

# **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 2018**

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**The Membership of the Court of Assistants of the Company as at 31 October 2018 was:**

**EX-OFFICIO MEMBERS**

Captain-General .....Her Majesty The Queen\*  
Colonel Commandant & President.....General Sir Richard Barrons KCB CBE  
Vice-President.....Major T L Davies TD  
Treasurer .....Major J O Leighton TD  
Regimental Colonel.....Colonel A D C Caie TD  
Commanding Officer..... Lieutenant Colonel M Wood MBE  
Senior Major.....Major I F Sivyer  
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 Esq

**HONORARY MEMBERS\***

HRH Prince Michael of Kent GCVO, Royal Honorary Colonel

Field Marshal Sir John Chapple GCB CBE DL

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

*\* Not Trustees of the Company.*

**TWENTY-TWO MEMBERS**

**(a) Appointed by the Commanding Officer:** Lt P Jackson (2018)

**(b) Appointed by the Court of Assistants:**

Major J A Robinson (2016)

**(c) Elected at the General Court on 14 March 2018, shown in the order of votes recorded:**

Major C V Marment VR (2001)	Captain G P O'Connor VR (2016)
Lieutenant Colonel J R Longbottom MBE VR (2002)	Captain R M Huleatt-James TD (2010)
Major General S F N Lalor CB TD (1993)	WO2 (RQMS(V)) Brooke J G (2011)
Sgt Dudman L A (2013)	The Reverend (Major) M W Bezerra Speeks CF (2016)
Captain H D N M Voyantzis (2007)	Major W H Grove (2016)
Major D Brigden TD (2018)	Captain H R Jee (1997)
E A Seabrook Esq (1991)	Major S C Briggs TD (2003)
H G A G Adams Esq (2008)	CSgt Campbell-Ricketts H M N VR (2014)
Major P D C Vyvyan-Robinson TD (1986)	Captain T H Cardwell (2016)
Major R P Quain TD (2006)	CSgt Stroud R J (2018)

**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 Esq OBE  
Court & Membership Secretary (Deputy CE)..... Ms S Dines  
Finance Director (to 28 September 2018) ..... W Beaumont ACMA  
Finance Director (Interim) (from 29 September 2018)..... C Howell ACA  
Director of Events..... Mrs R Kitching  
House Manager ..... H 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 2018. The Court has adopted the provisions of Financial Reporting Standard 102 Statement of Reporting 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 ballot takes place at the Company's Annual General Court, which is held in March each year.

The first Court meeting after the Annual General Court is prefaced by a training session covering the Trustees' responsibilities. This is given by the Company's retained charity lawyers, Charles Russell Speechlys LLP and by the Company's auditor, Kingston Smith. 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 Management Committee, Sutling Committee, Membership & Communications Committee, Sports Committee, Museum & 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 Fund Manager.

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. There is an annual update and review of both the 5-Year and 10-Year Business Plans by the Executive Committee and the Court. 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 2018 to review a submission drafted by the Treasurer reviewing the remuneration of the Company Office staff. There was no external benchmarking in 2018 but this exercise will be repeated in 2019 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.
- 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 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 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.

#### **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 £310k, including £20k to assist in recruiting to the Regiment through the HAC Open Day, a further £35k for the broader recruiting effort, and £37k to support battlefield study visits.
- Supported the HAC Special Constabulary Detachment, which patrols within the City of London, with accommodation within Armoury House and a grant of £10k.
- 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 £95k and accommodation within Armoury House. These sub-units have provided displays to the general public and ceremonial guards for State and City occasions.
- Sustained the Company membership at or in excess of 2,500 members. The members made an annual contribution of £267k 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. The House and grounds were opened to the public on 15 May 2018 and 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.
- Provided training and financial support (£15k) to a Combined Cadet Force at the City of London Academy, Islington, as well as Mossbourne Community Academy, Hackney.
- Provided £35k as first-year finance to the new City of London Police Volunteer Coordinator.

### 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 Iraq and South Sudan.
- **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 groups 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 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 nice judgement and constant, detailed attention to the 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 succeeded in providing 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. It has also provided financial support to all these elements of the Company. At the same time and in an improving economic environment, it has maintained its commercial activities both in the House and on the Artillery Garden.

### **Investment Performance against Objectives**

The value of Stock Market investments (excluding £73k of additional cash and dividends invested) decreased by £449k (2017: £659k increase).

