

Royal Engineers Central Charitable Trust

Charity number: 1003032



Royal Engineers Central Charitable Trust

Trustees' report and financial statements

For the year ended 31 December 2022



EMPLOYER RECOGNITION SCHEME

GOLD AWARD 2022

Proudly supporting those who serve

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**HOW
WE PERFORMED**

Royal Engineers Central Charitable Trust
Reference and administrative details of the charity

REGISTERED NUMBER

1003032

HEAD OFFICE AND REGISTERED OFFICE

Headquarters Royal Engineers
Brompton Barracks
Chatham
Kent
ME4 4UG

INDEPENDENT AUDITORS

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

BANKERS

Lloyds plc
Coxs & Kings 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

Royal Engineers Central Charitable Trust

Trustees and advisers Trustees and advisers who served during the year ending 31 December 2022 were as follows:

Lieutenant General Sir Tyrone Urch KBE
Chief Royal Engineer and Chair

Major General Richard Semple CBE
Chair, Corps Finance Committee

Major General Kev Copsey OBE
Representative Colonel Commandant

Lieutenant General Sir Christopher Tickell KBE
Deputy Chief of the General Staff

Major General Shaun Burley CB MBE
Director, Army Sport Control Board (tenure complete October 2022)

Major General Nick Cavanagh CB
President, Institution of Royal Engineers

Major General Alastair Dickinson CBE
Chair, Royal Engineers Association

Major General David Southall CBE
Chair, Royal Engineers Museum

Major General Bobby Walton-Knight CBE
Chair, Royal Engineers Regimental Affairs Committee

Brigadier Peter Rowell MBE
Commandant, Royal School of Military Engineering Group (tenure complete February 2022)

Brigadier Guy Boxall MBE
Commandant Royal School of Military Engineering Group (assumed post February 2022)

Brigadier Dave Bickers MBE
Commander, 8 Engineer Brigade

Brigadier Chas Story MBE
Chief Engineer Civil Military Interaction, HQ Allied Rapid Reaction Corps

Colonel Matt Quare MBE ADC
Corps Colonel (tenure complete December 2022)

Colonel Dickie Hawkins MBE ADC
Corps Colonel (assumed post December 2022)

Colonel Andrew Ryan TD
Corps Colonel (Reserves) (tenure complete November 2022)

Colonel Alastair Cooper QVRM TD
Corps Colonel (Reserves) (assumed post November 2022)

Warrant Officer Class 1 Marc Elliott MBE
Corps Sergeant Major

Mr Ambrose McGuire
Non-Executive Director

Mr Russell Lovell
Corps Secretary

Major (retired) Ian Sidebottom
Corps Treasurer

Chair's Review



I would like to welcome you to the Royal Engineers Central Charitable Trust (RECCT) 2022 Annual Report and Financial Statements. The aim of this report is, as well as meeting our mandated legal requirement for audit, to demonstrate to stakeholders (which includes the entire Sapper Family) how we protect, manage, and utilise the charity's funds on your behalf.

The enclosed accounts demonstrate the high standard of financial management and governance required by law, managed and monitored by the Corps Finance Committee, and delivered by your staff in the Corps Funds department of Regimental Headquarters Royal Engineers. My thanks go to them all for their considerable dedication and hard work in support of the Sapper Family.

As I reported last year, the two properties (in the Kitchener Barracks development) that we purchased in 2019 have been occupied and already generated close to £70,000 of income. The success of this initiative convinced the Committee, in 2021, to approve the purchase of a third, new build, property (in Ebbsfleet) which has, since April 2022, already returned more than £16,000. So, the combined annual rental income from these 3 properties will be at least £50,000 to be used in support of our charitable objects (aims).

