

**Charity Registration No. 258322**

**The Royal Engineers Association**

**Annual Report and Financial Statements**

**31 December 2008**

# **The Royal Engineers Association**

## **Annual report and financial statements**

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# The Royal Engineers Association

## Officers and professional advisers

### Trustees ("Council")

General Sir Kevin O'Donoghue KCB CBE	President	
Major General JD Moore-Bick CBE DL	Chairman	
Brigadier A S Craig OBE	Deputy Chairman	
Brigadier BJ Le Grys MBE		
Brigadier AD Harking OBE		
Lieutenant Colonel RW Murfin TD DL		
Colonel RMR Hunt	Honorary Treasurer	Appointed October 2008 Retired October 2008
Colonel M D Reynolds		
Colonel DA Caulfield	Regimental Colonel	
Lieutenant Colonel W J H Clark		
Lieutenant Colonel M G Fossey		
Mr T P Hartley		
Major B N Wilks		
WO1 (Corps RSM) D Woolford		
Mr M Barry MM		Elected January 2008
Mr E Lowbridge		
Mr M R Robertson		
Mr R Prosser		
Mr R Morgan		
Mr G Littleford		
Mr E Powling		
Mr R Overd		Retired April 2008 Elected April 2008
Lt Col N Parmley		

### Bankers

Lloyds TSB plc	CAFBank Ltd
Cox & Kings Branch	25 Kings Hill
7 Pall Mall	West Malling
London	ME19 4JQ
SW1Y 5NA	

### Registered office

Regimental Headquarters Royal Engineers  
Brompton Barracks  
Chatham  
Kent ME4 4UG

# **The Royal Engineers Association**

## **Officers and professional advisers (continued)**

### **Investment managers**

BlackRock Investment Managers  
33 King William Street  
London  
EC4R 9AS

### **Solicitors**

Brachers  
Sommerfield House  
59 London Road  
Maidstone  
Kent ME16 8JH

### **Independent auditors**

Reeves+Neylan LLP  
Montague Place  
Quayside  
Chatham Maritime  
Chatham  
ME4 4QU

# **The Royal Engineers Association**

## **Trustees' annual report**

The Trustees ("Council") present their annual report and the audited financial statements for the year ended 31 December 2008.

### **Constitution**

The Royal Engineers Association ("the Association" or "REA") is established under authority of a Deed of Declaration of Trust dated 19 November 1968 hereafter referred to as 'The Deed'. The Deed is supplemented by the Rules of the Royal Engineers Association 2009, the current version of which was approved by Council on 17 September 2008.

### **Restrictions on Funds**

The Deed describes two Funds, A and B, which are restricted for the benevolence respectively of commissioned and of warrant officer and other rank members and past members of the Corps of Royal Engineers, together with their dependants. 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 21 to the financial statements). The General Fund is not restricted. A further restricted fund, The Kitchener Scholarship, which is 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 2008 to be administered through the REA Benevolence committee.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

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

#### **Trustees**

The trustees who served during the year 2008 are detailed on page 1.

There are four ex officio members of the REA Council who are all Senior Serving Officers of the Corps of Royal Engineers and are Trustees.

There are five nominated members, 3 retired Officers, 1 Officer of the Reserve Army and the Corps RSM. An Honorary Treasurer is appointed and confirmed in his appointment each year.

In addition there are eleven elected representatives of each group of the Association who are initially appointed to serve for a period of 3 years; all are Trustees.

Trustee training and induction is carried out for each new trustee.

#### **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 monthly (except in August) 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 Engineer in Chief (Army) and is the senior serving officer in the group area. There are 95 branches in these group areas located in towns and cities in the UK and overseas who normally meet up once a month for camaraderie and Esprit de Corps.

# **The Royal Engineers Association**

## **Trustees' annual report (continued)**

### **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

#### **Organisational structure and networks (continued)**

There are a further 10 national branches who represent specialist trades/functions with affiliated members throughout the UK and they will normally meet up once a year. 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 oversees all activities with particular emphasis on benevolence. He is supported by a Deputy Controller who works part time and deals primarily with Esprit de Corps and membership matters. There are five other full time administrative and clerical staff. In addition, the majority of the Secretariat staff are established and paid as Civil Servants within the Regimental Headquarters of the Royal Engineers; one full time and two part time members of staff are employed solely by the Association in this respect.

