funds (2020: £411,088) and £20,036 was to restricted funds (2020: £19,702).

## 11 Other income

	£	£	£	£
Sundry income	25,949	-	25,949	11,289

## 12 Raising Funds

	£	£	£	£
Recruiting	288	-	288	5,342

# The Royal Engineers Association

## Notes to the financial statements For the year ended 31 December 2021

### 13 Charitable Activities

	Direct costs	Support costs	Total	Total
	2021	2021	2021	2020
	£	£	£	£
Benevolence (Note 14)	600,049	140,590	740,639	611,151
Esprit de Corps (Note 15)	509,152	195,417	704,569	783,915
	<b>1,109,201</b>	<b>336,007</b>	<b>1,445,208</b>	<b>1,395,066</b>

£1,405,858 of the charitable activities expenditure was from unrestricted funds (2020: £1,370,163) and £39,350 was from restricted funds (2020: £24,903).

	Unrestricted funds	Restricted funds	Total funds	Total funds
	2021	2021	2021	2020
	£	£	£	£
<b>Direct costs</b>				
Grants	216,556	39,350	255,906	273,359
Christmas grants	9,305	-	9,305	11,503
Weekly allowances	121,810	-	121,810	125,767
Army Benevolent Fund	-	-	-	50,000
SSAFA Families Help	-	-	-	20,000
Other charities	220,000	-	220,000	-
Refund Grants previous years	(6,972)	-	(6,972)	(4,095)
	<b>560,699</b>	<b>39,350</b>	<b>600,049</b>	<b>476,534</b>
<b>Support costs</b>				
Committee & Travel costs	910	-	910	600
Audit	3,591	-	3,591	3,576
Fees & Subscriptions	4,178	-	4,178	3,773
Insurance	1,517	-	1,517	1,435
Administration	7,746	-	7,746	4,344
Post & Telephone	4,838	-	4,838	2,340
Depreciation	294	-	294	294
Donated services support costs	24,174	-	24,174	22,173
Donated services MOD salaries	28,270	-	28,270	28,093
Staff costs	65,072	-	65,072	67,989
	<b>140,590</b>	<b>-</b>	<b>140,590</b>	<b>134,617</b>
	<b>701,289</b>	<b>39,350</b>	<b>740,639</b>	<b>611,151</b>

# The Royal Engineers Association

## Notes to the financial statements For the year ended 31 December 2021

	Unrestricted funds 2021	Restricted funds 2021	Total funds 2021	Total funds 2020
	£	£	£	£
<b>15 Esprit de Corps</b>				
<b>Direct costs</b>				
Corps activities	346,281	-	346,281	539,659
Branch donations	24,294	-	24,294	10,332
Branch activities	138,405	-	138,405	43,204
Annual Conference	172	-	172	1,398
	<b>509,152</b>	<b>-</b>	<b>509,152</b>	<b>594,593</b>
<b>Support costs</b>				
Committee & Travel costs	3,638		3,638	2,399
Audit	3,591		3,591	3,576
Fees & Subscriptions	4,178		4,178	3,773
Insurance	1,517		1,517	1,435
Administration	8,344		8,344	4,803
Post & telephone	4,838		4,838	2,340
Depreciation	5,583		5,583	5,583
Donated services support costs	30,272		30,272	28,356
Staff Costs	133,456	-	133,456	137,057
	<b>195,417</b>	<b>-</b>	<b>195,417</b>	<b>189,322</b>
	<b>704,569</b>	<b>-</b>	<b>704,569</b>	<b>783,915</b>

## 16 Net Income / Expenditure

This is stated after charging:

Depreciation of tangible fixed assets:

- owned by the charity

Auditor's remuneration

	£	£
Depreciation of tangible fixed assets:		
- owned by the charity	5,876	5,877
Auditor's remuneration	<b>7,182</b>	<b>7,152</b>

During the year, no Trustees received any remuneration (2020 - £NIL).

During the year, no Trustees received any benefits in kind (2020 - £NIL).

Trustees received reimbursement of expenses amounting to £NIL in the current year, (2020 - 6 Trustees - £403).

# The Royal Engineers Association

## Notes to the financial statements For the year ended 31 December 2021

	Total funds 2021 £	Total funds 2020 £
<b>17 Staff costs</b>		
Staff costs were as follows:		
Wages and salaries	172,360	179,961
Social security costs	13,703	12,423
Other pension costs	12,466	12,662
	<b>198,529</b>	<b>205,046</b>

The average monthly number of employees during the year was as follows:	No.	No.
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 £57,578 (2020 - £58,190).

