

Charity Registration No. 258322  
Registered in England & Wales

Charity Registration No. SC041832  
Registered in Scotland

The Royal Engineers Association

Annual Report and Financial Statements

31 December 2010



# 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 Peter Wall KCB CBE ADC Gen President

Major General JD Moore-Bick CBE DL Chairman

Brigadier AS Craig OBE Deputy Chairman

Brigadier BJ Le Grys MBE .. Retired July 20 10

Brigadier I James OBE ADC Appointed July 20 10

Brigadier NG Baveystock

Lieutenant Colonel RW Murfin TD DL

Colonel RMR Hunt Honorary Treasurer

Colonel DA Caulfield Retired February 2010

Colonel SPF Harris Regimental Colonel Appointed February 2010

Lieutenant Colonel WJH Clark Retired April 20 10

Lieutenant Colonel F Ford Appointed April 2010

Lieutenant Colonel MG Fossey

Mr TP Hartley

MrB Owens Appointed March 2010

WOI (Corps RSM) M Callender

MrMBarryMM

Mr E Lowbridge

Major R MacGregor MBE

Mr R Prosser

MrRMorgan

Mr G Littleford

Mr EPowling

Mr J Walsh

Lieutenant Colonel N Parmley

Retired December 20 10

Appointed December 2010

### Bankers

L10yds TSB plc  
Cox & Kings Branch  
7 Pall Mall  
London  
SW1Y 5NA

CAFBankLtd  
25 Kings Hill  
West Mailing  
ME194JQ

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  
EC4R9AS

### **Solicitors**

Brachers  
Sommerfield House  
59 London Road  
Maidstone  
Kent ME 16 8JH

### **Independent auditors**

Reeves & Co LLP  
Montague Place  
Quayside  
Chatham Maritime  
Chatham  
ME44QU

# **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 2010.

### **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 was the subject to an administrative transfer on 31 December 2008, was accepted by the REA Trustees from The Institution of Royal Engineers at their meeting in May 2009 and is now administered through the REA Benevolence committee.

## **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 2010 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 96 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 four other full time administrative and clerical staff. In addition, half of the Secretariat staff are established and paid as Civil Servants within the Regimental Headquarters of the Royal Engineers; two full time and one 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.

# The Royal Engineers Association

## Trustees' annual report (continued)

### OBJECTIVES AND ACTIVITIES (continued)

#### Volunteers

The REA consists of 12 Groups, 96 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 128 (11%) 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 2010

Year	2010	2009	2008	2007	2006	2005
Disabled & invalids	404	499	503	490	474	445
Old age	73	37	57	55	58	50
Widows	138	178	166	211	165	206
Unemployed	122	107	49	42	36	31
Miscellaneous	206	232	198	228	186	154
No grant made	10	18	9	22	17	24
	---	---	---	---		
Totals	953	1071	983	1,048	936	910

#### 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 1200 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, to those who are in receipt of weekly allowances and those being treated through Combat Stress
- 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 £7,500 was made to SSAFA Forces Help.
- A grant of £2,500 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.

#### 2010 FINANCIAL REVIEW

Serving RE 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 a set percentage of 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 £171,175 (2009 - outgoing (£9,413)).

#### Balance Sheet

The accumulated funds increased by £816,742 to £9,193,401 (2009 increased by £917,912 to £8,376,659).

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

Direct expenditure on benevolence grants was £424,842 (2009 - £431,000) Christmas grants decreased by £2,049 to £30,566 in 2010 and weekly allowances increased from £103,513 to £103,610.

The overall assets of the Association increased to £9,193,401 (2009 - £8,376,659).

# The Royal Engineers Association

## Trustees' annual report (continued)

### 2010 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 2010 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 £268,288 in 2010 (2009 - £231,591). During the period 1 January to 31 December 2010, the performance of the distribution units in the Fund was +8.8% (2009 - +14.8%) after fees and expenses. Since launch the fund has produced a return of +56.6%, +7.9% ahead of its investment benchmark.

#### Risk statement

The Trustees reviewed an updated risk register at their Council meeting in September 2010 and are satisfied that systems have been established to mitigate those risks.

#### Reserves

The account posts net incoming resources of (£171,175) (2009 - outgoing (£9,413)) before realised and unrealised gains. Gains on investments amounted to £645,567 (2009 - gains of £927,325) giving a positive net movement in funds of £816,742 (2009 - £917,912). 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 anyone time, for example, previous periods of volatile stock market fluctuations. In addition the military situation both in Afghanistan, 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.

#### *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. In addition the Fund has helped some of our serving Sappers where there is a "need" for example orthopaedic beds for those injured on active service as the direct result of bomb explosions.

