

# **HONOURABLE ARTILLERY COMPANY**

**(Charity Registered in England and Wales Number 208443)**

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## **Report of the Court of Assistants and Financial Statements For the year ended 31 October 2020**

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## **Honourable Artillery Company**

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**The Membership of the Court of Assistants of the Company as at 31 October 2020 was:**

### **EX-OFFICIO MEMBERS**

Captain-General .....	Her Majesty The Queen*
Colonel Commandant & President.....	General Sir Patrick Sanders KCB CBE DSO ADC Gen
Vice President.....	Major P D C Vyvyan-Robinson TD
Treasurer .....	M P Basing Esq
Regimental Colonel.....	Lieutenant Colonel A D C Caie TD
Commanding Officer.....	Lieutenant Colonel J P Chorley
Senior Major.....	Major W H Grove
Commander of the City of London Special Constabulary Detachment .....	Special Superintendent P M P FitzGerald
Captain of the Company of Pikemen & Musketeers.....	Major R J Jackson TD
Officer Commanding the Light Cavalry .....	A R Willis VR

### **HONORARY MEMBERS\***

HRH Prince Michael of Kent GCVO, Royal Honorary Colonel  
Field Marshal Sir John Chapple GCB CBE DL  
Brigadier General Joe Milano AHAC

The Lord Mayor, the Aldermen, the Recorder and Sheriffs of the City of London for the time being

*\* Not Trustees of the Company.*

### **TWENTY-THREE MEMBERS**

**(a) Appointed by the Commanding Officer: Vacant**

**(b) Appointed by the Court of Assistants: Lieutenant Colonel S J R Halliday TD; G R Smith Esq**

**(c) Elected at the General Court on 18 March 2020 (and amended where shown), in the order of votes recorded:**

Major C V Marment VR (2001)	Captain R M Huleatt-James TD (2010)
Major General S F N Lalor CB TD (1993)	Lieutenant Colonel J R Longbottom MBE QVRM VR (2002)
Special Sergeant Dr S F Edwards (2020)	Major I C S Morpeth TD (1992)
Major D Brigden TD (2018)	Captain H R Jee (1997)
Major T L Davies TD (1982)	Lieutenant T J Monger-Godfrey (2019)
E A Seabrook Esq (1991)	Major J A Robinson (2016)
Major J O Leighton TD (2004)	Major S C Briggs TD (2003)
Captain H D N M Voyantzis (2007)	Major C O Wragg (2020)
Major R P Quain TD (2006)	Captain T H Cardwell (2016)
The Reverend (Major) M W Bezerra Speeks CF (2016)	M J Cutteridge Esq (2019)

**Note:** The date in brackets shows the year each member was first appointed or elected to the Court.

### **The Principal Executive Officers of the Company are:**

Chief Executive.....	S D Crane OBE
Court & Membership Secretary .....	D A K Freeman LVO
Finance Director (to 10 September 2020) .....	A S T Elliott-Frey BSc ACA
Finance Controller (from 23 November 2020).....	S Hewett FCCA
Director of Catering & Events .....	Mrs R Kitching
House Manager .....	H W Green Esq

### **Annual Report of the Court of Assistants ('the Court')**

The Court submits its annual report and the audited financial statements of the Company for the year ended 31 October 2020. The Court has adopted the provisions of Financial Reporting Standard 102 Statement of Recommended Practice ("FRS 102 SORP") and the Charities Act 2011 in preparing the annual report and financial statements of the Company.

### **REFERENCE AND ADMINISTRATIVE INFORMATION**

The Honourable Artillery Company is a company incorporated by Letters Patent and registered with the Charity Commission for England and Wales under charity number 208443. The Company is administered from its principal address at: Armoury House, City Road, London EC1Y 2BQ. Details of the trustees and executive officers are shown on page 1. Particulars of the Charity's professional advisers are shown on page 8.

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

#### **Governing Document**

The governing document of the Charity is the Letters Patent granted by His Majesty King Henry VIII on 25 August 1537.

#### **Governing Body**

The Company is governed in its civil affairs and finances by a Court of Assistants ('the Court'), whose members are the Trustees of the Company, whose membership is set out on page 1. The Court delegates authority to committees appointed from amongst its members, to some of which certain other persons are co-opted.

#### **Recruitment and Training of Trustees**

There are nominally 32 Trustees on the Court. Two are the Vice-President and Treasurer who are Civil Chiefs, elected by the Court for two and three years respectively, helping to provide continuity to the Court. Both these positions are elected by and from within the body of the Court. Seven Trustees are ex-officio appointments. One Trustee is appointed by the Commanding Officer and up to two are appointed by the Court. Consideration of the balance of skills, expertise and experience of Trustees is an essential component in the selection of the Court appointees. Twenty Trustees are elected by the membership and the result of the ballot is declared at the Company's Annual General Court, which is held in March each year.

Training has been offered to trustees throughout the year. In addition, each member is issued with a copy of the booklet *The Essential Trustee* CC3, published by the Charity Commission, to provide a source of permanent reference. Trustees are also encouraged to attend external training courses where this is considered appropriate.

#### **Organisational Management**

The Court meets ten times per year and is legally responsible for the overall management and control of the civil affairs of the Company. Detailed work is undertaken by a number of committees, comprising the Executive Committee, Property Committee, Sutling Committee, Membership & Communications Committee, Audit Committee, Sports Committee, Treasures Committee and Benevolent Fund Committee. Committee meetings are scheduled according to the amount of work involved, with additional meetings being arranged if more activity is required. The committees submit a formal report to the next following meeting of the Court and approval is sought for any decisions which are outside the terms of reference of the committee. In addition, there is a team of specialist investment advisers who meet up to four times per year to review and offer advice on the performance of the Company's investments and property portfolio as well as the choice of Investment Portfolio Manager.

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Day-to-day operation of the Company is delegated to the Chief Executive and the Company Office, who have authority to operate within the constraints of the approved budget. Quarterly Management Accounts, updated current year Forecasts, and lists of monthly payments in excess of £2,000 are reviewed by the Court, and in addition monthly Financial Status Reports and monthly Cash Balance information are reviewed by the Executive Committee. The Company's long term Business Plan is reviewed by the Executive Committee and the Court from time to time and will be reviewed in FY2020/21. The signature of at least one Trustee is required for all payments above £15,000.

### **Remuneration**

A Remuneration Committee was formed in the spring of 2016. The Committee met in 2019 to review a submission drafted by the Treasurer reviewing the remuneration of the staff of Company Office. There was an external benchmarking exercise in 2019 and this exercise will be repeated in 2021 and thereafter in alternate years.

### **Group Structure and Relationships**

The Charity has three wholly-owned non-charitable subsidiaries: HAC Enterprises Ltd and HAC Flank Companies' Ball Ltd, both of which carry out fundraising activities for the charity; and Pencelli Ltd, which was set up to hold the assets of the Welsh Pencelli Estate situated in the Brecon Beacons. The activities and performance of the trading companies are discussed below.

### **Risk Management**

In accordance with the Court's Risk Management Policy paper of 20 October 2009 the Company maintains a formal risk register. This is reviewed regularly and systematically by the Court committees and the Company Office.

Risks are identified at committee level or by the Company Office. They are assessed as to their likelihood and impact, and the measures taken to mitigate the risks are listed and evaluated with judgement made on whether the mitigation actions are acceptable or whether further action is required.

There are two major risks to the Company:

- The temporary loss of the use of Armoury House as a facility due to an unforeseen event. This risk has been mitigated by insurance cover for business interruption up to four years, and adequate buildings insurance cover. However, while the impact COVID-19 was clearly an unforeseen event and impacted the commercial activities on the Company, it was outside the scope of the business interruption insurance cover.
- The loss of income from the hire of the Artillery Garden for commercial events, should the main user terminate their contract or planning consent for the temporary structure not continue to be granted by the local authority. Although there would be a major loss of income to HAC Enterprises Ltd, the impact on the Company is not considered significant enough to adversely impact the Company's ability to continue meeting its current charitable obligations.