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

The results for the year and the state of the Company's affairs at 31 October 2018 are set out in the attached accounts. We have identified a prior year error totalling £97k in respect of event and room hire bookings in advance and as a result the results of the Company's subsidiary, HAC Enterprises Limited, for the year ended 31 October 2017 and the state of the Group's affairs at 31 October 2017 have been restated as disclosed in note 22.

Net operating income before any losses or gains or investments was £409k (2017: £386k as restated), after expenses of £2,394k (2017: £2,309k as restated) used to support the Company's charitable objectives. The consolidated statement of financial activities shows a net expenditure of £40k (2017: net income £7,783k as restated) including investment losses of £449k (2017: gain £659k). The overall consolidated deficit for the year was £44k (2017: surplus £7,794k as restated), and a surplus of £56k (2017: surplus £7,440k as restated) was applied to Unrestricted Funds.

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. Net income from trading was

£765k (2017: £730k as restated) (see Note 6). The trading subsidiaries made Gift Aid payments to the Company totalling £765k (2017: £730k as restated).

At 31 October 2018, the total consolidated net assets of the Company, as shown by the balance sheet, were £52,201k (2017: £52,245k as restated). 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 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.

### **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 £1,555k at 31 October 2018. 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 latest 5 year Business Plan plus the outstanding AIB Loan liability. At 31 October 2018 the balance on the Medium Term reserve was £1,475k. 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 2018 the balance on the Long Term reserve was £3,027k.

### **Investment Policy and Objectives**

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

### **FUTURE PLANS**

The priorities set in the Company's current 5 Year Plan, which was approved by the Court on 27 September 2017, 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 significant plan to refurbish Finsbury Barracks, including a new Armoury, better equipment storage and changing space for reserve soldiers planning for which commenced in 2016/17, with a likely project timeframe of 3 to 4 years. A 5-year re-equipment programme for the Company of Pikemen & Musketeers, which began in 2016/17, has continued into 2017/18.

The trading outcome of HAC Enterprises Ltd for Financial Year 2018/19 is anticipated to be similar to 2017/18 whilst the Company critically reviews its activities ahead of the potential for significant expenditure to support the proposed enhanced Regimental facilities.

### **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).



## **Honourable Artillery Company**

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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	Kingston Smith LLP	Devonshire House, 60 Goswell Rd, London EC1M 7AD
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 Allied Irish Bank (GB)	1 Princes Street, London EC2R 8BP 9-10 Angel Court, London EC2R 7AB
Property Agents	Farebrother	27 Bream's Building, Fetter Lane, London EC4A 1DZ
Investment Managers	Cazenove Capital Management Ltd	12 Moorgate, London EC2R 6DA

### **Auditors**

Kingston Smith 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: 29 January 2019

Major J O Leighton, Treasurer

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

**Opinion**

We have audited the financial statements of the Honourable Artillery Company for the year ended 31 October 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the charity and the group as at 31 October 2018 and of the incoming resources and application of resources of the group 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 financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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 financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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 financial statements; or
- the charity has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we required for our audit.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 7, 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 charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

### **Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. 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 any party other than the charity and charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Kingston Smith LLP  
Statutory auditor  
5 February 2019

