

Charity Number: 1202413



Royal Engineers Headquarter Mess

Trustees' report and financial statements
for the year ended 31 December 2023

Royal Engineers Headquarter Mess

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Royal Engineers Headquarter Mess

Trustees' report for the year ended 31 December 2023

The Trustees present their annual report of the fund for the year ended 31 December 2023. The financial statements have been prepared in accordance with the accounting policies set out at note 2 to the accounts and comply with the Charities Act 2011 and the Charities SORP FRS 102. Trustees consider that in preparing these financial statements they have taken into account all information that could reasonably be expected to be available (including levels of reserves held). Therefore, the going concern basis of accounting is deemed appropriate and there are no material uncertainties.

OBJECTIVES AND ACTIVITIES

The object of the charity is:

“the promotion of efficiency of the armed forces of the Crown by the provision and support of facilities and activities for the efficiency and well-being of Service personnel”.

This is to be achieved by preserving the financial stability of the Corps of Royal Engineers' Headquarter Mess, maintaining the property owned by the officers of the Corps of Royal Engineers and the promotion of Esprit de Corps on behalf of those officers.

Trustees pursued a strategy of planned maintenance, repair and financial support through the annual income received from:

- Voluntary subscriptions collected from serving RE officers, drawn down through The Days' Pay Scheme and from retired officers as an annual payment for continued Mess membership;
- Investment income;
- The occasional hire of the Mess as a venue and the hire of Mess Property (swords and silver).

The HQ Mess Policy committee developed a detailed budget to achieve specific outputs. Further details are provided under Achievements and Performance.

ACHIEVEMENTS AND PERFORMANCE

Activities

Trustees pursued the following activities through their sub-committees and secretariat:

Optimised income from subscriptions:

Income from subscriptions is derived from two sources:

Serving Royal Engineers Officers. Prior to 1st April 2008 Queen's Regulations for the Army 1975 paragraph 5.711 allowed a compulsory subscription to be levied against each serving Royal Engineers officer to preserve the financial stability of the Royal Engineers Headquarters Mess. From 1st April 2008 the subscription was made voluntary and is drawn down through the Days' Pay Scheme. All new officers are briefed on the scheme. The current rate of subscription to the Royal Engineers Headquarters Mess is 70% of an officer's gross daily pay. In 2023, this amounted to £143,024 (2022: £139,414).

Retired Officers. Newly retired officers who wish to retain their links with the Corps are invited in writing by the Corps Colonel to pay a nominal annual subscription of £25 to be accorded Corps Mess membership status. In 2023 this amounted to £14,912 (2022: £15,556) plus £1,864 (2022: £1,932) in gift aid tax refund.

Maintained Income & Growth from Investments

The HQ Mess investments are held in the Armed Forces Charities Growth and Income Fund managed by BlackRock Investment Managers. Investments delivered dividends of £17,281 in 2023 (2022: £12,483). During the period 1 January to 31 December 2023, the performance of the distribution units in the fund was +4.3% (2022: -10.6%) after fees and expenses. Since launch in September 2002, the fund has produced a return of +305.5%, +6.8% (2022: +330.1%, +7.4%). The fund's benchmark since inception has returned +344.2% and +7.2%.

Royal Engineers Headquarter Mess

Trustees' report (continued) for the year ended 31 December 2023

Generated Miscellaneous Income

A surplus of £87 (2022: £1,691) was generated through the purchase of wine for the RE HQ Mess and sale through the contractor.

Individual officers and units contributed £1,885 (2022: £1,964) through the hire of mess property.

Supported New Commissions

A number of enquiries had been received (some are still being refined) and one new minor commission grant made in 2023.

Pursued Planned Improvements, Maintenance & Repair:

The Corps Mess Secretary supervised maintenance and repair against specific budget lines previously approved by the RE HQ Mess Policy Committee:

General: A total of £4,263 (2022: £3,255) was expended on general property maintenance (note 12).
Corps Silver: A total of £3,732 (2022: £840) was expended on the continued planned programme of repair and refurbishment, which commenced in January 2002 (note 6).

Foster Esprit de Corps:

The RE HQ Mess Fund provided £48,388 (2022: £49,474) in grants to offset the cost of Corps, Establishment and Unit (Regular and Reserve) entertainment costs.

