

Charity numbers: 258322 and SC041832

The Royal Engineers Association

Trustees' report and financial statements

For the year ended 31 December 2018

The Royal Engineers Association

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The Royal Engineers Association

Trustee's Report

For the year ending 31 December 2018

The Trustees ("Council") present their annual report and the audited financial statements for the year ended 31 December 2018. 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 701 recipients, from whom many letters of appreciation have been received. The total number of benevolence cases considered in 2018 was 5% more than the previous year.

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Grants Considered 2013 to 2017

<u>Year</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Disabled & Illness	165	163	174	175	202
Old age	41	32	53	71	63
Widows	63	51	55	86	78
Unemployed	128	119	107	118	137
Miscellaneous	124	129	136	149	171
No grant made	31	51	40	51	68
Totals	553	545	565	650	719

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. Annual updates from REVETT indicate 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 underspent the 2018 grant of £30k but has indicated that the remainder could usefully be used in 2019, in addition to the sum already set aside for that year. The Finance Committee agreed to a carry-forward of the 2018 under-spend into 2019 without prejudice to the £30k already allocated for 2019.

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.

In terms of actual delivery the 2017 welfare grant was only a partial success with 50% of the fund available being distributed. This was mainly due to a slow take up by Branches and Units which resulted from a lack of awareness of the grant and also a lack of resource in both Units and Branches to complete the applications for the grants or deliver the appropriate project planning to enable applications to be supported by the REA.

As a result of this changes were implemented for future Welfare Grant Applications, with a greater awareness being promoted to both Units and Branches through direct briefings, email and social media and support from REA HQ when needed. It was decided to set the grant at £250,000 per annum for a three year period with annual reviews. This has resulted in a more measured response and take up from applicants and it is hoped that in 2019 the welfare grant will provide a diverse and wide group with direct support. For larger projects these will be considered on an individual basis when the need arises and REA HQ can assist in the preparation of the applications

Delivery – Benevolence

- Benevolence to those in need is considered of paramount importance. Applications for benevolence assistance are dealt with within two or three days after checks on service records and establishing financial need. All applications received from the Sapper family are considered sympathetically, the vast majority of applicants receive financial assistance.
- There will be many eligible persons in need of assistance of whom the Association is unsighted. Following the appointment of a Controller and Assistant has given the resources to begin looking at how better the Association can reach further, a review is currently underway to look at bring additional funds to bear in outreach/training and direct support in areas such as mental health, housing, supported living and how to access support.
- Cases requiring financial assistance greater than £1,000 (Controllers financial threshold increased from £500 in 2016) are referred to the REA Benevolence Committee that, since the increase in the Controller's delegated powers, sits quarterly rather than monthly. Cases of an urgent nature that exceed the Controller's delegated powers are considered out-of-committee in consultation with the Chairman of the Benevolence Committee and the Hon Treasurer REA. There is no financial limit on grants that the Committee can authorise for benevolence. The Committee also deals with applications for weekly allowances. Cases,

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having been in front of the Committee, are despatched within a week of the Committee decision.

- Regular weekly allowances were made to about 61 applicants and, where there is a need to assist financially with nursing home fees, some have further assistance from the Army Benevolent Fund The Soldiers' Charity.
- 1,300 Christmas cards and some 244 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 £50,000 (2017: £40,000) was made to ABF for the work they do on behalf of the wider Services' benevolence systems.
- A grant of £20,000 (2017: £15,000) was made to SSAFA Forces Help.
- A further grant of £3,000 was made to Veterans in Action to support an expedition helping veterans who have faced challenges in adapting to civilian life.

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 154 serving and retired Sapper cases with grants of £136,000

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.

2018 FINANCIAL REVIEW

Serving RE officers, warrant officers and soldiers subscribe to the Royal Engineers Central Charitable Trust under

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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.

Summary

Net income before other recognised gains and losses was £321,647 (2017: net income -£655,760). The Charity did not authorise any further funds for investment in 2018.

Balance Sheet

The accumulated funds decreased by £855,095 to £11,783,054 (2017 increased by £298,955 to £12,638,150). 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 £23,867 from £251,357 in 2017 to £275,224.

Christmas grants decreased by £4,064 to £14,976 in 2018 and weekly allowances decreased from £72,157 in 2017 to £64,848 in 2018.

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 £421,851 in 2018 (2017: £419,074). During the period 1 January to 31 December 2018, the performance of the distribution units in the Fund was -6.6% (2017: +13.4%) after fees and expenses. Since launch the fund has produced a return of +229.4%, -4.0% (2017: +252.7%, +5.9%) behind 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 2018 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

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Chief Royal Engineer's Committee overarching risk register.