#### **OBJECTIVES AND ACTIVITIES**

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

- (1) To promote the efficiency of the Corps in all or any of the following ways:
  - (a) by fostering Esprit de Corps and a spirit of comradeship amongst all members of the Corps and encouraging and facilitating their rendering service one to another;
  - (b) by assisting any former member of the Corps in search of employment in finding such employment;
  - (c) by advising former members of the Corps, their wives, widows, children and dependants on all questions affecting pensions, compensation, national health and unemployment benefits, mortgages and agreements (whether business or otherwise);
- (2) To afford assistance in the form of grants, donations or periodical allowance to past or present members of the Corps and their respective wives, widows, children or dependants who may be deserving of help in distress through poverty; and
- (3) To make grants to the Army Benevolent Fund or any other charity connected with the Army for charitable purposes that further the objects of the Association or of such charity as the case may be.

#### **Delivery**

Meetings and reunions are held at numerous locations under arrangements of groups and branches. The Controller handles advice on employment and financial matters, largely by referral of those requesting it to appropriate organisations. Benevolence to those in need is considered of paramount importance. All applications received from the Sapper family are considered sympathetically, with financial assistance and advice being given as thought proper.

#### **Significant Activities in 2008**

The Trustees of the REA approved a grant of £5,000 towards a bronze bust of Lieutenant Colonel John Rock that was unveiled in the Garden of Reflection in Rock Barracks, Wood Bridge in Suffolk – the home of 23 Engineer Regiment (Air Assault) The unveiling took place at the Medal Parade after the conclusion of an operational tour in Afghanistan.

The cessation of hostilities in Bosnia & Herzegovina was recognised by a ceremony at The National Memorial Arboretum in Staffordshire at which Miss Lauren McLeish, aged 12 years, an orphan of the Corps who lost her father in 1996 in Bosnia, laid a wreath on behalf of the Army in a very moving parade.

# The Royal Engineers Association

## Trustees' annual report (continued)

### OBJECTIVES AND ACTIVITIES (continued)

#### Volunteers

The REA consists of 12 Groups, 95 branches in towns and cities in the UK and overseas and 10 national branches. These 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 by distributing grants, periodical allowances and Christmas benevolence to over one thousand recipients from whom many letters of appreciation have been received. The total numbers of cases considered has decreased by 64 over the previous year. The concerted drive by The Royal British Legion and other charities and social workers to inform the general public of eligibility for benevolence from the services charities continues. The trend in the number of requests for mobility equipment and bath lifts including the need for walk-in showers continues.

#### Grants Considered in 2008

Year	2008	2007	2006	2005	2004
Disabled & invalids	503	490	474	445	505
Old age	57	55	58	50	54
Widows	166	211	165	206	153
Unemployed	49	42	36	31	26
Miscellaneous	199	228	186	154	117
No grant made	9	22	17	24	22
Totals	984	1,048	936	910	877

#### 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, with financial assistance and advice.
- Cases requiring financial assistance greater than £500 (Controllers financial threshold) are referred to the REA Benevolence Committee that sits once per month (less August). There is no financial limit that the Committee can authorise for benevolence. The Committee also deals with applications for weekly allowances. Cases, having been in front of the Committee, are despatched within a week of the Committee sitting.
- Regular weekly allowances are made to about 140 applicants and some have further assistance from the Army Benevolent Fund (ABF) where there is a need to financially assist with nursing home fees.
- Approximately 900 Christmas cards and monetary gifts are sent out in November each year to those in elderly people homes, in hospitals or homes for the mentally infirm and to those who are in receipt of weekly allowances.
- A grant of £35,000 was made to the ABF for the work they do on behalf of the wider services benevolence system.
- A grant of £5,000 was made to SSAFA Forces Help.
- A grant of £7,500 was made to Combat Stress, The Ex-Services Mental Welfare Society.

# The Royal Engineers Association

## Trustees' annual report (continued)

### ACHIEVEMENTS AND PERFORMANCE (continued)

#### Delivery - Membership

- Applications for Membership are handled on the day of receipt with a Service Record Check and issuing of a Life Membership Card.
- Meetings and reunions are held at numerous locations under arrangements of groups and branches.
- The Controller handles advice on employment and financial matters and matters dealing with War Pensions, largely by referral of those requesting it to appropriate organisations such as The Royal British Legion or The Service Personnel & Veterans Agency.
- The REA Recruiting Committee sits when needed to consider the wider marketing of the Association and Public Relation issues and initiatives. A new and innovative poster is launched each year with posters sent to all units.
- The Regt Col and the Controller speak to all command courses to inform them of the activities of the REA.

#### Assistance

The Association acknowledges with gratitude the assistance provided by the caseworkers of SSAFA Forces Help, The Royal British Legion 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 Day's 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 taken steps to change the Rules of the REA and direct REA Branches to provide this financial information to HQ REA by 31 January each year. The funds associated with these branches are designated.