2023 FINANCIAL REVIEW

Summary

Net income before other recognised gains and losses was £58,496 (2022: £64,490).

Net loss on investments were £5,636 (2022: Net loss £42,886).

Balance Sheet

The accumulated fund increased by £52,860 to £6,888,993 (2022 increased by £21,604 to £6,836,133).

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

Mess Secretary Salary

Trustees agreed, with effect from 1st January 1997, that the Corps' Mess Secretary's salary and employer's pension contributions were to be funded by the RE HQ Mess (one third) and the RE Central Charitable Trust (two thirds).

Royal Engineers Headquarter Mess

Trustees' report (continued) for the year ended 31 December 2023

Investment House & Policy

All RE HQ Mess investments have been, since 2002, managed by BlackRock as part of the Armed Forces Charities Growth & Income Fund (formerly the Armed Forces Common Investment Fund).

The Objective of the Fund is unchanged and seeks to provide a return on investment (net of fees) over a period of 5 or more consecutive years beginning at the point of investment, generated through an increase to the value of the assets held by the Fund and/or income received from those assets. The Fund has a flexible approach to asset allocation and seeks to achieve its investment objective through a variety of asset classes. The Fund is actively managed and this may vary without limitation depending on market conditions and other factors at the Investment Manager's (IM) discretion in accordance with the Fund's investment policy.

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.

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

Tangible Fixed Assets Valuation

At the year end the tangible fixed assets were valued at £6,112,021 (2022: £6,113,351).

Grant Making Policy

The RE HQ Mess Policy Committee invites and considers applications to commission new paintings or silver from RE establishments and units.

Details of how to apply for grants are available through the Corps Treasurer or the Corps Mess Secretary. Only one grant was made in 2023 totalling £5,000 and Chief Royal Engineers portrait was commissioned (funded every 5 years on completion of tenure).

Wine and Port

The RE HQ Mess Policy Committee continues to follow the vintage wine and port plan approved by Trustees in the autumn of 2001. This was reviewed in Autumn 2023 and will be closely monitored before being reviewed again in 2024.

PLANS FOR FUTURE PERIODS

Trustees are mindful of the changing pace of military administration, charity legislation and the income generated in 2023. They have directed the Chair of the RE HQ Mess Policy Committee to:

- Maintain voluntary subscriptions from serving officers to the RE HQ Mess via the Days' Pay Scheme and the annual payment by retired officers.

Royal Engineers Headquarter Mess

Trustees' report (continued) for the year ended 31 December 2023

- Maintain and modify a 3-5 year development agenda to include risk and opportunities in order to produce a new 5 year plan.
- Maintain the annual grant (to be increased by £5,000 from 2024) to Corps Guest Nights to ensure attendees pay no more than £50 for attendance.
- Investigate potential improvements to the Kellar Bar.

SUMMARY

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

CHARITABLE STATUS

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

In 2023, under a Constitution dated 28 February 2023, the Royal Engineers Headquarter Mess was formally registered as a charity with Charity Number 1202413.

TRUSTEES

The initial Trustees of the newly registered charity are the Commandant of the Royal School of Military Engineering Group, the Royal Engineers Corps Colonel, and the Commanding Officer of 1 RSME Regiment.

The Trustees who served during the year are detailed on page 8. Trustees held formal meetings in April and October 2023. In April, they reviewed the 2022 Statement of Financial Activities and in October examined their 2023 expenditure prior to authorising annual budgets for 2024.

Appointment of Trustees

Trustees are appointed ex-officio and each Trustee is provided with a copy of the RE HQ Mess Constitution, a copy of the Charity Commission leaflet explaining the responsibilities of Trustees, a Trustee Handbook, copies of relevant policy documents (whistleblowing, fraud and bribery policy etc) and access to previous audited accounts. Each Trustee signs a certificate to confirm their eligibility and willingness to act as a Trustee and declares any actual or potential conflicts of interest.

All new Trustees are expected, where possible, to attend formal Charity Trustee Training within 6 months of appointment. The charity's Trustee Training register is reviewed at each meeting.

