



Royal Engineers Central Charitable Trust

Trustees' report and financial statements

For the year ended 31 December 2020



EMPLOYER RECOGNITION SCHEME

BRONZE AWARD

Proudly supporting those who serve.

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HOW
WE PERFORMED

Reference and administrative details of the charity

Charity registered number

1003032

Principal office

Headquarters Royal Engineers
Brompton Barracks
Chatham
Kent
ME4 4UG

Independent auditor

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

Bankers

Lloyds plc
Cox's & King's Branch
PO Box 1000
London
BX1 1LT

Solicitors

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

Investment Managers

BlackRock Investment Managers
12 Throgmorton Avenue
London
EC2N 2DL

Trustees and advisers Trustees and advisers who served during the year ending 31 December 2020 were as follows:

Lieutenant General Sir Tyrone Urch KBE
Chief Royal Engineer and Chair

Major General Richard Semple CBE
Chair, Corps Finance Committee

Lieutenant General Ivan Jones CB
Representative Colonel Commandant

Major General Nick Cavanagh
President, Institution of Royal Engineers

Major General Alastair Dickinson CBE
Chair, Royal Engineers Association

Major General Dickie Davis CB CBE
Chair, Royal Engineers Museum (tenure complete September 2020)

Major General David Southall CBE
Chair, Royal Engineers Museum (assumed post September 2020)

Major General Chris Tickell CBE
Chair, Royal Engineers Regimental Affairs Committee (tenure complete July 2020)

Major General Bobby Walton-Knight CBE
Chair, Royal Engineers Regimental Affairs Committee (assumed post July 2020)

Brigadier Peter Rowell MBE
Commandant, Royal School of Military Engineering Group

Brigadier Joe Fossey OBE
Commander, 8 Engineer Brigade

Brigadier Richard Brown
Chief ECMI, HQ Allied Rapid Reaction Corps (tenure complete March 2020)

Brigadier Chas Story MBE
Chief ECMI, HQ Allied Rapid Reaction Corps (assumed post March 2020)

Colonel Matt Quare MBE ADC
Corps Colonel

Colonel Andrew Ryan
Corps Colonel (Reserves)

Warrant Officer Class 1 Paul Clark
Corps Sergeant Major

Mr Ambrose McGuire
Non-Executive Director

Lieutenant Colonel (retired) Charles Holman
Corps Secretary (tenure complete October 2020)

Mr Russell Lovell
Corps Secretary (assumed post October 2020)

Major (retired) Ian Sidebottom
Corps Treasurer

Message from the Chairman

Welcome to the Royal Engineers Central Charitable Trust (RECCT) 2020 Annual Report and Financial Statements in which we will explain the function of the Charity and how this has been executed by the Trustees.

The objects (aims) of the RECCT are clearly laid out on page 4 of this report and are, in simple terms, to provide life support to the whole Sapper family. We are a grant making body providing funding for sports and games (including the annual Sapper Games), the production of your Sapper Magazine, benevolence for serving and former Sappers or their dependants, grants to Royal Engineer units to support open days, medal parades or new flags, and grants to the RE Museum to preserve the Corps' proud heritage.



2020 has, of course, been dominated by the COVID crisis. This has created challenges for many charities and has certainly had some disruption on normal activity within the RECCT. However, I am pleased to report that we have maintained a healthy position financially and therefore sustained our levels of disbursements. Furthermore, as I look forward, I remain confident in our ability to deliver against our clearly defined objects, in a professionally responsible and sustainable manner for the future.

The Charity maintains a strong and balanced portfolio of investments, a significant proportion of which are held within the BlackRock Armed Forces Charities Growth and Income Fund. The Fund has held up well through this year and our income has benefited from the same level of dividend payments as last year. Similarly, we have maintained rental income from the Charity's properties.

Our strong position is also very much thanks to every member of the Royal Engineers Days Pay Scheme, Regular or Reservist, and all former Sappers who retain various levels of memberships, for your continued support. Without your generosity the Corps could simply not fund the ventures and campaigns it currently promotes.

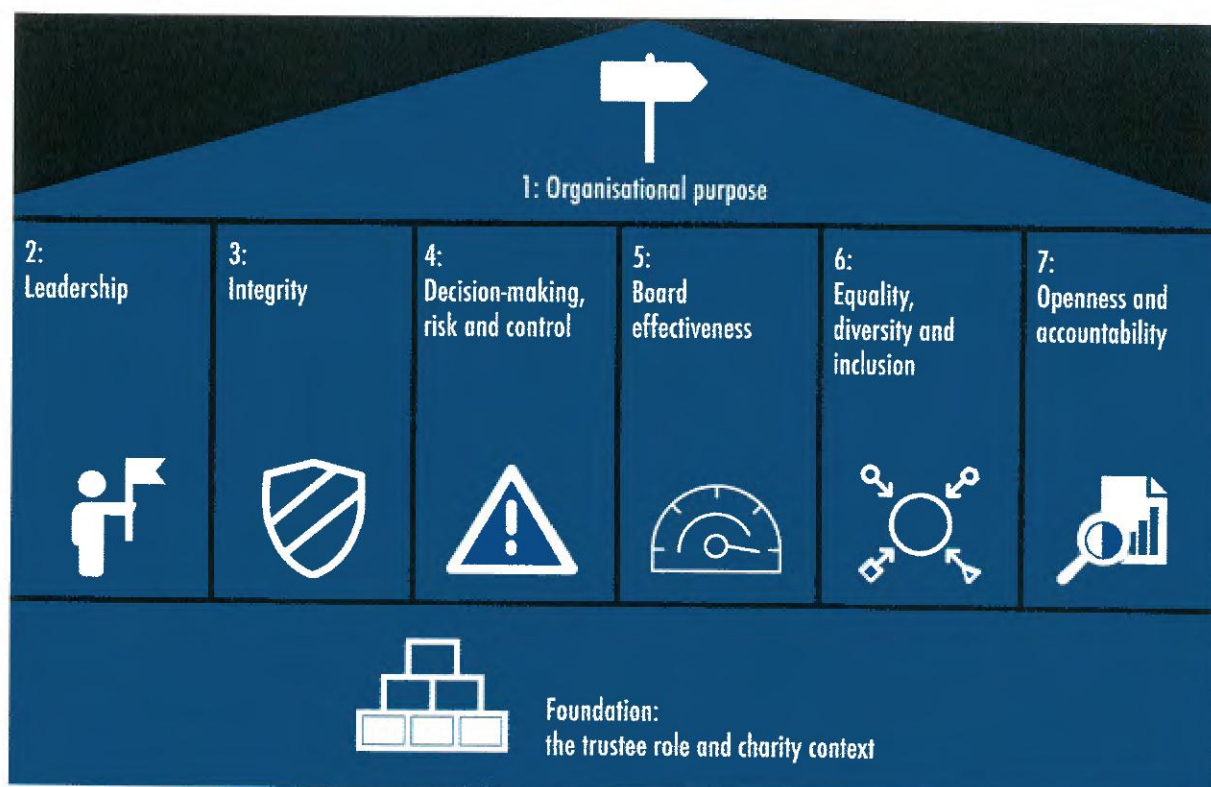
These accounts demonstrate the high standard of financial management and governance required by law, implemented by my Corps Finance Committee, and delivered by your staff in the Corps Funds department of Regimental Headquarters Royal Engineers. I would like to thank them all for their sterling work in carefully managing our finances and achieving a successful audit in this difficult year.

Once a Sapper, always a Sapper.

Major General Richard Semple CBE

Trustees' Report

For the year ended 31 December 2020



The Trustees have reviewed their activities against the criteria set out within the newly refreshed (2020) Charity Governance Code (see above) and present their annual report and the audited consolidated financial statements of the charity and its subsidiaries for the year ended 31 December 2020. The financial statements have been prepared in accordance with the accounting policies set out at note 2 to the accounts and comply with the charity's trust deed, the Charities Act 2011 and the Charities SORP FRS 102. Trustees consider that in preparing these financial statements they have taken into account all information that could reasonably be expected to be available (including levels of reserves held). Therefore, the going concern basis of accounting is deemed appropriate and there are no material uncertainties. The Trustees have appointed professional advisers and other organisations to support them in delivering the charity's objectives. These advisers and organisations are listed on page 1. The Trustees have written agreements in place with each of them.