Reserves

The account posts net income of £321,647 (2017: net expenditure £655,760) before realised and unrealised gains. Losses on investments amounted to £1,176,742 (2017: gains of £954,715) giving a negative net movement in funds of £855,095 (2017: £298,955). 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 £11,165,328 (2017: £11,986,245) 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 2017. This had a negative impact on our capacity to review our 5 year annually "refreshed" strategy.

The appointment of a Controller and Assistant Controller in Jan 2018 enabled the Association to undertake many of the recommendations from the REA Membership Scoping study. A new website was introduced at the beginning of 2018, our social media presence has increased with continued growth in the use of this as a means of contacting and informing members and a wider audience of the activities of the Association. National branches have continued to grow and a new Divers Branch has been established, the review of the affiliation of REA branches will be completed by 01 May 2019 this will connect many more RE Units directly to the REA through the revised group structure.

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The Association will undertake a study in 2019 on how to enhance the use of the REA financial resources and in particular the reserves to provide additional benevolence and welfare support and outreach to Serving soldiers, dependents and Veterans. The initial report will be presented to Council in May 2019

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

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 2018 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 100 Branches. Of these, 90 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

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For the year ending 31 December 2018

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 Controller'.

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. A Sappers Network Ltd employee will be funded by the REA in 2019 and this will be reviewed mid-year to determine how best to provide employment networking support to the Serving soldiers and Veterans.

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Reference and administrative details of the charity, its trustees and advisers For the year ended 31 December 2018

Trustees ("Council")

Lieutenant General Sir Mark Mans KCB CBE DL
Lieutenant General T R Urch CBE
Major General A S Dickinson CBE
Brigadier AS Craig OBE
Brigadier MTG Bazeley
Colonel CM Davies MBE
Colonel M Quare MBE ADC
Lieutenant Colonel LSI Inge
Lieutenant Colonel MJ Heffer RE TD
WO1 (Corps SM) S Webster
Vacant
Mr G Owens
Lieutenant Colonel AJ Bunting
Major P Gill MBE JP
Mr A Thomas
Mr B Simm
WO2 SM Tolley
Major P Luscombe
Mr E Hargreaves
Mr EC Prosser BEM
Mr JR Bell

President
President
Chairman
Deputy Chairman
Commandant RSME Gp
Honorary Treasurer
Corps Colonel
Retired Officer
Army Reserve Officer
Corps SM
London Group
South East Group
Central Southern Group
South West Group
South Wales Group
East Anglia Group
South Midlands Group
North Midlands Group
North West Group
North East Group
Scotland & Northern
Ireland Group

Retired September 2018
Appointed September 2018

Charity registered numbers

258322 and SC041832

Principal office

Regimental Headquarters Royal Engineers
Brompton Barracks
Chatham
Kent
ME4 4UG

Independent auditor

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

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Reference and administrative details of the charity, its trustees and advisers (continued)
For the year ended 31 December 2018

Bankers

Lloyds plc
Piccadilly Branch
PO Box 1000
BX1 1LT

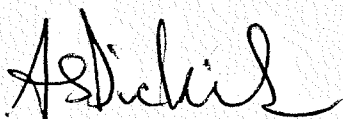
Solicitors

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

Investment managers

BlackRock Investment Managers
12 Throgmorton Avenue
London
EC2N 2DL

Approved by the Trustees
and signed on behalf of the Trustees



Major General A S Dickinson CBE
Chairman

The Royal Engineers Association

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

We have audited the financial statements of Royal Engineers Central Charitable Trust for the year ended 31 December 2018 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 2018 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Respective responsibilities of Trustees and auditor

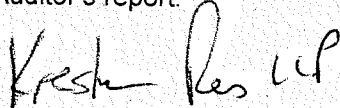
As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that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

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

Auditor's responsibilities for the audit of the financial statements

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

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



Kreston Reeves LLP

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

Date: 5 July 2019

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

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**Statement of financial activities
For the year ended 31 December 2018**