### **OBJECTIVES, ACTIVITIES AND PUBLIC BENEFIT**

The main activities in the year to meet the Company's objectives, public benefit and the Trustees' duty under section 17 of the Charities Act 2011 are set out below.

#### **Charitable Objectives**

The charitable objectives of the Company are defined as, 'for military exercise and training and for the better defence of the realm' and, to this end, it uses its freehold property at Armoury House as a base

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for its military unit, a Regiment of the Army Reserve. To meet the requirements of the Charities Act 2011, the Court agreed an updated articulation of the Company's Objectives. These are: support to the HAC Regiment and the HAC's City of London Special Constabulary Detachment; support to the Company's ceremonial sub-units; conservation of Company treasures; maintenance and utilisation of the Company's estate; support for the Benevolent Fund; sustaining Company membership; and maintaining the Company's long-term financial sustainability.

### **Aims and Intended Impact**

To meet these objectives, the Company's aims are: to further improve its facilities with a view to preserving the Regiment's place in the British Army's Order of battle by encouraging improved recruiting for and retention within all elements of the Company; to run commercial activity as necessary to ensure the Company's long-term financial sustainability; and to conserve the Company's estate and the Company's treasures for posterity.

### **Objectives for the Year**

The main objectives for the year were supporting the HAC Regiment in its recruiting and retention efforts and fulfilling the Company's wider charitable aims, both in the immediate term and by providing for the Company's long-term sustainability, in part through continued commercial use of its facilities. This objective has been achieved to the extent that the constraints imposed by COVID-19 have allowed.

### **Public Benefit**

During the year the Court of Assistants has, in exercising its powers and duties, complied with the duty in section 17 of the Charities Act 2011 to have due regard to the guidance on public benefit published by the Charity Commission. In particular, it has provided public benefit in that the Company has:

- Supported the Regiment including: welfare support for individuals and the families of those deployed in line with policy; provision of training space on the Artillery Garden, on the parade square and in Armoury House; and grants of £292k, including £35k for the broader recruiting effort and £30k to support battlefield study visits.
- Provided training and financial support, £40k, to a Combined Cadet Force at the City of London Academy, Islington, as well as Mossbourne Community Academy, Hackney.
- Supported the HAC Special Constabulary Detachment, which patrols within the City of London, with accommodation within Armoury House.
- Supported the City of London Police Cadets with training and facilities within Armoury House.
- Supported the Pikemen & Musketeers and the Light Cavalry with grants totalling £10k and accommodation within Armoury House. These sub-units provided displays to the general public and ceremonial guards for State and City occasions until COVID-19 restrictions curtailed these activities.
- Sustained the Company membership at around 2,500 members. The members made an annual contribution of £293k to the Charity during the year.
- Conserved the Company's Estate at Armoury House and made facilities available for the Regiment and the Special Constabulary Detachment. The Artillery Garden and Pencelli Estate in the Brecon Beacons National Park are used for training purposes, not just by the HAC, but by a large number of varied military and cadet units. In 2020 the House and grounds were not opened to the public as in previous years, however, when possible, the grounds have been

made available weekly to a London Borough of Islington primary school for games and recreation.

- The Company has contributed to the engagement of a Warden and volunteers on the Brecon Beacons National Park to help ensure this public facility is not damaged by illegal off-road bicycles and vehicles.
- Maintained the HAC Benevolent Fund for HAC members and other eligible beneficiaries, and provided insurance cover for Regimental members mobilised on operational duty.

### The Outcome of the Charity's Work

- **The Regiment.** A Reserve Army regiment is a body of trained manpower ready at appropriate notice to deploy as individuals as part of its paired unit on short duration contingency operations or as a formed body for general war. The Charity's support for the HAC Regiment sets conditions necessary for it to be the best recruited Reserve Army regiment in the British Army, with a high level of retention of trained manpower thanks to the financial and material support given to training, recruiting, welfare and unit cohesion. The location of the site, coupled with the facilities that the Regiment can offer through the Company, means that the Regiment's recruits tend to be of high calibre and amenable to a higher level of training in the short periods that they are in uniform. During the period, members of the Regiment have been deployed operationally to South Sudan, Iraq and the Balkans and in support of the national COVID-19 response.
- **Special Constabulary.** The Company supports the only formed detachment of Special Constabulary in the United Kingdom. The success of this model has caused the City of London Police to turn to the HAC Specials to act as the seed corn for an expansion of Special Constabulary numbers in the City.
- **Ceremonial Sub-Units.** As regular forces reduce, the demand on the Company of Pikemen & Musketeers and the Light Cavalry for ceremonial support in and beyond the City increases. The sub-units are able to meet this added tempo thanks to the support that the Company gives them in terms of grants for equipment and facilities for training, storage and control.
- **Cadets.** The three cadet contingents that the Company support make a marked difference to the lives of the young people involved and the school, the City of London Academy Islington, from which the CCF is drawn. By promoting discipline, self-reliance and team work it is reported that performance of cadets elsewhere in the curriculum is improved. The Company has provided information to the Government Review on this impact.
- **The Membership.** The purpose of the membership is to act as an advocacy network for Defence and Security throughout the country. The Company's programme of lectures, and the facilities the Company provides for veteran and serving reserves to interact, keeps this network informed, active and relevant.
- **The House and Artillery Garden.** The House and Garden are normally open to the public for the Open Evening in May and act as a backdrop to offices and homes in the Finsbury area. It is the largest open space in Islington and is used by the Regiment for low-level training. This means that the Regiment is able to run its own Phase 1 (basic) training weekends and training nights which enable it to set particular store by its standards and develops Regimental ethos and cohesion from the start.

### The Strategy for Achieving those Outcomes

In order to achieve our goals the charity must simultaneously maintain its estate, both in London and in Wales, such that it is available for training and ceremonial purposes, whilst at the same time using it to raise funds that can then be granted to the beneficiaries to support their work. Particularly in London, where space is at a premium, this involves judgement and constant, detailed attention to the

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application of a broad strategy that sees the needs of the Regiment come first, with unused space then made available for commercial use.

### **Grant Making Policy**

The Company makes annual grants to the Regiment for expenses, such as adventurous training and recruiting. These grants are fixed on an annual basis following discussions with the Commanding Officer. If the Commanding Officer makes additional applications for grants during the year then these are considered by the Court on an *ad hoc* basis and will normally be met, provided that financial circumstances allow. In some circumstances, grants are made to individuals to allow specific training to be undertaken or to support other military purposes.

The Benevolent Fund, which is disclosed as a 'restricted' fund of the Company, makes grants to individuals connected with the Company, in accordance with the Benevolent Fund Trust Deed.

### **Volunteers**

The Court is grateful to those members of the Company who give freely of their time in support of the Company. In view of the wide sphere of activities in which members support the Company, evaluation of this activity has proved impracticable.

## **REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR**

### **Operational Performance of the Company**

The Company has provided Armoury House, the Artillery Garden and the Pencelli Estate for the use of its Military Unit, its Special Constabulary Detachment and its ceremonial sub-units throughout the year, subject to COVID-19 regulations and precautions. It has also provided financial support to all these elements of the Company. Until March 2020 the Company was able to maintain its commercial activities both in the House and on the Artillery Garden. However, subsequent 'Lockdowns' and restrictions on events, both indoors and outdoors, have meant that while it was possible to run some outdoor events over the summer there was little or no activity in the House which has reduced the contribution made by commercial activities to the Company's result for the year.

### **Investment Performance against Objectives**

The value of Listed investments (excluding £560k of additional cash and dividends invested) decreased by £(868)k (2019: £593k increase). This broadly reflects stock market performance over the period.