OBJECTIVES, AIMS AND ACTIVITIES

Armed Forces charities today offer a broad range of services and support to the Armed Forces community which can range from enhancing quality of life through to direct assistance and intervention. Every charity has its own vision, mission, aim, as well as eligibility criteria to support a specific beneficiary group or groups. The objects of the Royal Engineers Central Charitable Trust are:

- *"To promote the efficiency of the Armed Forces and in particular The Corps of Royal Engineers;*
- *To promote the activities of the Royal Engineers Association and the Institution of Royal Engineers, as laid down in their respective Charters;*
- *To foster an esprit de corps in the Royal Engineers;*
- *To relieve either generally or individually necessitous persons being members or former members of the Royal Engineers or the dependants of such persons."*

Trustees' Report
For the year ended 31 December 2020 (continued)

Specific activities for 2020 were set by Trustees against 8 planned budgets. Further details are provided under Achievements and Performance. Trustees achieved their objectives for 2020 through a dedicated secretariat and maintaining annual income from:

- The Day's Pay Scheme (Regular and Reserve).
- Investment Income (Dividends).
- Occasional legacies.
- Trading through our subsidiary Limited Company (RECE Ltd).
- Rental income from investment properties.

COVID-19 IMPACT STATEMENT

Trustees are aware of their responsibility to consider, as far as possible with the information available to them, the impact of the COVID-19 pandemic and its effect on the global economic climate, on all aspects of the charity's financial and narrative reporting.

Trustees confirm that all representations made in this report include due consideration of these factors. In particular this includes, but is not limited to, the following:

- Appropriate disclosure has been included in the charity's narrative reporting regarding the impact of COVID-19 on the charity's performance during the period, Trustees assessment of principal risks and uncertainties and the future of the charity;
- The financial statements reflect the conditions that existed at the reporting date, to the extent that the spread of COVID-19 was known, together with its impact on the global economic climate. The effect of material non-adjusting events subsequent to the reporting date has been disclosed in the financial statements;
- Trustees have considered whether the charity's tangible fixed assets have been impaired due to COVID-19. Trustees have also considered whether their estimate of useful economic lives remains appropriate. Trustee consideration has included a review of the current market value of those assets and their future economic performance;
- Trustees have considered whether the net realisable value of stock has been affected by COVID-19;
- At the reporting date, any additional liabilities arising as a result of COVID-19 have been recognised.

Following review, Trustees believe they have continued to follow the principles of the Charity Governance Code and confirm the following:

- COVID-19 did not impact on the charity's payments to HMRC;
- The charity did not apply for any Government grants except the Job Retention Scheme (RECCCT furloughed two members of staff, one for five months, and one for two months);
- As the charity operate a Defined Contribution Pension Scheme, and all employees continued to be fully paid, there was no impact on the scheme (less the impact on investments made by the pension provider) or pension deficit;
- The charity's ability to fundraise was not affected;
- The charity does not have any loans therefore financing or refinancing is not impacted;
- By staggering employee attendance in the workplace and social distancing, none of the physical checks (financial and stocktake) were replaced by virtual checks;
- The biggest impact on charity expenditure was the reduction in funds disbursed in support of Sports and Adventurous Training. This mainly due to limitations on travel and the cancellation of sporting events;
- COVID-19 had not impacted on the charity's reserves or governance (internal controls) and had a limited, predictable, effect on our achievements. Trustees do not envisage the current situation, at year-end, hindering our future plans;
- Investments suffered initially in a volatile market but recovered well which has been captured in the investment narrative of the report;
- Financial staff have reviewed their accounting policy for recognising legacy income to ensure that it remains appropriate in light of the situation;
- All grant commitments were met without postponement;
- Principal risks and uncertainties have been updated within the Risk Register to encompass lessons learnt from the COVID-19 pandemic.

PUBLIC BENEFIT

The Trustees confirm they have referred to the information contained in the Charity Commission's general guidance on public benefit when reviewing their aims and objectives and in deciding what activities the charity should undertake. The charity provides public benefit by assisting regular and reserve service personnel in the Corps of Royal Engineers to perform their roles and duties within the British Army more effectively. The charity also supports the veteran community and their families and thus enhances esprit de corps by promoting the concept of support to the Sapper family for life. It does this by providing the support funding for sports, adventurous training, in-house publications, welfare, gatherings and events. The Charity promotes the efficiency of the armed forces of the Crown by enhancing the British Army's capability to undertake the roles demanded of it including the defence of the UK and its interests. By supporting the wider Sapper family it assists the Government in fulfilling its promise in the Armed Forces Covenant (which the RECCT signed up to in 2019) to treat Serving personnel, Veterans and their families fairly. In 2020, for its commitment to serving the Armed Forces community, the RECCT was awarded a Bronze Award by the Employer Recognition Scheme. In addition to promoting the efficiency of the Army and, in particular, the military efficiency of the Corps of Royal Engineers by promoting Esprit de Corps the work of the RECCT benefits the public by:

- Allocating 50% of the charitable income it receives from the Day's Pay Scheme (2020: £361,829) to the Royal Engineers Association whose prime objective is to provide financial assistance to those in need and benevolence cases from serving and former members of the Royal Engineers and their families.
- Providing financial support to the Royal Engineers Museum, which is open to the general public and provides an educational outreach programme.
- Providing financial support to further education via the Institution of Royal Engineers.
- Awarding grants to maintain war memorials, world-wide, that honour fallen Royal Engineers.
- Providing financial support to serving officers and soldiers (Regular and Reserve) participating in adventurous training / sport and a number of individuals participating in high profile sporting activities.

ACHIEVEMENTS AND PERFORMANCE

Trustees pursued the following activities against planned and authorised budgets:

1. Continued support to network charities.
2. Promoted esprit de corps throughout the Royal Engineers.
3. The publication of six 'Sapper' magazines in 2020.
4. Financial support to more than 30 sports and games associations, unions and clubs, and several individuals who participated in high profile sports activities.
5. Maintained the Pension Plan Scheme for private employees compliant with Auto Enrolment legislation.
6. Provided financial support to units deployed on operations and to Commanding Officers.
7. Generated income from investments.
8. Provided a retail service for Corps memorabilia and related items.

Supporting Network Charities

The historic Trustee arrangement that allocates a percentage of the Day's Pay Scheme direct to nominated network charities provided them with the following income:

	2020	2019
	£	£
Royal Engineers Association	361,829	351,677
Institution of Royal Engineers	184,442	176,651
Royal Engineers Museum	48,800	48,800

Grants to Foster Esprit de Corps

Trustees authorised the following grants in 2020:

	2020	2019
	£	£
RE Sports & Games	264,029	257,498
Sapper Magazine	51,542	52,115
Esprit de Corps	83,106	147,030

Publishing 'Sapper' Magazine

Trustees provided £51,542 (2019: £52,115) to fund the publication of an all ranks 'Sapper' magazine. Some 8,000 copies of the Sapper magazine were published bi-monthly. Free copies of the magazine are sent to Regular Royal Engineer units for the benefit of the officers and soldiers who subscribe to the RECCT. Free copies were also sent to Royal Engineer Reserve units and Royal Engineer officers and soldiers serving in non-Royal Engineer units. The Sapper continues to be well received both by units and individuals, including former members of the Corps and Royal Engineers Association branches, who pay a subscription charge. The Sapper provides a focal point in publicising the Corps' activities and in engendering Esprit de Corps. From 2021, Sapper magazine will be remodelled to become a hybrid, print and digital, publication.