CONTROL

The Mess has two levels of control:

- As the Royal Engineers HQ Mess, the President of the Mess is the Chief Royal Engineer. The Commandant, Royal School of Military Engineering, who is Chair of the Royal Engineers HQ Mess charity, answers to him;
- As the Royal Engineers Officers' Mess Brompton, the Commandant Royal School of Military Engineering delegates day to day administration and running of the Mess to the President of the Royal Engineers Officers' Mess Brompton Committee, normally the Commanding Officer, 1 RSME Regiment.

Royal Engineers Headquarter Mess

Trustees' report (continued) for the year ended 31 December 2023

NETWORK CHARITIES

THE ROYAL ENGINEERS CENTRAL CHARITABLE TRUST (RECCT)

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. A separate Trustees' Annual Report is prepared by the Royal Engineers Central Charitable Trust together with the Charity's financial statements, Charity No.1003032.

THE ROYAL ENGINEERS ASSOCIATION (REA)

The responsibility for undertaking all benevolence work on behalf of the Corps is vested in the Royal Engineers Association. Occasionally members of the Royal Engineers Association benefit from support provided by the RE HQ Mess. A separate Trustees' Annual Report is prepared by the Royal Engineers Association together with the Charity's financial statements, Charity Nos. 258322 and SC041832.

THE INSTITUTION OF ROYAL ENGINEERS (InstRE)

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. Occasionally members of the Institution of Royal Engineers and linked professional bodies benefit from support provided by the RE HQ Mess. A separate Trustees' Annual Report is prepared by the Institution of Royal Engineers together with the Charity's financial statements, Charity No. 249882.

ROYAL ENGINEERS MUSEUM (REM)

Overall control of the Royal Engineers Museum is vested in the Trustees of the Institution of Royal Engineers. Occasionally the Royal Engineers Museum and FoREM (Friends of the Royal Engineers Museum) benefit from support provided by the RE HQ Mess. A separate Trustees' Annual Report is prepared by the Royal Engineers Museum together with the Charity's financial statements, Charity No. 295173.

NETWORK ORGANISATIONS AND MEMBERSHIP

ROYAL ENGINEER ESTABLISHMENTS AND UNIT OFFICERS' MESSES

The Royal Engineers HQ Mess provides financial and private property support to those Royal Engineer Establishments and Unit Officers' Mess functions and events that meet the criteria laid down in Corps Memoranda 2021 and those that are authorised annually by Trustees as a specific Esprit de Corps event.

MEMBERSHIP

The categories of membership of the Royal Engineers HQ Mess are defined in Corps Memoranda 2021 Chapter 5.

VAT REGISTRATION

VAT liability for the Wines Fund had, with HM Revenue and Customs approval, previously been combined under the RE Corps Enterprises VAT registration. The formation of RE Corps Enterprises as a limited company in 1995 required it to have its own dedicated VAT registration. Continued registration of the Wines Fund within the RE HQ Mess fund would have made all other activities within the fund subject to VAT including the hiring costs of swords, silver, and paintings. The RE Finance Committee decided to deregister the Wines Fund on 31 December 1995 by paying the amount of VAT outstanding on the existing wines stock.

Royal Engineers Headquarter Mess

Trustees' report (continued) for the year ended 31 December 2023

EXEMPTION FROM INCOME TAX AND CORPORATION TAX

Application to claim exemption and a refund of any tax paid has been authorised by the HM Revenue and Customs under registration number CR200/23/60C.

RISK MANAGEMENT STATEMENT

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 mitigated measures the Trustees feel need to be applied. The Risk Management Matrix will be reviewed in 2024 where the Board confirms systems have been established to mitigate those risks identified.

RESERVES POLICY

The HQ Mess is a registered charity and fully appreciates the need to justify their unrestricted fund holdings to stakeholders and the Public.

In 2023, Trustees reviewed the reserves policy with the objective of matching the amount held in reserves with mitigation 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 an operational shock if it were to occur.

The charity's reserves are also intended to provide adequate security against market volatility, and future risks to both income and expenditure, whilst maintaining long-term ability to maintain the property owned by the officers of the Corps of Royal Engineers and to promote Esprit de Corps on behalf of those officers. Current unrestricted reserves are £6,888,993 (2022: £6,836,133) which Trustees consider is consistent with this policy.