## **FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

The consolidated statement of financial activities shows a net surplus for the year of £7,686k (2019: net surplus of £2,080k). The 2020 surplus includes an investment property revaluation gain of £8,773k and a decrease in the value of listed investments of £868k. The net operating deficit in 2020 was £(233)k. The 2019 surplus included income of £1,794k from an agreement with a neighbouring property redevelopment and an increase in the value of listed investments of £593k; the 2019 net operating deficit before the property development income was £(311)k .

The Company's wholly owned subsidiaries, HAC Enterprises Ltd and HAC Flank Companies' Ball Ltd, continued to carry out fund-raising activities for the charity, albeit that from March 2020 onwards restrictions on gatherings meant that only a very limited number of events could be held in the second half of the year. Net income from trading was £26k (2019: £659k) (see Note 6). The trading subsidiaries made Gift Aid payments to the Company totalling £26k (2019: £659k).

At 31 October 2020, the total consolidated net assets of the Company, as shown by the balance sheet, were £61,967k (2019: £54,281k). The Company has taken advantage of the specific clauses in FRS 102 SORP with regard to the treatment of assets. The net assets of the Company do not include the market

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value of freehold and leasehold properties used for the Company's charitable purposes, or the value of the Company's military and similar artefacts acquired prior to 1 November 2005. No value has been placed upon the artefacts, as the process and costs of obtaining valuations for the items involved would be disproportionate to any public benefit that might be derived. It is considered impractical to apply conventional valuation techniques to the collections, due to their unique nature. Freehold and leasehold properties are included in the accounts at cost. However, it is not appropriate to apply conventional valuation techniques to these assets, due to the restrictive-use clauses set out in the title and lease agreements. Details of the re-building insurance values of these properties are given in Note 11a of the financial statements.

### **Cash Flows**

The consolidated statement of cash flows shows a net outflow for 2020 of £(1,386)k (2019: £(388)k outflow). The main reasons for the outflow in 2020 were the net operating loss for the year, capital expenditure, additional cash invested in listed investments and a reduction in working capital balances; principally a reduction in deposits received for future events. Cash balances at 31 October 2020 stand at £3,208k of which £2,072k represents cash in Unrestricted funds (2019: £4,594k of which cash in Unrestricted funds was £3,408k).

### **Reserves Policy**

The Court policy on unrestricted funds is to designate them to a particular purpose. A designated Short Term reserve is held in cash at a level equivalent to six months' budgeted running costs. The balance of cash held was £1,194k at 31 October 2020. A designated Medium Term reserve is also held in cash at a level to provide for 5 years capital expenditure as set out in the Company's latest capital expenditure forecast. At 31 October 2020 the balance on the Medium Term reserve was £778k. A Long Term reserve with a target of £10million has been established to meet the future needs of the HAC Regiment, and is held in a mix of cash, working capital and investments. At 31 October 2020 the balance on the Long Term reserve was £5,082k.

### **Investment Policy and Objectives**

The Company aims to maximise total return with a balanced approach to seeking income and capital return.

### **Fundraising Policy**

Our approach to fundraising is to seek donations from our membership and from our commercial contacts. We do not actively seek donations from the general public.

We do not use third parties to help us with fundraising. During the year we did not receive any complaints related to our fund raising activities.

### **FUTURE PLANS**

The priorities set in the Company's current 5 Year Plan, which was approved by the Court on 27 September 2017 and confirmed at a Court Away Day in January 2019, are to improve the support given to the HAC Regiment and the HAC Special Constabulary Detachment in terms of both financial backing and the standard of the facilities made available, to provide financial support to the City of London Academy Islington (HAC) Combined Cadet Force, and to provide financial support to the police cadets, the Company of Pikemen & Musketeers and the Light Cavalry. Specific projects include a plan to provide significant additional space and facilities for the Regiment, including better equipment storage and changing space for reserve soldiers, planning for which commenced in 2016/17, with a likely project timeframe of 3 to 5 years. A 5-year re-equipment programme for the Company of Pikemen & Musketeers, which began in 2016/17, has continued into 2019/20.



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The trading outcome of HAC Enterprises Ltd for Financial Year 2020/21 is anticipated to be similar to 2019/20, with outdoor events as a focus and subject to the lifting of COVID-19 restrictions following rollout of a widespread vaccination programme. The Company will also review its activities ahead of the potential for significant expenditure to support the proposed enhanced Regimental facilities although any impact is expected to be in 2021/22 and future periods.

### **Statement of the Court's Responsibilities**

The Court is responsible for preparing the Annual Report of the Court of Assistants 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 and Wales requires the Court to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the Charity and of the incoming resources and application of resources of the Charity for that period. In preparing these financial statements, the Court is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Court is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable it to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Letters Patent dated 25 August 1537, associated Royal Warrants and Rules and Orders.

The Court is 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.

### **Professional Advisers**

Details of professional advisers are given below:

Auditors	Buzzacott LLP	130 Wood Street, London EC2V 6DL
Solicitors	Charles Russell Speechlys LLP Boodle Hatfield LLP	5 Fleet Place, London EC4M 7RD 240 Blackfriars Road, London SE1 8NW
Bankers	National Westminster Bank Plc	1 Princes Street, London EC2R 8BP
Property Agents	Tandem Property Asset Management LLP	27 Bream's Building, Fetter Lane, London EC4A 1DZ
Investment Managers	Cazenove Capital Management Ltd	12 Moorgate, London EC2R 6DA

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**Auditors**

Buzzacott LLP have indicated their willingness to continue in office and in accordance with the provisions of the Charities Act 2011 it is proposed that they be reappointed auditors to the charity and the group for the ensuing year.

By Order of the Court of Assistants

Date: 23 February 2021

  
M P Basing, Treasurer

**INDEPENDENT AUDITOR'S REPORT TO THE COURT OF ASSISTANTS AND MEMBERS OF THE HONOURABLE ARTILLERY COMPANY**

**Opinion**

We have audited the accounts of Honourable Artillery Company (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 October 2020 which comprise the group and parent charity statement of financial activities, balance sheets, statement of cash flows, the principal accounting policies and the notes to the accounts. 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).

In our opinion, the accounts:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 October 2020 and of their income and expenditure 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 accounts section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC'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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE COURT OF ASSISTANTS AND MEMBERS OF THE HONOURABLE ARTILLERY COMPANY (cont'd)**

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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 that fact.

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 in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the trustees' annual report is inconsistent in any material respect with the accounts; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity accounts 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.

**Responsibilities of trustees**

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

In preparing the accounts, the trustees are responsible for assessing the group's and the parent 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 group or the parent charity or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the accounts**

Our objectives are to obtain reasonable assurance about whether the accounts 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 ISAs (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 the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE COURT OF ASSISTANTS AND MEMBERS OF  
THE HONOURABLE ARTILLERY COMPANY (cont'd)**

**Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and with regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Buzzacott LLP  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

