

Charity number: 249882

Institution of Royal Engineers

Trustees' report and financial statements

for the year ended 31 December 2018

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

Institution of Royal Engineers

Trustees' Report

For the year ended 31 December 2018

The Trustees present their annual report and the audited financial statements of the charity 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 charter, 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.

OBJECTIVES AND ACTIVITIES

The objects of the Institution of Royal Engineers, as set out in its Royal Charter and Bye-Laws and, which were revised in 2009, are to promote and advance the science of military engineering and to promote military efficiency and particularly the military efficiency of the Corps of Royal Engineers. In furtherance of these objects the Institution has continued to:

1. Publish a journal and a supplement to the journal to promote education and to disseminate information and advice;
2. Maintain and develop a Museum, Library and Archive;
3. Own the Museum, Library and Archive and all the exhibits, artefacts, medals and book accessions for the benefit of the Museum, Library and Archive;
4. Arrange joint professional meetings with other Institutions and professional bodies;
5. Administer trust funds in connection with awards for academic and military excellence to officers and soldiers;
6. Maintain memorials owned by the Institution;
7. Raise funds by way of subscriptions, donations and otherwise;
8. Maintain Napier House, the property of the Institution;
9. Maintain and develop registration qualifications with Engineering UK and the Engineering Council to Engineering Technician (EngTech), Incorporated Engineer (IEng) and Chartered Engineer (CEng) levels;
10. Develop where possible joint working practices with the Royal Engineers Vocational Education Training Trust (REVETT), other Institutions and the Royal School of Military Engineering.

OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The Trustees confirm that they have had due regard to the guidance provided by the Charity Commission on public benefit when reviewing the Institution's aims and objectives, and in planning future activities, and consider that they have met the requirements in full measure. In particular:

- a. The Royal Engineers Museum Library and Archive Collection, which is owned by the Institution, is open to the general public. In addition, the Museum is open to parties of school children free of charge, providing a clear public benefit.
- b. The promotion of the military efficiency of the Royal Engineers is a matter of national importance and public benefit. As a Licensed Member of the Engineering Council, the Institution takes part in the self-regulation of the Engineering Profession, as authorised by the Privy Council, and so contributes to that wider public benefit.
- c. The education of members of the Royal Engineers is also of public benefit, since the number of beneficiaries from the Regular Army, Reserve Army, and retired members, represents an amply sufficient proportion of the populace.

Institution of Royal Engineers

Trustees' Report (continued)

For the year ended 31 December 2018

ACHIEVEMENTS AND PERFORMANCE

1. Membership has reduced by 230 this year. This reflects a reduction of 200 in regular manpower in the Royal Engineers in 2018. That not all members continue to be members on retirement and just 15% of the Royal Engineer Reservists are currently members remains a challenge. Reserve and retired recruitment remain as recruitment objectives for 2019. Fellowship numbers continue to grow and now stand at 86.
2. The Trustees approved the outcome of the strategic review as Strategy 2030. The main parts of the Strategy are:

The Vision

A vibrant Institution providing innovative solutions in complex environments.

Mission Statements

A learned society that seeks to advance the art and science of military engineering by sharing experiences, best practice and emerging thinking; the institution will address challenges head on, seek innovation, provide answers as it evolves in order to maintain relevance through the 21st Century.

A delivery framework is being developed to cover:

- a. Workstream 1 – Improve Communications.
- b. Workstream 2 – Create an easily accessible Knowledge Centre.
- c. Workstream 3 – Develop, exploit and sustain Academic and Institution partnerships.
- d. Workstream 4 – Develop, exploit and sustain Industry partnerships.
- e. Workstream 5 – Develop and encourage Continuous Professional Development.
- f. Workstream 6 – Recognition of our people and partners.

A summary of Strategy 2030 will be published in the first quarter of 2019, to replace the Institution's Prospectus.

