

Charity numbers: 258322 and SC041832

The Royal Engineers Association

Trustees' report and financial statements

For the year ended 31 December 2017

The Royal Engineers Association

Contents

	Page
Trustees' report	1 - 7
Reference and administrative details of the charity, its trustees and advisers	8 - 9
Independent auditor's report	10 – 11
Statement of financial activities	12
Balance sheet	13
Statement of cash flows	14
Notes to the financial statements	15 - 26

The Royal Engineers Association

Trustee's Report

For the year ending 31 December 2017

The Trustees ("Council") present their annual report and the audited financial statements for the year ended 31 December 2017. The financial statements have been prepared in accordance with the accounting policies set out at note 1 to the accounts and comply with the charity's trust deed, the Charities Act 2011 and the Charities SORP FRS 102. Trustees consider that in preparing these financial statements they have taken into account all information that could reasonably be expected to be available (including levels of reserves held). Therefore, the going concern basis of accounting is deemed appropriate and there are no material uncertainties.

Constitution

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

Restrictions on Funds

The Deed describes two Funds, A and B, which are restricted for the benevolence respectively of commissioned and of warrant officer and other rank members and past members of the Corps of Royal Engineers, together with their dependants. Both the A and B Funds were reduced to zero in 2015 and will not be re-used unless a specific grant is made in support of commissioned officers or other rank members of the Corps. A further restricted fund, the Gabriel Fund, was established during 1997, following receipt of a legacy from the estate of the late Colonel R C Gabriel (see note 24 to the financial statements). The General Fund is not restricted. A further restricted fund, The Kitchener 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.

OBJECTS AND ACTIVITIES

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

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

Volunteers

REA branches are autonomous and are 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 764 recipients, from whom many letters of appreciation have been received. The total number of benevolence cases considered in 2017 was 4% fewer than the previous year.

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2017**

Grants Considered 2013 to 2017

<u>Year</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Disabled & Illness	163	174	175	202	185
Old age	32	53	71	63	52
Widows	51	55	86	78	110
Unemployed	119	107	118	137	152
Miscellaneous	129	136	149	171	187
No grant made	51	40	51	68	51
Totals	545	565	650	719	737

Other Grants

The RE Continuous Personal Development (RE CPD) Team is the operating arm of the RE Vocational Education & Training Trust (REVETT). In 2016 the CEO of REVETT requested support for the expansion of the current portfolio of (civilian-recognised) qualifications available to serving members of the Corps. An annual grant of £30K per year for 3 years (wef 2017) was approved. A report from REVETT indicates that the money is being used to provision the mapping of military courses to the most appropriate civilian qualifications. Again, this expenditure is positive evidence that the REA is providing valuable support for the serving soldiers in ensuring that their military qualifications will be readily transferable to the civilian world into the future: a convincing demonstration of the REA's commitment to enhancing *Esprit de Corps*. REVETT has only spent half of the sum (£30K) allocated for 2017 but has indicated that the remainder could usefully be used in 2018, in addition to the sum already set aside for that year. The Finance Committee agreed to a carry-forward of the 2017 under-spend into 2018 without prejudice to the £30k already allocated for 2018.

A Welfare Grant of £1M was allocated from Capital Reserves for the year 2017. 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. Notable examples were: two recreational vehicles for 39 Engineer Regiment in its isolated location and support for an ambitious sports complex project at Wimbish. It has been disappointing that more bids were not received and that, therefore, the full amount allocated will fall short of being spent. However, the initiative was without precedent and there was, perhaps, a reticence on the part of many units and Branches to consider how they might benefit from the grant. Some uncertainty over future unit moves under the Army's revised Estate Plan is probably a factor that discouraged units from submitting a bid. It is not intended that the under-spend should be carried forward or that a similar allocation from REA reserve of capital should be made available again in 2018. A little time is needed to assess the marketing, management and results of this initiative before deciding whether – and how - it should be repeated in future. The Finance Committee will conduct a review in early 2018 and expects to be in a position to make recommendations to Council by its September meeting in 2018.

