

Charity numbers: 258322 and SC041832

The Royal Engineers Association

Trustees' report and financial statements

For the year ended 31 December 2016

The Royal Engineers Association

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The Royal Engineers Association

Trustee's Report

For the year ending 31 December 2016

The Trustees ("Council") present their annual report and the audited financial statements for the year ended 31 December 2016. 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 hereafter referred to as 'The Deed'. The Deed is supplemented by the Rules of the Royal Engineers Association 2009, the current version of which was approved by Council on 17 September 2008.

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 OR 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 Scholarship, 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.

OBJECTIVES 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 run democratically in accordance with the REA Rules 2009 by members who take on the stewardship and running of the branch voluntarily. The membership side of the Association would not exist without these dedicated REA volunteer members.

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 828 recipients, from whom many letters of appreciation have been received. The total number of benevolence cases considered in 2016 was 13% fewer than the previous year. The reason for this decrease in submitted cases is unclear but it could be due, in part, to the success of the Armed Forces Covenant. Additionally, the annual population survey of UK armed forces veterans residing in Great Britain 2015 identifies that a general decline in the number of veterans overall is in progress. Given that approximately 52% of the veteran population are aged 75 years and over, over the next 10-20 years, a large proportion of these may pass on thus reducing the veteran community.

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Trustee's Report (continued)
For the year ending 31 December 2016**

Grants Considered in 2016

<u>Year</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Disabled & Illness	174	175	202	185	192
Old age	53	71	63	52	118
Widows	55	86	78	110	138
Unemployed	107	118	137	152	210
Miscellaneous	136	149	171	187	285
No grant made	40	51	68	51	23
Totals	565	650	719	737	966

Other Grants

In 2016, Council agreed an annual grant of £30,000 (for a 3 year period commencing in 2017) to the Royal Engineers Vocational Education Training Trust (REVETT). The aim of this grant being to support REVETT with research and development costs in expanding its current portfolio of qualifications. The grant is restricted to mapping and introducing new, nationally recognised, qualifications for the direct benefit of Sappers. Regular reports will be provided to Council to highlight progress and cost in order to demonstrate propriety of spend and value for money.

Council agreed grants of £35,000 and £16,500 to the serving Corps and REA Group HQs respectively to offset a number of commemorative activities across the UK to celebrate the Tercentenary of the Corps of Royal Engineers (known as 'Sapper 300'). These grants were well received and involved local REA Branch attendance and interaction with the serving Corps whilst aiding branch recruitment from the veterans in attendance.

The Council approved a proposal to give the serving and retired members of the Corps of Royal Engineers an opportunity to bid against a £1M allocation from the REA in support of on-going, or aspirational, projects or activities which lack financial support from public funding. The bids are to be submitted as a one page business case, which must satisfy the objects of the charity, via Group HQs before going to Council (via the Finance Committee) for approval. Grants to be disbursed in 2017 as one-off grants with no long term commitment for maintenance or upkeep inferred.

The REA Finance Committee considered an application, and subsequently authorised an over-spend of £7,365.00 from the Corps Activities LSN to assist in funding the installation and maintenance of WiFi hotspots for 39 Engr Regt in support of Project ANEMOI MCF. The provision of WiFi internet hotspots in Mount Pleasant Project ANEMOI accommodation would provide a pivotal welfare link to families in the UK and support to the moral component over a period of 18 months. Two hotspots to be located in ANEMOI Other Ranks' accommodation, one in the WOs' & Sgts' Mess accommodation and one in the Officers' Mess accommodation.

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. The Chairman intends to commission a study to investigate how the Association might better reach those in need of benevolence but, as yet, unidentifiable within current system procedures.
- 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 are made to about 80 applicants and, where there is a need to financially assist with nursing home fees, some have further assistance from the Army Benevolent Fund (ABF).

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2016**

- 1,312 Christmas cards and some 303 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 £40,000 (2015 - £35,000) was made to the ABF for the work they do on behalf of the wider Services' benevolence systems.
- A grant of £15,000 (2015 - £7,500) was made to SSAFA Forces Help.
- A grant of £5,000 (2015 - £2,500) was made to Combat Stress, The Ex-Services Mental Welfare Society.
- A grant of £5,000 (2015 - £3,000) was made to BLESMA.
- A grant of £3,000 was made to UK Blind.

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 179 serving and retired Sapper cases with grants of £168,503.14.