Supporting Corps Sports Clubs

Trustees approved financial grants to more than 5,100 personnel (serving and veteran) through 32 sports associations, unions and clubs.

Optimising Income from the Days Pay Scheme (DPS)

Up until 31 March 2007 the RECCT derived its main source of income from covenanted and gift aided subscriptions paid by serving officers and soldiers under the Army's administrative arrangements for the recovery of Regimental/Corps subscriptions. Since 1 April 2007 DPS subscriptions have been recovered through a Payroll Giving scheme via the Joint Personnel and Administration (Centre). On 1 April 2007 officers' subscriptions, including an element for their subscription to the Institution of Royal Engineers and the Royal Engineers' Association, increased from 150% to 160% of a day's assessable pay per annum. Officers also make a voluntary subscription of 70% of a day's assessable pay to the Royal Engineers Headquarter Mess, which is excepted from registration as a Service charitable fund. Soldier's subscriptions increased from 100% to 110%. Warrant Officers' and Senior Non-Commissioned Officers' elected to increase their subscriptions from 110% to 115% in August 2010. The 5% increase being used to set up a new designated fund for their use. The RECCT benefits from a very high number of serving officers and soldiers who elect to subscribe to this scheme. In 2012 serving soldier subscriptions were increased to 120% and 125%. This modest increase covers membership to the Institution of Royal Engineers, which opened to all ranks in late 2011, and enables individuals to gain post nominal letters (MInstRE) and pursue CPD through the Institution, which has been granted awarding body status by the Engineering Council of UK.

The process to enable Royal Engineer Reserve officers and soldiers to make an annual voluntary contribution of 12% went live on JPA (the Armed Forces intranet-based personnel administration system) in 2015 and Trustees are monitoring uptake. Longer term, Trustees may consider the requirement to increase the Reserves' contribution rates to ensure parity with the regular cohort when allocating grants against contribution.

Generating Income & Growth from Investments

Investments delivered dividends of £292,876 in 2020 (2019: £287,243). During the period 1 January to 31 December 2020, the performance of the distribution units in the fund was +9.0% (2019: +18.1%) after fees and expenses. Since launch in September 2002, the fund has produced a return of +325.10%, +8.22% (2019: +289.70%, +2.90%). The fund's benchmark since inception has returned 295.29% and 7.79%. Details of the Corps Investment Powers, House and Policy are contained in the Financial Review of this report.

In 2019, the Charity realised investment units and purchased two houses in a local development (previously the site of a Royal Engineers barracks). The rationale being to diversify during a difficult market period whilst generating an additional funding stream, through rental income. Both houses are occupied and generated rental income of £19,645 in 2020 (2019: £9,600). This c3% yield is in line with RECCT Trustee direction.

Retail Services

Having returned a deficit in 2020, RE Corps Enterprises Ltd ("the Company") did not gift aid any funds (2019: £0) to the RECCT ("the Charity"). Trustees will, in Q1 of 2021, review the business model and reshape as necessary.

FINANCIAL REVIEW

Summary

The consolidated account generated net income for the charity, before other recognised gains and losses, of £145,241 (2019: net expenditure of £30,136).

The accumulated funds of the Charity increased by £599,270 to £10,453,506 (2019: increased by £981,331 to £9,854,236). The consolidated funds increased by £587,144 to £10,466,207 (2019: increased by £977,424 to £9,879,063).

Balance Sheet

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

Investment Powers

The Trust Deed provides full and unrestricted powers of investment to the Trustees, who sub-delegate investment decisions to a professional Investment House, within the parameters of overall guidance by the Trustees.

Investment House & Policy

During 2019, the Armed Forces Common Investment Fund (AFCIF) completed the legal requirements to become a Charity Authorised Investment Fund (CAIF). On 6 December 2019, the CIF closed and the assets were transferred to the CAIF (renamed the Armed Forces Charities Growth & Income Fund), on a one-for-one basis, which is being run with the same investment objective and policy.

The Objective of the Fund is unchanged and seeks to achieve real growth in capital and income over the long term by investment mainly in equities and fixed income securities. The Trustees have considered the nature, disposition, marketability, security and valuation of the Charity's investments and consider them to be appropriate relative to the reasons for holding each class of investment. Further investment details are given in the notes to the financial statements.

Reserves Policy

The account posts net income of £145,241 (2019: net expenditure of £30,136) before realised and unrealised gains. Gains on investments amounted to £403,643 (2019: gains of £1,028,820), and gains on revaluations of fixed assets were £38,260 (2019: loss of £21,260) giving a positive net movement in funds of £587,144 (2019: positive net movement of £977,424). Trustees review the reserves policy annually and aim to match the amount held in reserves to mitigate against potential financial threats over the long term. The charity relies upon the MoD for administration of the Day's Pay Giving Scheme, provision of infrastructure, utilities, and a proportion of staff costs. If these MoD donated services were to be withdrawn, the charity would suffer an operational shock. The charity's reserves must be able to meet such a shock if it were to occur.

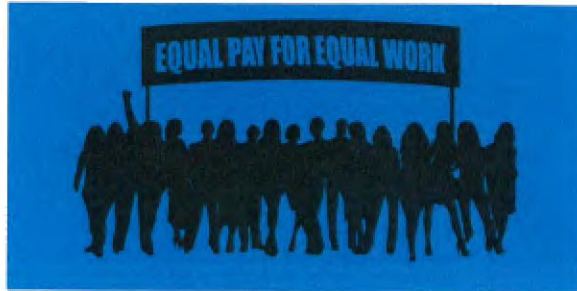
Furthermore, it is the intention of the Trustees to maintain free reserves amounting to a minimum of three years' operating costs plus an additional 2 years' worth of salary to enable redundancy payments if required for RECCT staff and RECE Ltd staff (our Trading Subsidiary) (calculated at c£5.2M). Our reserves are also intended to provide adequate security against market volatility, future risks to both income and expenditure, and meet unexpected costs. Current unrestricted reserves are £10,449,210 of which £75k is shop stock (2019: £9,861,046 of which £84k was shop stock) which Trustees consider is consistent with this policy.

Grant Making Policy

Trustees invite applications from network charities and organisations, external establishments with a past or extant connection to the Corps and from individuals who subscribe to the Days' Pay Scheme who embark on major sporting or challenging pursuits. Details of how to apply for routine or annual grants are communicated in writing to network charities and organisations, briefings to new subscribers or by telephone to the Corps Treasurer. Details of grants made in 2020 are covered under Achievements and Performance.

Remuneration Policy

Privately employed personnel working for the Corps' charities have their salaries authorised by the appropriate charity committee, agreed by means of an individual employment contract, and are paid from the appropriate charity fund. As far as possible, salary scales are to be linked to the Civil Service pay system with staff placed on the initial 'starters rate' salary for the agreed Civil Service pay band (this to be expressed in their contract of employment). Payment is made through a registered PAYE payroll via the respective charity. Corps Colonel RE is responsible to Trustees for ensuring parity where appropriate and fairness across the various charities. In line with the revised Civil Service policy, the charities operate an in-year reward scheme for exceptional performance with Corps Colonel RE as the arbiter for the scheme to ensure parity across all charities. Trustees are not paid by the charity for their services as a Trustee but are reimbursed for expenses incurred during performance of their duties, in accordance with the Trustee's agreed policy.



Equality, Diversity & Inclusion

Our female beneficiaries make up approximately 1.9% of the serving Corps of Royal Engineers (9.5% are officers and 1.7% soldiers) and the Corps recruits many BAME and Commonwealth soldiers. The Army as a whole is 9.8% female (as at 1 Apr 20). Reporting in line with the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017: 83% of RECCT staff are female and 17% male. There is no pay gap between male and female staff who carry out the same job, similar jobs or work of equal value. We work to ensure that we are as diverse and inclusive as possible with an accepting workplace culture.