### 2008 FINANCIAL REVIEW

Serving officers, warrant officers and soldiers subscribe to the Royal Engineers Central Charitable Trust under the Army's 'Day's Pay Scheme' after the Institution of Royal Engineers has received its officer subscriptions. The Association receives 50% of the monies received from the Day's 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 incoming resources before other recognised gains and losses were £110,114 (2007 - £652,013).

#### Balance Sheet

The accumulated funds decreased by £1,534,111 to £7,458,747 (2007 increased by £1,112,902 to £8,992,858).

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

Direct expenditure on benevolence grants was £432,334 (2007 - £433,067) Christmas grants decreased by £649 to £31,958 in 2008 and weekly allowances decreased marginally from £87,587 to £87,114.

Due to exceptional stock market turbulence the overall assets of the Association decreased to £7,458,747 (2007 - £8,992,858).



# **The Royal Engineers Association**

## **Trustees' annual report (continued)**

### **2008 FINANCIAL REVIEW (continued)**

#### **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 2008 the Advisory Board recommended minor changes to asset allocation in an endeavour to enhance income during the prolonged period of market turbulence. These recommendations were supported by the Royal Engineers Investment Committee and approved by Trustees. The Objective of the Fund is to seek to achieve real growth in capital and income over the long term by investment predominately in equities.

#### **Investment performance**

Investments delivered dividends of £233,884 in 2008 (2007 - £204,121). During the period 1 January to 31 December 2008, the performance of the distribution units in the Fund was -25.8% (2006 +6.3%) after fees and expenses. Since launch the fund has produced a return of +25.3%, +11.5% ahead of its investment benchmark.

#### **Risk statement**

The Trustees reviewed an updated risk register at their Council meeting in September 2008 and are satisfied that systems have been established to mitigate those risks.

#### **Reserves**

The account posts net incoming resources of £110,114 (2007 - £652,013) before realised and unrealised gains. Losses on investments amounted to £1,999,477 (2007 - +£460,889) giving a negative net movement in funds of £(1,889,363) (2007 - +£1,112,902). It is the Trustees policy to withdraw capital from the Designated and Restricted Fund's investment portfolios in order to maximise grant making. The Trustees are also prepared to draw on the capital of the Unrestricted General fund when necessary. The general fund acts as a reserve to meet both projected needs and the demands for the 'unexpected'. This latter contingency, however difficult to assess, must feature, as a matter of prudence, in the central charitable fund supporting army benevolence. The Trustees therefore keep the level of the Fund's reserves under constant review. There are a number of factors which affect their opinion on the adequacy or otherwise of the level of reserves at any one time, for example, previous periods of volatile stock market fluctuations. In addition the military situation both in the Gulf and elsewhere overseas could have a significant impact on the Fund, both in terms of a possible growth in the number of potential beneficiaries and in the climate for public donations.

The Trustees are of the opinion that, the level of reserves should be maintained.

#### **Public Benefit**

The REA Trustees have paid due regard to the Charity Commissioner'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 stairlifts and electric powered scooters and wheelchairs) and walk in showers at home where the applicant is unable to use a bath safely.

# **The Royal Engineers Association**

## **Trustees' annual report (continued)**

### **2008 FINANCIAL REVIEW (continued)**

#### **Plans for the future**

In September 2007 the Trustees pledged £200K towards the costs of the RE Museum Transformation Project and moving the RE Library to the Ravelin Building in Brompton Barracks, subject to the Museum securing £1.4m in external grants. This pledge is still outstanding and will be honoured when the external grants have been secured.

#### **Auditors**

Reeves+Neylan LLP have expressed their willingness to continue in office as the charity's auditor and a resolution to re-appoint them will be considered at the next Chief Royal Engineer's Meeting.

Signed on behalf of the Trustees

**SIGNED ON ORIGINAL**

Major General JD Moore-Bick CBE DL Chairman

, 2009

# **The Royal Engineers Association**

## **Responsibilities of the Council of the Royal Engineers Association**

The Royal Engineers Association Deed of Declaration of Trust dated 19 November 1968 requires the Council to lay before the Association, at the Annual General Meeting, a proper statement of financial activities, together with a proper balance sheet.

In preparing the financial statements the Council has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards and statements of recommended practice have been followed; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Association will continue in operation.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity, and ensure that the financial statements comply with the Charities Act 1993 and the trust deed. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

**The Royal Engineers Association  
Statement of Financial Activities  
For the year ended 31 December 2008  
Independent auditors' report to the Council of  
The Royal Engineers Association**

We have audited the financial statements of the Royal Engineers Association for the year ended 31 December 2008 which comprise the statement of financial activities, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Regulation 7 of The Charities (Accounts and Reports) Regulations 2005. 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 auditors' 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Council and auditors**

The trustees' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustee's Responsibilities.