INDEPENDENT AUDITORS

Kreston Reeves LLP were retained as the Corps' auditors.

There is no statutory requirement for the Trustees (The Chief Royal Engineer's Committee) of the Royal Engineers HQ Mess Fund to prepare financial statements as if it were a registered charity.

The Royal Engineers Finance Committee has chosen to prepare the non-statutory financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), and the Charities (Accounts and Reports) Regulations 2005.

The Chairman of the Royal Engineers HQ Mess Fund, as the nominated Trustee, shall report the current financial position to the Royal Engineers Finance Committee and to the Trustees.

In preparing the financial statements the Committee is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

Royal Engineers Headquarter Mess

**Trustees' report (continued)
for the year ended 31 December 2023**

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and ensure that the financial statements comply with the Charities (Accounts and Reports) Regulations 2005. They are also responsible for safeguarding the assets of the fund and hence taking reasonable steps for the prevention and detection of error, fraud, and other irregularities.

Approved by the Trustees and signed on their behalf:

A handwritten signature in black ink, appearing to read 'JD Webster', with a long horizontal stroke extending to the right.

**Brigadier JD Webster
Trustee**

08 July 2024

Royal Engineers Headquarter Mess

Reference and administrative details of the Charity, its Trustees and Advisers for the year ended 31 December 2023

Trustees

Chief Royal Engineer	Lieutenant General Sir TR Urch KBE (tenure complete September 2023)
	Lieutenant General Sir CL Tickell KBE (tenure commenced September 2023)
Chair Corps Finance Committee	Major General RJ Semple CBE
Representative Col Comdt	Major General KM Copsey OBE
President, Institution of RE	Major General NJ Cavanagh CB
Chair REA	Major General AS Dickinson CBE
Chair, REM	Major General DW Southall CBE
Commander 8 Engr Bde	Brigadier DJ Bickers MBE (tenure complete August 2023)
	Brigadier S Carvell (tenure commenced August 2023)
Corps Colonel	Colonel RB Hawkins MBE ADC
Commandant RSME Group	Brigadier G Boxall (tenure complete October 2023)
	Brigadier JD Webster (tenure commenced November 2023)
Commanding Officer 1 RSME Regt	Lieutenant Colonel G Cheesman (tenure commenced 28 February 2023)

Treasurer

Corps Treasurer	Major (Retired) I Sidebottom
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Principal office

Royal Engineers Headquarter Mess
Brompton Barracks
Dock Road
Chatham
Kent
ME4 4UG

Independent auditor

Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Montague Place
Quayside
Chatham Maritime
Chatham
Kent
ME4 4QU

Bankers

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

Royal Engineers Headquarter Mess

**Reference and administrative details of the Charity, its Trustees and Advisers (continued)
for the year ended 31 December 2023**

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 Headquarter Mess

Independent Auditor's report to the Trustees of Royal Engineers Headquarters Mess

We have audited the financial statements of Royal Engineers Headquarters Mess (the 'charity') for the year ended 31 December 2023 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 2023 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 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.

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.

Royal Engineers Headquarter Mess

Independent Auditor's report to the Trustees of Royal Engineers Headquarters Mess (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

Independent Auditor's report to the Trustees of Royal Engineers Headquarters Mess (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 Headquarter Mess

Independent Auditor's report to the Trustees of Royal Engineers Headquarters Mess (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.

A handwritten signature in blue ink that reads "Kreston Reeves LLP". The signature is written in a cursive style and is enclosed within a light blue rectangular border.

Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Chatham

Date: **31 July 2024**

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

Royal Engineers Headquarters Mess

Statement of financial activities for the year ended 31 December 2023

	Note	Total funds 2023 £	Total funds 2022 £
Income and endowments from:			
Donations & Legacies	3	218,778	209,319
Charitable activities	6,7	1,972	3,655
Investments	8	18,517	12,852
Other income	9	-	193
Total Income		239,267	226,019
Expenditure on:			
Raising funds	6	19,257	15,454
Charitable activities	10	161,514	146,075
Total Expenditure		180,771	161,529
Net income before revaluations		58,496	64,490
Net loss on investments	17	(5,636)	(42,886)
Net movement in funds for the year		52,860	21,604
Reconciliation of funds			
Total funds at 1 January 2023		6,836,133	6,814,529
Total funds at 31 December 2023		6,888,993	6,836,133

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

All activities relate to continuing operations.