Date: 24 February 2021

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**

Year ended 31 October 2020

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 31-Oct 2020 £000	Total 31-Oct 2019 £000
<b>INCOME AND ENDOWMENTS FROM:</b>						
Donations and legacies	3	1	55	-	56	23
<b>Charitable activities:</b>						
Member subscriptions	4	310	-	-	310	319
Other income	5	-	204	-	204	2,024
Other trading activities	6	1,158	0	-	1,158	2,212
<b>Investments:</b>						
Investment property income	7	1,651	-	-	1,651	1,585
Listed investments		100	63	2	165	213
Interest on cash deposits		7	2	-	9	13
<b>Total income</b>	17	<b>3,227</b>	<b>324</b>	<b>2</b>	<b>3,553</b>	<b>6,389</b>
<b>EXPENDITURE ON:</b>						
<b>Raising Funds</b>						
Trading costs	6	1,132	-	-	1,132	1,553
Investment property costs	7	323	-	-	323	222
Investment management charges	12	36	31	1	68	60
<b>Charitable activities:</b>						
Military grants and other charitable expenditure	8	383	283	2	668	1,132
Maintenance and operation of Armoury House	9	815	-	-	815	1,083
Membership services and general administration	10	774	6	-	780	856
<b>Total expenditure</b>	17	<b>3,463</b>	<b>320</b>	<b>3</b>	<b>3,786</b>	<b>4,906</b>
<b>Net operating income</b>		<b>(236)</b>	<b>4</b>	<b>(1)</b>	<b>(233)</b>	<b>1,483</b>
<b>Gains/(losses) on investments</b>						
Net gain/(loss) on Listed investments	12	(525)	(331)	(12)	(868)	593
Investment Property revaluation gain	11c	8,773	-	-	8,773	-
<b>Net income/(expenditure)</b>		<b>8,012</b>	<b>(327)</b>	<b>(13)</b>	<b>7,672</b>	<b>2,076</b>
<b>Other recognised gains/(losses)</b>						
Actuarial gains/(losses) on defined benefit pension scheme	16	14	-	-	14	4
<b>Net movement in funds for year</b>		<b>8,026</b>	<b>(327)</b>	<b>(13)</b>	<b>7,686</b>	<b>2,080</b>
<b>Funds brought forward at 1 November 2019</b>	17	<b>49,505</b>	<b>4,644</b>	<b>132</b>	<b>54,281</b>	<b>52,201</b>
<b>Funds carried forward at 31 October 2020</b>	18	<b>57,531</b>	<b>4,317</b>	<b>119</b>	<b>61,967</b>	<b>54,281</b>

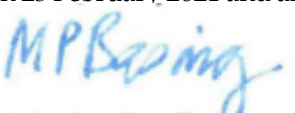
The Notes on pages 16 to 34 form part of these financial statements.

**Honourable Artillery Company**
**CONSOLIDATED & CHARITY BALANCE SHEET**  
**31 OCTOBER 2020**

		2020	2019	2020	2019
	Note	Group £000	Group £000	Charity £000	Charity £000
<b>Fixed Assets</b>					
Tangible assets – own use	11a	5,149	5,227	4,820	4,898
Tangible assets – Light Cavalry	11b	13	6	13	6
Tangible assets – Pikemen & Musketeers	11b	-	-	-	-
Tangible assets – Heritage assets	11b	143	139	143	139
Tangible assets held as investments	11c	45,255	36,483	45,255	36,483
Intangible assets – software - own use	11d	73	68	73	68
Listed investments	12	8,106	8,489	8,106	8,489
Shareholding in subsidiaries	13	-	-	301	301
<b>Total fixed assets</b>		<b>58,739</b>	<b>50,412</b>	<b>58,711</b>	<b>50,384</b>
<b>Current assets</b>					
Stocks		6	6	1	-
Debtors and prepayments	14	743	852	907	590
Short-term deposits		2,376	2,944	2,376	2,944
Cash at bank and in hand		832	1,650	527	1,471
		<b>3,957</b>	<b>5,452</b>	<b>3,811</b>	<b>5,005</b>
<b>Liabilities:</b>					
Creditors falling due within one year	15	(657)	(1,497)	(483)	(1,022)
Net current assets		<b>3,300</b>	<b>3,955</b>	<b>3,328</b>	<b>3,983</b>
Creditors falling due after more than one year	15	-	-	-	-
<b>Total net assets</b> before pension liability		<b>62,039</b>	<b>54,367</b>	<b>62,039</b>	<b>54,367</b>
Pension scheme funding liability	16	(72)	(86)	(72)	(86)
<b>NET ASSETS</b>		<b>61,967</b>	<b>54,281</b>	<b>61,967</b>	<b>54,281</b>
<b>CHARITABLE FUNDS</b>					
<b>Unrestricted Funds:</b>					
Designated Reserves	17&18	7,126	7,813	7,126	7,813
Fixed Asset Fund	17&18	50,477	41,778	50,477	41,778
Less: Pension Reserve (liability)	16	(72)	(86)	(72)	(86)
		57,531	49,505	57,531	49,505
<b>Restricted Funds</b>	17&18	4,317	4,644	4,317	4,644
<b>Endowment Funds</b>	17&18	119	132	119	132
<b>TOTAL CHARITABLE FUNDS</b>		<b>61,967</b>	<b>54,281</b>	<b>61,967</b>	<b>54,281</b>

The financial statements were approved by the Court of Assistants on 23 February 2021 and are signed on its behalf by:

  
 Major P D C Vyvyan-Robinson, Vice-President

  
 M P Basing Esq, Treasurer

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 OCTOBER 2020**

	Note	Total Funds 31-Oct 2020 £000	Total Funds 31-Oct 2019 £000
<b>Cash flows from operating activities:</b>			
Net cash generated/(used) in operating activities		(2,042)	567
<b>Cash flows from investing activities:</b>			
Dividends, interest and rent from investments		1,504	1,589
Purchase of tangible and intangible assets	11a/11b/11d	(291)	(350)
Purchase of historical assets	11b	(4)	-
Purchase of investments - listed investments	12	(560)	(2,088)
Disposal of investments - listed investments	12	7	80
<b>Net cash provided by/(used in) investing activities</b>		<b>656</b>	<b>(769)</b>
<b>Cash flows from financing activities:</b>			
Repayments of borrowings		-	(186)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(186)</b>
<b>Change in cash and cash equivalents in reporting period</b>		<b>(1,386)</b>	<b>(388)</b>
Cash and cash equivalents at 1 November 2019		4,594	4,982
<b>Cash and cash equivalents at 31 October 2020</b>		<b>3,208</b>	<b>4,594</b>
		<b>2020</b>	<b>2019</b>
		<b>£000</b>	<b>£000</b>
<b>Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>			
	Note		
Net income for the reporting period		7,672	2,076
<b>Adjustments for:</b>			
<i>Depreciation Charges:</i>			
Depreciation, amortisation & impairment	11a/11d	313	592
Light Cavalry and Pikemen & Musketeers depreciation	11b	41	32
Loss on the disposal of Fixed Assets		2	-
Loss/(Gain) on Listed investments	12	868	(593)
(Gain) on Investment Property Revaluation	11c	(8,773)	
<i>Rents, dividends and interest from investments:</i>			
Investment property income	7	(1,651)	(1,585)
Listed investments		(165)	(213)
Interest on cash deposits		(9)	(13)
Investment property costs	7	323	222
Investment management charges	12	68	60
(Increase) in stocks		-	(1)
Decrease/(Increase) in debtors		109	(291)
(Decrease)/Increase in creditors		(840)	281
<b>Net cash (used in)/ generated by operating activities</b>		<b>(2,042)</b>	<b>567</b>
<b>Analysis of cash and cash equivalents</b>			
Cash in hand		832	1,650
Notice deposits (less than 3 months)		2,376	2,944
<b>Total cash and cash equivalents</b>		<b>3,208</b>	<b>4,594</b>

	At 1 November 2019 £000	Cash flows £000	Non-cash changes £000	At 31 October 2020 £000
Reconciliation of net debt:	4,594	(1,386)	-	3,208
Cash and cash equivalents	4,594	(1,386)	-	3,208



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2020**

**1. Constitution and subsidiaries**

The Honourable Artillery Company was incorporated by Letters Patent on 25 August 1537 and is registered as a charity (registration number 208443). The subsidiary group companies are:

- HAC Enterprises Limited (registration no. 01677400)
- HAC Flank Companies' Ball Limited (registration no. 02266408)
- Pencelli Limited (registration no. 03724227)

**2. Accounting Policies**

*Accounting convention*

The charity is a public benefit entity for the purposes of FRS102 and therefore 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 Financial Reporting Standard 102 published on 16 July 2014, and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102 published on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

*Consolidation*

The accounts of the Company include those activities of the Company which have a material effect on its financial position or results. Certain funds, in particular those of the Old Comrades' Association, have not been included because they are not material.

The consolidated accounts include the accounts of the Company and its three subsidiaries, HAC Enterprises Ltd, HAC Flank Companies' Ball Ltd and Pencelli Ltd. The accounts of the Company of Pikemen & Musketeers and the Light Cavalry are included as part of the Company's accounts for the financial year. The Unconsolidated Balance Sheet of the Company is shown alongside the Consolidated Balance Sheet, in the format recommended by the FRS 102 Charities SORP.

