

**The Household
Cavalry Museum
Trust Limited**
**Annual Report and
Financial Statements**

31 March 2021

Company Limited by Guarantee
Registration Number
05314773 (England and Wales)

Charity Registration Number
1108039

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Reference and administrative details

Trustees	Mr J R E Coles Colonel (Retired) JDA Gaselee Lieutenant Colonel A E Gilham Colonel C A Lockhart Mr C J MacEvilly Lieutenant General (Retd) Sir B W B White-Spunner KCB CBE Lieutenant Colonel (Retd) HSJ Scott
Company Secretary	Lieutenant Colonel (Retd) R R D Griffin
Principal office	Headquarters Household Cavalry Horse Guards Whitehall London SW1A 2AX
Telephone	020 7414 2392
Website and social media	www.householdcavalrymuseum.co.uk www.facebook.com/HCavMuseum www.twitter.com/HCavMuseum
Email	museum@householdcavalry.co.uk
Company registration number	05314773 (England and Wales)
Charity registration number	1108039
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Solicitors	Stone King LLP 13 Queen Square Bath BA1 2HJ

Reference and administrative details

Bankers	National Westminster Bank plc Windsor and Eton Branch 12 High Street Windsor Berkshire SL4 1LQ Lloyds Bank plc Coxs & Kings Branch 1 Legg Street Chelmsford Essex CM1 1JS
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The trustees present their report together with the consolidated financial statements of The Household Cavalry Museum Trust Limited ("the Trust") for the year ended 31 March 2021.

The financial statements have been prepared in accordance with the accounting policies set out on pages 17 to 23 of the attached financial statements and comply with the charitable company's memorandum and articles of association, applicable laws and 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 United Kingdom and Republic of Ireland (FRS 102).

Scope

The financial statements consolidate the financial statements of The Household Cavalry Museum Trust Limited with those of its wholly owned subsidiary, The Household Cavalry Museum Enterprises Limited, for the year ended 31 March 2021.

Introduction and background

The Household Cavalry Museum used to be situated at Combermere Barracks in Windsor and housed the Regimental Collection.

In 2000, a prime site became available at the Horse Guards building in Whitehall, central London, for the Household Cavalry to create a purpose built, modern showcase museum that would not only tell the story of the Household Cavalry through its collections but also afford public access for the first time to one of the most important Grade I listed buildings in the Capital. The Museum opened to the public on 9 July 2007 and provides the visitor with a living experience whereby they are able to observe the mounted and dismounted Household Cavalrymen on duty at Horse Guards. The visitor is also able to see the daily changing of the Queen's Life Guard on Horse Guards parade ground directly adjacent to the Museum's entrance and gain access to a working stables from where they can see behind the scenes of public duty. The day-to-day operation of the Museum is the responsibility of the charity's wholly owned subsidiary, The Household Cavalry Museum Enterprises Limited, a company registered in England and Wales (Company Registration No 05844779).

As part of the original development project, refurbishment at the Windsor site was completed in July 2008. Since April 2009, it has become the focus for school visits and formal education. It houses the reserve collection and is the centre for historical and genealogical research.

The Household Cavalry Museum Trust Limited is the charitable company through which the fundraising and preservation, management and restoration of the Regimental Collection are accounted for.

Objectives and activities

The charitable company's objects are to educate the public and members of the Household Cavalry in the Regiment's history, heritage, traditions and military accomplishments. These objects are achieved through the preservation, maintenance and management of the regimental collection. Activities are conducted through the operation of a Museum at Horse Guards in London and also through the housing of a reserve collection in an education and research establishment in Combermere Barracks, Windsor.

Objectives and activities (continued)

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's objectives and aims and in planning future activities.

Review of business

The worldwide outbreak of the Covid-19 pandemic has continued to cause extensive disruptions to organisations globally with major implications for operations as well as finances. The directors acknowledge and recognise the continuing impact of the pandemic on the operations of the company, its beneficiaries, partners and stakeholders, and on the wider society, and they have ensured that both resources and processes are in place to limit disruptions to operations

The consequences of the Covid pandemic have resulted in the Museum being closed for the entire financial year, with the exception of a few days trading in late 2020. Retail sales have been limited to a small amount of online sales during the closure of the shop due to the Covid pandemic.