The notes on pages 17 to 28 form part of these financial statements.

Royal Engineers Headquarters Mess

Balance sheet for the year ended 31 December 2023

	Note	£	Total funds 2023 £	£	Total funds 2022 £
Fixed assets					
Tangible assets	16		6,112,021		6,113,351
Investments	17		<u>437,307</u>		<u>442,943</u>
			6,549,328		6,556,294
Current assets					
Stocks	18	48,141		54,286	
Debtors	19	16,498		15,967	
Cash at bank			<u>278,380</u>	<u>215,995</u>	
			343,019	286,248	
Creditors: amounts falling due within one year	20	<u>(3,354)</u>		<u>(6,409)</u>	
Net current assets			<u>339,665</u>	<u>279,839</u>	
Net assets			<u>6,888,993</u>	<u>6,836,133</u>	
Charity Funds					
Unrestricted funds	21		<u>6,888,993</u>	<u>6,836,133</u>	
Total funds			<u>6,888,993</u>	<u>6,836,133</u>	

The financial statements were approved by the Trustees on 8th July 2024 and signed on their behalf, by:

Colonel RB Hawkins MBE ADC, Trustee

Brigadier J D Webster, Trustee

The notes on pages 17 to 28 form part of these financial statements.

Post Balance Sheet Event:

The RE HQ Mess has been added to the Charity Register with Charity Number 1202413

Royal Engineers Headquarters Mess

Statement of Cash Flows for the year ended 31 December 2023

	Note	2023	2022
		£	£
Net cash used in operating activities	25	43,868	210,352
Cash flows from investing activities			
Interest and dividends		18,517	12,852
Purchase of Fixed Asset Investments		-	(150,000)
Cash used in investing activities		18,517	(137,148)
Increase in cash and cash equivalents in the year		62,385	73,204
Cash and cash equivalents at the beginning of the year		215,995	142,791
Total cash and cash equivalents at the end of the year		278,380	215,995

Analysis of changes in net debt

	At 31 Jan 2023 £	Cashflows £	At 31 Dec 2023 £
Cash and cash equivalents			
Cash	215,995	62,385	278,380

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

1 General administrative information

Royal Engineers Headquarters Mess is a Registered Charity. The address of the registered office is Headquarters Royal Engineers, Brompton Barracks, Chatham, Kent, ME4 4UG. The Fund's principal objectives continued to be to preserve the financial stability of the Corps of Royal Engineers Headquarters Mess and to maintain the property owned by the Officers of the Corps of Royal Engineers and to promote Esprit de Corps on behalf of those Officers.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP(FRS102) 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) and the Charities Act 2011 (effective 1 January 2019).

Royal Engineers Headquarters Mess 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 functional currency, and rounded to the nearest pound.

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

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Investment income, gains and losses are allocated to the appropriate fund.

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.

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

2 Accounting policies (continued)

2.5 Expenditure

Liabilities are recognised as expenditure as soon as there is an obligation to committing the Fund to the expenditure. All expenditure is accounted for on an accruals basis.

Grants payable are payments made to third parties in the furtherance of the charitable objectives of the Fund and are always authorised by the Trustees.

Costs of charitable activities includes grants made and the apportionment of support costs shown in note 10.

2.6 Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost or deemed cost, net of depreciation and any provision for impairment. Deemed cost represents the fair value of certain classes of assets owned by the charity, at the date of transition to the Charity SORP under the cost mode, assets will not be subject to further valuations.

RE HQ Mess property - a range up to 20%

2.7 Donated assets

Donated assets are recognised as income within the relevant fixed asset category on the balance sheet when receivable.

2.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost represents purchase price inclusive of value added tax.

2.9 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.

2.10 Debtors

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid.

2.11 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 Accounting policies (continued)

2.12 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.

2.13 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.

2.14 Pensions

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

2.15 Cost of generating funds

Costs of generating funds consists of costs associated with maintaining subscriptions from serving and retired officers, generating miscellaneous income, a headline fee of 0.4% against pooled investments in the Armed Forces Charities Growth & Income Fund and an element of the donated services.