PLANS FOR FUTURE PERIODS

The RECCT plans to:

- Continue to develop the RECCT short, medium, and long-term financial planning and forecasting.
- Continually refine the risk register in order to enhance our ability to mitigate and reduce risk.
- Allocate and manage the voluntary subscriptions to the REHQ Mess via the Days' Pay Scheme.
- Continue to maintain the RE Private Pension Plan, in line with Auto Enrolment legislation.
- Monitor, review and refine the RE Days Pay Scheme with specific regard to the Reserves' contribution.
- Promote, instigate and monitor good governance practices.

SUMMARY

The Trustees remain confident of their ability to continue to meet the Objects of the Charity in the future.

INDEPENDENT AUDITORS

Kreston Reeves LLP remained the Trustees' choice as charity auditor.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Trust Deed

The Royal Engineers Central Charitable Trust (RECCT, Charity number 1003032) Trust Deed dated 14 March 1991 was made by the Members of the Chief Royal Engineer's Committee (the Original Trustees). The Trust Deed allowed the Original Trustees to remain as Trustees whilst they continued to serve on the Chief Royal Engineer's Committee. The Original Trustees have been superseded by new Members of the Chief Royal Engineer's Board, all of whom have indicated their willingness and eligibility to serve as Trustees for the duration of their membership of that Board.

Background

The RECCT combined and superseded the former funds called the 'Royal Engineers Officers' Charitable Fund' and the 'Royal Engineers General Charitable Purposes Fund'. These funds were classified as excepted from registration as charities under the provisions of Statutory Instrument 1965 No.1056 being charities "*wholly or mainly concerned with the promotion of the efficiency of any of the armed forces of the Crown....*" Due to the increasing size of their assets and on advice sought from the Charity Commission, action was taken to draw up a Deed of Trust and to have the RECCT formally registered as a Charity.

ORDERS AND RESOLUTIONS

Based on subsequent resolutions made by the Trustees, the Charity Commissioners have approved:

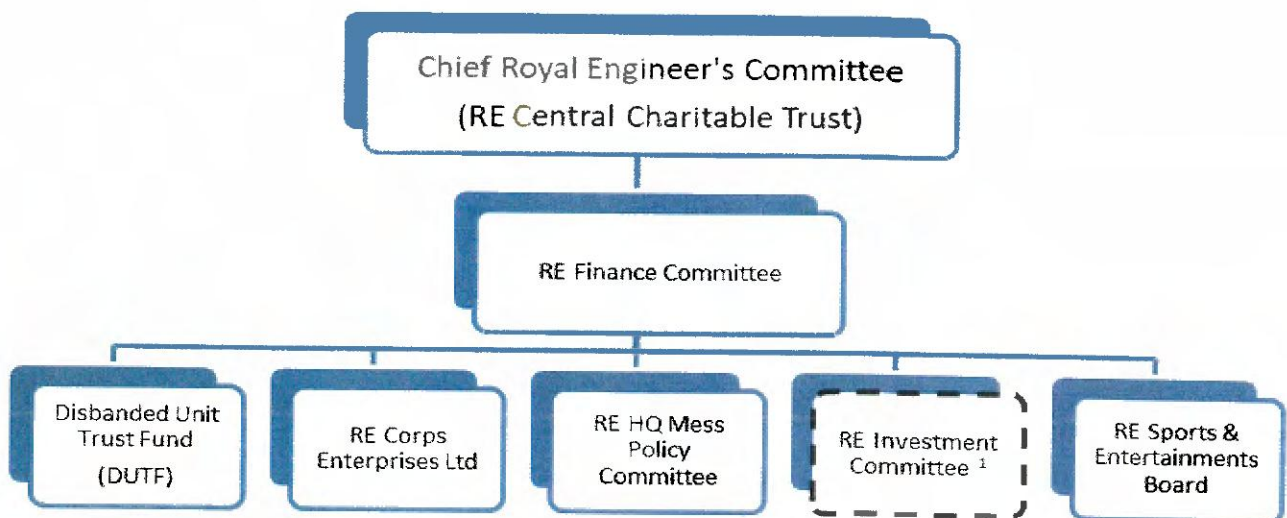
Investment

An Order providing the Trustees power to appoint an investment manager and to delegate to him/her discretionary powers in relation to the Charity's investments.

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.

ORGANISATION



Note 1: RE Investment Committee dormant (see below).

At their quarterly Trustee meetings members of the Chief Royal Engineer's Board agree the broad strategy and areas of activity for the charity, including consideration of grant making, investment, reserves, risk management, HRM policies and performance. The Trustees are served by subordinate committees with delegated responsibility for fulfilling their role, each chaired by a Trustee who is responsible for reporting back to the Chief Royal Engineer's Board. The subordinate committees are:

- RE Finance Committee

In 2009 Trustees approved Terms of Reference for the RE Finance Committee which were reviewed in 2017 as part of The Chief Royal Engineer's governance policy review and again in 2019 as part of the Corps' Quinquennial review. The Committee advises the Trustees on financial policy and the control of funds based on an annual budget system incorporating a five-year forecast.

- RE Investment Committee

This Committee fulfils a combined responsibility together with nominated representative Trustees of the connected charities; i.e. The Royal Engineers Association, Charity Nos. 258322 and SC041832, The Institution of Royal Engineers, Charity No. 249882 and the Royal Engineers Vocational Educational Training Trust (REVETT), Charity No. 1068709 to lay down a detailed generic investment policy for the Corps Charities and for informing the investment manager of the extent of the investment powers for each Charity and for all other matters laid down in the Order for the delegation of investment powers. Since joining the Armed Forces Common Investment Fund (AFCIF) the need for regular committee meetings diminished. It is still considered appropriate to remain in the AFCIF with future meetings being held at the discretion of the Chair or a convincing request by a committee member. REVETT, following a tender board process in 2016, relocated their portfolio from AFCIF to a medium-risk mandate with Thesis Asset Management LLP (acquired by Sanlam UK in 2019).

- RE Sports and Games and Entertainments Board

Responsible for vetting and recommending to Trustees, via the RE Finance Committee, the level of annual grant appropriate to recognised Corps Sports, Games, and other challenging pursuits. Responsible for the annual review and allocation of funds from the Corps entertainment and esprit de corps budgets and for making grant recommendations to Trustees, via the Corps Finance Committee. Responsible for drafting relevant policy (sponsorship etc) for approval by the RE Finance Committee.

- RE HQ Mess Policy Committee

Formulates and directs policies on membership, subscription, Royal Engineers HQ Mess functions, Mess development plans, Corps silver, paintings, wines, and other properties of the Officers of the Corps, Mess standards and general conduct of Mess affairs and makes recommendations, through the Corps Finance Committee, on budgeting and funding matters.

- RHQ RE

Day to day administration of the RECCT is vested in RHQ RE. Grant applications are processed to the relevant sub-committee by the Corps Treasurer who administers and accounts for approved grants.

TRUSTEES

The Trustees who served during the year are detailed on page 2. Trustees held formal meetings in March, July, October and December 2020. In July they approved the 2019 Statement of Financial Affairs and in December reviewed their 2020 expenditure prior to authorising annual budgets for 2021.

Appointment of Trustees

New Trustees are invited to hold office after discussion by the appropriate committee and at the personal invitation of the Chief Royal Engineer or his nominated representative. As part of their induction process each Trustee is provided with a copy of the Trust Deed, a copy of the Charity Commission leaflet explaining the responsibilities of Trustees, a locally produced Trustee Handbook and copies of the Charity's fraud policy, conflict of interests policy, whistleblowing policy, and access to previous audited accounts. Each Trustee signs a certificate to confirm their eligibility and willingness to act as a Trustee. In 2020 new Trustees attended formal Charity Trustee Training Programmes (run virtually) and several existing Trustees undertook refresher training. People with Significant Control (PSC) and all Conflicts of Interest (actual or perceived) are recorded in registers held and maintained by the Corps Treasurer.