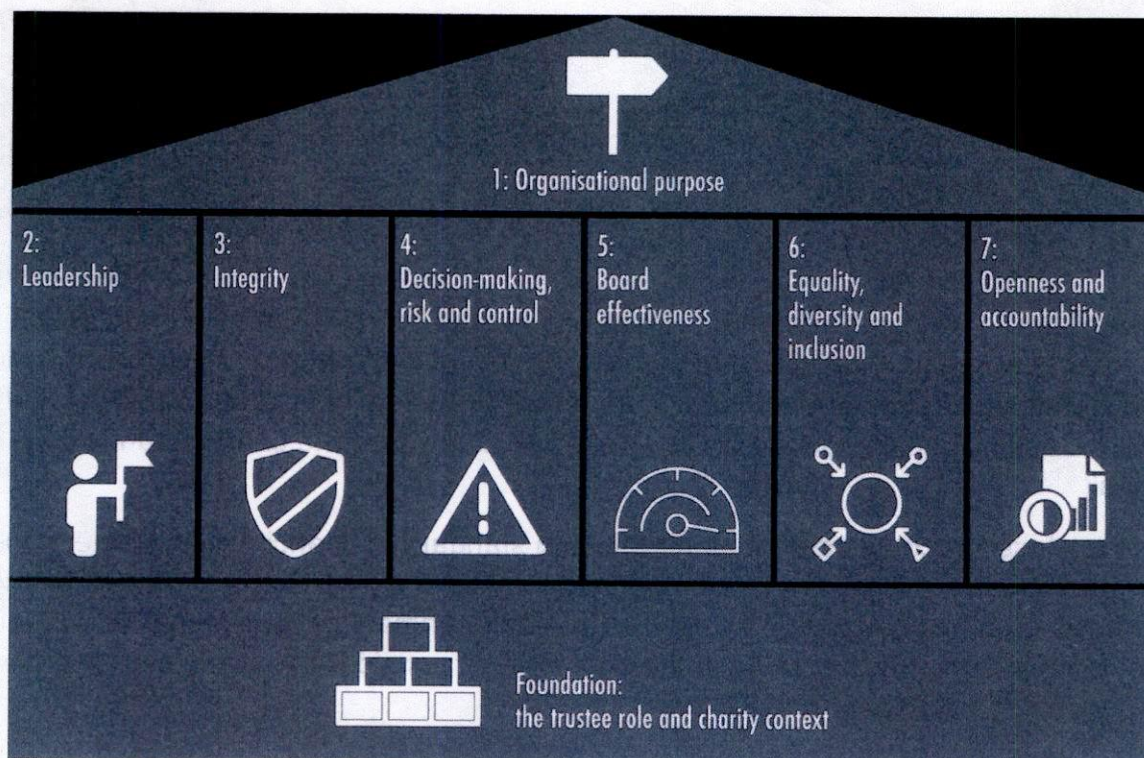
The current tough economic environment creates challenges for all charities. However, I am pleased to report that our investments with the BlackRock run Armed Forces Charities Growth & Income Fund have continued to increase their dividend payments. We have therefore been able to continue to increase the level of disbursements in support of the Corps. High inflationary pressure is something that we will continue to monitor carefully, but I am confident that we have the financial resilience to ride out this storm.

Finally, you may recall the Royal Engineers Central Charitable Trust was selected as a Silver Award winner in 2021 under the Employer Recognition Scheme in appreciation of their work in support of the Sapper Family and the wider Armed Forces' community. I am thrilled to announce, the charity continued to progress and received the highest award available, Gold, in 2022. The scheme encompasses awards for employers that pledge, demonstrate or advocate support to Defence, including Reserves, Veterans, the wounded, injured and sick, Cadets, military spouses or partners and their families.

Once a Sapper, always a Sapper.

Major General Richard Semple CBE

Trustees' Report For the year ended 31 December 2022



The Trustees have reviewed their activities against the criteria set out within the latest (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 2022. 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. This is confirmed by the completion of a 'Going Concern Assessment' which was passed to our auditors. 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, which were formally reviewed in 2020, and are reconsidered annually, continue 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;*
- *To relieve either generally or individually necessitous persons being members or former members of the Royal Engineers or the dependants of such persons."*

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

Specific activities for 2022 were set by Trustees against 10 planned budgets. Further details are provided under Achievements and Performance. Trustees achieved their objectives for 2022 through a dedicated secretariat and maintaining annual income from:

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

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 2022, for its commitment to serving the Armed Forces community, the RECCT was awarded a Gold Award under the Employer Recognition Scheme (ERS).



Colonel Matt Quare MBE ADC
(Corps Colonel & RECCT Trustee) collected the
ERS Gold Award on behalf of the Charity.

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 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.
- Providing financial support to serving officers and soldiers (Regular and Reserve) participating in sports & games and adventurous training.

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 'The Sapper' magazines in 2022 (in print and digital format).
4. Financial support to 32 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. Funding a stone memorial plaque in Rochester Cathedral memorialising the 25 Royal Engineers who lost their lives in Afghanistan.
7. Generated income from investments (including investment properties).
8. Provided a retail service (in store, online, and 'on the road') for Corps memorabilia and related items.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

Supporting Network Charities

The historic Trustee arrangement that allocates a percentage from the Payroll Giving Scheme direct to nominated network charities provided them with the following income:

	2022	2021
	£	£
Royal Engineers Association	393,571	389,428
Institution of Royal Engineers	219,940	192,105
Royal Engineers Museum	50,000	91,100

Grants to Foster Esprit de Corps

Trustees authorised the following grants in 2022:

	2022	2021
	£	£
RE Sports & Games	366,372	248,448
The Sapper Magazine	79,458	56,012
Esprit de Corps	120,338	66,425

Publishing 'The Sapper' Magazine

Trustees provided £79,458 (2021: £56,012) to fund the publication of an all ranks 'The Sapper' magazine. Some 5,000 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, affiliated Army Cadet units, 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 make a donation. The Sapper provides a focal point in publicising the Corps' activities and in engendering esprit de corps. The Sapper magazine has been remodelled and is now a hybrid, print and digital, publication. The Sapper magazine now sits within the Corps Communications Hub and enhances the Corps' opportunities to deliver consolidated messaging across both social media and print.

Supporting Corps Sports Clubs

Trustees approved financial grants supporting more than 5,500 personnel (serving and veteran) through 32 sports associations, unions, and clubs.

Her Majesty Queen Elizabeth II

Trustees approved several financial to assist the Sapper family in celebrating HM The Queen's Platinum Jubilee (also Her Majesty's 70 years as the Colonel in Chief of the Corps of Royal Engineers) and also funded the publication of a Jubilee book.

Sadly, Trustees later found themselves providing funds to support members of the Corps involved in the funeral of HM The Queen following the sad occasion of her passing.