The principal risk facing the company remains the impact of the general economic conditions affecting visitor numbers and the level of foreign tourists, in particular. This risk has been compounded by the Covid-19 pandemic, which continues to have a significant influence on the company's activities and on plans for the future. The pandemic has caused a number of specific challenges for the company, chief among them the mandatory closure of the museum and shop from March 2020. Whilst significant income reductions have been accompanied by some reductions in operational expenditure, these have been quite limited and it is anticipated that the trading company will again incur an operating deficit during the next accounting period. The directors of the company are taking additional mitigating actions to cushion the company from adverse financial impacts caused by this major risk factor.

The board agreed that the Museum would reopen from May 2021. The directors have set targets for future activity levels. Whilst the current predictions suggests that these targets are achievable, they remain mindful that changes in Covid-19 restrictions, international travel and public confidence can quickly translate into fewer visitors. Small independent museums such as ours which charge an admission price are in direct competition with the large, neighbouring, free at entry national museums and will often struggle to attract the budget tourist which is the life blood of our trading arm.

The board's current projections show that the adverse impact on the trading company's profitability in 2020/21 is forecast to reverse in 2022/23, when a net profit is once again anticipated. However, they are mindful that there is difficulty in forecasting the actual level of business for 2021/22 and therefore there is uncertainty in the corresponding financial projections.

Having reviewed the available evidence, the trustees have concluded that although there is a material uncertainty related to this, it is appropriate for the company and group to continue to prepare their accounts on the going concern basis.

Financial review

Results for the year

A summary of the group's results for the year is given in the consolidated statement of financial activities on page 15 of this annual report and financial statements.

Income for the year totalled £280,570 (2020: £479,049). Donations and similar income amounting to £34,625 (2020: £29,690) were received during the year and included £22,422 (2020: £21,313) received from the Ministry of Defence towards staff costs. Income from trading activities was £245,945 (2020: £449,359), of which £241,560 (2020: £3,884) related to financial support in the form of the Coronavirus Job Retention Scheme and grants from the Arts Council Cultural Recovery Fund..

Expenditure totalled £418,158 (2020: £570,421) and included fundraising trading costs of £243,607 (2020: £382,819), costs of raising donations of £3,850 (2020: £6,360), and costs in relation to the preservation and maintenance of the regimental collection (including depreciation) of £170,701 (2020: £181,242) and governance costs of £6,559 (2020: £11,565). The net reduction in funds for the year was £137,588 (2020: £91,372).

The results of the trading subsidiary are shown in note 14 to the financial statements.

Financial position

At 31 March 2021, the group had total funds of £2,923,657 (2020: £3,061,245). These funds comprised tangible fixed assets of £2,658,637, a retained deficit in the trading subsidiary of £27,895 and general funds of £292,915.

Reserves policy

It is the trustees' intention to build sufficient reserves through fundraising initiatives in order to meet existing liabilities as they fall due and to enable the continued development of the charity's educational activities. The trustees have agreed that free reserves should approximate to £200,000. At 31 March 2021, the group's free reserves were £265,020. The trustees acknowledge that the level of free reserves at 31 March 2021 are slightly above the reserves policy. However, given the charity's and the group's activities, the general economic uncertainty and Covid-19, in particular, they believe that the level of reserves is acceptable at the current time.

Governance, structure and management

Governance

The Household Cavalry Museum Trust Limited was incorporated as a company limited by guarantee (Company Registration Number 05314773 (England and Wales)) on 16 December 2004. The company is governed by its memorandum and articles of association. It registered as a charity with the Charity Commission for England and Wales on 10 February 2005 (Charity Registration Number 1108039).

Governance, structure and management (continued)

Governance (continued)

The charitable company remained dormant until 28 March 2006 when The Household Cavalry Regimental Collection Trust (formerly Charity Registration Number 274185) transferred its net assets (excluding the regimental collection) and its activities (including preservation, management and restoration of the regimental collection and the appeal for funds for the Horse Guards development) to the charitable company. This transfer was in accordance with a legal transfer of undertakings. On 18 April 2006, The Household Cavalry Regimental Collection Trust became a subsidiary of the charitable company. With effect from that date, the Charity Registration Number of The Household Cavalry Regimental Collection Trust was amended to 1108039-1. This charity is the charitable trust in which the regimental collection is held. The trustees of both The Household Cavalry Museum Regimental Collection Trust and The Household Cavalry Museum Trust Limited are identical.