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.
- The Corps Colonel speaks to all command courses 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 RAF 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.

2016 FINANCIAL REVIEW

Serving RE officers, warrant officers and soldiers subscribe to the Royal Engineers Central Charitable Trust under the Army's 'Days Pay 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.

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2016**

Summary

Net incoming resources before other recognised gains and losses were £1,040,332 (2015 - incoming £497,200). The Charity did not authorise any further funds for investment in 2016.

Balance Sheet

The accumulated funds increased by £1,040,332 to £12,339,195 (2015 increased by £497,300 to £11,298,863). Notes to the Statement of Financial Activities and Balance Sheet provide supplementary information against each funding activity.

Expenditure on benevolence grants to individuals decreased from £263,806 in 2015 to £240,823.

Christmas grants increased by £1,648 to £18,656 in 2016 and weekly allowances decreased from £86,624 in 2015 to £78,464 in 2016.

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 2007 the ACIF changed its name to the Armed Forces Common Investment Fund ("AFCIF").

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 £399,648 in 2016 (2015 - £394,098). During the period 1 January to 31 December 2016, the performance of the distribution units in the Fund was +12.7% (2015 - +5.1%) after fees and expenses. Since launch the fund has produced a return of +211.1%, +2.9% (2015 - +176.0%, +16%) ahead of its investment benchmark.

Risk statement

The Trustees review risks to which the Charity is exposed at each of their 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 Council meeting in September 2016 and Trustees 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. This risk was confirmed and now appears on the Chief Royal Engineer's Committee overarching risk register.

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Trustee's Report (continued)
For the year ending 31 December 2016**

Reserves

The account posts net incoming resources of £1,040,332 (2015 - incoming £497,200) before realised and unrealised gains. Gains on investments amounted to £829,825 (2015 - gains of £158,194) giving a positive net movement in funds of £1,040,332 (2015 - £497,200). 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 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. The Trustees therefore keep the level of the Fund's reserves under constant review. There are a number of factors which affect their opinion on the adequacy or otherwise of the level of reserves at any one time, for example, previous periods of volatile stock market fluctuations. In addition the military situation both in the Middle East and elsewhere overseas could have a significant impact on the Fund, both in terms of a possible growth in the number of potential beneficiaries and in the climate for public donations. The amount of free reserves at year end was £11,749,710.

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", for example orthopaedic beds for those injured on active service as the direct result of enemy action.

PLANS FOR THE FUTURE

The Trustees of the REA have set objectives over the coming years to continue assisting those who have fallen on hard times and in need of financial assistance. In addition the Trustees will continue to promote the Corps of Royal Engineers throughout the ranks of the serving Sapper, the retired REA membership and through Groups and Branches. The REA 5 year strategic review has been significantly amended in 2016, primarily to make the objectives or goals more relevant and to remove duplicated and ambiguous goals. The extant Trustees 12 Main Roles document remains unchanged.

The RE Days Pay Scheme contributions, which constitute the REA's main source of annual income, are being further enhanced by the introduction of the RE Reservist Days Pay Scheme although membership of the Reserve scheme is disappointingly low at present. Trustees continue to monitor any decrease in subscriptions and the impact this may have on meeting REA objectives and, if necessary, reconsider their extant policy not to pursue active fundraising.

Commander 8 Engineer Brigade and HQ REA remain poised to align better Branch and Group affiliations as a result of the Army 2020 Refine study and the Better Defence Estate Strategy laydown.

The Trustees have been concerned about the challenges of maintaining a growing active membership in changing times and how to reach out to a different and far more diverse membership. To address these challenges, and more, an REA scoping study by an external consultant was agreed as a £7k authorised overspend in 2016. This will provide a health check of our membership, both serving and retired, help determine membership expectations, enable the REA to adapt to recognised changes and advise on how to better discover those within the wider Sapper family who are in need.

Due to the non-availability of key personnel the study could not be launched in 2016 and a start date in January 2017 was identified. The results of this study will be reported during 2017 with recommendations taken forward as appropriate.

Auditors

Kreston Reeves LLP remained the Trustees choice as Corps auditors for 2016 and 2017.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The REA is governed by the Deeds of Trust dated 19 November 1968 supplemented by the Rules of the Royal Engineers Association 2009.

Trustees

The Trustees who served during the year 2016 are detailed on page 7.