3. The Institution has, in its charge, the RE Museum Charity, which is a separately Registered Charity sharing the same Trustee Board and Governance documents. The Institution has continued to support the Museum with annual grants exceeding £50k.
4. The Institution has continued to operate its Licence with the Engineering Council, registering Members as Engineer Technicians, Incorporated Engineers and Chartered Engineers. The Engineering Council last renewed the Institution's Licence at the 5-year Review in 2017. The Institution remains as the only Military organization within the Engineering Council with the necessary licences to award all grades of Professional Engineering Registration. This both enhances the professionalism of the Royal Engineers and supports the self-regulation of the Engineering Profession through the Engineering Council, providing public benefit. The total of Engineering Technician (EngTech) registrations is 707, including 75 new registrations in 2018. The MOD's recently introduced Professional Engineering Award for those achieving EngTech is expected to increase these numbers in 2019 and beyond. The numbers of Chartered Engineers (22) and Incorporated Engineers (36) remain small but are growing.
5. The Institution has played a full and active part in many National, Engineering Council and MOD Committees and Forums
6. Four Professional Meetings were held with other Institutions in 2018. Of particular note, the Conference on Urban Warfare, held in conjunction with RUSI, attracted a capacity audience and attracted delegates and speakers from a wide range of backgrounds.
7. The Trustees have decided to allow some non-Royal Engineer civilians to join and the Institution is in the process of applying to the Privy Council to approve changes in the Bye-Laws.

Institution of Royal Engineers

Trustees' Report (continued)

For the year ended 31 December 2018

FINANCIAL REVIEW

Investment Powers

In June 2002 the Trustees accepted a recommendation made by the Royal Engineers Investment Committee to join the Army Common Investment Fund (ACIF), which was launched on 2 September 2002 managed by BlackRock. The Fund, since renamed as the Armed Forces Common Investment Fund (AFCIF), has been 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.

Investment Policy

The independent Advisory Board set the investment policy for the Army Common Investment Fund (ACIF) prior to its launch. This was reviewed by the Royal Engineers Investment Committee in May 2002 and subsequently approved by Trustees in June 2002. In 2007 the fund changed its name to the Armed Forces Common Investment Fund (AFCIF). 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 in a diversified portfolio. Trustees review the performance annually and agreed to continue to delegate the management of investments to AFCIF.

Investment Performance

Investments delivered dividends of £34,930 in 2018 (2017: £34,699). 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, in September 2002, the fund has produced a return of +229.4%, -4.0% (2017: +252.7%, +5.9%) behind its investment benchmark.

Reserves Policy

The Trustees changed the Reserves Policy at its June meeting. The policy is now to maintain 12 months operating costs in reserve with an allowance for redundancies in the unlikely event that the Institution be wound up. This is currently set at £550k. This is considered to be sufficient to cope with market fluctuations and unforeseen expenditure. Current unrestricted reserves are £1,225,774, which Trustees consider is in excess of this revised policy and the intention is to use these funds on projects in support of the revised strategic plan and to draw down to the lower level over a number of years.

Fund Designation

The component funds of the Institution are:

General Fund (Unrestricted Fund)
Memorial Fund (Unrestricted Designated Fund)

Memorial Fund

The Memorial Fund is invested as a designated fund from which a small sum is drawn each year. Direct charitable expenditure was £17,330 (2017: £5,887).

Institution of Royal Engineers

Trustees' Report (continued) For the year ended 31 December 2018

Accounts

The Trustees confirm that the accounts comply with the current statutory requirements and with the requirements of the Institution's Charter.

Under the bye-laws of the Institution of Royal Engineers, the Council is responsible for the preparation of the financial statements of the Institution for each financial year.

In preparing the financial statements the Council is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed; and
- prepare the financial statements on the going concern basis.

The Treasurer is responsible for keeping a correct statement of the assets and liabilities of every one of the funds pertaining to the Institution and shall keep such records, prepare such statements of accounts as are required annually by the auditors and periodically by the Council and which enable the Trustees to meet their responsibility to prepare financial statements for each financial year, which give a true and fair view of the incoming resources and application of resources of the charity during the year and of its state of affairs at the end of the year. The Trustees are also responsible for ensuring that the financial statements comply with the Charities Act 2011. The Treasurer shall make proper arrangements for the care of and disbursements made from the cash belonging to the Institution. The Trustees are responsible for safeguarding the Charity's assets and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

FINANCIAL SUMMARY

General

Net income before other recognised gains and losses was £45,012 (2017: net income £59,366).