A separate Statement of Financial Activities for the Company is not presented as permitted by the FRS 102 Charities SORP. Under the requirements of the FRS 102 Charities SORP the Company has been required to disclose the value of its unfunded pension reserve deficit.

The accounts include a Consolidated Statement of Cash Flows as required by the FRS 102 Charities SORP.

*Going concern*

The trustees have assessed the use of the going concern basis for preparing the accounts of the Company and its three subsidiaries. The trustees are satisfied that the going concern basis is appropriate and have referred to the approved budget for next year and the latest 5 year

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2020 (cont'd)**

business plan and 10 year financial projections to arrive at this conclusion, and are satisfied that the Company has sufficient resources to meet its ongoing liabilities and that it can continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

***Income and Endowments***

- a) Donations and legacies are recognised when they are received or when the Company has legal entitlement and receipt is probable.
- b) Member subscriptions are recognised when receivable and receipt is probable and are net of applicable VAT, and are accounted for on an accruals basis. Gift aid reclaimed on subscriptions paid under Deed of Covenant is recognised when receivable and receipt is probable.
- c) Other income is recognised when receivable less any provision for bad debt.
- d) Income from Trading Activities which includes sutling, grounds hire, bedrooms, car parking, the Flank Companies' Ball and miscellaneous sales is recognised when receivable net of any provision for bad debt and accounted for on an accruals basis.
- e) Investment property income represents rental income, licence fee income and miscellaneous income from the investment property portfolio comprising commercial and residential properties located around the perimeter of the Artillery Garden, and the Pencelli Estate. The income is recognised when receivable net of any provision for bad debt and accounted for on an accruals basis.
- f) Listed investment income represents dividends received or accrued in the period.
- g) Interest on cash deposits is recognised when received or accrued in the period.

***Expenditure***

- a) Trading costs of sutling, grounds hire, bedrooms, car parking, cost of the Flank Companies' Ball and cost of miscellaneous sales are recognised as incurred and accounted for on an accruals basis. Trading costs include an allocation of total payroll costs for Company staff, contract and temporary staff, with the allocation being based on a percentage estimate of the time spent on trading activities. The allocation is reviewed each year. Trading costs also included an allocation of utilities and general office overheads agreed each year.
- b) Investment property costs include the managing agent's fees and repair and maintenance and void costs, and are recognised as incurred. Costs paid for by the Company are accounted for on an accruals basis.
- c) Investment management charges by Cazenove Capital Management Ltd are paid directly from the Unrestricted/Restricted Pooled Fund and Benevolent Fund and are recognised when charged to each Fund.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2020 (cont'd)**

- d) Military grants to the Honourable Artillery Company Regiment are agreed by the Court of Trustees each year and recognised as incurred. Other ad hoc grants and donations are agreed by the Court of Trustees and accounted for on an accruals basis.
- e) The costs of maintaining and operating Armoury House for Company usage is net of the allocation of payroll and utility costs allocated to trading activities.
- f) The cost of support for the Membership and the cost of general Company administration and overheads is net of the allocation of general overheads to trading activities. Governance costs included in general overheads relate to the direct costs associated with the constitutional and statutory requirements of the Company and include the costs of external audit, secretarial and other constitutional related costs.

***Other gains and losses***

- a) The Listed investments in the Unrestricted/Restricted Pooled Fund and Benevolent Fund portfolios managed by Cazenove Capital Management Ltd are valued each quarter and the total valuation change for the financial year is included in the SOFA as an unrealised gain or loss.
- b) The Investment Properties are professionally revalued every 3 years and the valuation change since the previous valuation is included in the SOFA as an unrealised gain or loss. The trustees consider any change in values in between formal professional valuations.
- c) The defined benefit pension scheme is an unfunded future cash flow liability which is calculated each financial period and discounted to the Balance Sheet date. The change in the total liability during the financial period is included in the SOFA as an actuarial gain or loss.

***Designated and Restricted Funds***

Income and expenditure related to the designated and restricted funds are included in the consolidated Statement of Financial Activities.

***Tangible and intangible fixed assets for own use***

Freehold and leasehold land in use by the Company at the Artillery Garden and Pencelli have been valued at cost. No value is attributed to Armoury House other than the capitalised cost of alterations. Other assets are stated at cost less depreciation, calculated on a straight line basis as follows:

Alterations to property	20/25/30/60/150 years
Plant, fixtures and equipment	10/15/20 years
Computers and other electronic equipment	3 to 5 years
Software	5 years

***Tangible assets - Heritage assets***

No value is attributed to the Company's collection of memorabilia and treasures acquired prior to 1 November 2005 which are considered to be part of its heritage. Treasures acquired from 1 November 2005 have been capitalised at cost. Heritage assets are not depreciated as their useful life is considered to be indefinite. Detailed records of Heritage assets are managed by the Museum and Treasures Committee who are also responsible for the ongoing preservation.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2020 (cont'd)**

Access to Heritage assets is available by written request to the Museum and Treasures Committee.

***Investments (including properties held as investments)***

Investments are stated in the Balance Sheet at market values applying at the financial period end.

***Stocks***

Stocks are stated at the lower of cost and net realisable value.

***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

***Retirement benefits***

It is the policy of the Company to recognise the liability for all work which has been completed and to accrue for any outstanding expenses. The financial statements show the value of the Pension Reserve Deficit in respect of unfunded pensions, which are payable directly by the Company to two past employees (see Note 16).

***Financial instruments***

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

***Basic financial assets***

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors, bank loans, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2020 (cont'd)**

Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

*Judgements and key sources of estimation uncertainty*

In the application of the Company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

a) The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11a, 11b and 11d for the carrying amount of the property, plant and equipment and note 2 for the useful economic lives for each class of asset.

b) The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 16 for the disclosures relating to the defined benefit pension scheme.

c) The Group uses the valuation performed by its independent professional valuers every 3 years as the fair value of its investment properties. The valuation is based upon the key assumptions of estimated rental values and market based yields. With regard to redevelopments and refurbishments, future development costs and an appropriate discount rate are also used. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties.

d) Details of the last valuation methodology and key assumptions are given in note 11c. Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields, together with general observations as to the state of the market at the Balance Sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 October 2020 (cont'd)

<b>3. Donations and legacies</b>			<b>2020</b>	<b>2019</b>
			<b>£000</b>	<b>£000</b>
Unrestricted Fund			1	2
Benevolent Fund			53	11
Other Restricted Funds			2	10
<b>Total</b>			<b>56</b>	<b>23</b>
			<hr/>	<hr/>
<b>4. Member subscriptions</b>			<b>2020</b>	<b>2019</b>
			<b>£000</b>	<b>£000</b>
Paid by members			293	283
Tax recovered on Gift Aid subscriptions			49	65
Entrance fees			3	3
VAT payable on subscription income			(35)	(32)
<b>Total</b>			<b>310</b>	<b>319</b>
			<hr/>	<hr/>
<b>5. Other income</b>			<b>2020</b>	<b>2019</b>
			<b>£000</b>	<b>£000</b>
Pikemen & Musketeers income			32	70
Light Cavalry income			170	160
Development agreement income-note (i)			-	1,794
Sports Levy			2	-
<b>Total</b>			<b>204</b>	<b>2,024</b>
			<hr/>	<hr/>
Note (i): Exceptional income received from a neighbouring property under a development agreement				
<b>6. Other trading activities</b>				
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>Income</b>	<b>Expenses</b>	<b>Surplus/</b>	<b>Surplus/</b>
			<b>(Deficit)</b>	<b>(Deficit)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Sutling	921	887	34	555
Sports & grounds activities	136	137	(1)	61
Bedrooms	54	79	(25)	9
Car parking	43	-	43	4
Sale of books, ties, cards and other income	4	3	1	5
Frank Companies' Ball	-	-	-	54
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>1,158</b>	<b>1,106</b>	<b>52</b>	<b>688</b>
<b>Other Expenses</b>				
Audit fees	-	10	(10)	(11)
Administration charge	-	16	(16)	(18)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	26	(26)	(29)
<b>Total</b>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>1,158</b>	<b>1,132</b>	<b>26</b>	<b>659</b>
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2020 (cont'd)