We have been appointed as auditors under s43 of the Charities Act 1993 and report in accordance with regulations made under s44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and the trust deed. We also report to you if in our opinion the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the charity's state of affairs, in accordance with United Kingdom Generally Accepted Accounting Practice as at 31 December 2008 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and the Trust Deed of the Royal Engineers Association dated 19 November 1968.

**Reeves+Neylan LLP**

Chartered Accountants and Registered Auditors  
Chatham, Kent United Kingdom

**The Royal Engineers Association**  
**Statement of Financial Activities**  
**For the year ended 31 December 2008**

	Note	Restricted Fund A £	Restricted Fund B £	Restricted Gabriel Fund £	Restricted Kitchener S'hip Fund £	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2008 £	Total 2007 £
<b>Incoming resources</b>									
<b>Incoming resources from generated funds</b>									
<b>Voluntary income</b>									
Donations	3	-	-	-	-	59,464	12,177	71,641	84,626
Legacies	4	-	-	-	-	-	160,505	160,505	802,569
Grants	5	-	-	-	-	-	5,000	5,000	17,500
Subscriptions and tax	6	-	-	-	-	19,844	400,989	420,833	416,516
Donated services and facilities	7	-	-	-	-	-	148,511	148,511	146,081
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,511</u>	<u>148,511</u>	<u>146,081</u>
<i>Total voluntary income</i>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,308</u>	<u>727,182</u>	<u>806,490</u>	<u>1,467,292</u>
<b>Activities for generating funds</b>									
Esprit de Corps	8	-	-	-	-	136,309	-	136,309	131,283
Investment income	9	993	38,436	1,653	-	-	229,260	270,342	223,099
		<u>993</u>	<u>38,436</u>	<u>1,653</u>	<u>-</u>	<u>-</u>	<u>229,260</u>	<u>406,651</u>	<u>354,382</u>
<i>Total incoming resources from generated funds</i>		<u>993</u>	<u>38,436</u>	<u>1,653</u>	<u>-</u>	<u>136,309</u>	<u>229,260</u>	<u>406,651</u>	<u>354,382</u>
<b>Other incoming resources</b>									
Branch Returns - Adj't		-	-	-	-	(781)	-	(781)	2,604
Sundry income		-	-	-	-	42,481	-	42,481	46,491
Refund of grants	10	-	-	-	-	-	9,197	9,197	12,463
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,197</u>	<u>9,197</u>	<u>12,463</u>
<i>Total incoming resources</i>		<u>993</u>	<u>38,436</u>	<u>1,653</u>	<u>-</u>	<u>257,317</u>	<u>965,639</u>	<u>1,264,038</u>	<u>1,883,232</u>
<b>Resources expended</b>									
<b>Cost of generating funds</b>									
<b>Cost of generating voluntary income</b>									
Recruiting	13	-	-	-	-	-	2,445	2,445	3,956
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,445</u>	<u>2,445</u>	<u>3,956</u>
<i>Total cost of generating voluntary income</i>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,445</u>	<u>2,445</u>	<u>3,956</u>
<b>Charitable activities</b>									
Benevolence	14	5,295	539,011	7,100	-	-	162,326	713,732	774,509
Esprit de Corps	15	-	-	-	-	249,046	125,072	374,118	381,721
		<u>5,295</u>	<u>539,011</u>	<u>7,100</u>	<u>-</u>	<u>249,046</u>	<u>287,398</u>	<u>1,087,850</u>	<u>1,160,186</u>
<i>Total cost of charitable activities</i>		<u>5,295</u>	<u>539,011</u>	<u>7,100</u>	<u>-</u>	<u>249,046</u>	<u>287,398</u>	<u>1,087,850</u>	<u>1,160,186</u>
<b>Governance</b>	16	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>63,619</u>	<u>63,629</u>	<u>71,033</u>
<i>Total resources expended</i>		<u>5,295</u>	<u>539,011</u>	<u>7,110</u>	<u>-</u>	<u>249,046</u>	<u>353,462</u>	<u>1,153,924</u>	<u>1,231,219</u>

**The Royal Engineers Association**  
**Statement of financial activities (continued)**  
**For the year ended 31 December 2008**