Balance Sheet

The accumulated funds decreased by £52,422 to £1,773,607 (2017: increased by £138,417 to £1,826,029). The decrease was due largely to losses on revaluations of investment assets totaling £97,434.

Notes to the Statement of Financial Activities and Balance Sheet provide supplementary information against each funding activity.

Institution of Royal Engineers

Trustees' Report (continued) For the year ended 31 December 2018

PLANS FOR 2018

Membership

Communications

- Improve communications and the profile of the Institution through the website and continued publication of Journals and the Supplement and to include a diary of events.
- Develop a social media presence.
- Engage with membership across the whole Corps through the MSC.
- Continue to Publicize MOD Professional Registration Awards and the funding of professional registration fees.

Professional Development

- Provide whole career development support.
- Promote engineer registration at each level and increase uptake at Eng Tech, IEng and CEng, across serving, reserves and retired members.
- Sustain EC standards through the PRC.

Support

- Maintain HMRC recognition as a professional body.
- Increase membership amongst retired and reserve personnel.
- Continue to broaden the Fellowship offer and increase the number of Fellows.

Education

- Publish the Journal quarterly; broaden content.
- Publish FTS Edn 2.
- Deliver JPMs in London and in the regions.
- Select and award members for academic and military engineering excellence prizes.
- Work with the RE Museum to create an accessible Knowledge Centre providing access to other Institution's publications where possible.
- Improve knowledge access through digitization.
- Continue to Support REHS.
- Publicize the historic Military Engineering collection.

Governance

- Achieve the changes to the Bye-Laws approved by Trustees.

INDEPENDENT AUDITORS

Kreston Reeves LLP were retained as the Corps auditors.

STRUCTURE, GOVERNANCE AND MANAGEMENT

ORGANISATION

The Council delegates specific aspects of the Institution's activities to five standing committees:

The Finance and Assurance Committee (FAC)
The Professional Registration Committee (PRC)
The Member Services Committee (MSC)
The RE Museum Committee
The Royal Engineers Historical Society (REHS)

The Institution's secretariat consists of a Secretary, Treasurer, two other full, three part time employees and one consultant for approximately one day per week.

TRUSTEES

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

Appointment of Trustees

New Trustees are either appointed as ex-officio when they assume specified appointments or are nominated by Council or Members and elected at an AGM, in accordance with the Charter.

Council Membership

Officers. The President and Vice Presidents are elected for a period of up to five years.

Elected Members. The elected members of Council may serve for up to five years.

Ex-Officio Members. The ex-officio members are Council Members (Trustees) by virtue of their appointment. They assume Trusteeship on appointment and relinquish (resign) the same when leaving their appointment.

Trustee Induction

A Trustee Training Programme has been introduced for all Trustees of Royal Engineer Charities, and all Trustees are encouraged to attend training provided by one of two consultants.

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 this has been continued.

Institution of Royal Engineers

Trustees' Report (continued) For the year ended 31 December 2018

MEMBERSHIP

The Institution of Royal Engineers consists of Fellows, Members, Apprentice Technician Members, and Honorary Members, and any other category the Council may wish to create. The Fellows and Members consists of officers, warrant officers and lower ranks of the Regular and Reserve Army element of the Corps of Royal Engineers, serving or retired. Membership may also be offered to those serving, or who have served, in the Engineer arm of the land forces of the Commonwealth, former Dominions, Colonies or Dependencies as the Council shall determine. Honorary and Honorary Associate Memberships are offered as it appears in the Bye-Laws.