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Income and endowments from:					
Donations & Legacies	2	570,820	-	570,820	606,775
Other trading activities	8	162,466	-	162,466	166,699
Investment income	9	403,022	19,218	422,240	419,856
Other income	10	15,617	-	15,617	21,022
Total income		1,151,925	19,218	1,171,143	1,214,353
Expenditure on:					
Raising Funds	11	5,659	-	5,659	3,972
Charitable activities	12	843,837	-	843,837	1,866,142
Total expenditure		849,496	-	849,496	1,870,114
Net Income before revaluations		302,429	19,218	321,647	(655,760)
Net gains/(losses) on investments	18	(1,123,346)	(53,396)	(1,176,742)	954,715
Net movement in funds for year		(820,917)	(34,178)	(855,095)	298,955
Reconciliation of funds					
Total funds at 1 January 2018		11,986,245	651,904	12,638,149	12,339,195
Total funds at 31 December 2018		11,165,328	617,726	11,783,054	12,638,150

All activities relate to continuing operations.

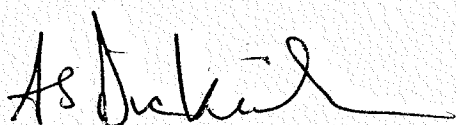
The notes on pages 14 to 25 form part of these financial statements

The Royal Engineers Association

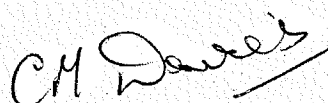
Balance sheet As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	17	83,372	76,872
Investments	18	<u>10,647,313</u>	<u>11,823,955</u>
		10,730,685	11,900,827
Current assets			
Debtors	19	175,173	153,483
Cash at bank and in hand		<u>948,269</u>	<u>1,095,428</u>
		1,123,442	1,248,911
Creditors: amounts falling due within one year	20	<u>(71,073)</u>	<u>(511,589)</u>
Net current assets		<u>1,052,369</u>	<u>737,322</u>
Net assets		<u>11,783,054</u>	<u>12,638,149</u>
Charity Funds			
Restricted funds	22	617,726	651,904
Unrestricted funds	22	<u>11,165,328</u>	<u>11,986,245</u>
Total funds		<u>11,783,054</u>	<u>12,638,149</u>

The financial statements were approved by the Trustees on 1 May 2019 and signed on their behalf by:



Major General AS Dickinson CBE
Chairman



Colonel CM Davies MBE
Honorary Treasurer

The notes on pages 14 to 25 form part of these financial statements

The Royal Engineers Association

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018	2017
		£	£
Net cash used in operating activities	27	(559,222)	(556,146)
Cash flows from investing activities			
Interest and dividends		422,240	419,856
Purchase of tangible fixed assets		(10,437)	(4,523)
Disposal of tangible fixed assets		360	883
Movement on Branch Investments		(100)	-
Cash provided by (used in) investing activities		412,063	416,216
Cash used in financing activities		-	-
Increase/(decrease) in cash and cash equivalents in the year		(147,159)	(139,930)
Cash and cash equivalents at the beginning of the year		1,095,428	1,235,358
Total cash and cash equivalents at the end of the year		948,269	1,095,428

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2018

1 Accounting policies

1 Basis of preparation of financial statements

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

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

1 Preparation of the accounts on a going concern basis

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

1 Fund Accounting

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

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

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

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

1 Income

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

Subscriptions

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

Donations

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

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2018

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 instruments

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

1.12 Pensions

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

1.13 Donated services and facilities

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

1.14 Tender policy

Trustees introduced a tender policy that covers expenditure:

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

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2018

		Unrestricted funds 2018	Restricted funds 2018	Total funds 2018	Total funds 2017
2 Donations & Legacies		£	£	£	£
Donations (Note 3)		72,827	-	72,827	62,916
Legacies (Note 4)		36,587	-	36,587	72,000
Grants (Note 5)		2,500	-	2,500	2,500
Subscriptions (Note 6)		386,232	-	386,232	399,888
Donated services and facilities (Note 7)		72,674	-	72,674	69,472
		570,820	-	570,820	606,775

In 2018 all £570,820 of income from donations and legacies was unrestricted (2017: £606,775)

3 Donations

	£	£	£	£
General donations	68,151	-	68,151	58,058
Donations from branches	751	-	751	2,038
Tax refund	30	-	30	403
Website donations	3,895	-	3,895	2,417
	72,827	-	72,827	62,916

4 Legacies

	£	£	£	£
Other legacies	36,587	-	36,587	72,000
	36,587	-	36,587	72,000

5 Grants

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

6 Subscriptions and tax

	£	£	£	£
Membership	22,225	-	22,225	26,206
Grant from RECCT (represents 50% of Day's Pay Scheme subscriptions to RECCT)	364,007	-	364,007	373,682
	386,232	-	386,232	399,888