There are three ex officio members of the REA Council (all Senior Serving Officers of the Corps of Royal Engineers), five nominated members, 3 retired Officers, 1 Officer of the Reserve Army and the Corps RSM. An Honorary Treasurer is appointed and confirmed in his appointment each year. In addition there are eleven elected representatives of each Group of the Association who are initially appointed to serve for a period of 3 years; all are Trustees. A twelfth group, the HQ and Overseas Group, does not warrant an elected representative; the Corps Colonel, an ex officio Trustee, represents this Group.

Trustee training and induction is carried out for each new Trustee. Trustees are not paid by the charity for their services as a Trustee but are reimbursed for expenses incurred during performance of their duties in accordance with the Trustees agreed policy.

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 Council, 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. Council 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 Council.

The REA is divided into 12 geographical 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 104 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 10 Branches are National Branches who represent specialist trades/functions with affiliated members throughout the UK and overseas; they will normally meet up once a year. All Branches are self-financing and 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 a Deputy Controller who works part time and deals primarily with Esprit de Corps and benevolence matters. The current Deputy is presently fulfilling both roles – authority and funding has now been secured to rectify this situation. HQ REA is established for four other full time administrative and clerical staff. The Controller and two of the Secretariat staff are established and paid as Civil Servants within the Regimental Headquarters of the Royal Engineers. The Deputy Controller and two full time members of staff are employed solely by the Association.

One of the Civil Servant clerical staff posts has been vacant for the last three years and attempts to fill the post have been unsuccessful. The Controller of the REA left in September 2015 and a suitable replacement has yet to be recruited. In addition to his own duties, the responsibilities of the Controller have been taken on by the Deputy Controller working full time as opposed to part time; the Association funds these extra hours.

The Royal Engineers Association

Reference and administrative details of the charity, its trustees and advisers For the year ended 31 December 2016

Trustees ("Council")

Lieutenant General Sir Mark Mans KCB CBE DL	President	
Major General A S Dickinson CBE	Chairman	
Brigadier AS Craig OBE	Deputy Chairman	
Brigadier DW Southall OBE	Commandant RSME	Tenure expired October 2016
Brigadier MTG Bazeley	Commandant RSME	Appointed October 2016
Colonel CM Davies MBE	Honorary Treasurer	
Colonel DLD Bigger ADC	Corps Colonel	
Colonel DM Gill MBE	Retired Officer	Resigned May 2016
Lieutenant Colonel LSI Inge	Retired Officer	Appointed May 2016
Lieutenant Colonel RW Murfin TD DL	Army Reserve Officer	Retired September 2016
Lieutenant Colonel MJ Heffer RE TD	Army Reserve Officer	Appointed September 2016
WO1 (Corps RSM) C McLennan	Corps RSM	
Mr MG Riley BEM	London Group	
Mr B Owens	South East Group	Retired June 2016
Mr G Owens	South East Group	Appointed June 2016
Lieutenant Colonel AJ Bunting	Central Southern Group	
Major P Gill MBE JP	South West Group	
Mr GH Walsh	South Wales Group	Retired September 2016
Mr A Thomas	South Wales Group	Appointed September 2016
Mr T Mitchley	East Anglia Group	
Mr K Green	South Midlands Group	Retired September 2016
WO2 SM Tolley	South Midlands Group	Appointed September 2016
Mr R Price	North Midlands Group	
Mr B Hayes	North West Group	Retired May 2016
Mr E Hargreaves	North West Group	Appointed May 2016
Mr W Halloran	North East Group	Retired August 2016
Mr EC Prosser BEM	North East Group	Appointed August 2016
Major R MacGregor MBE TD VR	Scotland & Northern	
	Ireland Group	Retired September 2016
Mr JR Bell	Scotland & Northern	
	Ireland Group	Appointed September 2016

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 2016

Bankers

Lloyds plc
Piccadilly Branch
PO Box 1000
BX1 1LT

Solicitors

Brachers
Somerfield House
59 London Road
Maidstone
Kent
ME16 8JH

Investment managers

BlackRock Investment Managers
12 Throgmorton Avenue
London
EC2N 2DL

Approved by the Trustees
and signed on behalf of the Trustees

A handwritten signature in black ink, appearing to read 'A S Dickinson', with a long horizontal flourish extending to the right.

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 The Royal Engineers Association for the year ended 31 December 2016 set out on pages 11 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 145 of the Charities Act 2011 and regulations made under section 154 of that Act, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. 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.