Trustees

The names of the trustees of the charitable company who were in office during the year or at the time these financial statements were approved are set out below:

Trustees	Appointed/Resigned
Mr J R E Coles	
Lieutenant Colonel T J Armitage	
Lieutenant Colonel A E Gilham	Appointed 30 July 2020
Colonel (Retired) JDA Gaselee	
Mr C J MacEvilly	
Lieutenant Colonel M S P Berry	Resigned 30 July 2020
Lieutenant General (Retired) Sir B W B White-Spunner KCB CBE	
Lieutenant Colonel (Retired) HSJ Scott	

Induction and training of trustees

All trustees receive induction on joining the Board so that they are equipped to carry out their role. In order to keep Board members informed about the charity's on-going work, the Board receives reports from senior staff members as required.

Subsidiary company

The Household Cavalry Museum Trust Limited fully owns The Household Cavalry Museum Enterprises Limited (Company Registration Number 05844779 (England and Wales)), which has an issued share capital of £1. The company was formed to carry out the day-to-day operation of the Household Cavalry Museum. It commenced trading on 1 July 2007.

Statement of trustees' responsibilities

The trustees (who are also directors of The Household Cavalry Museum Trust Limited for the purposes of company law) are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Governance, structure and management (continued)

Statement of trustees' responsibilities (continued)

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the group and of the income and expenditure of the group for that period. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and group and of the income and expenditure of the group for that period.

In preparing these financial statements, the trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the trustees confirms that:

- ◆ so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Governance, structure and management (continued)

Key management personnel

The trustees consider that they comprise the key management personnel of the charity. None of the trustees receives any remuneration from the charity or group.

The key management personnel of the charity's trading subsidiary, The Household Cavalry Museum Enterprises Limited, in charge of directing and controlling, running and operating it on a day to day basis comprise the Head of Commercial Development and Operations and (for part of the year) the Visitor Services Manager. The annual pay of the Head of Commercial Development and Operations is set by the board of directors and reviewed annually at the AGM. The directors receive no remuneration.

Structure and management reporting

The ultimate responsibility for the charitable company and its subsidiary company lies with the trustees. The day to day responsibility for the subsidiary company lie with its board of directors.

The brief of the Head of Commercial Development and Operations is to increase day visitor numbers by establishing links with trade partners, tour operators and agencies, to enhance discretionary retail spending and to build the corporate hospitality business potential.

The full time manager of the Museum Education and Archive Centre at Windsor has been tasked with recovering the complete reserve collection from storage and to reinstating it in the refurbished Museum at Combermere Barracks. In addition, a team of volunteers has been cataloguing every item whilst dealing with a significant number of research enquiries and group tours.

All of these individuals report to the trustees or directors (as appropriate) on a regular basis, both informally and formally at trustees' and directors' meetings.

Fundraising

The charity aims to achieve best practice in the way in which it communicates with donors and other supporters. It takes care with both the tone of its communications and the accuracy of its data to minimise the pressures on supporters. It applies best practice to protect supporters' data and never sells data, it never swaps data, and ensures that supporters' and donors' communication preferences can be changed at any time. The charity manages its own fundraising activities and does not employ the services of Professional Fundraisers. The charity undertakes to react to and investigate any complaints regarding its fundraising activities and to learn from them and improve its service. During 2021, the charity received no complaints about its fundraising activities.

Risk management

The trustees have assessed the major risks to which the charitable company and its subsidiary are exposed, in particular those relating to their specific operational areas and finances. The trustees believe that by monitoring reserve levels, by ensuring controls exist over key financial systems, and by examining the operational and business risks faced by the charitable company and its subsidiary, they have established effective systems to mitigate those risks.

Governance, structure and management (continued)

Risk management (continued)

Covid-19 is a major risk to the group and the ongoing impact of closures due to government restrictions and reduced visitor numbers have and continue lead to a significant reduction in income. The trustees have detailed the effects of Covid-19 above within the review of business section earlier in the trustee report. The trustees will continue to assess the impact this has on operations and take steps to mitigate losses.

An important risk to the operations of the group is that of its dependence on foreign tourism which fluctuates for reasons which cannot be controlled. The trustees are seeking to mitigate this exposure by careful financial budgeting. In order to attract UK residents in greater numbers, the charity is also concentrating efforts in marketing to diversify and increase the number of visitors to the museum.

Approved by the trustees and signed on their behalf by:

Trustee

Approved by the trustees on:

Independent auditor's report to the members of Household Cavalry Museum Trust Limited

Opinion

We have audited the financial statements of the Household Cavalry Museum Trust Limited (the 'charitable parent company') and of the Household Cavalry Museum Trust Limited and its subsidiary (the 'group') for the year ended 31 March 2021 which comprise the group statement of financial activities, the group and charitable parent company balance sheets, the group statement of cash flows, the principal accounting policies and the notes to the financial statements. 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 financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 March 2021 and of the group's 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 Companies Act 2006.