# The Royal Engineers Association .

## Trustees' annual report (continued)

### Plans for the future

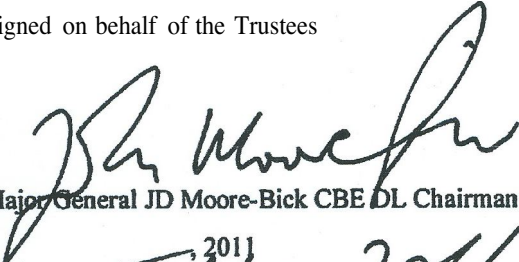
The Trustees of the REA have set objectives over the coming years to continue assisting those who have fallen on hard times and in need of financial assistance. In addition the Trustees will continue to promote the Corps of Royal Engineers throughout the ranks of the serving Sapper, the retired REA membership and through Groups and Branches.

In 2012 the REA will hold a Centenary celebration.

### Auditors

Reeves & Co 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



Major General JD Moore-Bick CBE DL Chairman

6<sup>th</sup> May 2011

## **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.

# 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 2010 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 section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. 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 Trustees' 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 2010 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.

### 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 1993 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 have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or

## **Independent auditors' report to the Council of**

### **The Royal Engineers Association**

- we have not received all the information and explanations we require for our audit.

#### **Reeves & Co LLP**

Chartered Accountants and Registered Auditors  
Chatham, Kent United Kingdom

,2011

# The Royal Engineers Association

## Statement of Financial Activities

For year ended 31 December 2010

	Note	Restricted Fund A £	Restricted Fund B £	Restricted Gabriel Fund £	Restricted Kitchener S'shipFund £	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2010 £	Total 2009 £
Incoming resources									
Incoming resources from generated funds									
Voluntary income									
Donations	3	-	-	-	-	50,741	44,685	95,426	58,166
Legacies	4	-	-	-	-	-	164,278	164,278	93,393
Grants	5	-	-	-	-	-	2,500	2,500	5,000
Subscriptions and tax	6	-	-	-	-	20,925	451,554	472,479	434,851
Donated services and facilities	7	-	-	-	-	-	146,241	146,241	151,964
<i>Total voluntary income</i>		-	-	-	-	71,666	809,258	880,924	743,374
Activities for generating funds									
Esprit de Corps	8	-	-	-	-	127,430	-	127,430	153,101
Investment income	9	1,008	39,010	41	16,204	-	213,745	270,008	236,449
<i>Total incoming resources from generated funds</i>		1,008	39,010	41	16,204	127,430	213,745	397,438	389,550
Other incoming resources									
Branch Returns - Adj		-	-	-	-	142	-	142	(670)
Sundry income		-	-	-	-	23,874	-	23,874	40,797
Refund of grants	10	-	-	-	-	-	14,525	14,525	22,840
<i>Total incoming resources</i>		1,008	39,010	41	16,204	223,112	1,037,528	1,316,903	1,195,891
Resources expended									
Cost of generating funds									
Cost of generating voluntary income									
Recruiting	13	-	-	-	-	-	3,856	3,856	3,106
<i>Total cost of generating voluntary income</i>		-	-	-	-	-	3,856	3,856	3,106
Charitable activities									
Benevolence	14	6,365	524,881	4,000	23,772	-	140,953	699,971	706,467
Esprit de Corps	15	-	-	-	-	209,138	144,954	354,092	431,321
<i>Total cost of charitable activities</i>		6,365	524,881	4,000	23,772	209,138	285,907	1,054,063	1,137,788
Governance	16	-	-	15	15	-	87,779	87,809	64,410
<i>Total resources expended</i>		6,365	524,881	4,015	23,787	209,138	377,542	1,145,728	1,205,304

# The Royal Engineers Association

## Statement of financial activities (continued)

### For the year ended 31 December 2010

	Note	Restricted Fund A £	Restricted FundB £	Restricted Gabriel Fund £	Restricted Kitchener S'ship Fund £	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2010 £	Total 2009 £
<b>Brought forward</b>									
<i>Total resources expended</i>		6,365	524,881	4,015	23,787	209,138	377,542	1,145,728	1,205,304
<i>Net (outgoing)/incoming resources before transfers</i>		(5,357)	(485,871)	(3,974)	(7,583)	13,974	659,986	171,175	(9,413)
<b>Transfers</b>									
<i>Gross transfers between funds</i>		5,357	485,871	-	-	-	(491,228)		
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>		-	-	(3,974)	(7,583)	13,974	168,758	171,175	(9,413)
<b>Other recognised gains and losses</b>									
Gains/(losses) on investments	18	2,526	97,743	-	31,735	-	513,563	645,567	927,325
<i>Net movement infunds</i>		2,526	97,743	(3,974)	24,152	13,974	682,321	816,742	917,912
<b>Reconciliation of funds</b>									
<i>Total funds brought forward</i>		27,117	1,047,610	20,598	400,163	330,521	6,550,650	8,376,659	7,458,747
<i>Total funds carried forward</i>		29,643	1,145,353	16,624	424,315	344,495	7,232,971	9,193,401	8,376,659