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.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 145 of the Charities Act 2011 and report to you in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 and of its 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

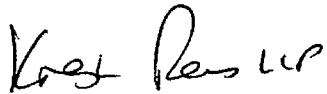
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) 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
- proper and 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.

The Royal Engineers Association

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



Kreston Reeves LLP

Chartered Accountants
Registered Auditors
Chatham Maritime

Date: 5 June 2017

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

The Royal Engineers Association

Statement of financial activities For the year ended 31 December 2016

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Income and endowments from:					
Donations & Legacies	2	655,620	-	655,620	702,139
Other trading activities	8	146,507	-	146,507	166,914
Investment income	9	383,500	18,396	401,896	396,062
Other incoming resources	10	21,771	-	21,771	18,283
Total income		1,207,399	18,396	1,225,795	1,283,398
Expenditure on:					
Raising Funds	11	2,361	-	2,361	2,173
Charitable activities	12	1,008,611	4,315	1,012,926	942,218
Total expenditure		1,010,972	4,315	1,015,288	944,392
Net gains/(losses) on investments		792,171	37,654	829,825	158,194
Net income/(expenditure)		988,598	51,735	1,040,332	497,200
Transfers between Funds	21	700	(700)	-	-
Net movement in funds for year		989,297	51,035	1,040,332	497,200
Reconciliation of funds					
Total funds at 1 January 2016		10,761,113	537,750	11,298,863	10,801,663
Total funds at 31 December 2016		11,750,410	588,785	12,339,195	11,298,863

All activities relate to continuing operations.

The notes on pages 14 to 23 form part of these financial statements

The Royal Engineers Association

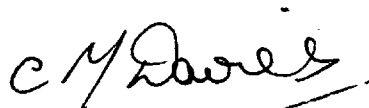
Balance sheet As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	17	75,017	82,591
Investments	18	<u>10,882,832</u>	<u>10,048,932</u>
		10,957,849	10,131,523
Current assets			
Debtors	19	167,217	125,344
Cash at bank and in hand		<u>1,235,358</u>	<u>1,062,851</u>
		1,402,575	1,188,195
Creditors: amounts falling due within one year	20	<u>(21,228)</u>	<u>(20,855)</u>
Net current assets		<u>1,381,345</u>	<u>1,167,340</u>
Net assets		<u>12,339,195</u>	<u>11,298,863</u>
Charity Funds			
Restricted funds	21	589,485	537,750
Unrestricted funds	21	<u>11,749,710</u>	<u>10,761,113</u>
Total funds		<u>12,339,195</u>	<u>11,298,863</u>

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



**Major General AS Dickinson CBE,
Chairman**



**Colonel CM Davies MBE,
Honorary Treasurer**

The notes on pages 14 to 23 form part of these financial statements

The Royal Engineers Association

**Statement of Cash Flows
For the year ended 31 December 2016**

	Note	2016	2015
		£	£
Net cash used in operating activities	26	(142,686)	(98,040)
Cash flows from investing activities			
Interest and dividends		401,896	396,062
Purchase of tangible fixed assets		(4,779)	(3,541)
Donated tangible fixed assets		-	-
Proceeds from sale of investments		-	-
Cash provided by (used in) investing activities		397,117	392,521
Cash flows from financing activities			
Repayment of borrowing		-	-
Cash used in financing activities		-	-
Increase/(decrease) in cash and cash equivalents in the year		172,508	368,691
Cash and cash equivalents at the beginning of the year		1,062,851	694,160
Total cash and cash equivalents at the end of the year		1,235,358	1,062,851

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2016

1 Accounting policies

1.1 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).

1.2 Preparation of the accounts on a going concern basis

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

1.3 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 3 in the Trustees' report.

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

1.4 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.

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2016

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 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.

1.9 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.