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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

Material uncertainty related to going concern

We draw attention to the accounting policy on page 19 of the financial statements regarding going concern, which sets out the material uncertainties related to going concern that arise as a result of the Coronavirus pandemic.

Our opinion is not modified in respect of this matter.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ◆ the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ◆ adequate accounting records have not been kept by the charitable parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the charitable parent company financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of trustees' remuneration specified by law are not made;
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the financial statements 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 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 group's and the charitable parent company'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 charitable parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 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 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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we obtained an understanding of the legal and regulatory frameworks that are applicable to the company and group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework: the Companies Act 2006; the Charities Act 2011; 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 United Kingdom and Republic of Ireland (Charities SORP FRS 102); and Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships; and
- ◆ tested journal entries to identify unusual transactions.
- ◆ carried out substantive testing of expenditure including the authorisation thereof;
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- ◆ investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation;
- ◆ reading the minutes of meetings of those charged with governance; and
- ◆ enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Amanda Francis (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Consolidated statement of financial activities Year to 31 March 2021

	Notes	2021 £	2020 £
Income and expenditure			
Income from:			
Donations and legacies	1	34,625	29,690
Trading activities	2	245,945	449,359
Total income		280,570	479,049
Expenditure on:			
Raising funds			
. Raising donations	3	3,850	6,360
. Fundraising trading: cost of goods and services sold and other costs	4	243,607	382,819
Charitable activities			
. Preservation and maintenance of the regimental collection	5	170,701	181,242
Total expenditure		418,158	570,421
Net expenditure and net movement in funds	7	(137,588)	(91,372)
Reconciliation of funds:			
Fund balances at 1 April 2020		3,061,245	3,152,617
Fund balances at 31 March 2021		2,923,657	3,061,245

All of the group's activities derived from continuing operations during the above two periods.

There is no difference between the net movement in funds stated above and the historical cost equivalent.

The group has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

Income above includes amounts received for specific purposes, and hence deemed restricted income, as follows. All income was spent during the year on the required purposes.

	2021 £	2020 £
Income from:		
Donations and legacies		
. Ministry of Defence (MoD) funding for staff posts	22,422	21,313
Trading activities		
. Grant from Westminster City Council for educational projects	19,548	18,736
. Grant from Arts Council Cultural Recovery Fund	121,803	—
Total restricted income	163,773	40,049
Restricted fund balances as at 1 April	—	—
Restricted fund balances as at 31 March	—	—

All other income and expenditure in both financial years was unrestricted.

Balance sheets 31 March 2021

	Notes	Group		Charity	
		2021 £	2020 £	2021 £	2020 £
Fixed assets					
Heritage assets	11	—	—	—	—
Tangible assets	12	2,658,637	2,773,733	2,656,155	2,767,913
Investments	14	—	—	1	1
		2,658,637	2,773,733	2,656,156	2,767,914
Current assets					
Stock		41,668	32,911	—	—
Debtors: amounts due after more than one year	15	—	—	200,000	—
Debtors: amounts due within one year	15	15,271	18,308	24,173	162,554
Cash at bank and in hand		250,202	328,851	86,052	139,468
		307,141	380,070	310,225	302,022
Creditors: amounts falling due within one year	16	(42,121)	(92,558)	(14,829)	(36,163)
Net current assets		265,020	287,512	295,396	265,859
Total net assets		2,923,657	3,061,245	2,951,552	3,033,773
The funds of the charity					
Unrestricted funds					
. General funds		292,915	260,040	295,397	265,860
. Non-charitable trading funds	14	(27,895)	27,472	—	—
. Tangible fixed assets fund	17	2,658,637	2,773,733	2,656,155	2,767,913
		2,923,657	3,061,245	2,951,552	3,033,773

Approved by the trustees
and signed on their behalf by:

Trustee

Approved on:

Company Limited by Guarantee Registration Number 05314773 (England and Wales)
Charity Registration Number 1108039

Consolidated statement of cash flows Year to 31 March 2021

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash (used in) provided by operating activities	A	(72,192)	49,351
Cash flows from investing activities:			
Purchase of tangible fixed assets		(6,457)	(21,392)
Net cash used in investing activities		(6,457)	(21,392)
Change in cash and cash equivalents in the year		(78,649)	27,959
Cash and cash equivalents at 1 April 2020	B	328,851	300,892
Cash and cash equivalents at 31 March 2021	B	250,202	328,851

Notes to the statement of cash flows for the year to 31 March 2021.