CONNECTED CHARITIES

The Royal Engineers Museum has been registered, with the approval of the Charity Commission, as a separate charity under the provisions of the Charities Act 1960. Bye-Law 25 of the Institution's Charter was accepted for registration purposes without the need to execute a separate Charter or Constitution. The RE Museum (Charity No. 295173) is therefore a connected charity and shares the same Charter and Trustees as the Institution as a whole but is reported on separately.

RISK STATEMENT

The Risk Register was reviewed during 2018 by the FAC. Trustees are satisfied that adequate systems are in place to mitigate all appropriate risks identified. The significant identified risks are:

1. Loss of income due to the reducing size of the Regular and Reserve components of the Royal Engineers. The Trustees plan to mitigate this by increasing the percentage of Reservist members of the Institution and continuing to increase the numbers of those retiring that maintain their membership.
2. The Institution fails to maintain its relevance to its members.
3. The reputational risk of losing the Institution's Engineering Council's Licence would be very significant. Whilst this is not considered likely, the Trustees have made maintaining the Licence a high priority. The success of the Licence Review in 2017 was a significant achievement but work continues to maintain the Institution's Registration Handbook in line with changes to the EngC Registration Regulations.

Institution of Royal Engineers

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

Trustees

The Council of the Institution of Royal Engineers was formed of the following individuals:

President

Lieutenant General T R Urch CBE	2016	Resigned on appointment to Chief Royal Engineer (2018)
Major General N J Cavanagh	2018	

Vice Presidents

Major General R R Davis CB CBE	2012	Re-elected at the AGM 2017
Brigadier N G Baveystock*	2015	
Brigadier M T G Bazeley	2016	
Brigadier S P W Boyd MBE	2012	Elected VP at the AGM 2014

Members

Ex Officio

Comd 8 Engr Bde	Brigadier E N S Millar MBE	December 2017
Comd 25 (CS) Engr Gp	Colonel P B Nicholson OBE	August 2015
ACOS FD, Plans & Trg Pol JFIG and CRE (Geo)	Colonel D R Cockwell MBE	August 2016
Corps Colonel	Colonel M Quare MBE ADC*	September 2017
Secretary REHS	Major S F Scullion	September 2016
Corps Sergeant Major	WO1 S A Webster	June 2017

Elected

Colonel A Wood TD	2013	Resigned on completion of tenure
Colonel D Gray TD VR	2018	
Major B Edwards	2017	
WO2 P D Egan	2017	
Sergeant D M Stones	2017	

Co-opted

Colonel S P F Harris OBE	2012
--------------------------	------

Secretary

Colonel (Retired) N E Montagu*	2011
--------------------------------	------

Treasurer

Major (Retired) I Sidebottom*	2013
-------------------------------	------

NB * indicates members of FAC

Charity registered number

249882

Institution of Royal Engineers

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

Principal office

Regimental Headquarters Royal Engineers
Brompton Barracks
Chatham
Kent ME4 4UG

Independent auditor

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

Bankers

Lloyds plc
Piccadilly Branch
PO Box 1000
London
BX1 1LT

Solicitors

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

Investment Manager

BlackRock Investment Managers Ltd
12 Throgmorton Avenue
London
EC2N 2DL

Approved by the Trustees
and signed on behalf of the Trustees

Colonel (Retired) N E Montagu
Secretary

Institution of Royal Engineers

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

We have audited the financial statements of Institution of Royal Engineers for the year ended 31 December 2018 set out on pages 15 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

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

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 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 Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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
Kent
ME4 4QU

Date:

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

Institution of Royal Engineers

**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 and Legacies	2	360,304	61,635	421,939	388,789
Other Trading Activities	6	3,393	-	3,393	4,735
Investments	7	35,141	-	35,141	34,946
Charitable Activities	14/15	4,230	-	4,230	10,615
Total income		403,068	61,635	464,703	439,085
Expenditure on:					
Raising Funds	6	-	-	-	429
Charitable Activities	8	419,691	-	419,691	379,290
Total expenditure		419,691	-	419,691	379,719
Net income before revaluations		(16,623)	61,635	45,012	59,366
Gains and losses on revaluations of investment assets		(97,434)		(97,434)	79,051
Net movement in funds for the year		(114,057)	61,635	(52,422)	138,417
Total funds at 1 January 2018		1,339,831	486,198	1,826,029	1,687,612
Total funds at 31 December 2018		1,225,774	547,833	1,773,607	1,826,029

All activities relate to continuing operations.