1.10 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 2016

		Unrestricted funds 2016	Restricted funds 2016	Total funds 2016	Total funds 2015
2 Voluntary income		£	£	£	£
Donations (Note 3)		110,232	-	110,232	85,457
Legacies (Note 4)		59,005	-	59,005	108,503
Grants (Note 5)		2,500	-	2,500	2,500
Subscriptions (Note 6)		411,718	-	411,718	409,067
Donated services and facilities (Note 7)		72,166	-	72,166	96,612
		655,620	-	655,620	702,139

In 2016 all £655,620 of income from donations and legacies was unrestricted (2015: £702,139)

3 Donations

	£	£	£	£
General donations	94,643	-	94,643	78,660
Donations from branches	786	-	786	2,246
Tax refund	350	-	350	684
Website donations	14,453	-	14,453	3,867
	110,232	-	110,232	85,457

4 Legacies

	£	£	£	£
Other legacies	59,005	-	59,005	108,503
	59,005	-	59,005	108,503

5 Grants

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

6 Subscriptions and tax

	£	£	£	£
Membership	30,588	-	30,588	22,557
Grant from RECCT (represents 50% of Day's Pay Scheme subscriptions to RECCT)	381,130	-	381,130	386,510
	411,718	-	411,718	409,067

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2016

	Unrestricted funds 2016	Restricted funds 2016	Total funds 2016	Total funds 2015
7 Donated services and facilities				
	£	£	£	£
Gas	1,682	-	1,682	1,661
Electricity	1,969	-	1,969	1,955
Water and sewage	794	-	794	794
Community charge	5,252	-	5,252	5,147
Utilities	1,369	-	1,369	1,355
MOD salaries	26,000	-	26,000	52,000
Administration salaries	35,100	-	35,100	33,700
Total	72,166	-	72,166	96,612

8 Other trading activities

	£	£	£	£
Esprit de Corps income	146,507	-	146,507	166,914

REA Branches generated £146,507 (2015 - £166,914) from activities.

9 Investment income

	£	£	£	£
Dividends – AFCIF	381,514	18,134	399,648	394,098
Bank interest	1,986	262	2,248	1,964
	383,500	18,396	401,896	396,062

10 Other incoming resources

	£	£	£	£
Sundry income	21,771	-	21,771	18,283
	21,771	-	21,771	18,283

11 Raising Funds

	£	£	£	£
Recruiting (inc postage)	2,361	-	2,361	2,173

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2016

12 Analysis of resources expended by activities

	Activities undertaken directly 2016 £	Support costs 2016 £	Total 2016 £	Total 2015 £
Benevolence (Note 13)	400,184	81,357	481,541	498,619
Esprit de Corps (Note 14)	386,548	144,837	531,385	443,599
	786,732	226,194	1,012,926	942,218

Expenditure on charitable activities was £1,012,926 (2015 - £942,218) of which £1,012,926 was unrestricted (2015 - £576,953) and £Nil was restricted (2015-£365,265).

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
13 Benevolence grants and allowances				
Activities undertaken directly				
Grants	236,508	4,315	240,823	263,806
Christmas grants	18,656	-	18,656	17,008
Weekly allowances	78,464	-	78,464	86,624
Army Benevolent Fund	40,000	-	40,000	35,000
SSAFA Families Help	15,000	-	15,000	7,500
Other charities	13,000	-	13,000	5,500
Refund Grants previous years	(5,759)	-	(5,759)	(10,834)
	395,869	4,315	400,184	404,604
Support Costs				
Cttee & Travel costs	1,165	-	1,165	1,423
Audit	3,531	-	3,531	3,568
Fees & Subs	501	-	501	352
Insurance	2,145	-	2,145	2,136
Administration	1,562	-	1,562	1,232
Post & Telephone	2,177	-	2,177	2,265
Depreciation	564	-	564	538
Donated services support costs	20,333	-	20,333	19,556
Donated services MOD salaries	26,000	-	26,000	39,000
Staff costs	23,379	-	23,379	23,945
	81,357	-	81,357	94,015
	477,226	4,315	481,541	498,619

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2016

	Unrestricted funds 2016	Restricted funds 2016	Total funds 2016	Total funds 2015
	£	£	£	£
14 Esprit de Corps				
Activities undertaken directly				
Corps activities	112,063	-	112,063	47,481
Branch donations	28,313	-	28,313	19,246
Branch activities	236,785	-	236,785	218,759
Annual Conference	3,575	-	3,575	4,018
Annual dinner	5,812	-	5,812	4,563
	386,548	-	386,548	294,067
Support Costs				
Cttee & Travel	4,659		4,659	5,692
Audit	3,531		3,531	3,568
Fees & Subs	501		501	352
Insurance	2,145		2,145	2,136
Administration	2,578		2,578	1,920
Post & telephone	2,177		2,177	2,265
Depreciation	10,715		10,715	10,227
Donated services support costs	25,833	-	25,833	25,056
Staff costs	92,698	-	92,698	85,316
MOD Salaries	-		-	13,000
	144,837	-	144,837	149,532
	531,385	-	531,385	443,599

15 Net incoming resources / (resources expended)

This is stated after charging:	£	£
Depreciation of tangible fixed assets:		
- owned by the charity	11,279	10,765
Auditor's remuneration	7,062	7,135

During the year, no Trustees received any remuneration (2015 - £NIL).