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

Year ended 31 October 2018

		Unrestricted Funds	Restricted Funds	Endowment Funds	Total 31-Oct 2018	Total 31-Oct 2017 (as restated)
	Note	£000	£000	£000	£000	£000
<b>INCOME AND ENDOWMENTS FROM:</b>						
<b>Donations and legacies</b>	3	-	22	-	22	6
<b>Charitable activities:</b>						
Member subscriptions	4	298	-	-	298	312
Other income	5	-	288	-	288	217
<b>Other trading activities</b>	6	2,087	123	-	2,210	2,240
<b>Investments:</b>						
Investment property income	7	1,539	-	-	1,539	1,469
Stock Exchange investments		69	78	3	150	140
Interest on cash deposits		5	1	-	6	4
<b>Total income</b>	17	<b>3,998</b>	<b>512</b>	<b>3</b>	<b>4,513</b>	<b>4,388</b>
<b>EXPENDITURE ON:</b>						
<b>Raising Funds</b>						
Trading costs	6	1,375	70	-	1,445	1,510
Investment property costs	7	218	-	-	218	134
Investment management charges	12	23	23	1	47	49
<b>Charitable activities:</b>						
Military grants and other charitable expenditure	8	504	236	4	744	647
Maintenance and operation of Armoury House	9	956	-	-	956	896
Membership services and general administration	10	687	7	-	694	766
<b>Total expenditure</b>	17	<b>3,763</b>	<b>336</b>	<b>5</b>	<b>4,104</b>	<b>4,002</b>
<b>Net operating income/(expenditure)</b>		<b>235</b>	<b>176</b>	<b>(2)</b>	<b>409</b>	<b>386</b>
<b>(Losses)/Gains on investments</b>						
Net (loss)/gain on Stock Exchange investments	12	(179)	(262)	(8)	(449)	659
Investment Property revaluation gain	11c	-	-	-	-	6,738
<b>Net (expenditure)/income</b>		<b>56</b>	<b>(86)</b>	<b>(10)</b>	<b>(40)</b>	<b>7,783</b>
<b>Transfer between funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other recognised (losses)/gains</b>						
Actuarial (losses)/gains on defined benefit pension scheme	16	(4)	-	-	(4)	11
<b>Net movement in funds for year</b>		<b>52</b>	<b>(86)</b>	<b>(10)</b>	<b>(44)</b>	<b>7,794</b>
<b>Funds brought forward at 1 November 2017</b> (as restated)	17	<b>47,718</b>	<b>4,393</b>	<b>134</b>	<b>52,245</b>	<b>44,451</b>
<b>Funds carried forward at 31 October 2018</b>	18	<b>47,770</b>	<b>4,307</b>	<b>124</b>	<b>52,201</b>	<b>52,245</b>

The Notes on pages 14 to 34 form part of these financial statements.

**CONSOLIDATED & CHARITY BALANCE SHEET**  
**31 OCTOBER 2018**

		2018	2017	2018	2017
			(as restated)		(as restated)
	Note	Group £000	Group £000	Charity £000	Charity £000
<b>Fixed Assets</b>					
Tangible assets – own use	11a	5,537	5,407	5,208	5,078
Tangible assets – Light Cavalry	11b	11	11	11	11
Tangible assets – Pikemen & Musketeers	11b	1	1	1	1
Tangible assets – Heritage assets	11b	139	132	139	132
Tangible assets held as investments	11c	36,483	36,483	36,483	36,483
Intangible assets – software - own use	11d	26	-	26	-
Stock Exchange investments	12	5,948	6,380	5,948	6,380
Shareholding in subsidiaries	13	-	-	301	301
<b>Total fixed assets</b>		<b>48,145</b>	<b>48,414</b>	<b>48,117</b>	<b>48,386</b>
<b>Current assets</b>					
Stocks		5	9	-	-
Debtors and prepayments	14	561	681	473	902
Short-term deposits		2,995	3,465	2,995	3,465
Cash at bank and in hand		1,987	1,147	1,717	441
		<b>5,548</b>	<b>5,302</b>	<b>5,185</b>	<b>4,808</b>
<b>Liabilities:</b>					
Creditors falling due within one year	15	(1,216)	(1,142)	(825)	(620)
<b>Net current assets</b>		<b>4,332</b>	<b>4,160</b>	<b>4,360</b>	<b>4,188</b>
Creditors falling due after more than one year	15	(186)	(243)	(186)	(243)
<b>Total net assets before pension liability</b>		<b>52,291</b>	<b>52,331</b>	<b>52,291</b>	<b>52,331</b>
Pension scheme funding liability	16	(90)	(86)	(90)	(86)
<b>NET ASSETS</b>		<b>52,201</b>	<b>52,245</b>	<b>52,201</b>	<b>52,245</b>
<b>CHARITABLE FUNDS</b>					
<b>Unrestricted Funds:</b>					
Designated Reserves	17&18	6,057	6,275	6,057	6,275
Fixed Asset Fund	17&18	41,803	41,529	41,803	41,529
Less: Pension Reserve (liability)	16	(90)	(86)	(90)	(86)
		47,770	47,718	47,770	47,718
<b>Restricted Funds</b>	17&18	4,307	4,393	4,307	4,393
<b>Endowment Funds</b>	17&18	124	134	124	134
<b>TOTAL CHARITABLE FUNDS</b>		<b>52,201</b>	<b>52,245</b>	<b>52,201</b>	<b>52,245</b>

The financial statements were approved by the Court of Assistants on 29 January 2019 and are signed on its behalf by:

**Major T L Davies, Vice-President**

**Major J O Leighton, Treasurer**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 OCTOBER 2018**

		<b>Total Funds</b> <b>31-Oct</b> <b>2018</b> <b>£000</b>	<b>Total Funds</b> <b>31-Oct</b> <b>2017 (as restated)</b> <b>£000</b>
	<b>Note</b>		
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities		<b>(519)</b>	<b>(779)</b>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rent from investments		1,486	1,480
Purchase of tangible and intangible assets	11a/11b/11d	(460)	(329)
Purchase of historical assets	11b	(7)	(8)
Purchase of investments - stock market	12	(73)	(59)
<b>Net cash provided by investing activities</b>		<b>946</b>	<b>1,084</b>
<b>Cash flows from financing activities:</b>			
Repayments of borrowings		(57)	(57)
<b>Net cash used in financing activities</b>		<b>(57)</b>	<b>(57)</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>370</b>	<b>248</b>
Cash and cash equivalents at 1 November 2017		4,612	4,364
<b>Cash and cash equivalents at 31 October 2018</b>		<b>4,982</b>	<b>4,612</b>
		<b>Current Year</b> <b>31-Oct 2018</b> <b>£000</b>	<b>Prior Year</b> <b>31-Oct 2017</b> <b>(as restated)</b> <b>£000</b>
	<b>Note</b>		
<b>Reconciliation of net income to net cash flow from operating activities</b>			
Net (expenditure)/income for the reporting period		<b>(40)</b>	<b>7,783</b>
<b>Adjustments for:</b>			
<i>Depreciation Charges:</i>			
Tangible fixed assets depreciation	11a	218	269
Light Cavalry and Pikemen & Musketeers depreciation	11b	86	4
(Loss)/Gain on Stock Exchange investments	12	449	(659)
Investment property revaluation gain	11c	-	(6,378)
<i>Rents, dividends and interest from investments:</i>			
Investment property income	7	(1,539)	(1,469)
Stock Exchange investments		(150)	(140)
Interest on cash deposits		(6)	(4)
Investment property costs	7	218	134
Investment management charges	12	47	49
Decrease in stocks		4	-
Decrease/(Increase) in debtors		120	(13)
Increase in creditors		74	5
<b>Net cash used in operating activities</b>		<b>(519)</b>	<b>(779)</b>
<b>Analysis of cash and cash equivalents</b>			
Cash in hand		1,987	1,147
Notice deposits (less than 3 months)		2,995	3,465
<b>Total cash and cash equivalents</b>		<b>4,982</b>	<b>4,612</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018**

**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 2018 (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) Stock Exchange 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 2018 (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 Stock Exchange 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 2018 (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. Trade

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

3.	Donations and legacies	2018	2017		
		£000	£000		
	Unrestricted Fund	-	-		
	Benevolent Fund	21	5		
	Other Restricted Funds	1	1		
	Total	22	6		
4.	Member subscriptions	2018	2017		
		£000	£000		
	Paid by members	267	280		
	Tax recovered on Gift Aid subscriptions	57	60		
	Entrance fees	4	4		
	VAT payable on subscription income	(30)	(32)		
	Total	298	312		
5.	Other income	2018	2017		
		£000	£000		
	Benevolent Fund – fundraising cost	(1)	-		
	Pikemen & Musketeers income	128	54		
	Light Cavalry income	161	163		
	Total	288	217		
6.	Other trading activities	2018	2017		
		2018	2017		
			(as restated)		
	Income	Expenses	Surplus/		
			(Deficit)		
	£000	£000	£000		
	£000	£000	£000		
	Sutling	1,699	1,049	650	638
	Sports & grounds activities	256	164	92	88
	Bedrooms	122	129	(7)	(21)
	Car parking	4	-	4	4
	Sale of books, ties, cards and other income	6	5	1	2
	Flank Companies’ Ball	123	70	53	47
		2,210	1,417	793	758
	Other Expenses				
	Audit fees	-	10	(10)	(10)
	Administration charge	-	18	(18)	(18)
		-	28	(28)	(28)
	Total	2,210	1,445	765	730