Optimising Income from the Days Pay Scheme (DPS)

Since 1 April 2007, DPS subscriptions have been collected by a Payroll Giving scheme via the Joint Personnel and Administration (Centre). On 1 April 2007 officers' subscriptions, including an element for their membership of 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. Soldiers' 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. In 2012 serving soldier subscriptions were increased to 120% and 125%. Reserves officers and soldiers have been able to make annual contributions (12%) via JPA since 2015 and it has been agreed the Reserves' contribution rate will increase to 20% over the next two years.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

Generating Income & Growth from Investments

Investments delivered dividends of £338,766 in 2022 (2021: £312,565). During the period 1 January to 31 December 2022, the performance of the distribution units in the fund was -10.6% (2021: +13.1%) after fees and expenses. Since launch in September 2002, the fund has produced a return of +330.1%, +7.4% (2021: +380.9%, +8.5%). The fund's benchmark since inception has returned +309.3% and +7.2%. 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 £25,118 in 2022 (2021: £23,307). This 4.2% yield is in line with RECCT Trustee direction. The charity completed its purchase of a third property (in the Ebbsfleet Garden City development) in Q1 of 2022 which has, so far, generated rental income of £16,360 (a 5.2% yield). Trustees have agreed to investigate the purchase of a fourth (and final) property in 2023/4.

FINANCIAL REVIEW

Summary

The consolidated account generated net income for the charity, before other recognised gains and losses, of £82,711 (2021: net income of £180,300).

The accumulated funds of the Charity decreased by £1,250,586 to £10,169,778 (2021: increased by £966,858 to £11,420,364). The consolidated funds decreased by £1,247,774 to £10,194,931 (2021: increased by £976,498 to £11,442,705).

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

RECCT invests in the Armed Forces Charities Growth & Income Fund, managed by BlackRock. The Objective of the Fund is to achieve real growth in capital and income over the long term by investment mainly in equities and fixed income securities. Further investment details are given in the notes to the financial statements. No additional investment units were purchased in 2022.

Investment Environment, Social, and Corporate Governance (ESG)

The BlackRock Armed Forces Growth & Income Fund actively seeks out investments they believe are well aligned to the increasing preference for charities to invest in environmentally sustainable companies. These thematic investments not only provide diversification to the Fund but also ensure that client's capital is being used to drive positive change. An example of this within the Fund is the investments in renewable energy and energy efficiency exposures. BlackRock identified renewable energy as a sector that needed capital back in 2013 and which presented a good investment opportunity as well as driving positive environment change. They have also identified energy efficiency as a sector which requires capital in order to help retrofit heating systems in buildings and provide solutions to energy waste, something that will be key to achieving net-zero commitments by 2050. More recently they have allocated to battery storage technology to help address the intermittency issues associated with renewables, in order to facilitate their continued roll-out.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

Where BlackRock do hold oil and mining companies, they do so selectively with those companies that have clear and credible plans for a transition to net zero, including investment in renewable energy projects and associated technology. Accelerating the transition to net-zero is critical and will require significant investment in renewables, however, in the interim the world will continue to require fossil fuels to prevent a disorderly transition and the social implications that will have. BlackRock are committed to holding companies to account on issues such as climate change and they leverage their position as a major shareholder to encourage positive environmental and societal change on behalf of their clients.

Reserves Policy

The account posts net income of £82,711 (2021: £180,300) before realised and unrealised gains. Losses on investments amounted to £1,436,814 (2021: gains of £796,198), and gains on revaluations of fixed assets were £106,329 (2021: £Nil) giving a negative net movement in funds of £1,247,774 (2021: positive net movement of £976,498). 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. With inflation at 10% and deposit rates very low, this year has also highlighted the need to consider ways to mitigate the impact of price and salary increases (wage inflation) on our long-term objectives. The aim of our Reserves is to ensure the charity thrives and survives.

It is therefore the intention of 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£4.7M). Our reserves are also intended to provide adequate security against market volatility, future risks to both income and expenditure, and meet unexpected costs. Lastly, high inflation means cash could be losing its value in real terms, so cash reserves are being invested. Current unrestricted reserves are £10,194,931 of which £62,217 is shop stock (2021: £11,427,086 of which £71,148 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 2022 are covered under Achievements and Performance.

Remuneration Policy

Privately employed personnel working for the RECCT 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. In line with extant 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 3% of the serving Corps of Royal Engineers (9% are officers and 1% soldiers) with the Army as a whole being 10% female (as at 1 October 2022). Reporting in line with the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017: 63% of RECCT staff are female and 37% male. There is no pay gap between male and female staff who carry out the same job, similar jobs, or work of equal value. The Corps of Royal Engineers, like the rest of the Army, is proud to be ethnically diverse and inclusive. Lastly, 45% of RECCT employees are veterans or veteran's spouses.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

PLANS FOR FUTURE PERIODS

The RECCT plans to:

- Continue to develop the RECCT short, medium, and long-term financial planning and forecasting.
- Refine plans to introduce a 'Regimental Activity' fund of c£100k per annum.
- Continue to review investment property opportunities to enhance our income generation portfolio.
- Continue to maintain the RE Private Pension Plan, in line with Auto Enrolment legislation.
- Monitor, review and refine the RE Days Pay Scheme.
- Support the Regular & Reserve Corps with gradual transition from QEII cypher to CRIII (including cap badges, belts, flags etc).