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

Institution of Royal Engineers

Balance sheet as at 31 December 2018

	Note	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	20		560,732		494,545
Investments	21		879,668		977,102
			<u>1,440,400</u>		<u>1,471,647</u>
Current assets					
Debtors	22	23,677		25,775	
Cash at bank			336,637	357,887	
			<u>360,314</u>	<u>383,662</u>	
Creditors: amounts falling due within one year	23	(27,107)		(29,280)	
Net current assets			<u>333,207</u>		<u>354,382</u>
Net Assets			<u>1,773,607</u>		<u>1,826,029</u>
Charity Funds					
Restricted funds	25		547,833		486,198
Unrestricted funds	25		1,225,774		1,339,831
Total funds			<u>1,773,607</u>		<u>1,826,029</u>

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

Brigadier M T G Bazeley - Trustee

Colonel M Quare MBE ADC - Corps Colonel

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

Institution of Royal Engineers

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018	2017
		£	£
Net cash used in operating activities	29	14,081	34,515
Cash flows from investing activities			
Interest and dividends		35,141	34,946
Purchase of tangible fixed assets		(70,472)	(7,759)
Cash provided by (used in) investing activities		(35,331)	27,187
Cash used in financing activities			
Increase (decrease) in cash and cash equivalents in the year		(21,250)	61,702
Cash and cash equivalents at the beginning of the year		357,887	296,185
Total cash and cash equivalents at the end of the year		336,637	357,887

Institution of Royal Engineers

Notes to the financial statements

For the year ended 31 December 2018

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) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Institution of Royal Engineers 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 Charity's ability to continue as a going concern.

1.3 Fund accounting

General unrestricted funds represent unrestricted assets which are expendable at the discretion of the Trustees in the furtherance of the objects of the charity. Such funds may be held in order to finance both working capital and capital movement

Designated funds are amounts which have been put aside out of unrestricted funds at the discretion of the Trustees.

Restricted funds represent grants, donations and legacies received which are allocated by the donor for specific purposes.

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.

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 objectives of the Trust and are always authorised by trustees.

The costs of raising funds consist of investment management and certain legal fees.

Cost of charitable activities includes grants made and the apportionment of support costs shown in note 8.

Overhead and support costs that cannot be attributed directly to a charitable activity have been allocated on a percentage basis of time, space and cost against the activity.

Institution of Royal Engineers

Notes to the financial statements

For the year ended 31 December 2018

1.6 Heritage assets

The Institution owns a large number of historic military artefacts that are displayed in the Royal Engineers Museum and Library. These include medals, drawings, manuscripts, 3-dimensional artefacts and published works that are up to 300 years old. These assets are not capitalised due to the significant costs involved in valuing them.

The Institution will only acquire heritage assets that are relevant to the Museum collection, whilst disposals are restricted to gifts to similar military museums.

1.7 Tangible fixed assets and depreciation

Assets costing more than £250 are capitalised and are valued at historic cost. Depreciation is charged on assets using a straight – line basis over their estimated life on the following basis:

Computers	-	20% straight line
General property	-	10% straight line

1.8 Investments

Investments are valued to the mid-market value as at year end. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

1.9 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.

1.10 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.

1.11 Liabilities and provisions

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.

1.12 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.

Institution of Royal Engineers

Notes to the financial statements

For the year ended 31 December 2018

1.13 Donated services and facilities

Donated services, are 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 donated expenditure.

1.14 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. The charity contribution is restricted to 5% where there is no employee contribution and rises to 7.5% if the employee contributes a minimum of 2.5%.