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. Due to limited resource in 2017 this has still to be completed.
- Cases requiring financial assistance greater than £1,000 (Controller's financial threshold increased from £500 in 2016) are referred to the REA Benevolence Committee that, since the increase in the Controller's delegated powers, sits quarterly rather than monthly. Cases of an urgent nature that exceed the Controller's delegated powers are considered out-of-committee in consultation with the Chairman of the Benevolence Committee and the Hon Treasurer REA. There is no financial limit on grants that the Committee can authorise for benevolence. The Committee also deals with applications for weekly allowances. Cases, having been in front of the Committee, are despatched within a week of the Committee decision.
- Regular weekly allowances were made to about 65 applicants and, where there is a need to assist

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2017**

financially with nursing home fees, some have further assistance from the Army Benevolent Fund The Soldiers' Charity.

- 1,331 Christmas cards and some 270 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 (2016 - £40,000) was made to ABF for the work they do on behalf of the wider Services' benevolence systems.
- A grant of £15,000 (2016 - £15,000) was made to SSAFA Forces Help.
- A grant of £5,000 (2016 - £5,000) was made to Combat Stress, The Ex-Services Mental Welfare Society.
- A grant of £5,000 (2016 - £5,000) was made to BLESMA.
- A further grant of £3,000 was made to ABF The Soldiers' Charity.

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 130 serving and retired Sapper cases with grants of £125,733.23.

Delivery – Membership

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

Assistance

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

Fundraising activities

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

REA Branch Accounts

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

Activities in Scotland

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

2017 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

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2017**

Scheme. Any shortfall of income compared to expenditure comes from investment income. Donations and legacies that are retained are available for investment towards future benevolence.

Summary

Net income before other recognised gains and losses was £298,954 (2016 – net income £1,040,332). The Charity did not authorise any further funds for investment in 2017.

Balance Sheet

The accumulated funds increased by £298,954 to £12,638,149 (2016 increased by £1,040,332 to £12,339,195). Notes to the Statement of Financial Activities and Balance Sheet provide supplementary information against each funding activity.

Expenditure on benevolence grants to individuals increased by £10,534 from £240,823 in 2016 to £251,357.

Christmas grants increased by £384 to £19,040 in 2017 and weekly allowances decreased from £78,464 in 2016 to £72,157 in 2017.

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 £419,074 in 2017 (2016 - £399,648). During the period 1 January to 31 December 2016, the performance of the distribution units in the Fund was +13.4% (2016 - +12.7%) after fees and expenses. Since launch the fund has produced a return of +252.7%, +5.9% (2016 - +211.1%, +2.9%) ahead of its investment benchmark.

Risk statement

The risks to which the Charity are exposed are reviewed by the REA Management Committee at each of its meetings. The basis of the review is a Risk Management Matrix that identifies and defines the risk, its impact and likelihood, and those mitigation measures the Trustees feel need to be applied. The Risk Management Matrix was reviewed at the July Management Committee meeting in 2017 and members were content that systems have been established to mitigate those risks identified.

Key Risk

The key risk identified (from the REA risk register) to which the charity could be exposed - assessed as 'Medium' likelihood with 'High' impact – is the 'loss of key staff'. Mitigation actions that have been identified are: succession planning and documentation of systems, processes and plans. This risk was confirmed and now appears on the Chief Royal Engineer's Committee overarching risk register.

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2017**

Reserves

The account posts net expenditure of £655,761 (2016 – net income £210,507) before realised and unrealised gains. Gains on investments amounted to £954,715 (2016 - gains of £829,825) giving a positive net movement in funds of £298,954 (2016 - £1,040,332). 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. 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 £11,986,245 (2016 – £11,749,710) which Trustees consider is consistent with this policy.

Public Benefit

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

PLANS FOR THE FUTURE

The 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 (Regular and Reservists), the retired REA membership and through Groups and Branches. Although the Association has Strategic Objectives, the Chairman is keen to develop these as a plan and show how we intend to meet them. The Strategic Plan will focus on two aims, one is to maintain the esprit of the Corps from cradle to grave and the second is to ensure that we have a wide reaching benevolence strategy in place that met the diverse needs of those eligible. There will be different courses of action and lines of operation that will need pulling together and the recommendations of the recent Membership Scoping Study will form an important part of the strategy. The final strategy would be put to Council for their endorsement in due course.

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 has scope for improvement. 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.

In February 2017 the post of Controller was disestablished from the Civil Service and became a charity funded post. In June an Assistant Controller was recruited and subsequently resigned after five months; the post remained vacant until the end of the year. This had a negative impact on our capacity to review our 5 year annually "refreshed" strategy.

Now that a certain amount of dust has settled on the rebasing issue we are now better placed to determine how we can affiliate our Branches with Corps units. This work has started but due to limited resource in 2017 has still to be completed.