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.

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

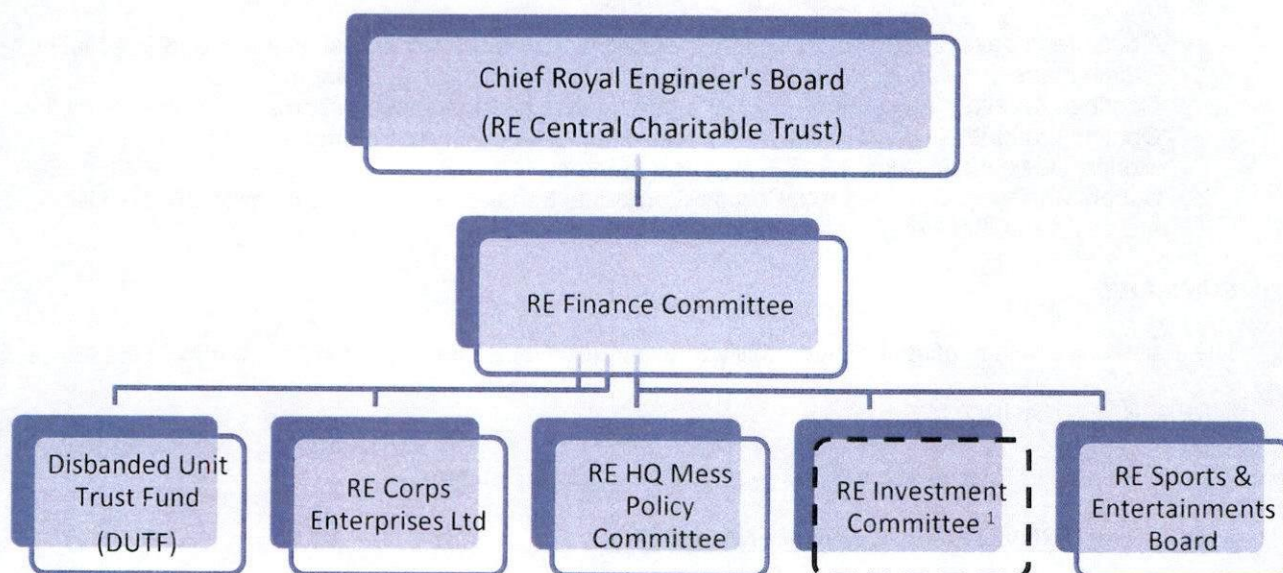
An order from the Charity Commission authorising the Trustees to provide indemnity insurance for themselves out of the charity funds was issued on 15 September 2001.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

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 (now a CAIF) 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 and rebranded as atomos in 2022).

- 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.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

- 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 2022. In July they approved the 2021 Statement of Financial Affairs and in December reviewed their 2022 expenditure prior to authorising annual budgets for 2023.

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 2022 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 serving officer contributions (gathered via payroll giving), and since 2012, received payroll giving 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. A separate Trustees' report is included with the Statement of Financial Affairs prepared by the Royal Engineers Museum, Charity No. 295173.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

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). 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 final funds from the DUTF will be exhausted in 2023 in support of a Corps-wide (Regular & Reserve) 'flag refresh' programme although the fund will remain open to receive any subsequent income from disbanded RE units.

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. In 2022, to recognise the increased costs involved, the Committee agreed, with effect from 2023, to increase all entertainments grants by 10%.

RE Sports Clubs

RHQ RE, through the RE Sports Board, has approved thirty-two Corps Sports & Games Clubs. Each sport and club are managed by a designated Chair, Manager and Treasurer. Club Chairs 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 21st October 2022 and Chief Royal Engineer's Board on 1st December 2022 with Trustees satisfied that appropriate internal controls are in place and remain effective with systems established to mitigate those risks identified.



Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

Key Risks

The two key risks identified 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 Days Pay Scheme (RE DPS) • Loss of credibility and reputation • Degradation of existing capital / investments 	Medium	Medium 	<ul style="list-style-type: none"> • Robust financial reserves policy and prudent investment • Monitor Corps manning strength and contributions to RE DPS (Regular and Reserves) 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	Medium 	<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

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.

Royal Engineers Central Charitable Trust

Trustees' Report

For the year ended 31 December 2022 (continued)

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 RB Hawkins MBE ADC
Trustee**

5th July 2023

Royal Engineers Central Charitable Trust

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 2022 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 2022 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.

Royal Engineers Central Charitable Trust

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (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

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

- 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
- 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.

Royal Engineers Central Charitable Trust

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

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.

Krest Reeves LLP

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

Date: *10 July 2023*

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 2022**

	Note	Unrestricted funds 2022	Restricted funds 2022	Total funds 2022	Total funds 2021
		£	£	£	£
Income and endowments from:					
Donations and legacies	3	813,673	-	813,673	767,468
Other trading activities	7, 8	249,609	-	249,609	245,901
Investment income	9	381,417	5	381,422	336,119
Charitable activities	10	4,200	-	4,200	4,200
Total income		1,448,899	5	1,448,904	1,353,688
Expenditure on:					
Raising funds	8	234,521	-	234,521	218,724
Charitable activities	11	1,116,049	15,624	1,131,673	954,664
Total expenditure		1,350,570	15,624	1,366,194	1,173,388
Net income/(expenditure) before gains and losses on investments		98,330	(15,619)	82,711	180,300
Net gains/(losses) on investments		(1,436,814)	-	(1,436,814)	796,198
Net gains on revaluations of tangible fixed assets		106,329		106,329	-
Net movement in funds for the year		(1,232,155)	(15,619)	(1,247,774)	976,498
Total funds at 1 January 2022		11,427,086	15,619	11,442,705	10,466,207
Total funds at 31 December 2022		10,194,931	-	10,194,931	11,442,705

The statement of financial activities includes all gains and losses in the year

All activities relate to continuing operations.