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 2010

	Note	Restricted Fund A £	Restricted Fund 8 £	Restricted Gabriel Fund £	Restricted Kitchener S'ship Fund £	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2010 £	Total 2009 £
<b>Fixed assets</b>									
Tangible assets	17	-	-	-	-	76,815	62,053	138,868	147,054
Investments	18	30,404	1,176,427	-	393,164	28,834	6,397,850	8,026,679	7,382,395
<i>Total fixed assets</i>		30,404	1,176,427	-	393,164	105,649	6,459,903	8,165,574	7,529,449
<b>Current assets</b>									
Debtors	19	-	-	-	3,274	1,730	133,005	138,009	129,563
Lloyds/CAFCash		-	-	16,624	24,728	-	459,096	500,448	511,997
Cash at bank		-	-	-	3,149	242,851	167,147	413,147	231,329
<i>Total current assets</i>		-	-	16,624	31,151	244,581	759,248	1,051,604	872,889
Amounts due to unrestricted general fund - fund transfers		(761)	(31,074)	-	-	-	31,835		
Sundry creditors	20	-	-	-	-	(5,735)	(18,015)	(23,750)	(25,679)
<i>Net current (liabilities)/ assets</i>		(761)	(31,074)	16,624	31,151	238,846	773,068	1,027,854	847,210
<i>Total assets less current liabilities</i>		29,643	1,145,353	16,624	424,315	344,495	7,232,971	9,193,401	8,376,659

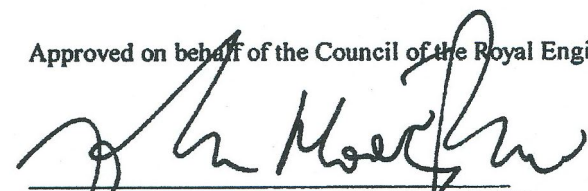
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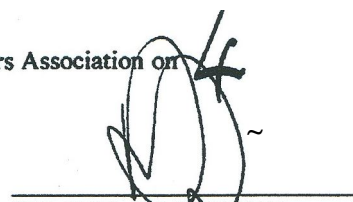
The funds of the charity

Fund A - restricted	29,643	27,117
Fund B - restricted	1,145,353	1,047,609
Gabriel Fund - restricted	16,624	20,598
Kitchener - restricted	424,315	400,163
Branch funds -designated	344,495	330,521
General fund unrestricted	7,232,971	6,550,651
	9,193,401	8,376,659

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

2011.

  
**MAJOR GENERAL J D MOORE-BICK CBE DL**  
 Chairman

  
**COLONEL R M R HUNT**  
 Honorary Treasurer

# The Royal Engineers Association

## Notes to the accounts

For the year ended 31 December 2010

### 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 by the Royal Engineers Association in the Armed Forces 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 II.

#### 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.



# The Royal Engineers Association

## Notes to the accounts

For the year ended 31 December 2010

### 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. Fourteen trustees received reimbursement of expenses at a cost of £2,895. 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 2010 and 2009 are listed in note 7. No employee earned in excess of £60,000 (2009 - None)

	2010	2009
The average number of employees was:		
Management and administration of the charity	8	8
	=	
	2010	2009
	£	£
Employee costs during the year:		
Wages and salaries	83,190	75,403
NIC	6,905	5,620
Pension costs	7,509	7,518
	<u>97,604</u>	<u>88,541</u>

# The Royal Engineers Association

## Notes to the accounts

For the year ended 31 December 2010

	Benevolence Note 14 £	Esprit de Corps Note 15 £	Governance Note 16 £	Total 2010 £	Total 2009 £
Staff costs	6,618	78,254	12,732	97,604	88,541
	--				

3. Donations	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2010 £	Total 2009 £
General	50,741	43,340	94,081	56,964
From branches	-	1,073	1,073	997
Tax refund	-	272	272	205
	50,741	44,685	95,426	58,166

### 4. Legacies

The following legacies were received into the Unrestricted General Fund:

	2010 £	2009 £
DFJ Cooper	580	5,182
Mrs SWM Wooigar	-	36,948
Mrs KB Gollings	-	49,500
FJ Cooper	-	1,763
J Dalrymple	33,300	
DPNichol	10,530	
WF Stratham	17,950	
Zavala-Swarez	17,718	
DA Holme	4,000	
J Sage	80,000	
Other legacies	1,200	
Gatford (2008 drs )	(1,000)	
	164,278	93,393
		--

### 5. Grants

In 2010 a grant of £2,500 (2009 - £5,000) was received from H&M Charitable Trust.