NETWORK CHARITIES

THE ROYAL ENGINEERS ASSOCIATION

The responsibility for undertaking all benevolence work on behalf of the Corps is vested in the Royal Engineers Association (REA). In addition to using their accrued trust funds, investment income and occasional legacies for benevolence purposes, the REA, receive 50% of the Day's Pay Scheme income received by the RECCT for charitable purposes. A separate Trustees' annual report is prepared by the REA together with the Charity's financial statements, Charity Nos. 258332 and SC041832.

THE INSTITUTION OF ROYAL ENGINEERS

The Objects of the Institution of Royal Engineers, as set out in its Royal Charter and Bye-Laws, are to promote and advance the science of military engineering and to promote military efficiency and particularly the military efficiency of the Corps of Royal Engineers. In addition to using their accrued trust funds and investment income for this purpose, the Trustees of the Institution, which routinely includes members of the Chief Royal Engineers Board, receive 71.5% of the income drawn down from the serving officer contributions to the day's pay scheme and, since 2012, received day's pay scheme contributions from serving WOs & SNCOs (5%) and Junior Ranks (5%). A separate Trustees' Annual Report is prepared by the Institution of Royal Engineers together with the Charity's financial statements, Charity No. 249882.

THE ROYAL ENGINEERS MUSEUM (REM)

Overall control of the Royal Engineers Museum (REM) is vested in the Trustees of the Institution of Royal Engineers. Financial support towards the running costs of the Museum is provided by The Institution of Royal Engineers and the RECCT. Financial control of the Museum is delegated to the Royal Engineers Museum Committee which draws up an annual budget against planned activities for Trustee approval. The Committee receives financial support through the RECCT's annual budget process. In 2002 Trustees of the RECCT approved a five-year grant agreement diminishing from £42,000 to £38,000 in 2006. Since 2006 the RECCT has approved annual grants of £38,000. Since 2010 the RECCT has paid the annual rent (£10,800) associated with the RE Museum's occupation and display in Chatham Maritime Dockyard. A separate Trustees' report is included with the Statement of Financial Affairs prepared by the Royal Engineers Museum, Charity No. 295173.

TRUST FUNDS OF DISBANDED UNITS AND ESTABLISHMENTS

The Trust Deed dated 8 March 1957 was made by members of the Chief Royal Engineer's Committee (the original Trustees). This committee continues to fulfil this trusteeship. The Trustees operate under the terms of a Scheme approved and established on 8 March 1957 for the regulation of the Trust Funds of Disbanded Units and Establishments (DUTF) of the Corps of Royal Engineers "Central Charities" comprising:

- Officers' Mess Funds;
- Warrant Officers' and Sergeants' Mess Funds; and
- President of the Regimental Institute (PRI) Funds

On 13 December 2007, the Trustees passed a resolution, subsequently supported by the Charity Commission, to transfer the remaining assets in each fund to a restricted fund within the RECCT. The last separate Trustees' report and statement of financial affairs for the DUTF was issued by the Chief Royal Engineer's Committee in 2007. The DUTF balance sheet is examined annually by the RE Finance Committee prior to review at Chief Royal Engineer's Board.

ROYAL ENGINEERS NETWORK

RE HQ Mess

The Royal Engineers HQ Mess Fund is excepted from registration as a Charity under the provisions of the Charities (Exception from Registration and Accounts) Regulations 1965 (Statutory Instrument 1965 No.1056).

The fund is governed by the Chief Royal Engineer's Board.

RE Establishments and Units

As well as receiving an annual grant, Royal Engineer establishments and regular/reserve/hybrid units are invited to seek and justify additional grants to offset the cost of entertainment that they undertake for the benefit of the Corps as opposed to the individual establishment or unit. The Corps Entertainment Committee review each bid and make grant recommendations to Trustees via the Corps Finance Committee.

RE Sports Clubs



RHQ RE, through the RE Sports Board, has approved thirty-two Corps Sports and Clubs. Each sport and club is managed by a designated Chair, Manager and Treasurer. Club Chairmen are invited to seek and justify financial support for their planned activities each year through the RE Sports and Games Board.

RISK MANAGEMENT STATEMENT *What could stop us achieving our aims?*

The Trustees review risks to which the Charity is exposed at each of their meetings. The basis of the review is a Risk Management Matrix that identifies and defines the risk, its impact and likelihood, and those mitigation measures the Trustees feel need to be applied. The Risk Management Matrix was reviewed by the RE Finance Committee on 13th November 2020 and Chief Royal Engineer's Board on 8th December 2020 with Trustees satisfied that appropriate internal controls are in place and remain effective with systems established to mitigate those risks identified.

Key Risk

The two key risks identified (from the RECCT risk register) to which the charity could be exposed are shown below:

Risk	Consequence	Impact	Likelihood / Trend	Mitigation/Preventative Action
Failure to generate sufficient income to cover planned / known expenditure	<ul style="list-style-type: none"> • Failure to deliver outputs • Failure to meet charitable objects • Failure to sustainably finance our people • Members withdrawing from RE DPS • Loss of credibility and reputation • Degradation of existing capital / investments 	Medium	Low 	<ul style="list-style-type: none"> • Robust financial reserves policy and prudent investment • Monitor Corps manning strength and contributions to RE DPS (Reg and Res) to identify trends • Produce accurate monthly FOOs • Link budgets to business planning and Charitable Objects • Promote legacy giving and donations • Ensure max long-term occupancy of Corps property portfolio minimising 'void' periods
Significant reduction in Public funding	<ul style="list-style-type: none"> • Inability to deliver Chief Royal Engineer's mandated outputs • Corps' charities forced to fund additional staff costs • Inability to preserve and maintain Regimental identity and resilience • Over-reliance on Colonels Commandant 	High	Low 	<ul style="list-style-type: none"> • Improve financial planning and forecasting • Promote sponsorship for Sapper Sport • Monitor financial reserves policy • Continue to promote RE Reserves Days Pay Scheme

Cyber Risk

Trustees have discussed cyber risk and, having examined the National Cyber Security Centre's Small Charity Guide, are content the following measures are in place to reduce / mitigate the risk:

- The Cloud is being utilised where possible
- Back-ups are performed regularly and stored in a separate location
- Antivirus software and firewalls are enabled
- Software is kept up-to-date (patching)

Two factor authentication (2FA) is used for important (fund controlling) accounts.

Trustees' Report
For the year ended 31 December 2020 (continued)

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its income and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102) (2019);
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Memorandum of Association. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustees
and signed on behalf of the Trustees



Colonel M Quare MBE ADC
Trustee

9th June 2021



Independent Auditor's report to the Trustees of the Royal Engineers Central Charitable Trust

We have audited the financial statements of Royal Engineers Central Charitable Trust (the 'charity') for the year ended 31 December 2020 which comprise the Statement of financial activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities in preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with the Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2019.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2020 and of its income and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Independent Auditor's report to the Trustees of Royal Engineers Central Charitable Trust (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 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
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of Trustees and auditor

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Capability of the audit in detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks.

Based on our understanding of the charity and sector, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Statement of Recommended Practice. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Audit procedures performed by the audit engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations (including health and safety) and fraud; and
- Assessment of identified fraud risk factors; and
- Review of cash expenditure to confirm no evidence of personal benefit; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and

Independent Auditor's report to the Trustees of Royal Engineers Central Charitable Trust (continued)

- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Reading minutes of meetings of those charged with governance; and
- Physical inspection of tangible assets susceptible to fraud or irregularity; and
- Review of significant and unusual transactions; and
- Identifying and testing journal entries, in particular any manual entries made at the year end for financial statement preparation.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.