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

7.	Investment property income and expenditure	2018	2017		
	Income	£000	£000		
	Commercial	876	859		
	Residential	321	287		
	Other rental income	339	317		
	RFCA (for use of Prince Consort Rooms)	3	6		
	Total income	1,539	1,469		
	Expenditure				
	Management fees (including the Pencelli estate)	32	34		
	Cost of insurance, legal and professional fees	45	19		
	Maintenance and repairs	141	81		
	Total expenditure	218	134		
8.	Military grants and other charitable expenditure				
		No of Grants 2018	2018 £000	No of Grants 2017	2017 £000
	Grants to the Regiment and Sub Units – note (i)	30	504	12	371
	Other charitable expenditure from Unrestricted Fund	-	-	10	44
	Total grants paid from the Company’s general resources	30	504	22	415
	Grants from the Regimental Grants Fund (not quantified)	-	7	-	2
	Grants from the Benevolent Fund to individuals	9	25	7	8
	Other charitable expenditure from Restricted Funds	3	3	16	17
	Grants to Pikemen & Musketeers from the Dugdale Bequest	1	4	-	-
	Total grants paid	43	543	45	442
	Pikemen & Musketeers expenditure – note (i)	-	35	-	31
	Light Cavalry expenditure	-	166	-	174
	Total military grants and other charitable expenditure	43	744	45	647

- (i) Grants to Sub Units in 2018 includes £83k to the Pikemen & Musketeers as a re-equipment grant. Pikemen & Musketeers expenditure is shown net of these grants.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

**9. Maintenance and operation of Armoury House**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Staff costs, including taxes and pension contributions (including contract and temporary staff)(see Note 19)	1006	1,019
Rates, water, power and heating	130	132
Cleaning and waste removal	41	43
Property maintenance and repairs	381	382
Treasures, Archives	84	62
AIB Loan financing cost	4	4
Recharges to trading subsidiaries	(690)	(746)
<b>Total</b>	<b>956</b>	<b>896</b>

**10. Membership services and general administration**

	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>Funds</b>	<b>Funds</b>		<b>Funds</b>	<b>Funds</b>	
Staff costs, including taxes, pension contributions and pensions to former employees (see Note 19)	464	-	464	444	-	444
Employee termination payments	-	-	-	-	-	-
Office services, IT and telephone	87	-	87	98	-	98
Membership administration	19	-	19	15	-	15
Insurance	74	-	74	92	-	92
Publications	54	-	54	54	-	54
Bank charges, other legal and professional costs - note (i)	(3)	-	(3)	78	-	78
Recharges to trading subsidiaries	(87)	-	(87)	(83)	-	(83)
Benevolent Fund administration costs	-	6	6	-	7	7
Governance	79	1	80	60	1	61
	<b>687</b>	<b>7</b>	<b>694</b>	<b>758</b>	<b>8</b>	<b>766</b>
Auditors' remuneration (excluding VAT) included in above total:						
Audit Fees	20	1	21	20	1	21
Non-audit Fees	7	-	7	2	-	2

(i) Legal costs of £88k which were reimbursed after the year end have been deducted from 2018 expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2018 (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 2017	8,125	1,504	9,629	329	9,958
Additions	226	122	348	-	348
At 31 October 2018	8,351	1,626	9,977	329	10,306
<b>Depreciation</b>					
At 1 November 2017	3,729	822	4,551	-	4,551
Charge for year	120	98	218	-	218
At 31 October 2018	3,849	920	4,769	-	4,769
<b>Net Book Value</b>					
At 31 October 2018	4,502	706	5,208	329	5,537
At 31 October 2017	4,395	683	5,078	329	5,407

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 2018 is held to the value of £38,488k (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 2018 (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 2017	37	159	132
Additions	6	80	7
	<hr/>	<hr/>	<hr/>
At 31 October 2018	43	239	139
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 November 2017	26	158	-
Charge for year	6	80	-
	<hr/>	<hr/>	<hr/>
At 31 October 2018	32	238	-
	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>			
At 31 October 2018	<b>11</b>	<b>1</b>	<b>139</b>
	<hr/>	<hr/>	<hr/>
At 31 October 2017	<b>11</b>	<b>1</b>	<b>139</b>
	<hr/>	<hr/>	<hr/>

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 2018 (cont'd)

11. Fixed assets, contd

11c. Tangible fixed assets held for investment – Properties	2018 £000	2017 £000
Valuation at 1 November 2017	36,483	29,714
Additions	-	31
Revaluation	-	6,738
	<hr/>	<hr/>
<b>At 31 October 2018</b>	<b>36,483</b>	<b>36,483</b>
	<hr/>	<hr/>

The investment properties were last valued on an 'open market' basis by Farebrother, the Company's Property agents, at 31 October 2017. The investment properties are professionally valued on a triennial basis and the value is informally reviewed by the trustees on an annual basis.