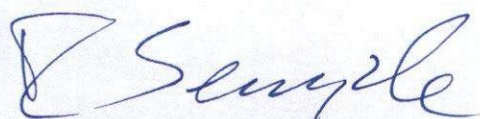
The notes on pages 23 to 37 form part of these financial statements.

Royal Engineers Central Charitable Trust

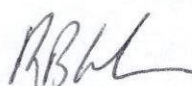
**Consolidated balance sheet
As at 31 December 2022**

	Note	£	2022 £	£	2021 £
Fixed assets					
Tangible assets	24		227,356		243,046
Investments	25		8,858,566		10,295,380
Investment properties	26		1,220,000		640,000
			<u>10,305,922</u>		<u>11,178,426</u>
Current assets					
Stocks	27	62,217		71,148	
Debtors	28	170,215		179,197	
Cash at bank and in hand		675,863		1,389,856	
		<u>908,295</u>		<u>1,640,201</u>	
Creditors: amounts falling due within one year	29	<u>(1,019,286)</u>		<u>(1,375,922)</u>	
Net current assets			<u>(110,991)</u>		<u>264,279</u>
Net assets			<u>10,194,931</u>		<u>11,442,705</u>
Charity Funds					
Restricted funds	30		-		15,619
Unrestricted funds	30		10,194,931		11,427,086
Total funds			<u>10,194,931</u>		<u>11,442,705</u>

The financial statements were approved by the Trustees on 5th July 2023 and signed on their behalf, by:



**Major General R J Semple CBE
Trustee**



**Colonel RB Hawkins MBE ADC
Trustee**

The notes on pages 23 to 37 form part of these financial statements.


Royal Engineers Central Charitable Trust

Charity balance sheet As at 31 December 2022

	Note	£	2022 £	£	2021 £
Fixed assets					
Tangible assets	24		227,356		242,931
Investments	25		8,858,566		10,295,380
Investment properties	26		1,220,000		640,000
			<u>10,305,922</u>		<u>11,178,311</u>
Current assets					
Debtors	28	199,448		216,205	
Cash at bank		667,124		1,384,774	
		<u>866,572</u>		<u>1,600,979</u>	
Creditors: amounts falling due within one year	29	(1,002,716)		(1,358,926)	
Net current assets			<u>(136,144)</u>		<u>242,053</u>
Net assets			<u>10,169,778</u>		<u>11,420,364</u>
Charity Funds					
Restricted funds	30		-		15,619
Unrestricted funds	30		<u>10,169,778</u>		<u>11,404,745</u>
Total funds			<u>10,169,778</u>		<u>11,420,364</u>

The financial statements were approved by the Trustees on 5th July 2023 and signed on their behalf, by:


Major General R J Semple CBE
Trustee


Colonel RB Hawkins MBE ADC
Trustee

The notes on pages 23 to 37 form part of these financial statements.

Royal Engineers Central Charitable Trust

Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022	2021
		£	£
Net cash used in operating activities	34	(621,744)	1,040,542
Cash flows from investing activities			
Interest and dividends		381,422	336,119
Purchase of tangible fixed assets		-	(6,654)
Purchase of fixed asset investments		-	(880,000)
Cash provided by (used in) investing activities		381,422	(550,535)
Cash used in financing activities			
Increase (decrease) in cash and cash equivalents in the year		(713,993)	490,007
Cash and cash equivalents at the beginning of the year		1,389,856	899,849
Total cash and cash equivalents at the end of the year		675,863	1,389,856

Analysis of changes in net debt

	At 31 Jan 2022 £	Cashflows £	At 31 Dec 2022 £
Cash and cash equivalents			
Cash	1,389,856	(713,993)	675,863

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

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 2019).

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).

The financial statements are presented in UK sterling, which is the Charity's financial currency, and rounded to the nearest pound.

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.

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.

2.4 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.

2.5 Basis of consolidation

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

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

2 Accounting policies (continued)

2.6 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.

2.7 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.

2.8 Tangible fixed assets and depreciation

All assets costing more than £1,000 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.

2.10 Investments

Investments held as fixed assets are included in the accounts at valuation based on their bid price at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

2.11 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.

Royal Engineers Central Charitable Trust

Notes to the financial statements For the year ended 31 December 2022

2 Accounting policies (continued)

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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

2.18 Taxation

Royal Engineers Central Charitable Trust is a registered charity and accordingly no provision is considered necessary for taxation.

2.19 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Charity does not currently have any significant accounting estimates or areas of judgement.