<b>7. Investment property income and expenditure</b>	<b>2020</b>	<b>2019</b>
<b>Income</b>	<b>£000</b>	<b>£000</b>
Commercial	955	896
Residential	353	354
Other rental income	343	335
RFCA (for use of Prince Consort Rooms)	-	-
<b>Total income</b>	<b>1,651</b>	<b>1,585</b>
<b>Expenditure</b>		
Management fees (including the Pencelli estate)	37	32
Cost of insurance, legal and professional fees	57	45
Maintenance and repairs	229	145
<b>Total expenditure</b>	<b>323</b>	<b>222</b>

**8. Military grants and other charitable expenditure**

	No of Grants 2020	2020 £000	No of Grants 2019	2019 £000
Grants to the Regiment and Sub Units	14	342	18	408
Other charitable expenditure from Unrestricted Fund	7	7	8	42
Vambrace impairment provision	-	34	-	357
<b>Total grants paid from the Company's general resources</b>	<b>21</b>	<b>383</b>	<b>26</b>	<b>807</b>
Grants from the Regimental Grants Fund (not quantified)	2	37	-	28
Grants from the Benevolent Fund to individuals	15	17	15	55
Other charitable expenditure from Restricted Funds	3	3	3	12
Grants to Pikemen & Musketeers from the Dugdale Bequest	1	2	1	3
<b>Total grants paid</b>	<b>42</b>	<b>442</b>	<b>45</b>	<b>905</b>
Pikemen & Musketeers expenditure	-	59	-	58
Light Cavalry expenditure	-	167	-	169
<b>Total military grants and other charitable expenditure</b>	<b>42</b>	<b>668</b>	<b>45</b>	<b>1,132</b>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2020 (cont'd)

9. Maintenance and operation of Armoury House

	2020	2019
	£000	£000
Staff costs, including taxes and pension contributions (including contract and temporary staff)	409	473
Rates, water, power and heating	106	139
Cleaning and waste removal	41	43
Property maintenance and repairs	303	468
Treasures, Archives	60	83
AIB Loan financing cost	-	2
Recharges to trading subsidiaries	(104)	(125)
<b>Total</b>	<b>815</b>	<b>1,083</b>

10. Membership services and general administration

	2020	2020	2020	2019	2019	2019
	£000	£000	£000	£000	£000	£000
	Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
Staff costs, including taxes, pension contributions and pensions to former employees	453	-	453	533	-	533
Employee termination payments	3	-	3	-	-	-
Office services, IT and telephone	128	-	128	111	-	111
Membership administration	20	-	20	15	-	15
Insurance	87	-	87	82	-	82
Publications	59	-	59	56	-	56
Bank charges, other legal and professional costs	39	-	39	56	-	56
Recharges to trading subsidiaries	(65)	-	(65)	(57)	-	(57)
Benevolent Fund administration costs	-	6	6	-	6	6
Governance	50	-	50	53	1	54
	<u>774</u>	<u>6</u>	<u>780</u>	<u>849</u>	<u>7</u>	<u>856</u>
Auditors' remuneration (excluding VAT) included in above total:						
Audit Fees	30	-	30	20	1	21
Non-audit Fees	-	-	-	7	-	7



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2020 (cont'd)

11. Fixed assets

11a. Tangible fixed assets for own use	Freehold/ Leasehold Land & Buildings £000	Furniture, Plant and Equipment £000	Charity Total £000	Subsidiary Freehold Land £000	Group Total £000
<b>Cost</b>					
At 1 November 2019	8,495	1,739	10,234	329	10,563
Additions	79	136	215	-	215
Disposals	-	-	-	-	-
At 31 October 2020	8,574	1,875	10,449	329	10,778
<b>Depreciation</b>					
At 1 November 2019	4,323	1,013	5,336	-	5,336
Charge for year	124	135	259	-	259
Disposals	-	-	-	-	-
Impairment-note (i)	34	-	34	-	34
At 31 October 2020	4,481	1,148	5,629	-	5,629
<b>Net Book Value</b>					
At 31 October 2020	4,093	727	4,820	329	5,149
At 31 October 2019	4,172	726	4,898	329	5,227

Note (i): The Company has made an impairment provision of £34k against the carrying value of the costs incurred on Project VAMBACE on the basis that the final asset is likely to be leased to the Regiment at a lower than market value rent.

The Company has substantial long-held historic assets which are used in the course of the Company's activities to support the Regiment, Special Constabulary Detachment and Company membership. These comprise the land and buildings at Armoury House, together with certain military and ceremonial items and other treasured artefacts. The buildings at Armoury House were constructed principally in 1734-35, 1787, 1826-28 and 1843. Due to the age of these items, and in many cases the unique nature, reliable historical cost information is not available for these assets and could not be obtained except at disproportionate expense. In the opinion of the Court the depreciated historical costs of these items is now immaterial.

Included within the cost of freehold land and buildings are the capitalised costs of later acquisitions and alterations to the land and buildings, including £6,606k relating to the development of the Prince Consort Rooms. Buildings insurance for properties owned by the Company including Armoury House and other Investment properties (see note 11c) at 31 October 2020 is held to the value of £47,397k (insurance value). This excludes any investment properties let on a full repairing lease where the tenant has the obligation to insure. The insurance value is reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2020 (cont'd)

11. Fixed assets, contd

11b. Tangible fixed assets, contd

	Light Cavalry £000	Pikemen & Musketeers £000	Heritage Assets £000
<b>Cost</b>			
At 1 November 2019	43	265	139
Additions	16	35	4
Disposals	(7)	-	-
At 31 October 2020	52	300	143
<b>Depreciation</b>			
At 1 November 2019	37	265	-
Charge for year	6	35	-
Disposals	(4)	-	-
At 31 October 2020	39	300	-
<b>Net Book Value</b>			
At 31 October 2020	<b>13</b>	<b>-</b>	<b>143</b>
At 31 October 2019	<b>6</b>	<b>-</b>	<b>139</b>

Depreciation applied to the assets of the Light Cavalry is in line with their useful economic life.

Amounts spent by the Pikemen & Musketeers in the year on re-equipping have been written down in the year.

In accordance with the FRS 102 Charity SORP, treasures acquired from 1 November 2005 have been capitalised by the Company.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 October 2020 (cont'd)

**11. Fixed assets, contd**

<b>11c. Tangible fixed assets held for investment – Properties</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Valuation at 1 November 2019	36,482	36,482
Revaluation	8,773	-
Additions	-	-
<b>At 31 October 2020</b>	<b>45,255</b>	<b>36,482</b>

The investment properties are professionally valued on a triennial basis and the value is informally reviewed by the trustees on an annual basis. The investment properties were last valued on an 'open market' basis by Farebrother, the Company's Property agents, at 31 October 2020. Since the onset of the COVID-19 pandemic, there has been a reduction in the certainty with which property values can be inferred from historic data. The ongoing control measures arising from the pandemic have also increased the uncertainties facing some of our tenants' businesses, which has a further consequential impact on valuations. Although the values reported above are believed to be a fair estimate, there will be a greater likelihood that actual amounts achievable would differ from these valuations than in previous periods.