11d. Intangible assets – Software for own use

	2018 £000
<b>Cost</b>	
At 1 November 2017	-
Additions	26
	<hr/>
At 31 October 2018	26
	<hr/>
<b>Amortisation</b>	
At 1 November 2017	-
Charge for year	-
	<hr/>
At 31 October 2018	-
	<hr/>
<b>Net Book Value</b>	
At 31 October 2018	26
	<hr/>
At 31 October 2017	-
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

**12. Stock Exchange investments**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Investments at valuation – 1 November 2017	6,380	5,711
Funds added	73	59
Revaluation (loss)/gain	(449)	659
Investment management charges	(56)	(49)
<b>Investments at market value – 31 October 2018</b>	<b>5,948</b>	<b>6,380</b>
Investments at cost	4,281	4,281
Unrealised gains	1,667	2,099
	<b>5,948</b>	<b>6,380</b>
<b>Split of investments – 31 October 2018</b>		
UK listed investments	3,373	3,636
Overseas listed investments	2,321	2,467
Multi-Asset funds	159	167
Held as cash	95	110
	<b>5,948</b>	<b>6,380</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 2018 are shown below:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2018 (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	146	1	-
Owed by Company	147	-	-
Other debtors and prepayments	8	-	-
Cash at bank and in hand	260	10	-
<b>Total current assets</b>	<b>566</b>	<b>11</b>	<b>-</b>
<b>Creditors</b>			
Trade creditors	15	-	-
Accruals and deferred income	462	3	-
Amounts owed to Company	-	7	29
Other creditors	89	-	-
<b>Total creditors</b>	<b>(566)</b>	<b>(10)</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	
	2018	2017 (as restated)	2018	2017 (as restated)
	£000	£000	£000	£000
Trade debtors	149	529	22	60
Sundry debtors	204	31	185	31
Prepayments and accrued income	208	121	199	119
Taxation	-	-	31	-
Amounts owed by subsidiaries (note 13)	-	-	36	692
<b>Total</b>	<b>561</b>	<b>681</b>	<b>473</b>	<b>902</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

15. Creditors due within one year	Group		Charity	
	2018	2017 (as restated)	2018	2017 (as restated)
	£000	£000	£000	£000
Trade creditors	49	235	34	160
Amounts owed to subsidiaries (note 13)	-	-	147	-
Accruals	374	467	325	176
Deferred income (a)	579	288	163	132
Loan from AIB	57	57	57	57
Taxation	58	79	23	79
Other creditors	99	16	76	16
<b>Total</b>	<b>1,216</b>	<b>1,142</b>	<b>825</b>	<b>620</b>

(a) Deferred income	Group		Charity	
	2018	2017 (as restated)	2018	2017 (as restated)
	£000	£000	£000	£000
Deferred income brought forward	191	291	132	101
Released in the year	(191)	(291)	(132)	(101)
New provision added	579	288	163	132
Deferred income carried forward	<b>579</b>	<b>288</b>	<b>163</b>	<b>132</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.

**Creditors falling due after more than one year**

The Company's term loan with the Allied Irish Bank (AIB) is to be repaid in equal quarterly instalments by 31 December 2022. At 31 October 2018 the total loan outstanding was £243k (2017: £300k) and the amount to be repaid next year is shown in the table above. The remaining £186k (2017: £243k) balance of the loan is shown as falling due after more than one year with £129k due between two to five years.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 October 2018 (cont'd)****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-one employees have elected to join this scheme and the cost to the Company of contributions for the year to 31 October 2018 was £83k, of which £33k related to employees who earned above £60k per year.

Two past employees are in receipt of pensions payable directly by the Company and which are unfunded. At 31 October 2018 the pensions in payment had an annual cost of £12k (2017: £11k). The Company estimated the value of the unfunded future pension obligation at 31 October 2018 as £90k (2017: £86k). An average inflation rate of 2.0% and a discount rate of 0.22% have been assumed in assessing this liability. The movement in the Pension Reserve (liability) was as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Opening liability at 1 November 2017	86	97
Past service cost	(12)	(11)
Changes in demographic and financial assumptions	16	-
	—	—
Closing liability 31 October 2018	<u>90</u>	<u>86</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