1.15 Tender policy

Trustees introduced a tender policy that covers expenditure:

- a. Between £2,500 and £5,000
- b. Between £5,000 and £10,000
- c. Over £10,000

Institution of Royal Engineers

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

2 Donations and Legacies

		Total funds 2018	Total funds 2017
		£	£
Legacies		-	18,987
Subscriptions	(Note 3)	297,141	294,704
Grants	(Note 4)	-	2,500
Registration fees		13,402	13,594
Donations		163	12,608
Donated assets		61,635	-
Donated services and facilities	(Note 5)	49,598	46,396
		421,939	388,789

Income from Donations and Legacies was £421,939 (2017: £388,789) of which £360,304 was unrestricted (2017: £382,339) and £61,635 was restricted (2017: £6,450).

3 Subscriptions

	£	£
Regular officers	121,388	118,965
Other members	77,628	77,463
Serving soldiers	51,781	53,874
Members of the Reserve	12,838	12,715
Tax refund	14,032	13,876
Fellowship	3,655	2,500
Eng Tech	13,848	13,329
I Eng	1,151	1,019
C Eng	820	963
	297,141	294,704

3a Support Costs

Audit	705	730
Insurance	274	266
Administration	1,138	1,129
Depreciation	249	210
Postage	917	1,059
Donated Service Support costs	7,765	7,589
Staff costs	58,534	57,189
	69,582	68,172
	227,559	226,532

4 Grants

	£	£
Officer Cadet prize fund	-	2,500
	-	2,500

Institution of Royal Engineers

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

5 Donated services and facilities

	Total funds 2018	Total funds 2017
	£	£
Gas	1,710	1,685
Electricity	2,005	1,993
Water and sewage	812	812
Community charge	5,411	5,357
Administrative utilities	1,394	1,382
Administrative salaries	38,266	35,167
	49,598	46,396

6 Trading Activities

	£	£
Income		
Publication sales	3,393	4,735
	£	£
Expenditure		
Corps History	-	388
Follow the Sapper	-	41
	-	429

All income and expenditure on trading activities was unrestricted in 2018 and 2017.

7 Investment Income

	£	As Restated £
Dividends	33,880	33,657
Dividends - Memorial Fund	1,050	1,042
Bank interest	211	247
	35,141	34,946

All of the investment income was unrestricted in 2018 and 2017.

Institution of Royal Engineers

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

8 Analysis of Expenditure by activities

		Activities undertaken directly 2018	Support costs 2018	Total funds 2018	Total funds 2017
		£	£	£	£
Subscriptions	(Note 3a)	-	69,582	69,582	68,172
Publications	(Note 9)	43,710	70,806	114,516	105,479
Maintain Memorials	(Note 10)	-	8,538	8,538	7,907
Joint Professional Meeting	(Note 11)	19,458	8,657	28,115	12,884
Grant Making	(Note 12)	60,294	15,675	75,969	70,823
Digitisation	(Note 13)	1,808	9,912	11,720	10,823
Napier House	(Note 14)	1,484	4,992	6,476	4,988
RE Historical Society	(Note 15)	874	5,470	6,344	9,343
Awards	(Note 16)	17,330	-	17,330	5,887
CPD/Registration/"E" Learning	(Note 17)	21,008	60,093	81,101	82,984
		166,966	253,725	419,691	379,290

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

9 Publications

	£	£
Activities undertaken directly		
Distribution costs	26,727	22,076
RE List	2,531	2,901
RE Journal	11,253	10,587
Supplement	4,199	4,226
	43,710	39,790
Support costs		
Audit	705	730
Administration	1,876	2,077
Insurance	274	266
Postage & Telephone	344	397
Computer support costs	4,452	4,169
Staff costs	52,757	49,591
Donated service support costs	6,362	6,114
Depreciation	4,036	2,345
	70,806	65,689
	114,516	105,479

10 Maintain Memorials

	£	£
Support costs		
Audit	122	122
Administration	147	112
Insurance	294	266
Staff costs	3,199	2,977
Donated service support costs	4,776	4,430
	8,538	7,907