Our consultants have produced a very good REA Membership Scoping Study that provides us with some useful and innovative recommendations, many of which we will look to implement through the appropriate Association channels. These include extending the range of National Branches to include popular communities of interest, reviewing the membership structure as well as the membership offerings and refreshing our internet presence to improve its functionality and appearance.

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2017**

The Queens Gurkha Engineers (QGE) is part of the family of the Corps of Royal Engineers. At the same time, Gurkha Sappers also belong to the Gurkha family. Work is underway to examine how the REA can align better with the Queens Gurkha Engineers Association (QGEA) so as to improve our support for our fellow Sappers serving in the QGE.

Auditors

Kreston Reeves LLP remain the Trustees choice as Corps auditors.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

Trustees

The Trustees who served during 2017 are detailed on page 8.

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 Sergeant Major. An Honorary Treasurer is appointed and confirmed in his/her 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 103 Branches. Of these, 93 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 roles of both the Controller and the Deputy Controller were reviewed during the year and in order to widen the appeal of the role, the deputising aspect of the Deputy Controller's role and the requirement for the incumbent to have served in the Corps was removed from the appointment requirements and the post re-titled 'Assistant

**The Royal Engineers Association
Trustee's Report (continued)
For the year ending 31 December 2017**

Controller'; in addition to his own duties, the responsibilities of the Assistant Controller have been taken on by the Controller at no extra cost to the Association, pending the recruitment of a new incumbent.

HQ REA is established for four other full time administrative and clerical staff. One of the Secretariat staff is established and paid as a Civil Servant within the Regimental Headquarters of the Royal Engineers. The Assistant Controller and two 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 2017

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 MTG Bazeley	Commandant RSME Gp	
Colonel CM Davies MBE	Honorary Treasurer	
Colonel DLD Bigger ADC	Corps Colonel	Retired September 2017
Colonel M Quare MBE ADC	Corps Colonel	Appointed September 2017
Lieutenant Colonel LSI Inge	Retired Officer	
Lieutenant Colonel MJ Heffer RE TD	Army Reserve Officer	
WO1 (Corps RSM) C McLennan	Corps RSM	Retired June 2017
WO1 (Corps SM) S Webster	Corps SM	Appointed June 2017
Vacant	London Group	
Mr G Owens	South East Group	
Lieutenant Colonel AJ Bunting	Central Southern Group	
Major P Gill MBE JP	South West Group	
Mr A Thomas	South Wales Group	
Mr T Mitchley	East Anglia Group	Retired May 2017
Mr B Simm	East Anglia Group	Appointed June 2017
WO2 SM Tolley	South Midlands Group	
Mr R Price	North Midlands Group	Retired Jan 2017
Major P Luscombe	North Midlands Group	Appointed Jan 2017
Mr E Hargreaves	North West Group	
Mr EC Prosser BEM	North East Group	
Mr JR Bell	Scotland & Northern Ireland Group	

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 2017

Bankers

Lloyds plc
Piccadilly Branch
PO Box 1000
BX1 1LT

Solicitors

Brachers
Somerfield House
59 London Road
Maidstone
Kent
ME16 8JH

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

Investment managers

BlackRock Investment Managers
12 Throgmorton Avenue
London
EC2N 2DL

Approved by the Trustees
and signed on behalf of the Trustees



Major General A S Dickinson CBE
Chairman

The Royal Engineers Association

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

We have audited the financial statements of Royal Engineers Central Charitable Trust for the year ended 31 December 2017 set out on pages 14 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

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

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2017 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

The Royal Engineers Association

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.

Matters on which we are required to report by exception

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

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of Trustees and auditor

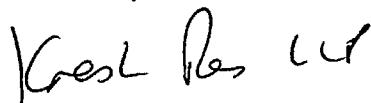
As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



Kreston Reeves LLP

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

Date: 7 June 2018

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 2017

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Income and endowments from:					
Donations & Legacies	2	606,776	-	606,776	655,620
Other trading activities	8	166,699	-	166,699	146,507
Investment income	9	400,758	19,098	419,856	401,896
Other incoming resources	10	21,022	-	21,022	21,771
Total income		1,195,255	19,098	1,214,353	1,225,795
Expenditure on:					
Raising Funds	11	3,972	-	3,972	2,361
Charitable activities	12	1,866,142	-	1,866,142	1,012,926
Total expenditure		1,870,114	-	1,870,114	1,015,288
Net gains/(losses) on investments	18	911,394	43,321	954,715	829,825
Net income/(expenditure)		236,535	62,419	298,954	1,040,332
Transfers between Funds	22	-	-	-	-
Net movement in funds for year		236,535	62,419	298,954	1,040,332
Reconciliation of funds					
Total funds at 1 January 2017		11,749,710	589,485	12,339,195	11,298,863
Total funds at 31 December 2017		11,986,245	651,904	12,638,149	12,339,195

All activities relate to continuing operations.