**11d. Intangible assets – Software for own use**

	<b>2020</b>
	<b>£000</b>
<b>Cost</b>	
At 1 November 2019	76
Additions	25
<b>At 31 October 2020</b>	<b>101</b>
<b>Amortisation</b>	
At 1 November 2019	8
Charge for year	20
<b>At 31 October 2020</b>	<b>28</b>
<b>Net Book Value</b>	
At 31 October 2020	73
At 31 October 2019	68

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 October 2020 (cont'd)

**12. Listed investments**

	2020 £000	2019 £000
Investments at valuation – 1 November 2019	8,489	5,948
Funds added	560	2,088
Funds removed	(7)	(80)
Revaluation gain/(loss)	(868)	593
Investment management charges	(68)	(60)
<b>Investments at market value – 31 October 2020</b>	<b>8,106</b>	<b>8,489</b>
Investments at cost	7,276	6,627
Unrealised gains	830	1,862
	<b>8,106</b>	<b>8,489</b>
<b>Split of investments – 31 October 2020</b>		
UK listed investments	3,984	4,379
Overseas listed investments	3,679	3,262
Multi-Asset funds	127	207
Held as cash	316	641
	<b>8,106</b>	<b>8,489</b>

The Charity's own accounts also include the investment in its subsidiaries (note 13).

**13. Subsidiary companies**

The Company has three wholly-owned subsidiary companies, all registered in England:

- HAC Enterprises Limited, which is responsible for Sutling, House and Ground hire, and sports activities.
- HAC Flank Companies' Ball Limited (owned by HAC Enterprises Limited), which organises an annual ball on the Company's premises.
- Pencelli Ltd, which owns the Welsh Pencelli Estate in the Brecon Beacons.

Gift Aid arrangements have been made between HAC Enterprises Limited and HAC Flank Companies' Ball Limited and the Company whereby these subsidiaries donate the whole of their surplus income to the Company each year. The donation from HAC Flank Companies' Ball Limited will be transferred to the Regimental Grants Fund. The amounts owed by the subsidiaries to the Company at 31 October 2020 are shown below:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2020 (cont'd)

	HAC Enterprises Ltd £000	HAC Flank Companies' Ball Ltd £000	Pencelli Ltd £000
<b>Fixed assets</b>			
Tangible assets for own use	-	-	329
Shares in subsidiary (see above)	1	-	-
<b>Total fixed assets</b>	<b>1</b>	<b>-</b>	<b>329</b>
<b>Current assets</b>			
Stocks	5	-	-
Debtors	42	-	-
Owed by Company	-	-	-
Other debtors and prepayments	12	-	-
Cash at bank and in hand	296	9	-
<b>Total current assets</b>	<b>355</b>	<b>9</b>	<b>-</b>
<b>Creditors</b>			
Trade creditors	17	-	-
Accruals and deferred income	157	-	-
Amounts owed to Company	181	8	29
Other creditors	-	-	-
<b>Total creditors</b>	<b>355</b>	<b>8</b>	<b>29</b>
<b>Net current assets</b>	<b>-</b>	<b>1</b>	<b>(29)</b>
<b>Net assets</b>	<b>1</b>	<b>1</b>	<b>300</b>
<b>Share capital of subsidiary</b>	<b>1</b>	<b>1</b>	<b>300</b>

14. Debtors and prepayments

	Group		Charity	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	326	427	310	8
Sundry debtors	61	49	35	49
Prepayments and accrued income	333	348	321	325
Taxation	23	28	23	171
Amounts owed by subsidiaries (note 13)	-	-	218	37
<b>Total</b>	<b>743</b>	<b>852</b>	<b>907</b>	<b>590</b>

All debtors, excluding prepayments are financial instruments measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2020 (cont'd)

15. Creditors due within one year	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade creditors	163	459	146	389
Amounts owed to subsidiaries (note 13)	-	-	-	160
Accruals	169	219	167	200
Deferred income	253	688	98	142
Taxation	21	60	21	60
Other creditors	51	71	51	71
<b>Total</b>	<b>657</b>	<b>1,497</b>	<b>483</b>	<b>1,022</b>

Deferred income represents income in advance for events, accommodation, room and grounds hire, rent and subscriptions.

All creditors, excluding deferred income and taxation, are financial instruments measured at amortised cost.

16. Pensions

The Company subscribes to a Group Personal Pension Scheme for those employees who have elected to join the scheme. The fund is administered on behalf of the employees by Aviva. Twenty-three employees have elected to join this scheme and the cost to the Company of contributions for the year to 31 October 2020 was £72k, of which £11k related to an employee who earned above £60k per year.

One past employee (2019: Two) is in receipt of a pension payable directly by the Company and which is unfunded. At 31 October 2020 the pensions in payment had an annual cost of £10k (2019: £12k). The Company estimated the value of the unfunded future pension obligation at 31 October 2020 as £72k (2019: £86k). An average inflation rate of 2.0% and a discount rate of 0.01% have been assumed in assessing this liability. The movement in the Pension Reserve (liability) was as follows:

	2020 £000	2019 £000
Opening liability at 1 November 2019	86	90
Past service cost	(10)	(12)
Changes in demographic and financial assumptions	(4)	8
	—	—
Closing liability 31 October 2020	<u>72</u>	<u>86</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2020 (cont'd)

17. Charitable Funds

a)Current period	1 November 2019	Income	Expenditure	Investment Gains/(Losses) & Transfers	31 October 2020
	£000	£000	£000	£000	£000
<b>Unrestricted Funds:</b>					
Designated Reserves	7,813	3,227	(3,463)	(451)	7,126
Fixed Asset Fund	41,778	-	-	8,699	50,477
Less: Pension Reserve liability	(86)	-	-	14	(72)
<b>Total Unrestricted Funds</b>	<b>49,505</b>	<b>3,227</b>	<b>(3,463)</b>	<b>8,262</b>	<b>57,531</b>
<b>Restricted Funds:</b>					
Benevolent Fund	3,198	114	(53)	(315)	2,944
Regimental Grants Fund	542	1	(37)	-	506
Light Cavalry	170	170	(167)	-	173
Pikemen & Musketeers	304	32	(59)	-	277
Other Restricted Funds	430	7	(4)	(16)	417
<b>Total Restricted Funds</b>	<b>4,644</b>	<b>324</b>	<b>(320)</b>	<b>(331)</b>	<b>4,317</b>
<b>Endowment Funds</b>					
Dugdale Bequest	132	2	(3)	(12)	119
<b>Total Funds</b>	<b>54,281</b>	<b>3,553</b>	<b>(3,786)</b>	<b>7,919</b>	<b>61,967</b>
<b>b)Prior period</b>	<b>1 November 2018</b>	<b>Income</b>	<b>Expenditure</b>	<b>Investment Gains/(Losses) &amp; Transfers</b>	<b>31 October 2019</b>
	£000	£000	£000	£000	£000
<b>Unrestricted Funds:</b>					
Designated Reserves	6,057	5,903	(4,498)	351	7,813
Fixed Asset Fund	41,803	-	-	(25)	41,778
Less: Pension Reserve liability	(90)	-	-	4	(86)
<b>Total Unrestricted Funds</b>	<b>47,770</b>	<b>5,903</b>	<b>(4,498)</b>	<b>330</b>	<b>49,505</b>
<b>Restricted Funds:</b>					
Benevolent Fund	2,930	109	(87)	246	3,198
Regimental Grants Fund	514	56	(28)	-	542
Light Cavalry	165	160	(155)	-	170
Pikemen & Musketeers	280	70	(46)	-	304
Other Restricted Funds	418	88	(88)	12	430
<b>Total Restricted Funds</b>	<b>4,307</b>	<b>483</b>	<b>(404)</b>	<b>258</b>	<b>4,644</b>
<b>Endowment Funds</b>					
Dugdale Bequest	124	3	(4)	9	132
<b>Total Funds</b>	<b>52,201</b>	<b>6,389</b>	<b>(4,906)</b>	<b>597</b>	<b>54,281</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2020 (cont'd)**

**Unrestricted Funds:**

**Designated Reserves comprises:**

**Short Term Reserve** – This is the cash balance required to fund a minimum of 6 months running costs based on the budget for the following year. As at 31 October 2020 this reserve had a balance of £1,194k.