Note	Restricted Fund A £	Restricted Fund B £	Restricted Gabriel Fund £	Restricted Kitchener S'ship Fund £	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2008 £	Total 2007 £
<b>Brought forward</b>								
<i>Total resources expended</i>	5,295	539,011	7,110	-	249,046	353,462	1,153,924	1,231,219
<i>Net (outgoing)/incoming resources before transfers</i>	(4,302)	(500,575)	(5,457)	-	8,271	612,177	110,114	652,013
<b>Transfers</b>								
<i>Gross transfers between funds</i>	4,302	500,575	-	-	-	(504,877)	-	-
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>	-	-	(5,457)	-	8,271	107,300	110,114	652,013
<b>Other recognised gains and losses</b>								
Gains/(losses) on investments	18 (8,492)	(328,585)	-	-	-	(1,662,400)	(1,999,477)	460,889
<i>Net movement in funds</i>	(8,492)	(328,585)	(5,457)	-	8,271	(1,555,100)	(1,889,363)	1,112,902
<b>Administrative transfer</b>								
Transfer of funds Kitchener Scholarship	-	-	-	355,252	-	-	355,252	-
<b>Reconciliation of funds</b>								
<i>Total funds brought forward</i>	32,168	1,243,047	34,223	-	333,457	7,349,963	8,992,858	7,879,956
<i>Total funds carried forward</i>	23,676	914,462	28,766	355,252	341,728	5,794,863	7,458,747	8,992,858

All income and expenditure arose from the continuing activities of the funds. There are no recognised gains and losses in the current or preceding year other than as shown above.

**The Royal Engineers Association**  
**Balance sheet**  
**As at 31 December 2008**

	Note	Restricted Fund A £	Restricted Fund B £	Restricted Gabriel Fund £	Restricted Kitchener Scholarship Fund £	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2008 £	Total 2007 £
<b>Fixed assets</b>									
Tangible assets	17	-	-	-	-	77,433	66,368	143,801	153,630
Investments	18	24,337	941,669	-	-	19,596	4,764,148	5,749,750	7,759,634
<i>Total fixed assets</i>		<u>24,337</u>	<u>941,669</u>	<u>-</u>	<u>-</u>	<u>97,029</u>	<u>4,830,516</u>	<u>5,893,551</u>	<u>7,913,264</u>
<b>Current assets</b>									
Debtors	19	-	-	-	355,252	499	131,420	487,171	148,313
CAFCash		-	-	35,866	-	-	765,273	801,139	703,857
Cash at bank		-	-	-	-	251,159	56,024	307,183	269,508
<i>Total current assets</i>		<u>-</u>	<u>-</u>	<u>35,866</u>	<u>355,252</u>	<u>251,658</u>	<u>952,717</u>	<u>1,595,493</u>	<u>1,121,678</u>
Amounts due to unrestricted general fund – fund transfers		(661)	(27,207)	-	-	-	27,868	-	-
Sundry creditors	20	-	-	(7,100)	-	(6,959)	(16,238)	(30,297)	(42,084)
<i>Net current (liabilities)/ assets</i>		<u>(661)</u>	<u>(27,207)</u>	<u>28,766</u>	<u>355,252</u>	<u>244,699</u>	<u>964,347</u>	<u>1,565,196</u>	<u>1,079,594</u>
<i>Total assets less current liabilities</i>		<u><u>23,676</u></u>	<u><u>914,462</u></u>	<u><u>28,766</u></u>	<u><u>355,252</u></u>	<u><u>341,728</u></u>	<u><u>5,794,863</u></u>	<u><u>7,458,747</u></u>	<u><u>8,992,858</u></u>
<b>Represented by:</b>									
<b>The funds of the charity</b>									
Fund A - restricted								23,676	32,168
Fund B - restricted								914,462	1,243,047
Gabriel Fund - restricted								28,766	34,223
Kitchener - restricted								355,252	
Branch funds -designated								341,728	333,457
General fund unrestricted								5,794,863	7,349,963
								<u>7,458,747</u>	<u>8,992,858</u>

Approved on behalf of the Council of the Royal Engineers Association on

, 2009.

**SIGNED ON ORIGINAL**

**SIGNED ON ORIGINAL**

MAJOR GENERAL J D MOORE-BICK CBE DL  
Chairman

COLONEL R M R HUNT  
Honorary Treasurer

# Royal Engineers Association

## Notes to the accounts

### Year ended 31 December 2008

#### 1. Accounting policies

The financial statements are prepared in accordance with the Statement of Recommended Practice "Accounting by Charities" issued in March 2005 (SORP 2005) and applicable United Kingdom accounting standards and the Charities Act 1993. The particular accounting policies adopted by the Council, which have been applied consistently, are described below:

##### **Basis of preparation**

The accounts combine the accounts of all Funds including all branches which are governed by the terms of the Trust Deed dated 19 November 1968 and have been prepared under the historical cost convention as modified by the revaluation of investments and certain fixed assets as stated below.