During the year, no Trustees received any benefits in kind (2015 - £NIL).

11 Trustees received reimbursement of expenses amounting to £2,422 in the current year, (2015 - 6 Trustees - £1,529)

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2016

	Total funds 2016 £	Total funds 2015 £
16 Staff costs		

Staff costs were as follows:

Wages and salaries	101,992	96,344
Social security costs	6,034	5,761
Other pension costs	8,051	7,156
	116,077	109,261

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 £47,456 (2015 - £33,116).

17 Tangible fixed assets

	Unrestricted Designated Fixtures & fittings £	Unrestricted General Property £	Unrestricted General Computer equipment £	Total £
Cost				
At 1 January 2016	78,991	102,252	7,885	189,128
Additions	-	4,779	-	4,779
Disposals	-	-	-	-
At 31 December 2016	78,991	107,031	7,885	193,907
Depreciation				
At 1 January 2016	9,909	89,239	7,389	106,537
Charge for the year	-	10,895	384	11,279
On disposal	1,073	-	-	1,073
At 31 December 2016	10,982	100,134	7,773	118,889
Net book value				
At 31 December 2016	68,009	6,897	111	75,017
At 31 December 2015	69,082	6,137	148	82,591

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2016

18 Fixed asset investments

	Listed securities £	Branch Investments £	Total £
Market value			
At 1 January 2016	10,016,187	32,745	10,048,932
Purchased	-	-	-
Revaluations	829,825	-	829,825
Movement on branch investments	-	4,075	4,075
At 31 December 2016	<u>10,846,012</u>	<u>36,820</u>	<u>10,882,832</u>
Historical cost	<u>5,978,974</u>	<u>22,450</u>	<u>6,001,424</u>

Investments at market value comprise:

	2016 £	2015 £
Listed investments	10,846,012	10,165,187
Branch investments	36,820	32,745
Total market value	<u>10,882,832</u>	<u>10,197,932</u>

Material investments

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

19 Debtors

	2016 £	2015 £
Branch debtors	355	446
Other debtors	143,948	100,626
Prepayments and accrued income	22,914	24,272
	<u>167,217</u>	<u>125,344</u>

20 Creditors:

Amounts falling due within one year

	£	£
Branch creditors	6,364	3,556
Other creditors	10,458	7,819
Accruals and deferred income	4,406	9,480
	<u>21,228</u>	<u>20,855</u>

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2016**

21 Statement of funds

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Branch funds	391,112	269,364	(265,098)	-	-	395,378
General funds						
General funds	10,370,001	938,035	(746,575)	700	792,172	11,354,333
Total Unrestricted funds	10,761,113	1,207,399	(1,011,673)	700	792,171	11,749,710
Restricted funds						
Gabriel Fund	7,652	21	(3,615)	(700)		3,358
Kitchener Scholarship Fund	530,098	18,375	-	-	37,654	586,127
Total Restricted Funds	537,750	18,396	(3,615)	(700)	37,654	589,485
Total of funds	11,298,863	1,225,795	(1,015,288)		829,825	12,339,195

**Analysis of net assets
22 between funds**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	75,017		75,017	82,591
Fixed asset investments	10,390,684	492,148	10,882,832	10,048,932
Current assets	1,305,238	97,337	1,402,575	1,188,195
Creditors due within one year	(21,228)	-	(21,228)	(20,855)
	11,749,710	589,485	12,339,195	11,298,863

23 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 £8,051 (2015 - £7,156).

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2016

24 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.

25 Related party transactions

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

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

	Total funds 2016	Total funds 2015
	£	£
Net movement in funds	1,040,332	497,200
Add back depreciation charge	11,279	10,765
Deduct interest income shown in investing activities	(401,896)	(396,062)
Deduct gains / add back losses on investments	(833,900)	(173,524)
Decrease (increase) in debtors	41,873	(36,144)
Increase (decrease) in creditors	(373)	(276)
Net cash used in operating activities	<u>(142,686)</u>	<u>(98,040)</u>