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

		Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	Total funds 2021 £
3 Donations and legacies					
Subscriptions	(Note 4)	433,885	-	433,885	431,107
Donations	(Note 5)	78,295	-	78,295	95,373
Legacies		53,489	-	53,489	-
Donated services and facilities	(Note 6)	248,004	-	248,004	234,070
Government Grants receivable		-	-	-	6,918
		813,673	-	813,673	767,468

All Income from Donations and Legacies was unrestricted in 2022 and 2021.

4 Subscriptions

Serving officers' subscriptions	83,161	-	83,161	82,726
Retired officers' subscriptions	12,437	-	12,437	12,999
Soldiers' subscriptions	305,087	-	305,087	301,514
Tax refund - Retired Officers & Reserves	1,525	-	1,525	1,458
Reserves DPS	5,323	-	5,323	5,189
WOs' & SNCOs' (5% subscription)	8,894	-	8,894	9,052
The Sapper Magazine	17,458	-	17,458	18,169
	433,885	-	433,885	431,107

5 Donations & Grants

General	2,022	-	2,022	4,606
WOs' & Sgts' Silver Fund	1,523	-	1,523	12,067
Comms Hub	74,750	-	74,750	78,700
	78,295	-	78,295	95,373

6 Donated services and facilities

Gas	950	-	950	932
Electricity	1,122	-	1,122	1,102
Water and sewage	453	-	453	446
Community charge	5,686	-	5,686	5,574
Administration utilities	779	-	779	764
MOD salaries	194,000	-	194,000	182,543
Administration salaries	45,014	-	45,014	42,709
	248,004	-	248,004	234,070

Royal Engineers Central Charitable Trust

**Notes to the financial statements
For the year ended 31 December 2022**

	Unrestricted funds 2022	Restricted funds 2022	Total funds 2022	Total funds 2021
7 Other trading activities - RECCT				
Advertisements	2,225	-	2,225	1,950
Miscellaneous & graphic sales	178	-	178	45
Project Funding	9,873	-	9,873	15,542
	<u>12,276</u>	<u>-</u>	<u>12,276</u>	<u>17,537</u>

8 Other trading activities - RECE Ltd

	£	£	£	£
Income				
RECE Ltd Sales	<u>237,333</u>	<u>-</u>	<u>237,333</u>	<u>228,364</u>
Expenditure				
Cost of sales	141,730	-	141,730	130,351
Staff costs	52,849	-	52,849	51,852
Postage & telephone	22,133	-	22,133	23,345
Printing & stationery	2,885	-	2,885	2,114
IT costs	6,783	-	6,783	4,667
Miscellaneous	388	-	388	613
Cardnet terminal services	4,144	-	4,144	3,464
Bank charges	316	-	316	302
Depreciation	115	-	115	115
Insurance	1,483	-	1,483	1,504
Audit fee	200	-	200	172
Advertising	1,495	-	1,495	225
	<u>234,521</u>	<u>-</u>	<u>234,521</u>	<u>218,724</u>
	<u>2,812</u>	<u>-</u>	<u>2,812</u>	<u>9,640</u>

All income and expenditure on trading activities was unrestricted in 2022 and 2021.

9 Investment income

	£	£	£	£
Dividends	338,766	-	338,766	312,565
Lloyds bank interest	1,173	5	1,178	247
Kitchener & Ebbsfleet Properties	41,478	-	41,478	23,307
	<u>381,417</u>	<u>5</u>	<u>381,422</u>	<u>336,119</u>

Income from investments was £381,422 (2021: £336,119) of which £381,417 was unrestricted (2021: £312,821) and £5 was restricted (2021: £2).

10 Income from charitable activities

	£	£	£	£
Burgoyne House	<u>4,200</u>	<u>-</u>	<u>4,200</u>	<u>4,200</u>

All income from charitable activities was unrestricted in 2022 and 2021.

Royal Engineers Central Charitable Trust

Notes to the financial statements For the year ended 31 December 2022

	Direct costs	Support costs	Total funds	Total funds
	2022	2022	2022	2021
11 Analysis of expenditure by activities	£	£	£	£
Burgoyne House (Note 12)	6,045	-	6,045	3,191
Sports & Games (Note 13)	366,372	63,591	429,963	295,923
Heritage (Note 14)	50,000	-	50,000	91,100
Esprit de Corps (Note 15)	120,338	87,200	207,538	151,229
RE HQ Mess (Note 16)	30,037	-	30,037	28,989
Comms Hub (Note 17)	79,458	165,302	244,760	238,160
WOs' & Sgts' (Note 18)	11,284	21,521	32,805	21,118
RE Corps Enterprises (Note 19)	-	75,402	75,402	71,050
Day's Pay Scheme (Note 20)	-	55,123	55,123	53,904
	663,534	468,139	1,131,673	954,664

Expenditure on charitable activities was £1,131,672 (2021: £954,664) of which £1,116,048 was unrestricted (2021: £953,284) and £15,624 was restricted (2021: £1,380).