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

The Royal Engineers Association

Balance sheet

As at 31 December 2017

	Note	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	17		76,872		75,017
Investments	18		<u>11,823,955</u>		<u>10,882,832</u>
			11,900,827		10,957,849
Current assets					
Debtors	19	153,483		167,217	
Cash at bank and in hand		<u>1,095,428</u>		<u>1,235,358</u>	
		1,248,911		1,402,575	
Creditors: amounts falling due within one year	20	<u>(511,589)</u>		<u>(21,228)</u>	
Net current assets			<u>737,322</u>		<u>1,381,346</u>
Net assets			<u>12,638,149</u>		<u>12,339,195</u>
Charity Funds					
Restricted funds	22		651,904		589,485
Unrestricted funds	22		<u>11,986,245</u>		<u>11,749,710</u>
Total funds			<u>12,638,149</u>		<u>12,339,195</u>

The financial statements were approved by the Trustees on 1st May 2018 and signed on their behalf, by:

Major General AS Dickinson CBE
Chairman

Colonel CM Davies MBE
Honorary Treasurer

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

The Royal Engineers Association

Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017	2016
		£	£
Net cash used in operating activities	27	(556,145)	142,686
Cash flows from investing activities			
Interest and dividends		419,856	401,896
Purchase of tangible fixed assets		(4,523)	(4,779)
Donated tangible fixed assets		-	-
Proceeds from sale of investments		-	-
Cash provided by (used in) investing activities		415,333	397,117
Cash flows from financing activities			
Repayment of borrowing		-	-
Cash used in financing activities		-	-
Increase/(decrease) in cash and cash equivalents in the year		(139,930)	172,508
Cash and cash equivalents at the beginning of the year		1,235,358	1,062,851
Total cash and cash equivalents at the end of the year		1,095,428	1,235,358

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.

Accounting policies (continued)

1.5 Expenditure

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

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

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

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

1.6 Tangible fixed assets and depreciation

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

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

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

1.7 Investments

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

1.8 Debtors

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

1.9 Cash at bank and in hand

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

Accounting policies (continued)

1.10 Liabilities

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

1.11 Financial

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

1.12 Pensions

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

1.13 Donated services and facilities

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

1.14 Tender policy

Trustees introduced a tender policy that covers expenditure:

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

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2017**

		Unrestricted funds 2017	Restricted funds 2017	Total funds 2017	Total funds 2016
2 Donations & Legacies		£	£	£	£
Donations (Note 3)		62,916	-	62,916	110,232
Legacies (Note 4)		72,000	-	72,000	59,005
Grants (Note 5)		2,500	-	2,500	2,500
Subscriptions (Note 6)		399,888	-	399,888	411,718
Donated services and facilities (Note 7)		69,472	-	69,472	72,166
		606,776	-	606,776	655,620

In 2017 all £606,776 of income from donations and legacies was unrestricted (2016: £655,620)

3 Donations		£	£	£	£
General donations		58,058	-	58,058	94,643
Donations from branches		2,038	-	2,038	786
Tax refund		403	-	403	350
Website donations		2,417	-	2,417	14,453
		62,916	-	62,916	110,232

4 Legacies		£	£	£	£
Other legacies		72,000	-	72,000	59,005
		72,000	-	72,000	59,005

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

6 Subscriptions and tax		£	£	£	£
Membership		26,206	-	26,206	30,588
Grant from RECCT (represents 50% of Day's Pay Scheme subscriptions to RECCT)		373,682	-	373,682	381,130
		399,888	-	399,888	411,718

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2017

	Unrestricted funds 2017	Restricted funds 2017	Total funds 2017	Total funds 2016
	£	£	£	£
7 Donated services and facilities				
Gas	1,707	-	1,707	1,682
Electricity	2,019	-	2,019	1,969
Water and sewage	822	-	822	794
Community charge	5,357	-	5,357	5,252
Utilities	1,400	-	1,400	1,369
MOD salaries	23,000	-	23,000	26,000
Administration salaries	35,167	-	35,167	35,100
Total	69,472	-	69,472	72,166

8 Other trading activities

	£	£	£	£
Esprit de Corps income	166,699	-	166,699	146,507

REA Branches generated £166,699 (2016 - £146,507) from activities.