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2018**

	Unrestricted funds 2018	Restricted funds 2018	Total funds 2018	Total funds 2017
7 Donated services and facilities				
	£	£	£	£
Gas	1,732	-	1,732	1,707
Electricity	2,031	-	2,031	2,019
Water and sewage	822	-	822	822
Community charge	5,411	-	5,411	5,357
Utilities	1,412	-	1,412	1,400
MOD salaries	23,000	-	23,000	23,000
Administration salaries	38,266	-	38,266	35,167
Total	72,674	-	72,674	69,472

8 Other trading activities

	£	£	£	£
Esprit de Corps income	162,466	-	162,466	166,699

REA Branches generated £162,466 (2017: £166,699) from activities.

9 Investment income

	£	£	£	£
Dividends – AFCIF	402,709	19,142	421,851	419,074
Bank interest	313	76	389	782
	403,022	19,218	422,240	419,856

10 Other income

	£	£	£	£
Sundry income	15,617	-	15,617	21,022
	15,617	-	15,617	21,022

11 Raising Funds

	£	£	£	£
Recruiting (inc postage)	5,659	-	5,659	3,972

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2018

12 Charitable Activities

	Activities undertaken directly 2018 £	Support costs 2018 £	Total 2018 £	Total 2017 £
Benevolence (Note 13)	421,211	108,888	530,099	493,399
Esprit de Corps (Note 14)	141,032	172,706	313,738	1,372,743
	562,243	281,594	843,837	1,866,142

All of the expenditure on charitable activities in 2018 and 2017 was unrestricted.

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
13 Benevolence grants and allowances				
Activities undertaken directly				
Grants	275,224	-	275,224	251,357
Christmas grants	14,976	-	14,976	19,040
Weekly allowances	64,848	-	64,848	72,157
Army Benevolent Fund	50,000	-	50,000	40,000
SSAFA Families Help	20,000	-	20,000	15,000
Other charities	3,000	-	3,000	13,000
Refund Grants previous years	(6,837)	-	(6,837)	(11,334)
	421,211	-	421,211	399,220
Support Costs				
Committee & travel costs	1,786	-	1,786	1,523
Audit	3,381	-	3,381	3,393
Fees & Subs	2,026	-	2,026	917
Insurance	1,061	-	1,061	1,403
Administration	1,837	-	1,837	7,276
Post & Telephone	2,044	-	2,044	2,469
Depreciation	179	-	179	89
Donated services support costs	22,170	-	22,170	21,152
Donated services MOD salaries	23,000	-	23,000	23,000
Staff costs	51,404	-	51,404	32,957
	108,888	-	108,888	94,179
	530,099	-	530,099	493,399

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2018

	Unrestricted funds 2018	Restricted funds 2018	Total funds 2018	Total funds 2017
14 Esprit de Corps				
	£	£	£	£
Activities undertaken directly				
Corps activities	138,784	-	138,784	944,157
Branch donations	30,603	-	30,603	23,557
Branch activities	223,119	-	223,119	215,178
Annual Conference	5,014	-	5,014	3,739
Annual dinner	4,935	-	4,935	6,767
Sapper Sunday Lunch	1,170	-	1,170	1,170
REVETT Grant	30,000	-	30,000	30,000
Refund previous year	(292,593)	-	(292,593)	-
	141,032	-	141,032	1,224,568
Support Costs				
Committee & Travel	7,143	-	7,143	6,092
Audit	3,381	-	3,381	3,393
Fees & Subs	2,026	-	2,026	917
Insurance	1,061	-	1,061	1,403
Administration	2,912	-	2,912	8,082
Post & telephone	2,044	-	2,044	2,469
Depreciation	3,398	-	3,398	1,696
Donated services support costs	27,504	-	27,504	25,319
Staff Costs	123,237	-	123,237	98,804
	172,706	-	172,706	148,175
	313,738	-	313,738	1,372,743

15 Net Income / Expenditure

This is stated after charging:

Depreciation of tangible fixed assets:

- owned by the charity

Auditor's remuneration

£

3,577

6,762

11,279

7,062

During the year, no Trustees received any remuneration (2017: £Nil).

During the year, no Trustees received any benefits in kind (2017: £Nil).

8 Trustees received reimbursement of expenses amounting to £1,866 in the current year (2017: 9 Trustees - £1,745)

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2018

16 Staff costs

Staff costs were as follows:

	Total funds 2018 £	Total funds 2017 £
Wages and salaries	152,608	114,868
Social security costs	10,791	7,225
Other pension costs	11,242	9,668
	174,641	131,761

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 £49,857 (2017: £47,027).