12 Burgoyne House

Direct costs:	£	£
General Maintenance	3,300	144
Land Rent	21	21
Gas contract	321	331
Depreciation	2,403	2,695
	6,045	3,191

13 Sports & Games

Direct costs:	£	£
RE Sports Board	372,412	249,209
Refund sports grant from previous year	(6,040)	(761)
	366,372	248,448
Support costs:		
Audit Fee	1,040	860
Insurance	423	442
Administration	1,507	1,057
IT Support	774	1,972
Depreciation	2,367	2,338
Donated services support costs	7,421	7,073
Donated services MOD Salaries	21,340	20,080
Staff costs	28,719	13,653
	63,591	47,475
	429,963	295,923

14 Heritage

Direct costs:	£	£
RE Museum	44,600	38,000
RE Museum Dockyard Rent	5,400	8,100
RE Museum Project	-	45,000
	50,000	91,100

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

	Total funds 2022	Total funds 2021
15 Esprit de Corps		
Direct costs:	£	£
Donations and presentations	716	909
Other Corps events	32,902	10,839
Corps entertainment	63,039	45,934
Project Funding	10,305	8,144
Colonels Comdt	1,066	763
Unit grants - DUTF	15,624	1,380
War Memorials	8,950	-
Refund of previous years' grant	(12,264)	(1,544)
	120,338	66,425
Support costs:		
Audit fee	2,080	1,720
Insurance	846	883
Administration	4,934	2,421
IT Support	1,549	3,944
Depreciation	4,734	4,676
Donated services support costs	14,842	14,146
Donated services MOD Salaries	42,680	40,159
Staff costs	15,535	16,855
	87,200	84,804
	207,538	151,229
HQ Mess		
16 Direct costs:		
Mess Secretary salary	30,037	28,989

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

	Total funds 2022	Total funds 2021
17 Comms Hub		
Direct costs:		
Printing & distribution	72,693	53,749
Miscellaneous	6,765	2,263
	79,458	56,012
Support costs:		
Audit fee	1,040	860
Insurance	423	442
Administration	3,270	1,327
IT support	6,163	5,755
Depreciation	3,705	3,705
Donated services support costs	7,871	7,514
Donated services MOD Salaries	31,040	29,207
Staff costs	111,790	133,338
	165,302	182,148
	244,760	238,160
18 WOs' & Sgts' Fund		
Direct costs:		
Individual E2 Grants	750	710
Corps Dinner Nights	1,080	-
Adjustment Silver Fund 2021	9,454	-
	11,284	710
Support costs:		
Audit Fee	1,040	860
Insurance	423	442
Administration	1,507	1,056
Miscellaneous	927	56
IT support	774	1,972
Donated services support costs	6,869	6,531
Donated Services MOD salaries	9,700	9,127
Staff costs	281	364
	21,521	20,408
	32,805	21,118
19 RE Corps Enterprises Ltd		
Support costs:		
Donated services support costs	9,219	8,837
Donated services MOD Salaries	60,140	56,588
Staff costs	6,043	5,625
	75,402	71,050

Royal Engineers Central Charitable Trust

**Notes to the financial statements
For the year ended 31 December 2022**

	Total funds 2022	Total funds 2021
20 Day's Pay Scheme		
Support costs:		
Audit Fee	1,040	860
Insurance	423	442
Administration	1,507	1,056
IT support	774	1,972
Depreciation	2,367	2,338
Donated services support costs	7,781	7,426
Donated services MOD Salaries	29,100	27,381
Staff costs	12,131	12,429
	55,123	53,904

21 Net Income / (Expenditure)

This is stated after charging:

Depreciation of tangible fixed assets:	£	£
-owned by the charitable group	15,575	15,752
Auditor's remuneration	6,240	5,160

During the year, no Trustees received any remuneration (2021: £NIL).

During the year, no Trustees received any benefits in kind (2021: £NIL).

Trustees received reimbursement of expenses amounting to £Nil in the current year (2021: £NIL).

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

	Total funds 2022	Total funds 2021
23 Staff costs	£	£
Staff costs were as follows:		
Wages and salaries	227,979	231,685
Social security costs	11,882	13,271
Pension costs	17,523	18,149
	257,384	263,105

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

	No.	No.
Management and administration of the charity	7	6
RECE Ltd	4	4
	11	10

The total employment benefits including employer pension contributions of the key management personnel were £30,037 (2021: £22,306).

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

24 Tangible fixed assets

Group	Shop fixtures, fittings and equipment £	General fund £	WOs' & Sgts' fund £	Comms Hub property £	Total £
Cost or valuation					
At 1 January 2022	1,074	121,993	174,642	28,814	326,523
At 31 December 2022	1,074	121,993	174,642	28,814	326,523
Depreciation					
At 1 January 2022	959	65,645	-	16,873	83,477
Charge for the year	115	11,870	-	3,705	15,690
At 31 December 2022	1,074	77,515	-	20,578	99,167
Net book value					
At 31 December 2022	-	44,478	174,642	8,236	227,356
At 31 December 2021	115	56,348	174,642	11,941	243,046

Royal Engineers Central Charitable Trust

Notes to the financial statements For the year ended 31 December 2022

24 Tangible fixed assets (continued)

	General fund £	WOs' & Sgts' fund £	Comms Hub property £
Charity			
Cost or valuation			
At 1 January 2022	121,993	174,642	28,814
At 31 December 2022	121,993	174,642	28,814
Depreciation			
At 1 January 2022	65,645	-	16,873
Charge for the year	11,870	-	3,705
At 31 December 2022	77,515	-	20,578
Net book value			
At 31 December 2022	44,478	174,642	8,236
At 31 December 2021	56,348	174,642	11,941

25 Fixed asset investments

	Listed securities £
Group & Charity	
Market value	
At 1 January 2022	10,295,380
Revaluations	(1,436,814)
At 31 December 2022	8,858,566
Historical cost	8,831,319
Group & charity investments at market value comprise:	
	2022 £
Listed investments	8,858,566

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 Bla Investment Managers Ltd.