A Reconciliation of net movement in funds to net cash (used in) provided by operating activities

	2021 £	2020 £
Net movement in funds (as per the statement of financial activities)	(137,588)	(91,372)
Adjustments for:		
Depreciation charge	121,553	122,230
(Increase) decrease in stocks	(8,757)	5,143
Decrease (increase) in debtors	3,037	(7,791)
(Decrease) increase in creditors	(50,437)	21,141
Net cash (used in) provided by operating activities	(72,192)	49,351

B Analysis of cash and cash equivalents

	2021 £	2020 £
Total cash and cash equivalents: Cash at bank and in hand	250,202	328,851

The group has not prepared a separate statement of change in net debt as there is not difference between the movement in cash and cash equivalents and the movement in net cash (debt) of the group.

Principal accounting policies Year to 31 March 2021

The principal accounting policies adopted, judgements made and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 March 2021 with comparative information provided in respect to the year to 31 March 2020.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets for the purpose of determining the annual depreciation charge;
- ◆ estimating the provision needed, if only, for slow moving or obsolete stock; and
- ◆ estimating future income and expenditure flows for the purpose of assessing going concern (see below).

Assessment of going concern

The worldwide outbreak of the Covid-19 pandemic continues to cause extensive disruptions to organisations globally with major implications for operations as well as finances. The directors acknowledge and recognise the continuing impact of the pandemic on the operations of the company and group, beneficiaries, partners and stakeholders, and on the wider society, and they have ensured that both resources and processes are in place to limit disruptions to operations

The consequences of the Covid pandemic has resulted in the Museum being closed for the entire financial year, with the exception of a few days trading in late 2020. Retail sales have been limited to a small amount of online sales during the closure of the shop due to the Covid pandemic.

The principal risk facing the company and group remains the impact of the general economic conditions affecting visitor numbers and the level of foreign tourists, in particular. This risk has been compounded by the continuing Covid-19 pandemic, which continues to have a significant influence on the company's and group's activities and on plans for the future. The pandemic has caused a number of specific challenges for the company and group, chief among them the mandatory closure of the museum and shop from March 2020. Whilst significant income reductions have been accompanied by some reductions in operational expenditure, these have been quite limited and it is anticipated that the trading company will again incur an operating deficit during the next accounting period. The directors of the trading company are taking additional mitigating actions to cushion the company from adverse financial impacts caused by this major risk factor.

The board agreed that the Museum would reopen from May 2021. The directors and trustees have set targets for future activity levels. Whilst the current predictions suggests that these targets are achievable, they remain mindful that changes in Covid-19 restrictions and public confidence can quickly translate into fewer visitors. Small independent museums such as ours which charge an admission price are in direct competition with the large, neighbouring, free at entry national museums and will often struggle to attract the budget tourist which is the life blood of our trading arm.

The board's current projections show that the adverse impact on the trading company's profitability in 2020/21 is forecast to reverse in 2022/23, when a net profit is once again anticipated. However, they are mindful that there is difficulty in forecasting the actual level of business for 2021/22 and therefore there is uncertainty in the corresponding financial projections.

Having reviewed the available evidence, the board has concluded that although there is a material uncertainty related to this, it is appropriate for the company and group to continue to prepare their accounts on the going concern basis.

Basis of consolidation

The statement of financial activities, balance sheet and the statement of cash flows consolidates the assets, liabilities, income and expenditure of the charity and its wholly-owned subsidiary undertaking, The Household Cavalry Museum Enterprises Limited, for the year ended 31 March 2021. The results of the subsidiary undertaking are consolidated on a line by line basis.

Income recognition

Income is recognised in the period in which the group and charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations and income from trading activities.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Donated services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain facilities or services of equivalent economic benefit on the open market.

In accordance with the Charities SORP FRS 102, volunteer time is not recognised.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having being transferred to the charity.