Institution of Royal Engineers

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

11 Joint Professional Meeting

	Total funds 2018	Total funds 2017
	£	£
Activities undertaken directly		
JPMs	19,458	4,854
	<u>19,458</u>	<u>4,854</u>
Support Costs		
Insurance	118	106
Post and telephone	23	26
Staff costs	3,740	3,468
Donated services	4,776	4,430
	<u>8,657</u>	<u>8,030</u>
	<u>28,115</u>	<u>12,884</u>

12 Grant Making

	£	£
Refund previous years grant	2,000	-
	<u>2,000</u>	<u>-</u>
Activities undertaken directly		
RE Museum fund	29,913	29,326
RE Library fund	27,381	26,844
RE Awards Dinner	5,000	-
	<u>62,294</u>	<u>56,170</u>
Support costs		
Insurance	235	213
Post and telephone	69	79
Donated service support costs	8,985	8,298
Staff costs	6,386	6,063
	<u>15,675</u>	<u>14,653</u>
	<u>75,969</u>	<u>70,823</u>

13 Digitisation

	£	£
Activities undertaken directly		
IT costs	1,808	1,500
	<u>1,808</u>	<u>1,500</u>
Support costs		
Audit	122	122
Insurance	118	106
Post and telephone	23	79
Donated service support costs	4,873	4,430
Staff costs	4,776	4,586
	<u>9,912</u>	<u>9,323</u>
	<u>11,720</u>	<u>10,823</u>

Institution of Royal Engineers

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

14 Napier House

	Total funds 2018	Total funds 2017
	£	£
Rental Income	3,000	3,000
	3,000	3,000
Activities undertaken directly		
Gas service contract	361	309
Land rent	23	23
Maintenance	1,100	19
	1,484	351
Support costs		
Audit	122	122
Administration	124	85
Insurance	294	283
Post & Telephone	23	53
Donated service support costs	4,209	3,868
Staff costs	220	226
	4,992	4,637
	6,476	4,988

15 RE Historical Society

	£	As restated £
Membership	1,230	935
Event Income	-	80
Battlefield Study	-	6,600
	1,230	7,615
Activities		
Battlefield Tours	103	7,967
Events	392	733
Publications	379	-
	874	8,700
Support Costs		
Audit	73	-
Administration	176	643
Insurance	59	-
Postage & Telephone	69	-
Staff costs	4,526	-
Donated Services	567	-
	5,470	643
	6,344	9,343

16 Awards

	£	£
Memorial M&R	13,386	10
Memorial medals	2,095	575
Memorial prizes	1,849	5,302
	17,330	5,877

Institution of Royal Engineers

Notes to the financial statements

For the year ended 31 December 2018

17 CPD/Registration/"E" Learning

	Total Funds 2018	Total Funds 2017
	£	£
Activities undertaken directly		
CPD registration & marketing	20,173	25,006
CPD travel & subsistence	835	879
	21,008	25,885
Support costs		
Audit	584	608
Administration	822	628
Insurance	294	266
Post and telephone	803	926
Donated service support costs	50,208	47,434
Staff costs	7,382	7,237
	60,093	57,099
	81,101	82,984

18 Net incoming resources

This is stated after charging:

Depreciation of tangible fixed assets:

- owned by the charity

Auditor's remuneration

2,555	2,555
2,432	2,432

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

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

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

19 Staff costs

Staff costs were as follows:

	£	£
Wages and salaries	154,610	143,895
Social security costs	12,736	11,185
Other pension costs	17,098	16,451
	184,444	171,531

The average monthly number of employees during the year was as follows:

	No.	No.
Publications	2	2
Management and administration of the charity	4	4
	6	6

No employee received remuneration amounting to more than £60,000 in either year.

The Secretary occupies Napier House as part of his conditions of employment.

The pension cost represents amounts payable to the Corps of Royal Engineers Pension Fund, a defined contribution scheme.

The total employment benefits including employer pension contributions of the key management personnel were £53,277 (2017: £49,229).