**17. Charitable Funds**

<b>a)Current period</b>	<b>1 November 2017 (as restated) £000</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Investment Gains/(Losses) &amp; Transfers £000</b>	<b>31 October 2018 £000</b>
<b>Unrestricted Funds:</b>					
Designated Reserves	6,275	3,998	(3,763)	(453)	6,057
Fixed Asset Fund	41,529	-	-	274	41,803
Less: Pension Reserve liability	(86)	-	-	(4)	(90)
<b>Total Unrestricted Funds</b>	<b>47,718</b>	<b>3,998</b>	<b>(3,763)</b>	<b>(183)</b>	<b>47,770</b>
<b>Restricted Funds:</b>					
Benevolent Fund	3,144	94	(57)	(251)	2,930
Regimental Grants Fund	468	124	(78)	-	514
Light Cavalry	170	161	(166)	-	165
Pikemen & Musketeers	187	128	(35)	-	280
Other Restricted Funds	424	5	-	(11)	418
<b>Total Restricted Funds</b>	<b>4,393</b>	<b>512</b>	<b>(336)</b>	<b>(262)</b>	<b>4,307</b>
<b>Endowment Funds</b>					
Dugdale Bequest	134	3	(5)	(8)	124
<b>Total Funds</b>	<b>52,245</b>	<b>4,513</b>	<b>(4,104)</b>	<b>(453)</b>	<b>52,201</b>
<b>b)Prior period (as restated)</b>	<b>1 November 2016 £000</b>	<b>Income (as restated) £000</b>	<b>Expenditure (as restated) £000</b>	<b>Investment Gains/(Losses) &amp; Transfers (as restated) £000</b>	<b>31 October 2017 (as restated) £000</b>
<b>Unrestricted Funds:</b>					
Designated Reserves	5,741	3,983	(3,668)	219	6,275
Fixed Asset Fund	34,731	-	-	6,798	41,529
Less: Pension Reserve liability	(97)	-	-	11	(86)
<b>Total Unrestricted Funds</b>	<b>40,375</b>	<b>3,983</b>	<b>(3,668)</b>	<b>7,028</b>	<b>47,718</b>
<b>Restricted Funds:</b>					
Benevolent Fund	2,768	64	(38)	350	3,144
Regimental Grants Fund	421	115	(68)	-	468
Light Cavalry	180	164	(174)	-	170
Pikemen & Musketeers	164	54	(31)	-	187
Other Restricted Funds	407	5	(5)	17	424
<b>Total Restricted Funds</b>	<b>3,940</b>	<b>402</b>	<b>(316)</b>	<b>367</b>	<b>4,393</b>
<b>Endowment Funds</b>					
Dugdale Bequest	136	3	(18)	13	134
<b>Total Funds</b>	<b>44,451</b>	<b>4,388</b>	<b>(4,002)</b>	<b>7,408</b>	<b>52,245</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2018 (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 2018 this reserve had a balance of £1,555k.

**Medium Term Reserve** – This is the cash balance required to fund the Capital Expenditure for the next 5 years as set out in the latest 10 Year Business Plan plus the outstanding AIB Loan liability. As at 31 October 2018 this reserve had a balance of £1,475k.

**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 2018 this reserve had a balance of £3,027k.

**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. The external borrowings and interest to the value of £243k (2017: £300k) have been offset against this fund.

### Restricted Funds:

**Benevolent Fund** – The value of this fund increased during the current year mainly due to its dividend income being reinvested, and investment gains. 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. £4k was distributed in the year (2017: £nil).



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

18.	Analysis of Group net assets between Funds – 2018	Tangible and Intangible Fixed Assets	Investments	Current Assets	Liabilities	Total 2018
		£000	£000	£000	£000	£000
	<b>Unrestricted Funds</b>					
	Designated Reserves	-	2,731	4,435	(1109)	6,057
	Fixed Asset Fund	42,046	-	-	(243)	41,803
	Less: Pension Reserve liability	-	-	-	(90)	(90)
	<b>Total Unrestricted Funds</b>	<b>42,046</b>	<b>2,731</b>	<b>4,435</b>	<b>(1,442)</b>	<b>47,770</b>
	<b>Restricted Funds</b>					
	Benevolent Fund	-	2,930	22	(22)	2,930
	Regimental Grants Fund	-	-	514	-	514
	Light Cavalry	11	-	158	(4)	165
	Pikemen & Musketeers	1	-	287	(8)	280
	Other Restricted Funds	139	163	126	(10)	418
	<b>Total Restricted Funds</b>	<b>151</b>	<b>3,093</b>	<b>1,107</b>	<b>(44)</b>	<b>4,307</b>
	<b>Endowment Funds</b>					
	Dugdale Bequest	-	124	6	(6)	124
	<b>Total Funds</b>	<b>42,197</b>	<b>5,948</b>	<b>5,548</b>	<b>(1,492)</b>	<b>52,201</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 2018 the amount owing to Restricted Funds by the Unrestricted Funds, was £741k (2017: £703k).