**Medium Term Reserve** – This is the cash balance required to fund the Capital Expenditure for the next 5 years as set out in the Company's latest capital expenditure forecast and consistent with the latest 10 Year Business Plan. As at 31 October 2020 this reserve had a balance of £778k.

**Long Term Reserve** – This reserve has been established with a target of £10million for the future term needs of the HAC Regiment which are for additional facilities and equipment. The reserve is held in a mix of cash, working capital, and equity investments. At 31 October 2020 this reserve had a balance of £5,082k.

**Fixed Asset Fund** – This has been set up to identify those funds that are not free funds. The value shown represents the net book value of tangible and intangible fixed assets, including property investments.

**Restricted Funds:**

**Benevolent Fund** – The value of this fund decreased during the current year mainly due to investment losses. Dividends received have been reinvested. The Benevolent Fund Committee actively seeks potential applicants and members are invited to bring needy cases to the HAC Trustees' attention. Fund income currently derives from legacies and donations, and bank interest on cash balances.

**Regimental Grants Fund** – The purpose of this fund is to provide recruiting and retention in the Regiment and can be spent on both capital and revenue expenditures. In reviewing the long-term requirements for this fund it has been agreed that the value of this fund is to be capped at £600k. The main source of income for this fund is from interest earned on bank deposits. The value of the fund is supplemented by the profit of HAC Flank Companies' Ball Ltd, which is Gift Aided to this fund.

**Light Cavalry** – The balance on this fund represents the asset value of the HAC Light Cavalry, which has been consolidated into the accounts of the HAC.

**Pikemen & Musketeers** – The balance on this fund represents the asset value of the Company of Pikemen & Musketeers, which has been consolidated into the accounts of the HAC.

**Other Restricted Funds** – The balances on these funds consist of the Gridley Will Trust, which is used by the Commanding Officer to fund annual prizes, and the Benton Bequest ('A' Battery Fund), used to support the cost of an annual dinner. Income for these other restricted funds derives from a combination of legacies, donations, dividends and bank interest.

**Permanent Endowment Funds** – The Dugdale Bequest is to be held in perpetuity, with only the annual income being used to maintain the equipment of the Company of Pikemen & Musketeers. £2k was distributed in the year (2019: £3k).



**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 October 2019 (cont'd)

18.	Analysis of Group net assets between Funds – 2020	Tangible and Intangible Fixed Assets	Investments	Current Assets	Liabilities	Total 2020
		£000	£000	£000	£000	£000
	<b>Unrestricted Funds</b>					
	Designated Reserves	-	4,949	2,812	(635)	7,126
	Fixed Asset Fund	50,477	-	-	-	50,477
	Less: Pension Reserve liability	-	-	-	(72)	(72)
	<b>Total Unrestricted Funds</b>	<b>50,477</b>	<b>4,949</b>	<b>2,812</b>	<b>(707)</b>	<b>57,531</b>
	<b>Restricted Funds</b>					
	Benevolent Fund	-	2,882	62	-	2,944
	Regimental Grants Fund	-	-	506	-	506
	Light Cavalry	13	-	182	(22)	173
	Pikemen & Musketeers	-	-	277	-	277
	Other Restricted Funds	143	156	118	-	417
	<b>Total Restricted Funds</b>	<b>156</b>	<b>3,038</b>	<b>1,145</b>	<b>(22)</b>	<b>4,317</b>
	<b>Endowment Funds</b>					
	Dugdale Bequest	-	119	-	-	119
	<b>Total Funds</b>	<b>50,633</b>	<b>8,106</b>	<b>3,957</b>	<b>(729)</b>	<b>61,967</b>

During the year, in accordance with the Cash Management Policy approved by the Court, the cash resources of the Unrestricted and Restricted funds of the Company have continued to be operated as a single pooled-cash resource. At 31 October 2020 the amount owing to Restricted Funds by the Unrestricted Funds, was £750k (2019: £790k).

	Analysis of Group net assets between Funds – 2019	Tangible Fixed Assets	Investments	Current Assets	Liabilities	Total 2019
		£000	£000	£000	£000	£000
	<b>Unrestricted Funds</b>					
	Designated Reserves	-	5,019	4,267	(1,473)	7,813
	Fixed Asset Fund	41,778	-	-	-	41,778
	Less: Pension Reserve liability	-	-	-	(86)	(86)
	<b>Total Unrestricted Funds</b>	<b>41,778</b>	<b>5,019</b>	<b>4,267</b>	<b>(1,559)</b>	<b>49,505</b>
	<b>Restricted Funds</b>					
	Benevolent Fund	-	3,164	34	-	3,198
	Regimental Grants Fund	-	-	542	-	542
	Light Cavalry	6	-	184	(20)	170
	Pikemen & Musketeers	-	-	308	(4)	304
	Other Restricted Funds	139	174	117	-	430
	<b>Total Restricted Funds</b>	<b>145</b>	<b>3,338</b>	<b>1,185</b>	<b>(24)</b>	<b>4,644</b>
	<b>Endowment Funds</b>					
	Dugdale Bequest	-	132	-	-	132
	<b>Total Funds</b>	<b>41,923</b>	<b>8,489</b>	<b>5,452</b>	<b>(1,583)</b>	<b>54,281</b>

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 October 2020 (cont'd)

<b>19. Payroll costs</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
HAC salaries (excl. Er's NI, pensioners & contract staff)	913	916
HAC employer's National Insurance	82	92
HAC emoluments (excluding pensioners & contract staff)	<b>995</b>	<b>1,008</b>
HAC Job Retention Scheme payments received	<b>(66)</b>	-
Light Cavalry salaries (excl. Er's NI)	72	64
Light Cavalry employer's National Insurance	5	5
Light Cavalry emoluments	<b>77</b>	<b>69</b>
Light Cavalry Job Retention Scheme payments received	<b>(7)</b>	-
Pensions paid	<b>10</b>	<b>12</b>
<b>Total Staff Costs</b>	<b>1,009</b>	<b>1,089</b>
	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Average number of HAC employees (excl. contract staff and pensioners)	22	22
Average number of Light Cavalry employees	3	3
Average number of pensioners	1	2
<b>Total Staff</b>	<b>26</b>	<b>27</b>
Number of employees earning between £60k and £70k	1	-
Number of employees earning between £110k and £120k	1	1

The highest paid employee received employer pension scheme contributions of £10,704 (2019: £10,582).

The remuneration of the 6 (2019:7) key management personnel totalled 362,088 (2019: £360,549). Their employer pension contributions were £21,711 (2019: £22,109).

HAC Emoluments in 2020 include £16,947 of redundancy payments (2019: £Nil)

**20. Capital commitments**

The company had capital commitments as at 31 October 2020 totalling £nil (2019: £nil).

The company is considering a request from the Regiment to provide additional storage space and facilities. This project, if approved, will span several years. Costs incurred to date amount to £391k (2019: £357k) by way of professional fees and has been written down to £nil with an additional Impairment Provision of £34k in the current year (2019: £357k) – see note 11a (i). Further costs of £10k in 2020 (2019: £nil) have been met by a Grant from the Regimental Grants Fund and have been expensed.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2020 (cont'd)**

**21. The Court and related parties**

The members of the Court of Assistants are the Trustees of the Company. The Trustees were covered by indemnity insurance for the year ended 31 October 2020.

Two Trustees (2019: two), who served during the year, rent flats that are owned by the Company, one of which is subject to a regulated tenancy agreement, while the other is let at market rates.

Expenses totalling £nil (2019: £921) were claimed by Trustees.

Fees totalling £1,007 (2019: £2,437) were charged to the Company by Major Charles Marment, a Trustee, for services as Secretary to the HAC Regimental Council.

The Commanding Officer of the Regiment, Lieutenant Colonel J P Chorley, who is also a Trustee of the Company, is provided with free accommodation and also has exclusive discretion over the application of the Active Unit Grant, which is one of the 26 grants to the Regiment and Sub Units included in Note 8. The Active Unit Grant amounted to £90k for the year ended 31 October 2020 (2019: £86k).