2.16 Donated services and facilities

Intangible income, which comprise 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 match by donated expenditure.

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

Institution of Royal Engineers 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 Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

	Note	Total funds 2023 £	Total funds 2022 £
3 Donations & Legacies			
Subscriptions	4	159,800	156,902
Donated services and facilities	5	58,978	52,417
		218,778	209,319

4 Subscriptions

	£	£
Serving Officers	143,024	139,414
Retired Officers	14,912	15,556
Retired Officers' Tax Refund	1,864	1,932
	159,800	156,902

5 Donated services and facilities

	£	£
Gas	512	494
Electricity	583	583
Water and sewage	235	235
Community charge	5,686	5,686
Administrative utilities	417	405
Administrative salaries	51,545	45,014
	58,978	52,417

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

	Total funds 2023	Total funds 2022
	£	£
6 Hire of mess property		
Sword loan charge	485	460
Silver loan charge	900	1,004
Mess rooms	500	500
	1,885	1,964
Maintenance and repair:		
Silver maintenance	3,732	840
Audit	337	306
Insurance	3,146	3,524
Security	294	257
Administration	1,005	733
Staff costs	2,264	2,253
Donated services support costs	8,479	7,541
	19,257	15,454
7 Wine trading account		
	£	£
Sales:		
Sale of wine	6,232	6,494
Cost of sales:		
Opening stock wine	54,286	50,079
Wine purchases	-	9,010
Closing stock wine	(48,141)	(54,286)
	6,145	4,803
Surplus for the year - wine	87	1,691

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

	Total funds 2023	Total funds 2022
8 Investment income	£	£
Dividend income	17,281	12,483
Bank interest	1,236	369
	18,517	12,852

At 31 December 2023 and 31 December 2022 all invested funds were held in the Armed Forces Charities Growth & Income Fund, managed by BlackRock Investment Managers Limited.

9 Other income	£	£
Sundry income	-	193

10 Analysis of expenditure by activities

		Direct costs 2023	Grant funding of activities 2023	Support costs 2023	Total 2023	Total 2022
		£	£	£	£	£
Esprit de Corps	Note 11	-	52,401	39,270	91,671	91,060
Maintenance of Corps property	12	4,263	-	45,380	49,643	55,015
New Commissions	13	20,200	-	-	20,200	-
		24,463	52,401	84,650	161,514	146,075

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

	Total funds 2023	Total funds 2022
	£	£
11 Esprit de Corps		
Grant funding of activities		
Unit / formations & HQs entertainment	48,388	49,474
Colonel Commandant's 'At Home'	4,013	2,380
	52,401	51,854
Support costs		
Audit	1,010	917
Administration	2,263	1,648
Stationery	309	574
Staff costs	10,622	10,063
Donated services support costs	25,065	22,254
Minor Commission	-	3,750
	39,270	39,206
	91,671	91,060
12 Maintenance of Corps property		
	£	£
Direct costs		
General property	4,263	3,255
Support costs		
<i>Paintings</i>		
Audit	337	305
Insurance	3,146	3,524
Security	294	257
Administration	1,006	732
Staff costs	2,264	2,253
Donated services support costs	8,479	7,541
	15,526	14,612

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

	Total funds 2023 £	Total funds 2022 £
12 Maintenance of Corps property (Cont)		
<i>General Property</i>		
Audit	337	306
Insurance	3,146	3,524
Security	294	257
Administration	503	366
Depreciation	665	5,163
Staff costs	2,264	2,253
Donated services support costs	8,479	7,542
	15,688	19,411
<i>Mess Improvements</i>		
Audit	223	204
Insurance	1,049	1,175
Security	98	86
Administration	249	183
Depreciation	665	5,163
Staff costs	3,403	3,387
Donated services support costs	8,479	7,540
	14,166	17,737
	49,643	55,015

	Total funds 2023 £	Total funds 2022 £
13 New Commissions		
Direct Costs		
Silver centrepiece (Winston)	5,000	-
Major Commission - Chief Royal Engineer portrait	15,200	-
	20,200	-

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

	Total funds 2023 £	Total funds 2022 £
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14 Net Income

This is stated after charging:

Depreciation of tangible fixed assets:

- owned by the charity

Auditor's remuneration

1,330 10,326

2,245 2,040

During the year, no Trustees received any remuneration (2022: £NIL).