17 Tangible fixed assets

	Unrestricted Designated Fixtures & fittings £	Unrestricted General Property £	Unrestricted General Computer equipment £	Total £
Cost				
At 1 January 2018	78,991	111,554	7,885	198,430
Additions	-	4,165	6,272	10,437
Disposals	(233)	(128)	-	(361)
At 31 December 2018	78,758	115,591	14,157	208,506
Depreciation				
At 1 January 2018	11,865	101,808	7,884	121,557
Charge for the year	-	2,323	1,254	3,577
On disposal	-	-	-	-
At 31 December 2018	11,865	104,131	9,138	125,134
Net book value				
At 31 December 2018	66,893	11,460	5,019	83,372
At 31 December 2017	67,126	9,746	-	76,873

The Royal Engineers Association

**Notes to the financial statements
For the year ended 31 December 2018**

18 Fixed asset investments

	Listed securities £	Branch Investments £	Total £
Market value			
At 1 January 2018	11,800,728	23,227	11,823,955
Purchased	-	-	-
Revaluations	(1,176,742)	-	(1,176,742)
Movement on branch investments	-	100	100
At 31 December 2018	10,623,986	23,327	10,647,313
Historical cost	5,978,974	22,550	6,001,524

Investments at market value comprise:

	2018 £	2017 £
Listed investments	10,623,986	11,800,728
Branch investments	23,327	23,227
Total market value	10,647,313	11,823,955

Material investments

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

19 Debtors

	2018 £	2017 £
Branch debtors	-	276
Other debtors	135,690	136,100
Prepayments and accrued income	39,483	17,106
	175,173	153,482

20 Creditors:

Amounts falling due within one year

	£	£
Branch creditors	7,975	3,523
Other creditors	60,134	506,705
Accruals and deferred income	2,964	1,360
	71,073	511,589

The Royal Engineers Association

Notes to the financial statements
For the year ended 31 December 2018

21 Financial instruments

	2018 £	2017 £
Financial assets		
Financial instruments measured at fair value through profit or loss	10,647,313	11,823,955
Financial instruments that are debt instruments measured at amortised cost	<u>1,123,442</u>	<u>1,248,910</u>
Financial liabilities		
Financial instruments that are debt instruments measured at amortised cost	<u>71,073</u>	<u>511,588</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	415,535	258,846	(253,721)	-	-	420,660
General funds						
General funds	11,570,710	893,079	(595,775)	-	(1,123,346)	10,744,668
Total Unrestricted funds	<u>11,986,245</u>	<u>1,151,925</u>	<u>(849,496)</u>	<u>-</u>	<u>(1,123,346)</u>	<u>11,165,328</u>
Restricted funds						
Gabriel Fund	3,361	1	-	-	-	3,362
Kitchener Scholarship Fund	648,543	19,217	-	-	(53,396)	614,364
Total Restricted Funds	<u>651,904</u>	<u>19,218</u>	<u>-</u>	<u>-</u>	<u>(53,396)</u>	<u>617,726</u>
Total of funds	<u>12,638,149</u>	<u>1,171,143</u>	<u>(849,496)</u>	<u>-</u>	<u>(1,176,742)</u>	<u>11,783,054</u>

The Royal Engineers Association

Notes to the financial statements For the year ended 31 December 2018

23 Analysis of net assets between funds

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Tangible fixed assets	83,372		83,372	76,872
Fixed asset investments	10,165,240	482,073	10,647,313	11,823,955
Current assets	987,789	135,653	1,123,442	1,248,912
Creditors due within one year	(71,073)	-	(71,073)	(511,589)
	11,165,327	617,726	11,783,054	12,638,149

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 £11,242 (2017: £9,668).

25 The Gabriel Fund

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

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

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

26 Related party transactions

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

The Royal Engineers Association

Notes to the financial statements

For the year ended 31 December 2018

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

	Total funds 2018	Total funds 2017
	£	£
Net movement in funds	(855,095)	298,954
Add back depreciation charge	3,577	1,785
Deduct interest income shown in investing activities	(422,240)	(419,856)
Deduct gains / add back losses on investments	1,176,742	(941,124)
Decrease (increase) in debtors	(21,690)	13,734
Increase (decrease) in creditors	(440,516)	490,361
Net cash used in operating activities	<u>(559,222)</u>	<u>(556,146)</u>