As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in my Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of my Auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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



Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Chatham Maritime
Date: 16 July 2021

Kreston Reeves LLP are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

Royal Engineers Central Charitable Trust

Consolidated statement of financial activities
For the year ended 31 December 2020

	Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Income and endowments from:					
Donations and legacies	3	738,102	-	738,102	635,396
Other trading activities	7, 8	303,077	-	303,077	267,088
Investment income	9	312,821	5	312,826	301,396
Charitable activities	10	2,450	-	2,450	2,172
Total income		1,356,450	5	1,356,455	1,206,052
Expenditure on:					
Raising funds	8	252,207	-	252,207	269,740
Charitable activities	11	957,982	1,025	959,007	966,448
Total expenditure		1,210,189	1,025	1,211,214	1,236,188
Net income/(expenditure) before gains and losses on investments		146,261	(1,020)	145,241	(30,136)
Net gains/(losses) on investments		403,643	-	403,643	1,028,820
Net gains/(losses) on revaluations of tangible fixed assets		38,260		38,260	(21,260)
Net movement in funds for the year		588,164	(1,020)	587,144	977,424
Total funds at 1 January 2020		9,861,045	18,018	9,879,063	8,901,639
Total funds at 31 December 2020		10,449,209	16,998	10,466,207	9,879,063

All activities relate to continuing operations.

The notes on pages 22 to 37 form part of these financial statements.

Royal Engineers Central Charitable Trust

**Consolidated balance sheet
As at 31 December 2020**

	Note	£	2020 £	£	2019 £
Fixed assets					
Tangible assets	24		252,259		230,740
Investments	25		8,619,182		8,215,539
Investment properties	26		640,000		601,740
			<u>9,511,441</u>		<u>9,048,019</u>
Current assets					
Stocks	27	74,594		84,328	
Debtors	28	171,021		164,249	
Cash at bank and in hand		899,849		723,967	
		<u>1,145,464</u>		<u>972,544</u>	
Creditors: amounts falling due within one year	29	<u>(190,698)</u>		<u>(141,500)</u>	
Net current assets			<u>954,766</u>		<u>831,044</u>
Net assets			<u>10,466,207</u>		<u>9,879,063</u>
Charity Funds					
Restricted funds	30		16,997		18,017
Unrestricted funds	30		10,449,210		9,861,046
Total funds			<u>10,466,207</u>		<u>9,879,063</u>

The financial statements were approved by the Trustees on 9th June 2021 and signed on their behalf, by:

Richard Semple

Major General R J Semple CBE

Matthew Kunn

Colonel M Quare MBE ADC

The notes on pages 22 to 37 form part of these financial statements.

Royal Engineers Central Charitable Trust

**Charity balance sheet
As at 31 December 2020**

	Note	£	2020 £	£	2019 £
Fixed assets					
Tangible assets	24		252,029		230,345
Investments	25		8,619,182		8,215,539
Investment properties	26		640,000		601,740
			9,511,211		9,047,624
Current assets					
Debtors	28	206,445		205,841	
Cash at bank		886,477		710,716	
		1,092,922		916,557	
Creditors: amounts falling due within one year	29	(150,627)		(109,945)	
Net current assets			942,295		806,612
Net assets			10,453,506		9,854,236
Charity Funds					
Restricted funds	30		16,997		18,017
Unrestricted funds	30		10,436,509		9,836,219
Total funds			10,453,506		9,854,236

The financial statements were approved by the Trustees on 9th June 2021 and signed on their behalf, by:

Richard Semple

Major General R J Semple CBE

Matthew Kinn

Colonel M Quare MBE ADC

The notes on pages 22 to 37 form part of these financial statements.

Royal Engineers Central Charitable Trust

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020	2019
		£	£
Net cash used in operating activities	34	<u>(138,736)</u>	<u>296,924</u>
Cash flows from investing activities			
Interest and dividends	9	312,826	291,796
Purchase of tangible fixed assets	24	(36,468)	(35,730)
Purchase of fixed asset investments	25	-	(7,951,319)
Disposal of fixed asset investments	25	-	7,186,719
Purchase of investment properties	26	-	(601,740)
Cash provided by (used in) investing activities		<u>276,358</u>	<u>(1,110,274)</u>
Cash used in financing activities			
Increase (decrease) in cash and cash equivalents in the year		<u>175,882</u>	<u>(770,830)</u>
Cash and cash equivalents at the beginning of the year		723,967	1,494,797
Total cash and cash equivalents at the end of the year		<u>899,849</u>	<u>723,967</u>

Analysis of changes in net debt

	At 31 Jan 2020 £	Cashflows £	At 31 Dec 2020 £
Cash and cash equivalents			
Cash	<u>723,967</u>	<u>175,882</u>	<u>899,849</u>

1 General administrative information

Royal Engineers Central Charitable Trust is an unincorporated charity in England & Wales with the registration number 1003032. The address of the registered office is Headquarters Royal Engineers, Brompton Barracks, Chatham, Kent, ME4 4UG. The Charity's principal objectives continued to be: to promote the efficiency of the Armed Forces and in particular The Corps of Royal Engineers; to promote the activities of the Royal Engineers Association and the Institution of Royal Engineers, as laid down in their respective Charters; to foster an esprit de corps in the Royal Engineers; and to relieve either generally or individually necessitous persons being members or former members of the Royal Engineers or the dependants of such persons.

2 Accounting policies

2.1 Basis of preparation of financial statements

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

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

No separate SOFA has been presented for the charity alone.

2.2 Preparation of the accounts on a going concern basis

The Trustees assess whether the use of going concern is appropriate, i.e., whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Charity has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Charity's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Whilst the impact of the Covid-19 pandemic has been assessed by the Trustees, so as far as is reasonably possible, due to its unrepresented impact on the worldwide economy it is difficult to evaluate with any certainty the potential outcomes on the Charity's future activities. However taking into consideration the Charity's level of reserves and the actions they've taken, the Trustees believe that the Charity will be able to continue in operational existence for the foreseeable future.

2.3 Fund accounting

The Charity maintains the following types of funds:

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

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

Restricted fund for DUTF, which operates under a separate Trust Deed dated 8 March 1957.

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

2 Accounting policies (continued)

2.4 Income

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

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

The cost of 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 donated expenditure, apportioned against charitable activities and support.

2.5 Turnover

Turnover is recognised when counter goods from either the shop or foyer trading are sold or dispatched and invoiced to customers via the company's mail order service.

2.6 Expenditure

Liabilities are recognised as resources 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 to third parties in the furtherance of the charitable objectives of the Trust are always authorised by the Trustees.

2.7 Basis of consolidation

The financial statements consolidate the accounts of Royal Engineers Central Charitable Trust and all of its subsidiary undertakings ('subsidiaries').

2.8 Tangible fixed assets and depreciation

All assets costing more than £250 are capitalised.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Fixtures and fittings	10% straight line
General Property	10% straight line
Computers	20% straight line

2.9 Investment properties

Investment properties are being long-term assets, which generate income. They are included at market value in accordance with the Statement of Recommended Practice on accounting by charities. Please see note 26 to the financial statements.

2 Accounting policies (continued)

2.9 Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

2.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2.11 Debtors

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

2.12 Cash at bank and in hand

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

2.13 Liabilities and provisions

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

2.14 Financial instruments

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

2.15 Pensions

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

2.16 Tender Policy

Trustees have a tender policy that covers expenditure:

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

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

		Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
3 Donations and legacies					
Subscriptions	(Note 4)	403,557	-	403,557	397,400
Donations	(Note 5)	93,838	-	93,838	5,357
Legacies		5,000	-	5,000	-
Donated services and facilities	(Note 6)	223,292	-	223,292	232,639
Government Grants receivable		12,415	-	12,415	-
		738,102	-	738,102	635,396

Income from Donations and Legacies was £738,102 (2019: £635,396) which was all to unrestricted funds.