During the year, no Trustees received any benefits in kind (2022: £NIL).

During the year, no Trustees received any reimbursement of expenses (2022: £NIL).

15 Staff costs £ £

Staff costs were as follows:

Wages and salaries

17,724 17,311

Social security costs

1,627 1,743

Pension costs

1,466 1,154

20,817 20,208

The average number of persons employed by the Charity during the year was as follows:

	No.	No.
Management and administration of the fund	9	8

The average headcount expressed as full-time equivalents was:

	No.	No.
Management and administration of the fund	1	1

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

The Trustees are considered to be the key management personnel of the charity.

16 Tangible fixed assets

	RE HQ Mess property £
Cost	
At 1 January 2023 and 31 December 2023	6,270,751
	6,270,751
Depreciation	
At 1 January 2023	157,400
Charge for the year	1,330
At 31 December 2023	158,730
Net book value	
At 31 December 2023	6,112,021
At 31 December 2022	6,113,351

Historic cost is based on the value held within the entity's books on conversion to charity registration as of 28 February 2023 when a policy of depreciated historic cost has been adopted in line with Charity SORP requirements. The insurance value of the property would be in excess of the historic cost held with the financial statements. Historic cost information is not available as to gain the information would cause undue expense and delay.

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

17 Fixed asset investments

Listed Securities £

Market value

At 1 January 2023	442,943
Revaluations	(5,636)

At 31 December 2023	<u>437,307</u>
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Historical cost	<u>283,671</u>
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Investments at market value comprise:

	2023 £	2022 £
Listed investments	<u>437,307</u>	442,943

All the fixed asset investments are held in the UK.

Material investments

All invested funds were held in the Armed Forces Charities Growth & Income Fund managed by BlackRock Investment Managers Limited.

18 Stocks

	£	£
Wine stock	<u>48,141</u>	54,286

19 Debtors

	£	£
Other debtors	<u>16,498</u>	15,967

20 Creditors:

	£	£
Amounts falling due within one year:		
Trade creditors	110	4,369
Accruals and deferred income	3,244	2,040
	<u>3,354</u>	6,409

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

21 Statement of funds

Current year	Brought forward £	Income £	Expenditure £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds					
Reserves	6,836,133	239,267	(180,771)	(5,636)	6,888,993

Statement of funds

Prior Year	Brought forward £	Income £	Expenditure £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds					
Reserves	6,814,529	226,019	(161,529)	(42,886)	6,836,133

22 Analysis of net assets between funds

Current Year	Unrestricted funds 2023 £	Total funds 2023 £
Tangible fixed assets	6,112,021	6,112,021
Fixed asset investments	437,307	437,307
Current assets	343,019	343,019
Creditors due within one year	(3,354)	(3,354)
	6,888,993	6,888,993

Prior Year	Unrestricted funds 2022 £	Total funds 2022 £
Tangible fixed assets	6,113,351	6,113,351
Fixed asset investments	442,943	442,943
Current assets	286,248	286,248
Creditors due within one year	(6,409)	(6,409)
	6,836,133	6,836,133

Royal Engineers Headquarters Mess

Notes to the financial statements for the year ended 31 December 2023

23 Pension commitments

The charity operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £1,466 (2022 - £1,154).

24 Related party transactions

The fund receives subscriptions from Officers of the Royal Engineers as detailed in the attached Trustees' Annual Report.

The Trustees control the Charity.

There were no transactions with connected charities in 2023 (2022:£NIL).

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

	Total funds 2023	Total funds 2022
	£	£
Net movement in funds	52,860	21,604
Add back depreciation charge	1,330	10,326
Deduct interest income shown in investing activities	(18,517)	(12,852)
Deduct gains / add back losses on investments	5,636	42,886
Decrease (increase) in stock	6,145	(4,207)
Decrease (increase) in debtors	(531)	148,351
Increase (decrease) in creditors	(3,055)	4,244
Net cash used in operating activities	43,868	210,352