Total
£

325,449

325,449

82,518

15,575

98,093

227,356

242,931

2021
£

10,295,380

ckrock

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

26 Investment properties

	Freehold Investment Property £
Group & Charity	
Valuation	
At 1 January 2022	640,000
Additions	473,671
Re-valuation	106,329
At 31 December 2022	<u>1,220,000</u>
Support Costs	
Annual Fees	<u>1,200</u>
Comprising	
Cost	<u><u>1,220,000</u></u>

During the financial year the Charity incurred costs amounting to £1,200 in the development of the properties held in Chatham & Ebsfleet

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

	Group		Charity	
27 Stocks:	2022	2021	2022	2021
	£	£	£	£
Finished goods and goods for resale	<u>62,217</u>	71,148	-	-

	Group		Charity	
28 Debtors:	2022	2021	2022	2021
	£	£	£	£
Amounts owed by group undertakings	-	-	44,235	44,235
Other debtors	170,215	179,197	155,213	171,970
	<u>170,215</u>	179,197	<u>199,448</u>	216,205

29 Creditors: Amounts falling due within one year

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Other creditors	1,019,286	1,375,922	1,002,716	1,358,926
	<u>1,019,286</u>	1,375,922	<u>1,002,716</u>	1,358,926

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

30 Statement of funds

Current Year	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Comms Hub	11,941	94,611	(205,849)	107,531	-	8,235
Project Funding	45,113	9,873	(10,305)	-	-	44,681
	57,054	104,484	(216,154)	107,531	-	52,916
General funds						
RE Central Charitable Trust	11,095,210	1,096,665	(883,658)	(107,531)	(1,330,485)	9,870,201
WOs' & Sgts' Fund	252,481	10,417	(16,236)	-	-	246,662
RECE Ltd	22,341	237,333	(234,521)	-	-	25,153
	11,370,032	1,344,415	(1,134,415)	(107,531)	(1,330,485)	10,142,016
Total Unrestricted funds	11,427,086	1,448,899	(1,350,569)	-	(1,330,485)	10,194,931
Restricted funds						
DUTF	15,619	5	(15,624)	-	-	-
Total of funds	11,442,705	1,448,904	(1,366,193)	-	(1,330,485)	10,194,931

Prior Year	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Comms Hub	8,992	98,864	(238,160)	142,245	-	11,941
Project Fund	37,715	15,542	(8,144)	-	-	45,113
	46,707	114,406	(246,304)	142,245	-	57,054
General funds						
RE Central Charitable Trust	10,157,730	989,797	(706,270)	(142,245)	796,198	11,095,210
WOs' & Sgts' Fund	232,072	21,119	(710)	-	-	252,481
RECE Ltd	12,701	228,364	(218,724)	-	-	22,341
	10,402,503	1,239,280	(925,704)	(142,245)	796,198	11,370,032
Total Unrestricted funds	10,449,210	1,353,686	(1,172,008)	-	796,198	11,427,086
Restricted funds						
DUTF	16,997	2	(1,380)	-	-	15,619
Total of funds	10,466,207	1,353,688	(1,173,388)	-	796,198	11,442,705

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

31 Analysis of net assets between funds

Current Year	Unrestricted Funds	Restricted Funds	Total funds	Total funds
	2022	2022	2022	2021
	£	£	£	£
Tangible fixed assets	227,356	-	227,356	243,046
Fixed asset investments	8,858,566	-	8,858,566	10,295,380
Investment properties	1,220,000	-	1,220,000	640,000
Current assets	908,295	-	908,295	1,640,201
Creditors due within one year	(1,019,286)	-	(1,019,286)	(1,375,922)
	10,194,931	-	10,194,931	11,442,705

Analysis of net assets between funds

Prior Year	Unrestricted Funds	Restricted Funds	Total funds	Total funds
	2021	2021	2021	2020
	£	£	£	£
Tangible fixed assets	243,046	-	243,046	252,259
Fixed asset investments	10,295,380	-	10,295,380	8,619,182
Investment properties	640,000	-	640,000	640,000
Current assets	1,624,582	15,619	1,640,201	1,145,464
Creditors due within one year	(1,375,922)	-	(1,375,922)	(190,698)
	11,427,086	15,619	11,442,705	10,466,207

Royal Engineers Central Charitable Trust

Notes to the financial statements

For the year ended 31 December 2022

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 £17,523 (2021: £18,149).

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 2022	Total funds 2021
	£	£
Net movement in funds	(1,247,774)	976,498
Add back depreciation charge	15,690	15,867
Deduct interest income shown in investing activities	(381,422)	(336,119)
Deduct gains / add back losses on investments	1,436,814	(796,198)
Losses on revaluation of tangible fixed assets	-	-
Deduct gain on revaluation of investment property	(106,329)	-
Decrease (increase) in stock	8,931	3,446
Decrease (increase) in debtors	8,982	(8,176)
Increase (decrease) in creditors	(356,636)	1,185,224
Net cash used in operating activities	(621,744)	1,040,542

35 Related party transactions

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