Analysis of Group net assets between Funds – 2017 (as restated)	Tangible Fixed Assets	Investments	Current Assets	Liabilities (as restated)	Total 2017 (as restated)
	£000	£000	£000	£000	£000
<b>Unrestricted Funds</b>					
Designated Reserves	-	2,936	4,323	(984)	6,275
Fixed Asset Fund	41,829	-	-	(300)	41,529
Less: Pension Reserve liability	-	-	-	(86)	(86)
<b>Total Unrestricted Funds</b>	<b>41,829</b>	<b>2,936</b>	<b>4,323</b>	<b>(1,370)</b>	<b>47,718</b>
<b>Restricted Funds</b>					
Benevolent Fund	-	3,135	9	-	3,144
Regimental Grants Fund	-	-	468	-	468
Light Cavalry	11	-	176	(17)	170
Pikemen & Musketeers	1	-	207	(21)	187
Other Restricted Funds	193	176	118	(63)	424
<b>Total Restricted Funds</b>	<b>205</b>	<b>3,311</b>	<b>978</b>	<b>(101)</b>	<b>4,393</b>
<b>Endowment Funds</b>					
Dugdale Bequest	-	133	1	-	134
<b>Total Funds</b>	<b>42,034</b>	<b>6,380</b>	<b>5,302</b>	<b>(1,471)</b>	<b>52,245</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2018 (cont'd)**

<b>19. Payroll costs</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
HAC salaries (excl. Er's NI, pensioners & contract staff)	909	867
HAC employer's National Insurance	94	88
HAC emoluments (excluding pensioners & contract staff)	<b>1003</b>	<b>955</b>
Light Cavalry salaries (excl. Er's NI)	63	56
Light Cavalry employer's National Insurance	5	4
Light Cavalry emoluments	68	<b>60</b>
Pensions paid	<b>12</b>	<b>11</b>
	<b>2018</b>	<b>2017</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	2	2
Number of employees earning between £60k and £70k	2	2
Number of employees earning between £70k and £80k	1	0
Number of employees earning between £100k and £110k	0	1
Number of employees earning between £110k and £120k	1	0

The highest paid employee received employer pension scheme contributions of £12,744 (2017: £39,524).

The remuneration of the 5 Key management personnel totalled £376,669 (2017: £313,885). Their employer pension contributions were £38,084 (2017: £53,232).

**20. Capital commitments**

The company had capital commitments as at 31 October 2018 totalling £nil (2017: £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 £261k (2017: £70k) by way of professional fees.

**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 2018.

Two Trustees (2017: 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Year ended 31 October 2018 (cont'd)**

Expenses totalling £973 (2017: £796) were claimed by Colonel The Honourable M Vincent in his role as a Trustee for attending Court and other meetings at Armoury House.

Expenses totalling £207 (2017: £nil) were claimed by Colonel M Wood in his role as a Trustee for attending Court and other meetings at Armoury House.

Fees totalling £2,307 were charged to the Company by Major Charles Marment, a Trustee, for services as Secretary to the HAC Regimental Council (2017: £3,438 by Lt Colonel JR Longbottom MBE and Major Charles Marment).

The Commanding Officer of the Regiment, who is also a Trustee of the Company, is provided with accommodation and also has exclusive discretion over the application of the Active Unit Grant, which is one of the 30 grants to the Regiment and Sub Units included in Note 8. The Active Unit Grant amounted to £86k for the year ended 31 October 2018 (2017: £86k).

### **22. Prior Year adjustment**

As at 31 October 2017 event and room hire bookings in advance in a subsidiary company, totalling £97,412, were incorrectly included within turnover for the year ended 31 October 2017 rather than being correctly deferred to the following financial year. The effect on the 31 October 2017 consolidated results was that income was overstated and deferred income was understated by that amount. Correspondingly, the amount distributed via gift aid to the Company by its subsidiaries was overstated and the amount owed to the Company by its subsidiaries was also overstated.

### **23. Post Balance Sheet event**

Since the year end the Company has received a net payment of £1.8m from a developer of a neighbouring property as part of their development agreement.