Income recognition (continued)

Turnover generated by The Household Cavalry Museum Enterprises Limited comprises of income from ticket sales, shop sales, events and room hire. It is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Other operating income of the company comprises Coronavirus Job Retention Scheme funding and grants from the Cultural Recovery Fund. Funding from the Coronavirus Job Retention Scheme is credited to income when the company is entitled to the receipt of such monies and when the amount receivable can be quantified. Grants from bodies including the Cultural Recovery Fund are credited to income when the company is entitled to receipt, the amount receivable can be quantified and receipt is probable.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the group and charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the group and charity. This includes costs associated with fundraising and the costs of trading activities including the operating costs of The Household Cavalry Museum Enterprises Limited including the operating costs of the Household Cavalry Museum Enterprises Limited.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include:
 - ◇ Preservation and maintenance of the Regimental Collection including improvement of its accessibility to members of the public, other individuals and organisations;
 - ◇ Donations made to other charities specifically to enable them to assist family members of Household Cavalry soldiers killed or wounded in recent conflicts. Charitable donations comprise single year payments rather than multi-year grants. Donations are included in the statement of financial activities when approved for payment by the trustees. Provision is made for donations approved but unpaid at the period end.

Governance costs comprising the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice are allocated to the cost of preserving and maintaining the Regimental Collection.

All expenditure is stated inclusive of irrecoverable VAT.

Heritage assets

The Regimental Collection comprises an extensive library and unique artefacts including produced textiles such as standards and banners, silverware, weaponry, paintings, musical instruments, horse furniture and ceremonial and operational uniforms, all of which form part of the heritage of the Household Cavalry and the nation generally.

One of the principal objectives of the charity is to preserve such assets for the enjoyment of future generations. As such, the assets meet the definition of heritage assets in the Charities SORP FRS 102 and are not valued for the purposes of these financial statements. It is not possible to place any meaningful valuation on the collection for the purposes of these financial statements and details of specific items are not given for security reasons.

Tangible fixed assets

All assets costing over £1,000 and with an expected useful life exceeding one year are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life as follows:

- | | |
|--------------------------------|--|
| ♦ Building improvements | - 2% straight line |
| ♦ Museum fixtures and fittings | - over 4, 5 or 15 years straight line according to asset's useful life |
| ♦ Equipment | - 25% straight line |

Investments

Investment in the subsidiary company is valued at cost.

Stock

Stock of items for resale in the museum shop is stated at the lower of cost and net realisable value with provision made against any obsolete or slow moving items.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions 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.

Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Fund structure

Unrestricted funds represent monies which are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objects.

Non-charitable trading funds represent the accumulated surplus or deficit of the subsidiary trading company, The Household Cavalry Museum Enterprises Limited.

The tangible fixed asset fund represents the net book value of the improvements to land and buildings occupied by the group and other tangible fixed assets. Such assets are vital to the group being able to carry out its work and the value invested in the assets cannot, therefore, be realised in order to meet future expenditure or liabilities. To emphasise this point, the net book value of the assets is represented by a specific tangible fixed asset fund on the balance sheet.

1 Income from donations and legacies

	2021 £	2020 £
Donations	12,203	8,377
Ministry of Defence (MoD) funding for staff posts	22,422	21,313
2021 Total funds	34,625	29,690

Throughout the year, volunteers give their time to assist the operations of the Museum. The charity is grateful to these individuals for their enthusiasm and support. In accordance with the Charities SORP FRS 102, the economic contribution of these volunteers is not recognised.

2 Income from trading activities

	2021 £	2020 £
Horse Guards		
. Ticket income	773	242,860
. Shop sales	2,908	173,732
. Events income	—	8,505
. Grant from Westminster City Council	19,548	18,736
. Grant from Arts Council Cultural Recovery Fund	121,803	—
. Coronavirus Job Retention Scheme funding	100,209	3,884
	245,241	447,717
Windsor		
. Research enquiries – administrative fees	704	1,642
	245,945	449,359

3 Expenditure on raising donations

	2021 £	2020 £
Consultancy fees and reimbursed expenses	3,850	6,360

4 Cost of goods and services sold and other costs

	2021 £	2020 £
Horse Guards		
. Cost of shop sales	17,808	84,098
. Administrative expenses	230,889	293,631
Taxation	(5,090)	5,090
	243,607	382,819

5 Preservation and maintenance of the regimental collection

	2021 £	2020 £
Salaries and related costs	29,779	28,667
Other preservation and maintenance costs	16,146	22,793
Depreciation on tangible fixed assets	118,217	118,217
Governance costs (note 6)	6,559	11,565
	170,701	181,242

6 Governance costs

	2021 £	2020 £
Auditor's remuneration**		
. Statutory audit	3,142	7,297
Other costs	3,417	4,268
	6,559	11,565

**Auditor's remuneration included above relates to the cost incurred by the parent charity only.

Auditor's remuneration of £3,142, (2020: £6,443) in respect to the subsidiary company is included within cost of goods and services sold and other costs (note 4) and comprises fees for statutory audit of £3,000 (2020: £4,826) and fees for tax compliance of £1,000 (2020: £1,617).