##### **Investments**

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

##### **Incoming resources**

All incoming resources are recognised once the charity has entitlement to the resources and the monetary value of the incoming resources can be measured with reliability.

##### *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 receives 50% of the monies received from the Day's Pay Scheme.

##### *Donations*

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

##### **Resources expended**

Liabilities are recognised as resources expended 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.

##### **Charitable activities**

Cost of charitable activities includes grants made and the apportionment of support costs shown in note 11.

##### **Cost of generating funds**

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

##### **Fund structure**

The charity maintains various types of funds as follows:

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

*Restricted funds* represent grants, donations and legacies received which are allocated by the donor for a specific purpose. These are Gabriel, A and B funds which are explained in detail in Note 21 and / or in the Trustee Report.

*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.



# Royal Engineers Association

## Notes to the accounts

### Year ended 31 December 2008

#### Tangible fixed assets and depreciation

REA assets, including those purchased 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:

- a. Fixtures & fittings: 10% pa
- b. Computers: 20% pa
- c. General property: 10% pa

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

#### Pensions

In September 2003 trustees introduced a new defined contribution pension scheme for new employees and those not already in a scheme. 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%. Pension costs are charged to the accounts on an accruals basis.

#### 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.

#### Tender Policy

Trustees introduced a tender policy that covers expenditure:

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

#### Governance costs

Governance costs comprise of all costs associated with the charity in its pursuit of maintaining compliance, regulation and good practice. These costs include costs related to statutory audit and legal fees together with specific support costs and an apportionment of donated services and staff costs.

## 2. Information regarding trustees and employees

No Trustee nor connected person or party, received any remuneration from the charity during the current or preceding year. The trustees receive reimbursement of expenses. In addition to the salaries below, certain services, which are currently provided free by the MOD and which they are able to quantify were consumed in 2008 and 2007 are listed in note 7. No employee earned in excess of £60,000 (2007 – None)

	2008	2007
<b>The average number of employees was:</b>		
Management and administration of the charity	8	8
	<u>8</u>	<u>8</u>
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Employee costs during the year:</b>		
Wages and salaries	65,578	58,745
NIC	4,863	4,010
Pension costs	6,884	5,872
	<u>77,325</u>	<u>68,627</u>

	Benevolence Note 14 £	Esprit de Corps Note 15 £	Governance Note 16 £	Total 2008 £	Total 2007 £
Staff costs	<u>20,371</u>	<u>45,845</u>	<u>11,109</u>	<u>77,325</u>	<u>68,627</u>

**Royal Engineers Association**  
**Notes to the accounts**  
**Year ended 31 December 2008**

**3. Donations**

	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2008 £	Total 2007 £
General	59,464	8,257	67,721	82,435
From branches	-	3,301	3,301	2,027
Tax refund	-	619	619	164
	<u>59,464</u>	<u>12,177</u>	<u>71,641</u>	<u>84,626</u>

**4. Legacies**

The following legacies were received into the Unrestricted General Fund:

	2008 £	2007 £
BAO Ward	-	5,000
GH Jackson	40,188	785,659
Mrs JE Woollett	-	1,000
DFJ Cooper	-	9,010
RL Bond	7,313	-
Mrs SWM Woolgar	9,500	-
R Banks	5,815	-
Mrs KB Gollings	75,000	-
Mrs M Daniells	4,000	-
JR Plant	4,739	-
FJ Cooper	10,450	-
Other legacies	3,500	1,900
	<u>160,505</u>	<u>802,569</u>

**5. Grants**

In 2008 - grants totalling £5,000 (2007 - £17,500) were received:

H&M Charitable Trust	£5,000 (2007 - £7,500)
Heritage Lottery	Nil (2007 - £10,000)

**6. Subscriptions and tax**

	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2008 £	Total 2007 £
Membership	19,844	2,127	21,971	18,894
Day's Pay Scheme	-	398,862	398,862	375,138
Tax refund on DPS	-	-	-	22,484
	<u>19,844</u>	<u>400,989</u>	<u>420,833</u>	<u>416,516</u>

**Royal Engineers Association**  
**Notes to the accounts**  
**Year ended 31 December 2008**

**7. Donated services and facilities**

	<b>Total 2008 £</b>	<b>Total 2007 £</b>
Gas	1,101	992
Electricity	1,330	1,201
Water and sewage	572	435
Community Charge	4,275	4,151
Utilities	967	869
	<u>8,245</u>	<u>7,648</u>
MOD Salaries	96,000	102,000
Administration salaries	44,266	36,433
	<u>148,511</u>	<u>146,081</u>