9 Investment income

	£	£	£	£
Dividends – AFCIF	400,059	19,015	419,074	399,648
Bank interest	699	83	782	2,248
	400,758	19,098	419,856	401,896

10 Other incoming resources

	£	£	£	£
Sundry income	21,022	-	21,022	21,771
	21,022	-	21,022	21,771

11 Raising Funds

	£	£	£	£
Recruiting (inc postage)	3,972	-	3,972	2,361

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2017

12 Analysis of resources expended by activities

	Activities undertaken directly	Support costs	Total	Total
	2017	2017	2017	2016
	£	£	£	£
Benevolence (Note 13)	399,220	94,179	493,399	481,541
Esprit de Corps (Note 14)	1,224,568	148,175	1,372,743	531,385
	1,623,788	242,354	1,866,142	1,012,926

Expenditure on charitable activities was £1,866,142 (2016 - £1,012,296) of which £1,866,142 was unrestricted (2016 - £1,012,926) and £Nil was restricted (2016 - £NIL).

Unrestricted funds	Restricted funds	Total funds	Total funds
2017	2017	2017	2016

13 Benevolence grants and allowances

	£	£	£	£
Activities undertaken directly				
Grants	251,357	-	251,357	240,823
Christmas grants	19,040	-	19,040	18,656
Weekly allowances	72,157	-	72,157	78,464
Army Benevolent Fund	40,000	-	40,000	40,000
SSAFA Families Help	15,000	-	15,000	15,000
Other charities	13,000	-	13,000	13,000
Refund Grants previous years	(11,334)	-	(11,334)	(5,759)
	399,220	-	399,220	400,184
Support Costs				
Cttee & Travel costs	1,523	-	1,523	1,165
Audit	3,393	-	3,393	3,531
Fees & Subs	917	-	917	501
Insurance	1,403	-	1,403	2,145
Administration	7,276	-	7,276	1,562
Post & Telephone	2,469	-	2,469	2,177
Depreciation	89	-	89	564
Donated services support costs	21,152	-	21,152	20,333
Donated services MOD salaries	23,000	-	23,000	26,000
Staff costs	32,957	-	32,957	23,379
	94,179	-	94,179	81,357
	493,399	-	493,399	481,541

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2017

	Unrestricted funds 2017	Restricted funds 2017	Total funds 2017	Total funds 2016
14 Esprit de Corps	£	£	£	£
Activities undertaken directly				
Corps activities	944,157	-	944,157	112,063
Branch donations	23,557	-	23,557	28,313
Branch activities	215,178	-	215,178	236,785
Annual Conference	3,739	-	3,739	3,575
Annual dinner	6,767	-	6,767	5,812
Sapper Sunday Lunch	1,170	-	1,170	-
REVETT Grant	30,000	-	30,000	-
	1,224,568	-	1,224,568	386,548
Support Costs				
Cttee & Travel	6,092		6,092	4,659
Audit	3,393		3,393	3,531
Fees & Subs	917		917	501
Insurance	1,403		1,403	2,145
Administration	8,082		8,082	2,578
Post & telephone	2,469		2,469	2,177
Depreciation	1,696		1,696	10,715
Donated services support costs	25,319	-	25,319	25,833
Staff costs	98,804	-	98,804	92,698
	148,175	-	148,175	144,837
	1,372,743	-	1,372,743	531,385

15 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	11,279	11,279
Auditor's remuneration	7,062	7,062

During the year, no Trustees received any remuneration (2016 - £NIL).

During the year, no Trustees received any benefits in kind (2016 - £NIL).

9 Trustees received reimbursement of expenses amounting to £1,745 in the current year, (2016, 11 Trustees - £2,422)

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2017

	Total funds 2017 £	Total funds 2016 £
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16 Staff costs

Staff costs were as follows:

Wages and salaries	114,868	101,992
Social security costs	7,225	6,034
Other pension costs	9,668	8,051
	131,761	116,077

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 £47,027 (2016 - £47,456).