7 Net expenditure and net movement in funds

This is stated after charging:

	2021 £	2020 £
Depreciation on tangible fixed assets	121,553	122,230
Staff costs (note 8)	224,209	226,289
Auditor's remuneration		
. Statutory audit services	7,000	12,123
. Other: tax compliance	1,000	1,167

8 Staff costs

Staff costs during the year were as follows:

	2021 £	2020 £
Wages and salaries	206,531	206,391
Social security costs	12,688	15,014
Employer's pension contributions	4,990	4,884
	224,209	226,289

During the year, the group had 8 employees (2020: 8) and 1 member of staff funded by the MoD (2020: 1). No employees had emoluments during the year in excess of £60,000 (2020: none).

The trustees consider that they comprise the key management personnel of the charity in charge of controlling, running and operating it on a day to day basis. None of the trustees received any remuneration from the charity or the group (see also note 9).

The key management personnel of the charity's subsidiary, The Household Cavalry Museum Enterprises Limited, in charge of directing and controlling, running and operating the company on a day to day basis comprise the company's directors, the Head of Commercial Development and Operations and (for part of the year) the Visitor Services Manager. The total remuneration of the company's key management personnel for the year was £103,837 (2020: £101,532).

9 Trustees' remuneration

No trustees received any remuneration in respect of their services during the year (2020: £nil). No out of pocket travel or other expenses were reimbursed to the trustees during the year (2020: £nil).

10 Taxation

The Household Cavalry Museum Trust Limited is a registered charity and, therefore, is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

11 Heritage assets

As explained under principal accounting policies, heritage assets comprise the regimental collection. This collection includes an extensive library and unique artefacts including produced textiles such as standards and banners, silverware, weaponry, paintings, musical instruments, horse furniture and ceremonial and operational uniforms. It is not possible to place any meaningful valuation on the collection for the purposes of these financial statements. Details of specific items are not given for security reasons.

12 Tangible fixed assets

Group	Building improvements		Museum fixtures and fittings £	Equipment £	Total £
	Combermere Barracks £	Horse Guards £			
Cost					
At 1 April 2020	385,220	3,134,268	792,817	117,779	4,430,084
Additions	—	—	—	6,457	6,457
At 31 March 2021	<u>385,220</u>	<u>3,134,268</u>	<u>792,817</u>	<u>124,236</u>	<u>4,436,541</u>
Depreciation					
At 1 April 2020	91,954	814,602	678,415	71,380	1,656,351
Charge for the year	7,704	62,679	46,918	4,252	121,553
At 31 March 2021	<u>99,658</u>	<u>877,281</u>	<u>725,333</u>	<u>75,632</u>	<u>1,777,904</u>
Net book values					
At 31 March 2021	<u>285,562</u>	<u>2,256,987</u>	<u>67,484</u>	<u>48,604</u>	<u>2,658,637</u>
At 31 March 2020	<u>293,266</u>	<u>2,319,666</u>	<u>114,402</u>	<u>46,399</u>	<u>2,773,733</u>

Charity	Building improvements		Museum fixtures and fittings £	Equipment £	Total £
	Combermere Barracks £	Horse Guards £			
Cost					
At 1 April 2020	385,220	3,134,268	703,720	44,224	4,267,432
Additions	—	—	—	6,457	6,457
At 31 March 2021	<u>385,220</u>	<u>3,134,268</u>	<u>703,720</u>	<u>50,681</u>	<u>4,273,889</u>
Depreciation					
At 1 April 2020	91,954	814,602	589,318	3,645	1,499,519
Charge for the year	7,704	62,679	46,918	914	118,215
At 31 March 2021	<u>99,658</u>	<u>877,281</u>	<u>636,236</u>	<u>4,559</u>	<u>1,617,734</u>
Net book values					
At 31 March 2021	<u>285,562</u>	<u>2,256,987</u>	<u>67,484</u>	<u>46,122</u>	<u>2,656,155</u>
At 31 March 2020	<u>293,266</u>	<u>2,319,666</u>	<u>114,402</u>	<u>40,579</u>	<u>2,767,913</u>

The land and buildings at Horse Guards are owned by the Crown Estate and those at the Windsor site are owned by the Ministry of Defence (MoD). No rent is payable by the group on these properties.