4 Subscriptions

Serving officers' subscriptions	80,106	-	80,106	78,003
Retired officers' subscriptions	11,039	-	11,039	11,564
Soldiers' subscriptions	281,723	-	281,723	273,674
Tax refund - Retired Officers & Reserves	1,312	-	1,312	3,998
Reserves DPS	4,892	-	4,892	4,015
WOs' & SNCOs' (5% subscription)	8,757	-	8,757	8,565
The Sapper Magazine	15,728	-	15,728	17,581
	403,557	-	403,557	397,400

5 Donations & Grants

General & The Sapper Magazine	972	-	972	2,024
Commercial Donations	166	-	166	463
WOs' & Sgts' Silver Fund	1,950	-	1,950	2,870
Comms Hub	90,750	-	90,750	-
	93,838	-	93,838	5,357

6 Donated services and facilities

Gas	925	-	925	918
Electricity	1,089	-	1,089	1,076
Water and sewage	440	-	440	433
Community charge	5,519	-	5,519	5,465
Administration utilities	748	-	748	748
MOD salaries	175,642	-	175,642	186,000
Administration salaries	38,929	-	38,929	37,999
	223,292	-	223,292	232,639

Notes to the financial statements

For the year ended 31 December 2020

	Unrestricted funds 2020	Restricted funds 2020	Total funds 2020	Total funds 2019
7 Other trading activities - RECCT				
Advertisements	1,229	-	1,229	972
Miscellaneous & graphic sales	44	-	44	285
Publication Projects	61,723	-	61,723	-
	<u>62,996</u>	<u>-</u>	<u>62,996</u>	<u>1,257</u>

8 Other trading activities - RECE Ltd

	£	£	£	£
Income				
RECE Ltd Sales	<u>240,081</u>	<u>-</u>	<u>240,081</u>	<u>265,831</u>
Expenditure				
Cost of sales	155,837	-	155,837	179,982
Staff costs	53,885	-	53,885	60,123
Postage & telephone	24,812	-	24,812	16,657
Printing & stationery	2,345	-	2,345	1,903
IT costs	1,800	-	1,800	2,050
Miscellaneous	238	-	238	757
Cardnet terminal services	3,608	-	3,608	3,490
Bank charges	360	-	360	460
Depreciation	165	-	165	165
Insurance	1,539	-	1,539	1,670
Audit fee	100	-	100	1,900
Advertising	7,518	-	7,518	583
	<u>252,207</u>	<u>-</u>	<u>252,207</u>	<u>269,740</u>
	<u>(12,126)</u>	<u>-</u>	<u>(12,126)</u>	<u>(3,909)</u>

All income and expenditure on trading activities was unrestricted in 2020 and 2019.

9 Investment income

	£	£	£	£
Dividends	292,876	-	292,876	287,243
Lloyds bank interest	300	5	305	4,553
Kitchener Properties	19,645	-	19,645	9,600
	<u>312,821</u>	<u>5</u>	<u>312,826</u>	<u>301,396</u>

Income from investments was £312,826 (2019: £301,396) of which £312,821 was unrestricted (2019: £301,386) and £5 was restricted (2019: £10).

10 Income from charitable activities

	£	£	£	£
Burgoyne House	<u>2,450</u>	<u>-</u>	<u>2,450</u>	<u>2,172</u>
	<u>2,450</u>	<u>-</u>	<u>2,450</u>	<u>2,172</u>

All income from charitable activities was unrestricted in 2020 and 2019.

Notes to the financial statements

For the year ended 31 December 2020

	Activities undertaken directly 2020	Support costs 2020	Total funds 2020	Total funds 2019
	£	£	£	£
11 Analysis of expenditure by activities				
Burgoyne House (Note 12)	43,522	-	43,522	7,021
Sports & Games (Note 13)	264,029	43,967	307,996	309,027
Heritage (Note 14)	48,800	-	48,800	48,800
Esprit de Corps (Note 15)	81,197	173,460	254,657	258,226
RE HQ Mess (Note 16)	30,355	-	30,355	29,485
Sapper Magazine (Note 17)	51,542	83,672	135,214	164,623
WOs' & Sgts' (Note 18)	1,150	18,721	19,871	22,394
RE Corps Enterprises (Note 19)	-	68,567	68,567	71,629
Day's Pay Scheme (Note 20)	-	50,025	50,025	51,180
Sappers Network (Note 21)	-	-	-	4,063
	520,595	438,412	959,007	966,448

Expenditure on charitable activities was £959,007 (2019: £966,448) of which £957,982 was unrestricted (2019: £961,970) and £1,025 was restricted (2019: £4,478).

12 Burgoyne House

Activities undertaken directly:

	£	£
General Maintenance	40,469	4,015
Land Rent	21	21
Gas contract	337	290
Depreciation	2,695	2,695
	43,522	7,021

13 Sports & Games

Activities undertaken directly:

	£	£
RE Sports Board	264,029	258,603
Refund sports grant from previous year	-	(1,105)
	264,029	257,498

Support costs:

Audit Fee	856	800
Insurance	459	426
Administration	855	861
IT Support	517	862
Depreciation	1,934	1,402
Donated services support costs	6,522	6,382
Donated services MOD Salaries	19,321	20,460
Staff costs	13,503	20,336
	43,967	51,529

307,996 309,027

14 Heritage

Activities undertaken directly:

	£	£
RE Museum	38,000	38,000
RE Museum Dockyard Rent	10,800	10,800
RE Museum Project	-	-
	48,800	48,800

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

	Total funds 2020	Total funds 2019
15 Esprit de Corps		
Activities undertaken directly	£	£
Donations and presentations	2,076	3,270
Other Corps events	5,639	67,406
Corps entertainment	39,476	57,156
Publication Projects	24,008	8,898
Colonels Comdt	270	2,415
Unit grants	1,025	4,478
Communications	8,828	3,912
Refund of previous years' grant	(125)	(505)
	81,197	147,030
Support costs		
Audit fee	1,712	1,600
Insurance	917	851
Administration	2,057	1,768
IT Support	1,033	1,724
Depreciation	5,777	2,804
Property W/O	-	1,197
Donated services support costs	13,044	12,760
Donated services MOD Salaries	38,641	40,920
Staff costs	110,279	47,572
	173,460	111,196
	254,657	258,226
16 HQ Mess		
Activities undertaken directly:		
Mess Secretary salary	30,355	29,485

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

	Total funds 2020	Total funds 2019
17 Sapper magazine		
Activities undertaken directly:		
Printing and distribution	51,542	52,115
	51,542	52,115
Support costs		
Audit fee	856	800
Insurance	459	426
Administration	884	2,694
IT support	1,597	903
Depreciation	2,444	324
Donated services support costs	6,958	6,812
Donated services MOD Salaries	28,103	29,760
Staff costs	42,371	70,789
	83,672	112,508
	135,214	164,623
18 WOs' & Sgts' Fund		
Activities undertaken directly:		
Silver Repairs	950	250
Corps Dinner Nights	-	3,108
Individual E2 Grants	200	500
	1,150	3,858
Support costs		
Audit Fee	856	800
Insurance	459	426
Administration	855	884
Miscellaneous	850	-
IT support	517	862
Donated services support costs	5,987	5,851
Donated Services MOD salaries	8,782	9,300
Staff costs	415	413
	18,721	18,536
	19,871	22,394
19 RE Corps Enterprises Ltd		
Support costs:		
Donated services support costs	8,266	8,108
Donated services MOD Salaries	54,449	57,660
Staff costs	5,852	5,861
	68,567	71,629

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

	Total funds 2020	Total funds 2019
20 Day's Pay Scheme		
Support costs:		
Audit Fee	856	800
Insurance	459	426
Administration	855	863
IT support	517	862
Depreciation	1,934	1,402
Donated services support costs	6,871	6,726
Donated services MOD Salaries	26,346	27,900
Staff costs	12,187	12,201
	50,025	51,180
21 Sappers Network		
Income:		
Miscellaneous	-	12,764
	-	12,764
Support Costs:		
Administration	-	217
Legal	-	269
IT Support	-	890
Travel & Subsistence	-	2,924
Marketing	-	1,485
Staff costs	-	11,042
	-	16,827
	-	(4,063)

22 Net Income / (Expenditure)

This is stated after charging:

Depreciation of tangible fixed assets:	£	£
-owned by the charitable group	8,792	8,792
Auditor's remuneration	4,800	4,800

During the year, no Trustees received any remuneration (2019: £NIL).