	<b>Benevolence £ Note 14</b>	<b>E de Corps £ Note 15</b>	<b>Governance £ Note 16</b>	<b>Total 2008 £</b>	<b>Total 2007 £</b>
<b>Expenditure</b>					
Utilities	4,844	2,370	1,031	8,245	7,648
Admin salaries	26,006	12,726	5,534	44,266	36,433
	<u>30,850</u>	<u>15,096</u>	<u>6,565</u>	<u>52,511</u>	<u>44,081</u>
Sub total					
MOD salaries	58,600	24,700	12,700	96,000	102,000
	<u>89,450</u>	<u>39,796</u>	<u>19,265</u>	<u>148,511</u>	<u>146,081</u>

**8. Esprit de Corps Income**

Branches generated £136,309 (2007 - £131,283) in income from Esprit de Corps activities.

**9. Investment income**

	<b>Restricted Fund A £</b>	<b>Restricted Fund B £</b>	<b>Restricted Gabriel Fund £</b>	<b>Unrestricted General Fund £</b>	<b>Total 2008 £</b>	<b>Total 2007 £</b>
Bank interest	-	-	1,653	34,805	36,458	18,978
Dividends – AFCIF	993	38,436	-	194,455	233,884	204,121
	<u>993</u>	<u>38,436</u>	<u>1,653</u>	<u>229,260</u>	<u>270,342</u>	<u>223,099</u>

**10. Refunds of grants**

Relates to benevolence grants and allowances issued in previous years that have been returned as surplus to the requirements of the beneficiary.

**Royal Engineers Association**  
**Notes to the accounts**  
**Year ended 31 December 2008**

**11. Analysis of costs of charitable activity**

<b>Activity</b>	<b>Activities undertaken directly £</b>	<b>Support costs £</b>	<b>Total £</b>
Benevolence	602,656	111,076	713,732
Esprit de Corps	35,028	90,044	125,072
	<u>637,684</u>	<u>201,120</u>	<u>838,804</u>

  

<b>Analysis of support costs</b>	<b>Benevolence £</b>	<b>Esprit de Corps £</b>	<b>Basis of allocation etc.</b>
Management	32,105	19,499	% of time spent on activity
Finance	78,971	70,545	
	<u>111,076</u>	<u>90,044</u>	

**12. Investment management costs**

BlackRock charge a headline fee of 0.4% against pooled funds of the AFCIF. As at 31<sup>st</sup> December 2008, 17% of the fund was outsourced to third party managers through an open architecture investment initiative. Identifying management costs against individual funds in the AFCIF is therefore very complicated. BlackRock consulted with the Charity Commission who confirmed there is no requirement to identify management costs in pooled investments.

**13. Recruiting**

The sum of £2,445 was spent in 2008 (2007 - £3,956) including postage and telephone costs.

**14. Benevolence grants and allowances**

	<b>Restricted Fund A £</b>	<b>Restricted Fund B £</b>	<b>Restricted Gabriel Fund £</b>	<b>Unrestricted General Fund £</b>	<b>Total 2008 £</b>	<b>Total 2007 £</b>
Grants	2,950	422,284	7,100	-	432,334	433,067
Christmas grants	824	31,134	-	-	31,958	32,607
Weekly allowances	1,521	85,593	-	-	87,114	87,587
Army Benevolent Fund	-	-	-	35,000	35,000	30,000
SSAFA Families Help	-	-	-	5,000	5,000	5,000
Other charities	-	-	-	11,250	11,250	79,180
Travel costs	-	-	-	1,255	1,255	1,124
Donated services support costs (note 7)	-	-	-	30,850	30,850	25,897
Donated services MOD salaries (note 7)	-	-	-	58,600	58,600	59,550
Staff costs (note 2)	-	-	-	20,371	20,371	20,497
	<u>5,295</u>	<u>539,011</u>	<u>7,100</u>	<u>162,326</u>	<u>713,732</u>	<u>774,509</u>

**Royal Engineers Association**  
**Notes to the accounts**  
**Year ended 31 December 2008**

**15. Esprit de Corps**

	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2008 £	Total 2007 £
Corps activities	-	16,183	16,183	17,400
Branch donations	27,982	-	27,982	30,922
Branch activities	221,064	13,331	234,395	236,743
Postage and telephone	-	1,600	1,600	3,159
Annual dinner	-	3,914	3,914	3,334
National Arboretum	-	-	-	6,527
Staff travel	-	3,740	3,740	2,864
Water cooler	-	663	663	653
Donated services support costs (note 7)	-	15,096	15,096	12,674
Donated services MOD Salaries (note 7)	-	24,700	24,700	29,200
Staff costs (note 2)	-	45,845	45,845	38,245
	<u>249,046</u>	<u>125,072</u>	<u>374,118</u>	<u>381,721</u>