### 6. Subscriptions and tax

	Unrestricted Designated Fund £	Unrestricted General Fund £	Total 2010 £	Total 2009 £
Membership	20,925	1,978	22,903	21,613
Day's Pay Scheme	-	449,576	449,576	413,238



# The Royal Engineers Association

## Notes to the accounts

For the year ended 31 December 2010

20,925                      451,554                      472,479                      434,851

### 7. Donated services and facilities

	Total 2010 £	Total 2009 £
Gas	1,455	1,322
Electricity	1,757	1,597
Water and sewage	693	628
Community Charge	4,443	4,443
Utilities	1,193	1,107
	<u>9,541</u>	<u>9,097</u>
MOD Salaries	91,000	105,000
Administration salaries	45,700	37,867
	146,241	151,964

	Benevolence £ Note 14	E de Corps £ Note 15	Governance £ Note 16	Total 2010 £	Total 2009 £
Expenditure					
Utilities	5,605	2,743	1,193	9,541	9,097
Admin salaries	12,866	12,866	19,968	45,700	37,867
	<u>18,471</u>	<u>15,609</u>	<u>21,161</u>	<u>55,241</u>	<u>46,964</u>
Sub total					
MOD salaries	67,600	9,750	13,650	91,000	105,000
	<u>86,071</u>	<u>25,359</u>	<u>34,811</u>	<u>146,241</u>	<u>151,964</u>

### 8. Esprit de Corps Income

REA Branches generated £127,430 (2009 - £153,101) from activities.

### 9. Investment income

	Restricted Fund A £	Restricted Fund B £	Restricted Gabriel Fund £	Restricted Kitchener S'ship £	Unrestricted General Fund £	Total 2010 £	Total 2009 £
Bank interest	-	-	41	84	1,594	1,719	4,858
Dividends - AFCIF	1,008	39,010	-	16,119	212,151	268,288	231,591
	<u>1,008</u>	<u>39,010</u>	<u>41</u>	<u>16,203</u>	<u>213,745</u>	<u>270,007</u>	<u>236,449</u>

# The Royal Engineers Association

## Notes to the accounts For the year ended 31 December 2010

### 10. Refunds of grants

Benevolence grants and allowances issued in previous years and returned in 2010 by the beneficiary.

### 11. Analysis of costs of charitable activity

Activity	Activities undertaken directly £	Support costs £	Total £
Benevolence	605,818	94,423	700,241
Esprit de Corps	244,169	105,122	349,291
	849,987	199,545	1,049,532

Analysis of support costs	Benevolence £	Esprit de Corps £	Basis of allocation etc. % of time spent on activity
Management	20,204	17,118	
Finance	74,219	88,044	
	94,423	105,162	

### 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 2010, 10% 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 £3,856 was spent in 2010 (2009 - £3,106) including postage and telephone costs.



# The Royal Engineers Association

## Notes to the accounts

For the year ended 31 December 2010

### 14. Benevolence grants and allowances

	Restricted Fund A £	Restricted Fund B £	Restricted Gabriel Fund £	Restricted Kitchener Scholarship £	Unrestricte d General Fund £	Total 2010 £	Total 2009 £
Grants	5,443	391,627	4,000	23,772	-	424,842	431,000
Christmas grants	761	29,805	-	-	-	30,566	32,615
Weekly allowances	161	103,449	-	-	-	103,610	103,513
Army Benevolent Fund	-	-	-	-	35,000	35,000	30,000
SSAFA Families Help	-	-	-	-	7,500	7,500	5,000
Other charities	-	-	-	-	4,300	4,300	5,844
Travel costs	-	-	-	-	1,463	1,463	941
Donated services support costs (note 7)	-	-	-	-	18,471	18,471	27,592
Donated services MOD salaries (note 7)	-	-	-	-	67,600	67,600	63,700
Staff costs (note 2)	-	-	-	-	6,619	6,619	6,262
	6,365	524,881	4,000	23,772	140,953	700,241	706,467