During the year, no Trustees received any benefits in kind (2019: £NIL).

Trustees received reimbursement of expenses amounting to £Nil in the current year (2019:

2 Trustees received £643)

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

	Total funds 2020	Total funds 2019
23 Staff costs	£	£
Staff costs were as follows:		
Wages and salaries	176,280	172,367
Social security costs	13,095	12,887
Other pension costs	13,172	12,444
	202,547	197,698
The average monthly number of employees during the year was as follows:		
	No.	No.
Management and administration of the charity	6	4
RECE Ltd	4	4
	10	8

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

The total employment benefits including employer pension contributions of the key management personnel were £14,742 (2019: £14,131).

24 Tangible fixed assets

Group	Shop fixtures, fittings and equipment £	General fund £	WOs' & Sgts' fund £	Sapper property £	Total £
Cost or valuation					
At 1 January 2020	1,074	96,129	174,642	11,556	283,401
Additions	-	25,864	-	10,604	36,468
Revaluations	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2020	1,074	121,993	174,642	22,160	319,869
Depreciation					
At 1 January 2020	679	41,258	-	10,724	52,661
Charge for the year	165	12,340	-	2,444	14,949
At 31 December 2020	844	53,598	-	13,168	67,610
Net book value					
At 31 December 2020	230	68,395	174,642	8,992	252,259
At 31 December 2019	395	54,871	174,642	832	230,740

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

24 Tangible fixed assets (continued)

Charity	General fund £	WOs' & Sgts' fund £	Sapper property £	Total £
Cost or valuation				
At 1 January 2020	96,129	174,642	11,556	282,327
Additions	25,864	-	10,604	36,468
Revaluations			-	-
Disposals		-	-	-
At 31 December 2020	<u>121,993</u>	<u>174,642</u>	<u>22,160</u>	<u>318,795</u>
Depreciation				
At 1 January 2020	41,258	-	10,724	51,982
Charge for the year	12,340	-	2,444	14,784
At 31 December 2020	<u>53,598</u>	<u>-</u>	<u>13,168</u>	<u>66,766</u>
Net book value				
At 31 December 2020	<u>68,395</u>	<u>174,642</u>	<u>8,992</u>	<u>252,029</u>
At 31 December 2019	54,871	174,642	832	230,345

25 Fixed asset investments

Group & Charity	Listed securities £	
Market value		
At 1 January 2020	8,215,539	
Additions		
Disposals		
Revaluations	<u>403,643</u>	
At 31 December 2020	<u>8,619,182</u>	
Historical cost	<u>7,951,319</u>	
Group & charity investments at market value comprise:		
	2020 £	2019 £
Listed investments	<u>8,619,182</u>	8,215,539

All the fixed asset investments are held in the UK.

Material Investments

All invested funds were held in the BLK Armed Forces Charities Growth & Income Fund, managed by Blackrock Investment Managers Ltd.

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

26 Investment properties

Group & Charity	Freehold Investment Property £
Valuation	
At 1 January 2020	601,740
Revaluation	38,260
At 31 December 2020	<u>640,000</u>
Comprising	
Cost	<u>640,000</u>

During the financial year the Charity incurred costs amounting to £Nil in the development of the properties on plots 35 and 36 Khartoum Parade, Chatham,

Going forward the investment properties will be valued on an open market value for existing use basis.

27 Stocks:	Group 2020 £	2019 £	Charity 2020 £	2019 £
Finished goods and goods for resale	<u>74,594</u>	84,328	-	-

28 Debtors:	Group 2020 £	2019 £	Charity 2020 £	2019 £
Amounts owed by group undertakings	-	-	44,235	44,235
Other debtors	171,021	164,249	162,210	161,606
	<u>171,021</u>	164,249	<u>206,445</u>	205,841

29 Creditors: Amounts falling due within one year

	Group 2020 £	2019 £	Charity 2020 £	2019 £
Accruals and deferred income		38,848		38,848
Other creditors	190,698	102,652	150,627	71,097
	<u>190,698</u>	141,500	<u>150,627</u>	109,945

Royal Engineers Central Charitable Trust

Notes to the financial statements
For the year ended 31 December 2020

30 Statement of funds

Current Year	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
The Sapper Fund	832	17,001	(135,214)	126,373	-	8,992
Corps		61,723	(24,008)			37,715
Publication/Enterprise						
	832	78,724	(159,222)	126,373	-	46,707
General funds						
RE Central Charitable Trust	9,594,151	1,014,525	(766,476)	(126,373)	441,903	10,157,730
WOs' & Sgts' Fund	241,236	10,707	(19,871)	-	-	232,072
RECE Ltd	24,827	240,081	(252,207)	-	-	12,701
	9,860,214	1,265,313	(1,038,554)	(126,373)	441,903	10,402,503
Total Unrestricted funds	9,861,046	1,344,037	(1,197,776)	-	441,903	10,449,210
Restricted funds						
DUTF	18,017	5	(1,025)	-	-	16,997
Total of funds	9,879,063	1,344,042	(1,198,801)	-	441,903	10,466,207

Prior Year	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
The Sapper Fund	1,157	17,581	(164,623)	146,717	-	832
	1,157	17,581	(164,623)	146,717	-	832
General funds						
RE Central Charitable Trust	8,587,122	911,195	(786,269)	(146,717)	1,028,820	9,594,151
WOs' & Sgts' Fund	262,138	11,435	(11,077)	-	(21,260)	241,236
RECE Ltd	28,736	265,831	(269,740)	-	-	24,827
	8,877,996	1,188,461	(1,067,086)	(146,717)	1,007,560	9,860,214
Total Unrestricted funds	8,879,153	1,206,042	(1,231,709)	-	1,007,560	9,861,046
Restricted funds						
DUTF	22,486	10	(4,479)	-	-	18,017
Total of funds	8,901,639	1,206,052	(1,236,188)	-	1,007,560	9,879,063

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

31 Analysis of net assets between funds

Current Year

	Unrestricted Funds	Restricted Funds	Total funds	Total funds
	2020	2020	2020	2019
	£	£	£	£
Tangible fixed assets	252,259	-	252,259	230,740
Fixed asset investments	8,619,182	-	8,619,182	8,215,539
Investment properties	640,000	-	640,000	601,740
Current assets	1,127,447	18,017	1,145,464	971,544
Creditors due within one year	(190,698)	-	(190,698)	(141,500)
	10,448,190	18,017	10,466,207	9,878,063

Analysis of net assets between funds

Prior Year

	Unrestricted Funds	Restricted Funds	Total funds	Total funds
	2019	2019	2019	2018
	£	£	£	£
Tangible fixed assets	230,740	-	230,740	226,258
Fixed asset investments	8,215,539	-	8,215,539	7,186,719
Investment properties	601,740	-	601,740	-
Current assets	954,527	18,017	972,544	1,810,517
Creditors due within one year	(141,500)	-	(141,500)	(321,855)
	9,861,046	18,017	9,879,063	8,901,639

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2020

32 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £13,172 (2019: £12,444)

33 Principal subsidiaries

Company name	Country	Percentage Shareholding
Royal Engineers Corps Enterprises	United Kingdom	100

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

	Total funds 2020	Total funds 2019
	£	£
Net movement in funds	587,144	977,424
Add back depreciation charge	14,949	8,791
Loss / (profit) on the sale of fixed assets	-	1,197
Deduct interest income shown in investing activities	(312,826)	(291,796)
Deduct gains / add back losses on investments	(403,643)	(264,220)
Losses on revaluation of tangible fixed assets	(38,260)	(21,260)
Deduct gain on revaluation of investment property	(38,260)	-
Decrease (increase) in stock	9,734	7,870
Decrease (increase) in debtors	(6,772)	59,273
Increase (decrease) in creditors	49,198	(180,355)
Net cash used in operating activities	(138,736)	296,924

35 Related party transactions

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