**16. Governance**

	Restricted Gabriel Fund £	Unrestricted General Fund £	Total 2008 £	Total 2007 £
Audit fee	-	5,875	5,875	8,040
Legal & professional	-	-	-	762
Annual conference expenses (including travel)	-	2,426	2,426	2,102
Committees	-	4,929	4,929	4,462
General insurance	-	2,842	2,842	2,826
Trustee indemnity insurance	-	441	441	385
Printing & stationery	-	25	25	998
Staff travel	-	383	383	178
Advertising	-	805	805	882
Fees & subscriptions	-	675	675	950
Bank charges	10	1,252	1,262	164
Postage	-	2,399	2,399	446
Travel & subsistence for audit	-	591	591	394
Computer support	-	1,030	1,030	978
Adj't Fixed Assets	-	-	-	9,839
Depreciation	-	9,465	9,465	8,982
Miscellaneous	-	107	107	-
Donated services support (note 7)	-	6,565	6,565	5,510
Donated services MOD Salaries (note 7)	-	12,700	12,700	13,250
Staff costs (note 2)	-	11,109	11,109	9,885
	<u>10</u>	<u>63,619</u>	<u>63,629</u>	<u>71,033</u>

**Royal Engineers Association**  
**Notes to the accounts**  
**Year ended 31 December 2008**

**17. Tangible assets**

	Unrestricted Designated Fixture and fittings £	Unrestricted General Property £	Unrestricted General Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2008	78,357	81,440	4,191	163,988
Additions	1,032	-	560	1,592
Deletions	(1,956)	-	-	(1,956)
Adjustment fixed assets	-	3,714	-	3,714
	<u>77,433</u>	<u>85,154</u>	<u>4,751</u>	<u>167,338</u>
<b>At 31 December 2008</b>				
<b>Accumulated depreciation</b>				
At 1 January 2008	-	11,858	2,214	14,072
Charge for the year	-	8,515	950	9,465
	<u>-</u>	<u>20,373</u>	<u>3,164</u>	<u>23,537</u>
<b>At 31 December 2008</b>				
<b>Net book value</b>				
At 31 December 2008	<u>77,433</u>	<u>64,781</u>	<u>1,587</u>	<u>143,801</u>
At 31 December 2007	<u>78,357</u>	<u>73,296</u>	<u>1,977</u>	<u>153,630</u>

**18. Investments**

	2008 £	2007 £
At 1 January 2008	7,759,634	7,268,742
Unrealised gains/(losses) on investments	(2,029,480)	460,889
	<u>5,730,154</u>	<u>7,729,631</u>
At 31 December 2007	19,596	30,003
Branch Investments	<u>5,749,750</u>	<u>7,759,634</u>
<b>Historical cost</b>		
At 31 December 2008 and 2007	<u>4,585,175</u>	<u>4,585,175</u>

At 31 December 2008 and 31 December 2007 invested funds were held in The Armed Forces Common Investment Fund, managed by BlackRock.

**Royal Engineers Association**  
**Notes to the accounts**  
**Year ended 31 December 2008**

**19. Debtors**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Advance weekly allowances	18,130	25,250
BlackRock Investment Managers	59,617	57,324
JPS Subscriptions	33,123	65,275
Legacies	13,450	-
Other debtors	7,100	-
Branch debtors	499	464
	<hr/>	<hr/>
<b>Administrative Transfer</b>		
Kitchener Scholarship	355,252	-
	<hr/>	<hr/>
	<b>487,171</b>	<b>148,313</b>
	<hr/> <hr/>	<hr/> <hr/>

**20. Sundry creditors**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Advance weekly allowances	7,156	4,084
Grants 2008	2,960	-
Reeves+Neylan LLP (Deloitte & Touche LLP)	5,875	10,287
H&M Charitable Trust	0	5,000
Branch creditors	6,959	22,713
Other creditors	7,347	-
	<hr/>	<hr/>
	<b>30,297</b>	<b>42,084</b>
	<hr/> <hr/>	<hr/> <hr/>

**21. The Gabriel fund**

In 1996 a legacy of £25,000 was received from the estate of Colonel R C Gabriel. No restriction was placed on these funds at the time, hence it was included in the General Fund at 31 December 1996.

During 1997 the Association applied for, and was granted, a further legacy of £20,000 from the estate of Colonel R C 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 received from the estate of Colonel R C Gabriel.

**22. Related party transactions**

Eleven trustees received expenses totalling £3,136 in 2008 (2007 - £3,516). All other transactions with related parties are disclosed in the Trustee Report and notes to the accounts.