### 15. Esprit de Corps

	Unrestricted Designated Fund £	Unrestricte d General Fund £	Total 2010 £	Total 2009 £
Corps activities	-	19,064	19,064	20,852
Branch donations	23,543	-	23,263	30,738
Branch activities	185,595	15,794	196,868	255,222
Postage and telephone	-	1,680	1,680	1,930
Annual dinner	-	3,294	3,294	3,958
National Arboretum	-	-	-	84
Staff travel	-	1,509	1,509	880
Donated services support costs (note 7)	-	15,609	15,609	13,502
Donated services MOD Salaries (note 7)	-	9,750	9,750	33,200
Staff costs (note 2)	-	78,254	78,254	70,296
	209,138	144,954	349,291	430,657

# The Royal Engineers Association

## Notes to the accounts

### For the year ended 31 December 2010

#### 16. Governance

	Restricted Gabriel <b>Fund</b> £	Restricted Kitchener Scholarship £	Unrestricted General <b>Fund</b> £	Total 2010 £	Total 2009 £
Audit fee	-	-	6,322	6,322	5,985
Legal & professional	-	-	796	796	152
Annual conference expenses (including travel)	-	-	4,172	4,172	2,501
Committees	-	-	5,435	5,435	6,662
General insurance	-	-	3,456	3,456	3,040
Trustee indemnity insurance	-	-	468	468	472
Printing & stationery	-	-	1,228	1,228	1,078
Advertising	-	-	555	555	659
Fees & subscriptions	-	-	1,311	1,311	1,018
Bank charges	15	15	1,573	1,603	1,849
Postage	-	-	2,521	2,521	2,896
Travel & subsistence for audit	-	-	-	-	53
Computer support	-	-	1,467	1,467	1,017
Depreciation	-	-	10,913	10,913	10,883
Miscellaneous	-	-	19	19	192
Donated services support (note 7)	-	-	21,161	21,161	5,870
Donated services MOD Salaries (note 7)	-	-	13,650	13,650	8,100
Staff costs (note 2)	-	-	12,732	12,732	11,983
	15	15	87,779	87,809	64,410

#### 17. Tangible assets

# The Royal Engineers Association

## Notes to the accounts

### For the year ended 31 December 2010

	Unrestricted Designated	Unrestricted General	Unrestricted General Computer equipment	Total 2010
	Fixture and fittings	Property		
	£	£	£	£
<b>Cost</b>				
At 1 January 2010	78,123	97,876	5,475	181,474
Additions	-	-	4,035	4,035
				--
At 31 December 2010	78,123	97,876	9,510	185,509
				--
<b>Accumulated depreciation</b>				
At 1 January 2010	-	30,161	4,259	34,420
Charge for the year	1,308	9,673	1,240	12,221
At 31 December 2010	1,308	39,834	5,499	46,641
				--
<b>Net book value</b>				
At 31 December 2010	76,815	58,042	4,011	138,868
				--
At 31 December 2009	78,123	67,715	1,216	147,054

#### 18. Investments

	Restricted	Unrestricted	2010	2009
	£	£	£	£
At 1 January 2010 (excluding branches)	1,470,847	5,881,431	7,352,278	5,730,154
Transfers	-	-	-	344,799
Additions	-	-	-	400,000
Disposals	-	-	-	(50,000)
Unrealised gains/(losses) on investments	129,148	516,419	645,567	927,325
At 31 December 2010	1,599,995	6,397,850	7,997,845	7,352,278
Branch Investments	-	-	28,834	30,117
	1,599,995	6,397,850	8,026,679	7,382,395
				--
<b>Historical cost</b>				
At 31 December 2010	1,067,781	4,212,193	5,279,974	5,279,974
				=
At 31 December 2009	1,067,781	4,212,193	5,279,974	5,279,974
				--

At 31 December 2010 and 31 December 2009 invested funds were held in The Armed Forces Common Investment Fund, managed by BlackRock.

#### 19. Debtors

2010	2009
£	£

# The Royal Engineers Association

## Notes to the accounts

### For the year ended 31 December 2010

Advance weekly allowances	30,070	30,589
BlackRock Investment Managers	66,605	59,617
JPS Subscriptions	38,404	35,757
Legacies	1,200	1,000
Branch debtors	1,730	2,600
		--
	138,009	129,563
		--

#### 20. Sundry creditors

	2010	2009
	£	£
Advance weekly allowances	12,262	6,976
Reeves & Co LLP	-	6,110
SSAF A Republic of Ireland	2,000	
SSAFA North Devon	850	
Branch creditors	5,735	10,593
Other creditors	2,903	2,000
	--	--
	23,750	25,679
		--

#### 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 £3,204 in 2010 (2009 - £2,928). All other transactions with related parties are disclosed in the Trustee Report and notes to the accounts.