13 Capital commitments

At 31 March 2021 the group and charity had the following capital commitments in respect to equipment additions:

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Authorised but not contracted for	—	—	—	—
Authorised and contracted for	—	20,000	—	20,000

The amount committed in 2020 proved excessive with actual costs amounting to £6,457.

14 Investments

Charity	2021	2020
	£	£
Investment in subsidiary undertaking at cost		
. £1 ordinary shares	1	1

The charity owns the entire issued ordinary share capital of £1 in The Household Cavalry Museum Enterprises Limited a company registered in England and Wales (Company Registration Number 05844779). The subsidiary carries out commercial activities, namely the day-to-day operation of the Household Cavalry Museum. All activities have been consolidated on a line-by-line basis in the statement of financial activities.

A summary of the results of the subsidiary are shown below:

	2021	2020
	£	£
Turnover	3,681	422,883
Cost of sales	(1,762)	(84,098)
Gross profit	1,919	338,785
Administration costs	(303,936)	(338,631)
Other operating income	241,560	22,620
Operating (loss) profit	(60,457)	17,864
Gift Aid payable to The Household Cavalry Museum Trust Limited	—	(8,892)
Taxation	5,090	(5,090)
Profit for the financial year	(55,367)	8,792

At 31 March 2021, the company's share capital was £1 (2020: £1) and its retained earnings were in deficit by £27,895 (2020: surplus of £27,472).

15 Debtors

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Amounts receivable within one year				
Tax recoverable on Gift Aid donations	—	650	—	650
Prepayments and accrued income	15,271	17,658	305	447
Amount due from subsidiary undertaking	—	—	23,868	161,457
	15,271	18,308	24,173	162,554

During the year, a substantial proportion of the amount due from The Household Cavalry Museum Enterprises Limited (the subsidiary) was converted into a loan (see below).

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Amounts receivable after more than one year				
Amount due from subsidiary undertaking	—	—	200,000	—

The charity agreed entered into a loan agreement with its subsidiary company on 11 March 2021 that provides the subsidiary with a loan for a maximum amount of £200,000. The loan is to be applied solely for the purposes of trading to generate income for the charity and for assisting the charity to advance its charitable purposes. The loan is repayable by ten equal annual instalments and attracts interest at 2% per annum above the Bank Rate of the Bank of England. No repayment of the loan nor interest payment due under the loan agreement shall be required until the earliest of (1) the resumption of the company's normal trading activities for a full year following the release of the Government's Covid-19 lockdown measures which were commenced in January 2021; or (2) June 2023.

15 Creditors: amounts falling due within one year

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Expense creditors and accruals	3,040	24,306	90	19,187
Accruals and deferred income	25,792	41,831	5,000	11,373
Other creditors	500	500	—	—
Social security and taxation	12,789	25,921	9,739	5,603
	42,121	92,558	14,829	36,163

Deferred income relates to grant income received in advance. During the year £19,962 was released to income from deferred income. No income was deferred as at 31 March 2021.

16 Tangible fixed assets fund

Group	At 1 April 2020 £	Net movement in the year £	At 31 March 2021 £
Tangible fixed assets fund	2,773,733	(115,096)	2,658,637
Group	At 1 April 2019 £	Net movement in the year £	At 31 March 2020 £
Tangible fixed assets fund	2,855,384	(81,651)	2,773,733
Charity	At 1 April 2020 £	Net movement in the year £	At 31 March 2021 £
Tangible fixed assets fund	2,767,913	(111,758)	2,656,155
Charity	At 1 April 2019 £	Net movement in the year £	At 31 March 2020 £
Tangible fixed assets fund	2,845,551	(77,638)	2,767,913

The tangible fixed assets fund represents the book value of the tangible fixed assets held by the group and charity respectively. A decision was made to separate this fund from the general funds of the group and charity in recognition of the fact that the assets are essential to the day to day work of the group and charity and as such their value should not be regarded as funds that would be available with ease in order to meet future contingencies.

17 Transactions with connected charities and other related parties

The group is connected to The Household Cavalry Foundation, a registered charity, Charity Registration Number 08236363, by virtue of the fact that the Household Cavalry Museum Trust Limited and its subsidiary both have directors in common with The Household Cavalry Foundation. During the year, costs totalling £44,582 (2020 - £42,455) were paid by the group and recharged to The Household Cavalry Foundation. As at 31 March 2021, The Household Cavalry Foundation owed the group £nil (2020 - £6,653).

There were no other related party transactions other than those with the charity's wholly-owned subsidiary undertaking, The Household Cavalry Museum Enterprises Limited (2020: none).