## 18 Tangible fixed assets

	Unrestricted Designated Fixtures & fittings £	Unrestricted General Property £	Unrestricted General Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2021	85,575	115,591	25,651	226,817
Additions	4,340	-	-	4,340
At 31 December 2021	<b>89,915</b>	<b>115,591</b>	<b>25,651</b>	<b>231,157</b>
<b>Depreciation</b>				
At 1 January 2021	11,865	108,779	15,411	136,055
Charge for the year	-	2,323	3,553	5,876
At 31 December 2021	<b>11,865</b>	<b>111,102</b>	<b>18,964</b>	<b>141,931</b>
<b>Net book value</b>				
At 31 December 2021	<b>78,050</b>	<b>4,490</b>	<b>6,685</b>	<b>89,226</b>
At 31 December 2020	<b>73,710</b>	<b>6,813</b>	<b>10,238</b>	<b>90,762</b>

# The Royal Engineers Association

## Notes to the financial statements For the year ended 31 December 2021

### 19 Fixed asset investments

	Listed securities £	Branch Investments £	Total £
<b>Market value</b>			
At 1 January 2021	12,474,896	24,799	12,499,695
Disposals	(250,000)	-	(250,000)
Revaluations	1,139,766	-	1,139,766
Movement on branch investments	-	3,431	3,431
At 31 December 2021	<u>13,364,662</u>	<u>28,230</u>	<u>13,392,892</u>
Historical cost	<u>5,731,035</u>	<u>25,981</u>	<u>5,757,016</u>

### Investments at market value comprise:

	2021 £	2020 £
Listed investments	13,364,662	12,474,896
Branch investments	28,230	24,799
Total market value	<u>13,392,892</u>	<u>12,499,695</u>

All of the fixed asset investments are held in the UK.

### Material investments

All invested funds were held in the BLK Armed Forces Charities Growth & Income Fund, managed by BlackRock Investment Managers Limited.

### 20 Debtors

	2021 £	2020 £
Other debtors	316,791	137,441
Prepayments and accrued income	28,573	32,165
	<u>345,364</u>	<u>169,606</u>

### 21 Creditors:

#### Amounts falling due within one year

	£	£
Branch creditors	8,435	4,735
Other creditors	36,405	26,051
	<u>44,840</u>	<u>30,786</u>



The Royal Engineers Association

Notes to the financial statements  
For the year ended 31 December 2021

22 Statement of funds

Current Year	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
<b>Designated funds</b>						
Branch funds	539,533	202,045	(162,699)	-	-	578,879
<b>General funds</b>						
General funds	12,131,260	1,104,974	(1,243,536)	-	1,086,496	13,079,194
Total Unrestricted funds	12,670,793	1,307,019	(1,406,235)	-	1,086,496	13,658,073
<b>Restricted funds</b>						
Kitchener Scholarship Fund	720,601	20,036	(39,350)	-	53,270	754,557
Total Restricted Funds	720,601	20,036	(39,350)	-	53,270	754,557
Total of funds	13,391,394	1,327,055	(1,445,585)	-	1,139,766	14,412,630
<b>Prior Year</b>						
	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
<b>Designated funds</b>						
Branch funds	432,257	160,813	(53,537)	-	-	539,533
<b>General funds</b>						
General funds	11,902,191	1,000,297	(1,321,968)	(2,211)	552,951	12,131,260
Total Unrestricted funds	12,334,448	1,161,110	(1,375,505)	(2,211)	552,951	12,670,793
<b>Restricted funds</b>						
Gabriel Fund	2,691	-	(7,460)	4,769	-	-
Kitchener Scholarship Fund	693,825	19,702	(17,443)	(2,558)	27,075	720,601
Total Restricted Funds	696,516	19,702	(24,903)	2,211	27,075	720,601
Total of funds	13,030,964	1,180,812	(1,400,408)	-	580,026	13,391,394

# The Royal Engineers Association

## Notes to the financial statements For the year ended 31 December 2021

### 23 Analysis of net assets between funds

Current Year	Unrestricted funds 2021 £	Restricted funds 2021 £	Total funds 2021 £
Tangible fixed assets	89,226	-	89,226
Fixed asset investments	12,761,462	631,430	13,392,892
Current assets	864,256	111,096	975,352
Creditors due within one year	(44,840)	-	(44,840)
	<b>13,670,104</b>	<b>742,526</b>	<b>14,412,630</b>

Prior Year	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £
Tangible fixed assets	90,762	-	90,762
Fixed asset investments	11,923,675	576,020	12,499,695
Current assets	687,142	144,581	831,723
Creditors due within one year	(30,786)	-	(30,786)
	<b>12,670,793</b>	<b>720,601</b>	<b>13,391,394</b>

## The Royal Engineers Association

### Notes to the financial statements For the year ended 31 December 2021

#### 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 £22,817 (2020 - £12,662).

#### 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.

This fund was fully expended during the year ended 31 December 2020.

#### 26 Related party transactions

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

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

	<b>Total funds 2021</b>	<b>Total funds 2020</b>
	<b>£</b>	<b>£</b>
Net movement in funds	<b>1,021,236</b>	360,430
Add back depreciation charge	<b>5,876</b>	5,877
Deduct interest income shown in investing activities	<b>(427,925)</b>	(430,790)
Deduct gains / add back losses on investments	<b>(1,139,766)</b>	(580,026)
Decrease (increase) in debtors	<b>(175,758)</b>	3,865
Increase (decrease) in creditors	<b>14,054</b>	(24,752)
<b>Net cash used in operating activities</b>	<b><u>(702,283)</u></b>	<b><u>(665,396)</u></b>