17 Tangible fixed assets

	Unrestricted Designated Fixtures & fittings £	Unrestricted General Property £	Unrestricted General Computer equipment £	Total £
Cost				
At 1 January 2017	78,991	107,031	7,885	193,907
Additions	-	4,523	-	4,523
Disposals	-	-	-	-
At 31 December 2017	78,991	111,554	7,885	198,430
Depreciation				
At 1 January 2017	10,982	100,134	7,773	118,889
Charge for the year	-	1,674	111	1,785
On disposal	883	-	-	883
At 31 December 2017	11,865	101,808	7,884	121,557
Net book value				
At 31 December 2017	67,126	9,746	-	76,872
At 31 December 2016	68,009	6,897	111	75,017

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2017

18 Fixed asset investments

	Listed securities £	Branch Investments £	Total £
Market value			
At 1 January 2017	10,846,012	36,820	10,882,832
Purchased		-	-
Revaluations	954,716	-	954,716
Movement on branch investments	-	(13,593)	(13,593)
At 31 December 2017	<u>11,800,728</u>	<u>23,227</u>	<u>11,823,955</u>
Historical cost	<u>5,978,974</u>	<u>22,450</u>	<u>6,001,424</u>

Investments at market value comprise:

	2017 £	2016 £
Listed investments	11,800,728	10,846,012
Branch investments	23,227	36,820
Total market value	<u>11,823,955</u>	<u>10,882,832</u>

Material investments

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

19 Debtors

	2017 £	2016 £
Branch debtors	276	355
Other debtors	136,100	143,948
Prepayments and accrued income	17,106	22,914
	<u>153,483</u>	<u>167,217</u>

20 Creditors:

Amounts falling due within one year

	£	£
Branch creditors	3,523	6,364
Other creditors	506,705	10,458
Accruals and deferred income	1,360	4,406
	<u>511,589</u>	<u>21,228</u>

The Royal Engineers Association

Notes to the financial statements
For the year ended 31 December 2017

21 Financial instruments

	2017	2016
	£	£
Financial assets		
Financial instruments measured at fair value through profit or loss	11,823,955	10,882,832
Financial instruments that are debt instruments measured at amortised cost	<u>1,248,910</u>	<u>1,492,575</u>
Financial liabilities		
Financial instruments that are debt instruments measured at amortised cost	<u>511,588</u>	<u>21,228</u>

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

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

22 Statement of funds

	Brought Forward	Income	Expenditure	Transfers in/out	Gains/ (Losses)	Carried Forward
	£	£	£	£	£	£
Designated funds						
Branch funds	<u>395,378</u>	<u>258,890</u>	<u>(238,734)</u>	-	-	<u>415,535</u>
General funds						
General funds	<u>11,354,332</u>	<u>936,365</u>	<u>(1,631,380)</u>	-	<u>911,394</u>	<u>11,570,711</u>
Total Unrestricted funds	<u>11,749,710</u>	<u>1,195,255</u>	<u>(1,870,114)</u>	-	<u>911,394</u>	<u>11,986,245</u>
Restricted funds						
Gabriel Fund	3,358	3	-	-		3,361
Kitchener Scholarship Fund	<u>586,127</u>	<u>19,095</u>	-	-	<u>43,321</u>	<u>648,543</u>
Total Restricted Funds	<u>589,485</u>	<u>19,098</u>	-	-	<u>43,321</u>	<u>651,904</u>
Total of funds	<u>12,339,195</u>	<u>1,214,353</u>	<u>(1,870,114)</u>		<u>954,715</u>	<u>12,638,149</u>

23 Analysis of net assets between funds

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Tangible fixed assets	76,872		76,872	75,017
Fixed asset investments	11,288,486	535,469	11,823,955	10,882,832
Current assets	1,132,476	116,436	1,248,912	1,402,575
Creditors due within one year	(511,589)	-	(511,589)	(21,228)
	11,986,244	651,905	12,638,149	12,339,195

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 £9,668 (2016 - £8,051).

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 to work for those who are serving or have served as officers and soldiers of the Royal Engineers. A further £5,000 was received in 1998.

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

26 Related party transactions

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

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2017

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

	Total funds 2017	Total funds 2016
	£	£
Net movement in funds	298,954	1,040,332
Add back depreciation charge	1,785	11,279
Deduct interest income shown in investing activities	(419,856)	(401,896)
Deduct gains / add back losses on investments	(941,123)	(833,900)
Decrease (increase) in debtors	13,734	41,873
Increase (decrease) in creditors	490,361	(373)
Net cash used in operating activities	<u>(556,145)</u>	<u>(142,686)</u>