Institution of Royal Engineers

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

20 Tangible fixed assets

	Computer and office equipment £	Restricted Artefacts £	Total £
Cost			
At 1 January 2018	83,348	486,198	569,546
Additions	8,837	61,635	70,472
At 31 December 2018	<u>92,185</u>	<u>547,833</u>	<u>640,018</u>
Depreciation			
At 1 January 2018	75,001	-	75,001
Charge for the year	4,285	-	4,285
On disposals	-	-	-
At 31 December 2018	<u>79,286</u>	<u>-</u>	<u>79,286</u>
Net book value			
At 31 December 2018	<u>12,899</u>	<u>547,833</u>	<u>560,732</u>
At 31 December 2017	<u>8,347</u>	<u>486,198</u>	<u>494,545</u>

21 Fixed asset investments

	General Fund £	Memorials Fund £	Total £
Market value			
At 1 January 2018	947,739	29,363	977,102
Revaluations	(94,506)	(2,928)	(97,434)
At 31 December 2018	<u>853,233</u>	<u>26,435</u>	<u>879,668</u>
Historical cost	<u>452,161</u>	<u>13,811</u>	<u>465,972</u>

Material investments

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

22 Debtors

	2018 £	2017 £
JPA Subscriptions	14,623	14,397
Blackrock	8,732	8,732
Other debtors	322	2,646
	<u>23,677</u>	<u>25,775</u>

Institution of Royal Engineers

Notes to the financial statements

For the year ended 31 December 2018

23 Creditors:

Amounts falling due within one year

	2018 £	2017 £
Other creditors	24,675	26,848
Accruals and deferred income	2,432	2,432
	<u>27,107</u>	<u>29,280</u>

24 Financial Instruments

	2018 £	2017 £
Financial assets		
Financial instruments measured at fair value through profit or loss	879,668	977,105
Financial instruments that are debt instruments measured at amortised cost	<u>360,314</u>	<u>383,662</u>
Financial liabilities		
Financial instruments that are debt instruments measured at amortised cost	<u>27,000</u>	<u>29,280</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.

25 Statement of funds

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Memorials Fund	17,787	1,050	(17,330)	-	(2,928)	(1,421)
Professional Registration	(20,713)	29,221	(21,008)			(12,500)
RE Historical Society	272	1,230	(6,344)	2,000	-	(2,842)
	<u>(2,654)</u>	<u>31,501</u>	<u>(44,682)</u>	<u>2,000</u>	<u>(2,928)</u>	<u>(16,763)</u>
General funds						
General Fund	1,342,485	371,567	(375,009)	(2,000)	(94,506)	1,242,537
Total Unrestricted funds	<u>1,339,831</u>	<u>403,068</u>	<u>(419,691)</u>	<u>-</u>	<u>(97,434)</u>	<u>1,225,774</u>
Restricted funds						
Institution Artefacts	486,198	61,635	-	-	-	547,833
Total of funds	<u>1,826,029</u>	<u>464,703</u>	<u>(419,691)</u>	<u>-</u>	<u>(97,434)</u>	<u>1,773,607</u>

Institution of Royal Engineers

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

26 Analysis of net assets between funds

	Unrestricted funds 2018	Restricted funds 2018	Total funds 2018	Total funds 2017
	£	£	£	£
Tangible fixed assets	12,899	547,833	560,732	494,545
Fixed asset investments	879,668	-	879,668	977,102
Current assets	360,314	-	360,314	383,662
Creditors due within one year	(27,107)	-	(27,107)	(29,280)
	1,225,774	547,833	1,773,607	1,826,029

27 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 £17,098 (2017: £16,451).

28 Related party transactions

All transactions with related parties are disclosed in the Trustees Report and notes to the accounts. The Institution is controlled by the Council ('the Trustees').

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

	Total funds 2018	Total funds 2017
	£	£
Net movement in funds	(52,422)	138,417
Add back depreciation charge	4,285	2,555
Deduct interest income shown in investing activities	(35,141)	(34,946)
Deduct gains / add back losses on investments	97,434	(79,051)
Increase / (decrease) in debtors	2,098	(1,438)
(Decrease) / increase in creditors	(2,173)	8,978
Net cash used in operating activities	14,081	34,515